

**NANOLLOSE LIMITED
(ACN 601 676 377)**

ENTITLEMENT OPTIONS ISSUE PROSPECTUS

For the offer of a pro-rata non-renounceable entitlement issue of up to approximately 18,749,999 Entitlement Options, on the basis of 1 Entitlement Option for every 4 Shares held by Eligible Shareholders at an issue price of 1 cent per Entitlement Option, to raise up to approximately \$187,500

Offer closes at 5:00pm WST on 18 May 2018

This document is a transaction specific prospectus issued in accordance with section 713 of the Corporations Act. This Prospectus contains important information about the Offer. You should read the entire document including the Entitlement and Acceptance Form. If after reading this Prospectus you have any questions about the Offer or this Prospectus, you should speak to your professional adviser.

The Entitlement Options offered by this Prospectus should be considered highly speculative.

IMPORTANT NOTICE

This Prospectus is dated 16 April 2018 and was lodged with ASIC on that date. Neither ASIC, ASX nor any of their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Certain terms and abbreviations used in this Prospectus have defined meanings, which are explained in the Glossary. In this Prospectus, the words "we", "our" and "us" refer to the Company. The words "you" or "your" refer to Shareholders.

No securities will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. Application for quotation of the Entitlement Options will be made to ASX within 7 days after the date of this Prospectus.

We are an ASX listed company whose securities are granted official quotation by ASX. In preparing this Prospectus regard has been had to the fact that we are a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and professional advisers who investors may consult.

No person is authorised to give any information or to make any representations in connection with this Offer that is not contained in this Prospectus. Any information or representation that is not contained in this Prospectus may not be relied upon as having been authorised by the Directors or by us.

Restrictions on distribution

The Offer is made in Australia and New Zealand only. This Prospectus does not constitute an offer in any overseas jurisdiction where it would be unlawful to make the Offer. You must ensure compliance with all laws of any country relevant to your Application. We will take the return of a duly completed Entitlement and Acceptance Form as a representation by you that there has been no breach of any laws and that you are an Eligible Shareholder.

The Corporations Act prohibits any person passing on to another person an application form unless it is accompanied by or included in a hard copy, or the complete and unaltered electronic version of this Prospectus. Please contact us if you wish to obtain a hard copy of this Prospectus free of charge.

A copy of this Prospectus can be downloaded from our website at www.nanollose.com. If you access the electronic version of this Prospectus you should ensure that you download and read the entire Prospectus. The electronic version of this Prospectus is only available to Australian residents.

CORPORATE DIRECTORY

DIRECTORS

Dr Wayne Best (Executive Chairman)
Mr Raffaele (Alfie) Germano (Managing Director)
Mr Gary Cass (Non-Executive Director)
Mr Winton Willesee (Non-Executive Director)
Mr Terence Walsh (Non-Executive Director)

COMPANY SECRETARY

Miss Erlyn Dale

REGISTERED OFFICE

Suite 5, CPC
145 Stirling Highway
Nedlands, Western Australia, 6009
Tel: +61 8 9389 3120
www.nanollose.com

SOLICITORS

Fairweather Corporate Lawyers
595 Stirling Highway
Cottesloe WA 6011

SHARE REGISTRY *

Automic Registry Services
Level 2, 267 St George's Terrace
Perth, Western Australia, 6000
Tel: +61 1300 288 664
(within Australia)

* The name of the Share Registry is included for information purposes only. It has not been involved in the preparation of any part of this Prospectus and has not consented to being named in the Prospectus.

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1. INVESTMENT OVERVIEW

Question	Response	Where to find more information
What is the Offer?	<p>As disclosed in the Company's IPO prospectus dated 21 August 2107, the Company is offering to issue Entitlement Options to Eligible Shareholders by a pro-rata non-renounceable entitlement issue.</p> <p>Under the Offer, Eligible Shareholders may subscribe for 1 Entitlement Option for every 4 Shares held on the Record Date.</p>	Section 2.1
What is the Issue Price for the Entitlement Options?	The Issue Price is 1 cent per Entitlement Option.	Section 2.1
What are the terms of the Entitlement Options?	The Entitlement Options have an exercise price of 30 cents and an expiry date of 31 December 2020. The Company will apply for quotation of the Options on ASX. The full terms of the Entitlement Options are set out in Section 5.1.	Section 5.1
Who is an Eligible Shareholder?	The Offer is made to Eligible Shareholders only. An Eligible Shareholder is a Shareholder with a registered address in Australia or New Zealand on the Record Date.	Section 4.1(a)
How many Entitlement Options will be issued?	<p>At the date of this Prospectus, the maximum number of Entitlement Options that may be issued under the Offer is approximately 18,749,999.</p> <p>This may vary if existing Option holders exercise their Options before the Record Date to participate in the Offer.</p>	Section 2.1
What is the amount that will be raised under the Offer?	<p>As at the date of this Prospectus, the maximum amount that may be raised under the Offer is approximately \$187,500 before expenses (representing the issue of 18,749,999 Entitlement Options at an Issue price of 1 cent per Entitlement Option).</p> <p>This may vary if existing Option holders exercise their Options before the Record Date to participate in the Offer.</p>	Section 2.1
What is the purpose of the Offer?	The purpose of the Offer is to raise funds to be used as additional working capital for the Company and to meet Offer expenses of approximately \$20,000.	Section 2.2

