

31 January 2024

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 DECEMBER 2023

Operational highlights:

- **Successful completion of the third pilot production spin for ‘Forest-Friendly’ Nullarbor™ and Nufolium™ lyocell fibres, with development partner Birla Cellulose**
- **Key objectives of the third pilot spin were achieved, with an expanded production run of over half a tonne of fibre and the first production batch of fibre for nonwoven applications such as wipes, opening up a potentially significant new addressable market**
- **Nullarbor-20™ fibre from the third pilot spin is expected to be shipped to customer in early February;**
- **Approval granted from the Europe Patent Office with respect to Nanollose’s original wet-gel JelliGrow™ seed raising formulation; expands the Company’s global IP portfolio and strengthens protection for its horticultural products in key global markets**
- **Ongoing testing and optimisation studies for the application of MicroGel™, in collaboration with Greenspace – a leading Australian ag-tech firm specialising in commercial microgreen production**
- **Strategic share placement to raise \$250,000 from sophisticated investors, along with a Share Purchase Plan to raise up to a further \$500,000 (before costs)**

Outlook and key objectives:

- **Continued development of commercial pathway for MicroGel™, where commercial trials in partnership with Greenspace are ongoing, and the Company continues to field significant interest from growers and retailers both domestically and internationally**
- **Convert extensive pilot testing for Nullarbor™ fibre technology into commercialisation, with the ongoing expansion of production capacity alongside commercial agreements with partners and fashion brands**

Nanollose Limited (ASX:NC6) (“Nanollose”, the “Company”), a leading biomaterials 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 31 December 2023 (“quarter”, “reporting period”).

Management commentary

Executive Chairman Dr Wayne Best said: *“The December quarter marked another period of exciting progress for Nanollose, across both product development as well as our commercialisation objectives. The Company’s extensive R&D partnership with Birla Cellulose continues to yield strong results, with the successful execution of a third pilot production spin which met our key objectives – most notably an expanded production capacity and the introduction of Nufolium™ which opens up an exciting new addressable market. Concurrently, activity is accelerating with respect to our Biollose™ technology and its range of exciting use-cases in the rapidly growing commercial soilless horticulture sector – reflected in both our ongoing commercial partnership with Greenspace and the level of interest from the industry more broadly. It means that heading into 2024, Nanollose is positioned with several tangible commercial pathways across our product suite. We look forward to providing more updates on both R&D and expanded product rollouts in the coming months.”*

Operational overview:

During the quarter, Nanollose continued to advance the development of its MicroGel™ technology in collaboration with commercial partner Greenspace – a leading Australian smart-farming and microgreen production company¹. Internationally, the Company secured patent approval from the Europe Patent Office for technology covering its original wet-gel JelliGrow™ formulation, strengthening the global pathway to approval for its newly developed Biollose™ technology suite (refer ASX Announcement 15 May 2023), which includes MicroGel™.

Also during the quarter, Nanollose completed the third pilot production of its ‘Forest-Friendly’ Nullarbor™ and Nufolium™ lyocell fibres, with development partner Birla Cellulose. The third spin achieved several key performance milestones with over a half tonne of fibre produced. The Company is finalising logistics for customer shipments which are expected to be completed in the coming days.

Nullarbor™ technology

In early December, Nanollose announced it had successfully completed the third pilot production of its ‘Forest-Friendly’ Nullarbor™ and Nufolium™ lyocell fibres, with development partner Birla Cellulose (refer ASX Announcement 6 December 2023). The third spin was the largest carried out to-date and achieved its targeted volume objectives by producing over half a tonne of Nullarbor-20 and Nufolium-20 - proprietary blends of 20% microbial cellulose and 80% FSC certified wood pulp.

As well as increasing the scale of Nullarbor fibre production, the third spin also produced the first batch of Nufolium fibre for use in nonwoven applications such as wipes. The 110kg of Nufolium-20 fibre was made specifically for the Codi Group, Europe’s largest producer of wet wipes, with whom Nanollose has a cooperation agreement.

Nanollose is now in the latter stages of finalising the logistics to ship Nullarbor-20 from the third spin to an overseas partner and expects this to be completed in early February. Leading Australian luxury fashion brand, Lee Mathews, have also finalised the selection of their favoured fabric construction from the various samples provided by Paradise Textiles (refer ASX Announcement 6 December 2023). Around 90kg of Nullarbor-20 from the second spin is now scheduled to be converted into this fabric for Lee Mathews by the end of March. This will be used for a small capsule collection which is expected to represent the first commercially available garments made from Nullarbor fibres.

¹ <https://www.afr.com/companies/agriculture/urban-farmer-makes-use-of-vacant-cbd-space-20231114-p5ejwo>

Biollose™ technology

Elsewhere during the quarter, Nanollose consolidated its global intellectual property (IP) portfolio with confirmation of approval from the Europe Patent Office for its application titled ‘Plant Growth Media and Method for Making Same’

The patent covers Nanollose’s original wet-gel JelliGrow™ seed raising formulation, and the successful application marks Nanollose’s first patent approval in Europe to complement existing patents that were granted for this technology in China and Japan.

