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ASX Release

29/10/2020

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2020

Operational Highlights

- **Physical attendance by the scientific team at Grasim Industries' Pulp and Fibre Innovation Centre in Taloja has recently recommenced, with work on the Collaboration Agreement now continuing at an accelerated rate.**
- **During the lockdown periods, Nanollose continued to advance the Collaboration Agreement with Grasim through the exchange of key technical information.**
- **Nanollose made a $200,000 strategic investment to acquire a 20% holding in CelluAir, an Australian company developing an Advanced Filtration Technology based on nanocellulose.**
- **Hainan Yeguo Foods have returned to normal capacity following Covid-19 disruptions and are working with Nanollose to contribute to scale up efforts of microbial cellulose to support fibre trials at Grasim Industries.**
- **The Company continued to progress its intellectual property portfolio of patents and trademarks, with its second patent now in the National Phase of approval.**

Corporate Highlights

- **Successful placement raising $660,000, with 12,000,000 new fully paid ordinary shares issued at a price of $0.055 to sophisticated and professional investors, with net proceeds from the Placement to be used for the acquisition of Nanollose's interest in CelluAir and for working capital purposes.**
- **To preserve capital, the Company's directors continued to take a reduction in cash remuneration over the Quarter, with other cost savings also implemented, resulting in $354,000 net cash used during the Reporting Period.**

2021 Objectives

- **Production of tonne quantities of Microbial Cellulose, which will be shipped to Grasim's R&D facility, to further optimise production processes.**
- **Deliver larger commercial quantities of Microbial Cellulose to Grasim, to facilitate the production of nullarbor™ fibre for commercial offerings.**
- **Product trials with leading global brands in the fashion and apparel industry.**
- **Product trials to commence in nonwoven sector as the Company seeks to commercialise nufolium™ for nonwoven fibre applications, including personal wipes, which is a high growth market.**

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Commenting on the Quarter, Nanollose CEO, Alfie Germano, said: "Notwithstanding an extended temporary lockdown period in India, Grasim has continued to demonstrate its ongoing commitment to the Collaboration Agreement, with both Nanollose and Grasim continuing to progress its research and development efforts during the lockdown period through the exchange of key technical information. With lockdown restrictions now easing in India, the Company continues to be encouraged by Grasim's enthusiasm to progress the Collaboration Agreement, with the Grasim scientific team now physically attending the Pulp and Fibre Innovation Centre in Taloja, and accelerating the project."

"During the Reporting Period, Nanollose also made a strategic $200,000 investment into CelluAir, an Australian company developing an Advanced Filtration Technology ("AFT") based on nanocellulose. Strong synergies exist between the two companies, and we believe in the potential of nanocellulose across multiple industries and applications. We thank shareholders for their support to date and look forward to updating the market in due course."

Nanollose Limited (ASX:NC6) ("Nanollose" or the **"Company")** a leading biotechnology company commercialising scalable technology to create fibres and fabrics with minimal environmental impact, is pleased to provide shareholders and investors with an overview of activities to accompany the Appendix 4C, for the period ending 30 September 2020 ("**Quarter**", "**Reporting Period**").

Operational

Grasim Collaboration Agreement

Nanollose is pleased to advise, that following a lockdown of several months in India due to Covid-19, physical attendance by the scientific team at Grasim Industries' Pulp and Fibre Innovation Centre in Taloja has recently recommenced, with work on the Collaboration Agreement now continuing at an accelerated rate.

Prior to the temporary lock down periods in India being lifted, Nanollose continued to advance the Collaboration Agreement with Grasim through the exchange of technical information and further development at the Company's Western Australia facilities.

In addition, Nanollose continued to explore an alternative waste stream sourced from several local companies in WA, for its potential to produce Microbial Cellulose, with encouraging early results.

As announced on 30 January 2020, Nanollose signed a Collaboration Agreement with Grasim, a company belonging to global conglomerate, Aditya Birla Group, one of the world's largest man-made cellulosic fibre producers, to exclusively develop, and commercialise Nanollose's Tree-Free fibres including nullarbor™ and nufolium™.