Question	Response	Where to find more information
<p>What is the effect of the Offer on capital and cash reserves?</p>	<p>The effect of the Offer is to:</p> <ul style="list-style-type: none"> • Increase the number of Options on issue. • Increase our cash reserves by up to approximately \$187,500 before the expenses of the Offer. 	<p>Section 2.3</p>
<p>What are the key risks of a further investment in the Company?</p>	<p>The Offer should be considered highly speculative. Before deciding to subscribe under the Offer, you should consider the risk factors set out in this Prospectus and all other relevant material including our public announcements and reports. Some of the specific risks relevant to an investment in the Company are:</p> <p>Intellectual property risk</p> <p>The success of the Technologies depends in part on the Company's ability to obtain patents without infringing the proprietary rights of others. The strength of patents involves complex legal and scientific questions and can be uncertain. There can be no assurance that any patents granted will afford the Company commercially significant protection of the Technologies or that competitors or other parties will not develop competing technologies that circumvents such patents.</p> <p>Technology development risk</p> <p>The Company is an early stage company with intellectual property rights to the Technologies. Continued research and development is of innovative, new and unproven Technologies. There is a risk that development will not progress as planned and may encounter delays. A significant risk is whether the Company can develop the Technologies and move to commercial licensing and/or production.</p> <p>Commercialisation risk</p> <p>A significant risk is whether the Company can commercialise the Technologies. This requires successful technology development, a reliable supply of raw materials at scale and commercial development such as customer engagement and marketing. A failure to achieve commercialisation of the Technologies will have a significant adverse impact on the Company's business model, operating results and financial position.</p> <p>Future funding Needs</p> <p>The Company has yet to commercialise the Technologies and has not generated any material revenue or any profits. The Company will depend on the availability of investor funds until the</p>	<p>Section 3</p>

Question	Response	Where to find more information
	<p>Company generates cash flows from successful commercialisation of the Technologies. No assurance can be given that future funding for further development of the Technologies will be made available on acceptable terms (if at all). If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its expansion and development programs as the case may be.</p> <p>Licensing, supply or service contracts and customer engagement</p> <p>To successfully commercialise the Technologies, the Company will look to licence its Technologies to customers to generate revenue and this will require customer engagement and the execution of relevant contracts. Given the Company is at an early stage, it does not currently have any paying customers.</p> <p>Reliance on key personnel</p> <p>The Company's prospects depend in part on the ability of management to advance the Technologies. Loss of key personnel may have an adverse impact on the Company's performance.</p>	
<p>How do I accept my Entitlement under the Offer?</p>	<p>All Eligible Shareholders are entitled to subscribe for Entitlement Options under the Offer. If you wish to make an Application in respect of your Entitlement, you must complete the Entitlement and Acceptance Form that accompanies this Prospectus.</p> <p>You may accept all or part of your Entitlement.</p> <p>If you do not wish to take up any of your Entitlement, you do not need to take any action and your Entitlement will lapse.</p>	<p>Section 4.2(a)</p>
<p>What will happen to Excluded Shareholders?</p>	<p>The Offer is not extended to Excluded Shareholders (any Shareholder whose registered address on the Record Date is not situated in Australia or New Zealand).</p>	<p>Section 4.2(b)</p>
<p>Is the Offer underwritten?</p>	<p>The Offer is not underwritten. Any Entitlement not accepted will form the Shortfall.</p>	<p>Section 4.1</p>
<p>How will Shortfall be allocated?</p>	<p>Any Entitlement not accepted will form the Shortfall.</p> <p>The Directors reserve the right within 3 months of the Closing Date, to issue the Shortfall at the discretion of the Directors on the same terms as being offered to Eligible Shareholders under this Prospectus.</p>	<p>Section 4.4</p>
<p>What is the</p>	<p>The Entitlement Options have no participating rights or</p>	<p>Section 2.6</p>