Patent approval in Europe for the JelliGrow™ formulation also strengthens the pathway to approval for the more recently developed Biollose™ technology, which has a similar technical profile to JelliGrow™ but with an expanded range of applications. Patent application for the Company’s improved Biollose™ formulation was filed in Australia in May 2023 and will be extended to other major markets in due course.

Also during the quarter, Nanollose continued to optimise the initial batch of MicroGel™ that was supplied to Greenspace for pilot testing in October 2023. Initial testing on the first pilot batch highlighted a minor modification was required to the production process.

A second pilot batch incorporating this modification was made in early November and a 5kg portion was delivered to Greenspace for commercial trials in January 2024, following successful customs clearance.

The Company has continued to field a high level of interest for MicroGel™ from Australian and overseas growers and retailers. Nanollose is in the process of providing samples to many of these parties and has already dispatched samples to companies in Australia and North America. The Company looks forward to launching a dedicated website for Biollose in the coming days.

In anticipation of increased demand, Nanollose has continued to work with its manufacturing partner, Hainan Guangyu Biotechnology, to set up capacity to increase the scale of production when required.

Corporate Overview

During the quarter, Nanollose received firm commitments for a Placement to new and existing professional, sophisticated and institutional investors to subscribe for 10,000,000 fully paid ordinary shares in the capital of the Company (Shares) at an issue price of \$0.025 per Share, together with one Attaching Option for every Share subscribed for and issued under the Placement, to raise \$250,000 (before costs). The Shares issued under the Placement will be issued pursuant to the Company’s available placement capacity under ASX Listing Rule 7.1.

In addition to the Placement, the Company offered eligible shareholders the opportunity to participate in the Company’s capital raising activities via the SPP for up to a further \$500,000 (before costs) from the issue of up to 20,000,000 Shares at an issue price of \$0.025 per Share, together with one Attaching Option for every Share subscribed for and issued under the SPP.

The SPP and the Attaching Options issued under both the Placement and the SPP were subject to Shareholder approval and were subsequently approved at a general meeting held post quarter-end on January 25, 2024.

Also during the quarter, Nanollose accepted the resignation of Mr Terence (Terry) Walsh as a Non-Executive Director of the Company. (*refer ASX Announcement 3 November 2023*).

Outlook:

During the December quarter, Nanollose continued to execute on the advancement of its extensive R&D pipeline, successfully achieving several of the targets it set out at the beginning of the quarter. With the completion of its third pilot spin and ongoing commercial trials for its MicroGel™ formulation alongside a recent capital raise, the Company has several exciting pathways to commercialisation heading into 2024. Its near-term priorities are outlined as follows:

- Continue pilot production of Nullarbor fibres with increased production volumes and frequency
- Secure formal agreements with fashion brands for supply of Nullarbor fibres and fabrics
- Commercial launch of Biollose horticultural products, including MicroGel and JelliGrow
- Design and produce prototypes of leather-like materials for fashion applications

Appendix 4C Quarterly Cash Flow:

The Company's Appendix 4C Quarterly Cash Flow Report for the quarter ended 31 December 2023 accompanies this announcement. At the end of the quarter, Nanollose had a cash balance of \$703,000.

The Company continued diligent cash management, expending a gross total of \$330,000 on the operations of the Company, and receiving a total of \$283,000. Expenditure comprised of R&D (\$131,000), advertising and marketing (\$37,000), staff costs (\$15,000), administrative and corporate costs (\$147,000). Cash receipts were comprised of a government R&D rebate (\$280,000), interest (\$2,000), and receipts from customers (\$1,000). The payments included at section 6.1 of the attached Appendix 4C relate to Executive Directors' Salaries (\$6,000), Non-Executive Director Fees (\$22,000), and Company Secretary, Accounting and Office Fees (\$17,000).

[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, MicroGel™ 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.

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 December 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1	3
1.2 Payments for		
(a) research and development	(131)	(314)
(b) product manufacturing and operating costs	0	0
(c) advertising and marketing	(37)	(70)
(d) leased assets	0	0
(e) staff costs	(15)	(38)
(f) administration and corporate costs	(147)	(238)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	2	3
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)	280	280
1.8 Other	0	0
1.9 Net cash from / (used in) operating activities	(47)	(374)

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
(e) intellectual property	0	0

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(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)	250	250
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	(17)	(17)
3.5 Proceeds from borrowings	300	300
3.6 Repayment of borrowings	0	0
3.7 Transaction costs related to loans and borrowings	(16)	(16)
3.8 Dividends paid	0	0
3.9 Other (provide details if material)	0	0
3.10 Net cash from / (used in) financing activities	517	517

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	233	544
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(47)	(374)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	0	16

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	517	517
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	Cash and cash equivalents at end of period	703	703

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	683	213
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)	703	233

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	45
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 (\$6,000), Non-Executive Director Fees (\$22,000), Company Secretary, Accounting and Office Fees (\$17,000)	

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	300	300
7.2 Credit standby arrangements	0	0
7.3 Other (please specify)	0	0
7.4 Total financing facilities	300	300
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.		
The company has secured a loan facility of \$300,000 with an annual interest rate of 16%. The lender is Innovative Technology Funding Pty Ltd. The loan is secured against the R&D rebate.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(47)
8.2 Cash and cash equivalents at quarter end (item 4.6)	703
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	703
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	14.96
<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: N/A	
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: N/A	
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: N/A	
<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 January 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.