The Collaboration Agreement provides Nanollose with a world class and globally recognised industrial partner, with the ability to accelerate development, commercialisation and provide a manufacturing foundation for future textile and clothing brands that uptake Nanollose's Tree-Free fibres. Grasim, as an industrial fibre manufacturer, was the final missing link required to complete Nanollose's waste to textile value chain.

Strategic Investment in Advanced Filtration Technology Company

During the September Quarter, Nanollose made a $200,000 strategic investment to acquire a 20% holding in CelluAir ("Investment"), an Australian company developing an Advanced Filtration Technology ("AFT") based on nanocellulose.

Developed by Queensland University of Technology, the AFT has been developed and validated over a number of years, culminating in the filing of a provisional patent application in July 2020.

Capital from the Investment will be used to scale the AFT using off-the-shelf commercial equipment, in addition to commencing discussions with potential sales partners and distribution channels in

Australia and internationally. The Investment potentially enables Nanollose to enter the high growth personal protective equipment market, within which the face mask sector alone has reached US$11b in 2020, with strong growth forecast[1].

The AFT and CelluAir are being incubated by Innovyz, the commercialisation specialists responsible for developing and listing Titomic Limited (ASX:TTT) and Amaero International Limited (ASX:3DA). Strong working synergies exist between the companies, with the opportunity for Nanollose to supply microbial cellulose and expertise in nanocellulose to CelluAir, assisting in the commercialisation of the technology.

CelluAir has an experienced and dedicated management team, who are focused on the development of this asset, enabling NC6 management to continue to prioritise its proprietary Tree-Free fibres.

Microbial Cellulose Supplier - Hainan Yeguo Foods Co., Ltd

Hainan Yeguo Foods have returned to normal capacity following Covid-19 disruptions and are working with Nanollose to contribute to scale up efforts of microbial cellulose to support fibre spinning trials at Grasim Industries.

On 1 May 2019, the Company entered a Supply and Purchase Agreement with Hainan Yeguo Foods, that allows Nanollose to achieve a consistent supply of microbial cellulose for the development and commercialisation of its nullarbor™ fibre.

Hainan Yeguo Foods is a leading coconut processing pioneer and innovator with numerous patents in both the fermentation of nata de coco and engineering for raw material processing at scale, and is one of the world's largest manufacturers of nata de coco products.

Intellectual Property

Nanollose progressed its intellectual property portfolio of patents and trademarks during the Reporting Period, with its second patent application completing the National Phase filing (the last stage prior to examination and grant). The application entitled "Methods for producing a viscose dope from microbial cellulose" has now been filed in a number of key markets, including the USA, Canada, Australia, India, China, Japan, and in numerous European countries via the European Patent Convention.

Corporate

Reduced Directors Fees to Preserve Capital

Effective 1 May 2020, to preserve the Company's capital, Nanollose's three non-executive directors took 20% of their fees as equity in lieu of cash, with the two executive directors also taking a reduction in cash remuneration and other cost savings also implemented. These reductions in remuneration continued during the September Quarter, resulting in $354,000 Net Cash used, inclusive of additional expenditure on R&D and commercial development.

Successful Placement

During the Reporting Period, the Company announced that it has agreed terms to issue 12,000,000 new fully paid ordinary shares at an issue price of $0.055 ("**New Shares**") via a placement to sophisticated and professional investors introduced by PAC Partners Securities Pty Ltd to raise $660,000 before costs ("**Placement**").

Net proceeds from the Placement were used by the Company for the acquisition of its interest in CelluAir, and will also be used for working capital purposes and the costs of the offer.

[1] https:/ /www. prnewswire.com/news-releases/face-mask-market-size-to-reach-revenues-of-over-20-billion-by-2025--arizton-301096977.html

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2021 Objectives

As Nanollose continues to progress towards the commercialisation of its revolutionary Tree-Free Fibres, there are several key milestones that the Company aims to achieve during 2021.

- Completion of production of 1 tonne of Microbial Cellulose, which will be shipped to Grasim's R&D facility, to further optimise production processes.
- Deliver larger commercial quantities of Microbial Cellulose to Grasim, to facilitate the production of nullarbor™ fibre for commercial offerings.
- Commence product trials with leading global brands in the fashion and apparel industry.
- Product trials to commence in nonwoven sector as the Company seeks to commercialise nufolium™ for nonwoven fibre applications, including personal wipes, a high growth market.
- Continue to progress the intellectual property portfolio of patents and trademarks.

[ENDS]

AUTHORITY AND CONTACT DETAILS

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

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ABOUT NANOLLOSE

Nanollose Limited (ASX: NC6) is a leading biotechnology Company commercialising scalable technology to create fibres with minimal environmental impact. Nanollose uses an 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 polymer building block most consumers know nothing about, but forms a huge part of items used in their everyday life such as clothing, paper and hygiene products.

ABOUT GRASIM INDUSTRIES LIMITED

Grasim Industries Limited is a formidable manufacturing company and is the flagship company of US$48.3 Billion Aditya Birla Group, a global conglomerate and ranks amongst the top publicly listed companies in India. Aditya Birla Group operates in 36 countries with more than 120,000 employees worldwide, and is a leading global producer of Viscose and Lyocell fibre for a vast range of sectors

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that include textiles for apparel and nonwoven applications. Along with extensive R&D and pilot facilities, Grasim has four large-scale fibre manufacturing plants in India with a combined production capacity of 566 kilo tonnes per annum. Their fibres are used in over 29 million garments across 30 brands each year featuring the LIVA tag.

The organisation has made many transformative strides in responsible sourcing and fibre development to align with Grasim's commitment to circularity and goal of developing solutions that increase the use of recycled content and decrease the dependency on wood. Most recently, Grasim was elevated to a "light green shirt" ranking on Canopy's hot button report, making it one of the only two global viscose producers that have this status and achieved a manufacturing breakthrough of using pre-consumer cotton fabric waste as a feedstock.

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Appendix 4C

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

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Name of entity	
Nanollose Limited	
ABN	**Quarter ended ("current quarter")**
13 601 676 377	30 September 2020

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	(203)	(203)
	(b) product manufacturing and operating costs	0	0
	(c) advertising and marketing	(46)	(46)
	(d) leased assets	0	0
	(e) staff costs	(19)	(19)
	(f) administration and corporate costs	(123)	(123)
1.3	Dividends received (see note 3)	0	0
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid	(1)	(1)
1.6	Income taxes paid	0	0
1.7	Government grants and tax incentives	0	0
1.8	Other (Covid 19 Cash Flow Boost)	37	37
1.9	**Net cash from / (used in) operating activities**	**(354)**	**(354)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	0	0
	(b) businesses	0	0
	(c) property, plant and equipment	(12)	(12)
	(d) investments	0	0
	(e) intellectual property	0	0
	(f) other non-current assets	0	0

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 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**	**(12)**	**(12)**

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	(1)	(1)
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**	**(1)**	**(1)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	835	835
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(354)	(354)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(12)	(12)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1)	(1)
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of period**	**468**	**468**

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	98	265
5.2	Call deposits	370	570
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)**	**468**	**835**

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	178
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0

Payments at section 6.1 relate to Executive Directors' Salaries ($75,000), Non-Executive Director Fees ($27,000), Company Secretary, Accounting and Office Fees ($31,000) and Contract Research Fees ($45,000).

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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)	(354)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	468
8.3	Unused finance facilities available at quarter end (Item 7.5)	0
8.4	Total available funding (Item 8.2 + Item 8.3)	468
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	1.32

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: Yes, a placement of 12,000,000 shares at $0.055 to sophisticated investors was completed on 06/10/20. $660,000 cash consideration was raised.

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, as per 2 above.

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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: 29 October 2020
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Authorised by: The Board of Directors
.....
(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.

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