Question	Response	Where to find more information
effect of the Offer on control of the Company?	<p>entitlements until exercised. It is only upon exercise of the Entitlement Options and the issue of Shares that rights such as voting rights arise.</p> <p>The effect of the Offer on the capital structure is set out in Section 2.4. If all the Entitlement Options are issued under the Offer they will represent approximately 15.45% of the capital of the Company on a fully diluted basis (assuming other existing Options are exercised and Performance Rights are converted) at the date of this Prospectus.</p> <p>By reason of the above and the Offer being on a pro-rata non-renounceable basis, the Offer should not have a material effect on the control of the Company.</p>	
What are the key dates of the Offer?	<p>Prospectus lodged with ASIC and ASX</p> <p>Appendix 3B lodged with ASX</p> <p>Notice sent to Optionholders</p> <p>Notice sent to Shareholders</p> <p>"Ex" date (date from which Entitlement Options trade on ASX without the entitlement to participate in the Offer)</p> <p>Record Date (to determine eligibility of Shareholders to participate in the Offer)</p> <p>Anticipated despatch of Prospectus and Entitlement and Acceptance Forms to Eligible Shareholders/ Opening Date</p> <p>Closing Date</p> <p>Securities quoted on a deferred settlement basis</p> <p>ASX notified of under-subscriptions</p> <p>Issue date</p> <p>Deferred settlement trading ends</p> <p>Entitlement Options commence normal trading on ASX</p>	<p>16 April 2018</p> <p>16 April 2018</p> <p>16 April 2018</p> <p>18 April 2018</p> <p>19 April 2018</p> <p>20 April 2018</p> <p>26 April 2018</p> <p>18 May 2018</p> <p>21 May 2018</p> <p>23 May 2018</p> <p>25 May 2018</p> <p>25 May 2018</p> <p>28 May 2018</p>

Question	Response	Where to find more information
	<p>Please note that these dates are subject to change. We reserve the right, subject to the Corporations Act and the Listing Rules to amend the timetable at any time, and in particular, to extend the Closing Date or to withdraw the Offer without prior notice.</p>	

2. REASON FOR THE OFFER AND EFFECT ON THE COMPANY

2.1 Background

The Company is making this Offer which consists of a pro-rata non-renounceable entitlement issue to Eligible Shareholders on the basis of 1 Entitlement Option for every 4 Shares held by Eligible Shareholders on the Record Date at an issue price of 1 cent per Entitlement Option ("Offer").

The Offer will raise up to \$187,500 before expenses at Full Subscription by the issue of 18,749,999 Entitlement Options.

As at the date of this Prospectus, the Company has 74,999,993 Shares and 27,083,333 Options and 500,000 Performance Rights on issue. Option holders with an address in Australia or New Zealand may exercise their Options before the Record Date and participate in the Offer. In this event, the number of Entitlement Options to be issued under this Prospectus and the funds raised as a result of the Offer may vary.

2.2 Use of funds

The funds raised by the Offer of up to approximately \$187,500 will be used as additional working capital for the Company and also to meet Offer expenses of approximately \$20,000.

2.3 Effect on shareholders' equity and cash reserves

Assuming that all Entitlement Options offered under the Offer are issued, the principal effects of the Offer on the Company will be to:

- (a) increase the total number of Options on issue (see Section 2.4); and
- (b) increase our cash reserves by approximately \$187,500, before taking into account the expenses of the Offer (see Section 2.5).

A pro forma statement of financial position, which that contains further information about the effect of the Offer on the Company, is provided in Section 2.5.

2.4 Effect on capital structure

The effect of the Offer on the Company's capital structure at the date of the Prospectus and assuming Full Subscription is shown in the following table:

Shares¹	
Existing Shares	74,999,993
Shares issued under this Offer	0
Total Shares on issue after completion of the Offer	74,999,993
Options¹	
Series A Options (existing) ²	23,783,333
Series B Options (existing) ³	1,100,000
Series C Options (existing) ⁴	1,100,000
Series D Options (existing) ⁵	1,100,000
Entitlement Options issued under this Offer	18,749,999
Total Options on issue after completion of the Offer	45,833,332

1. In addition to Shares and Options, there are 250,000 Class A Performance Rights and 250,000 Class B Performance Rights on issue. The terms are set out in the Company's prospectus announced on ASX on 16 October 2017.
2. The Series A Options have an exercise price of 30 cents and an expiry date of 31 December 2020.
3. The Series B Options have an exercise price of 25 cents and an expiry date of 30 September 2019.
4. The Series C Options have an exercise price of 30 cents and an expiry date of 30 September 2020.
5. The Series D Options have an exercise price of 40 cents and an expiry date of 30 September 2021.

2.5 **Pro-forma statement of financial position**

To illustrate the effect of the Offer on the Company, a pro-forma balance sheet has been prepared based on the audited statement of financial position as at 31 December 2017. The pro forma balance sheet shows the effect of the Offer as if it had been made on 31 December 2017 based on the following assumptions:

- (a) The issue of 18,749,999 Entitlement Options under the Offer at an issue price of 1 cent each to raise \$187,500.
- (b) Expenses of the Offer, being approximately \$20,000.

**Statement of financial position
as at 31 December 2017**

	Audit reviewed 31 December 2017	Pro-forma adjustments	Pro-forma 31 December 2017
Assets			
Current Assets			
Cash and cash equivalents	3,802,364	167,500	3,969,864
Trade and other receivables	79,034	0	79,034
Other	9,979	0	9,979
Total current assets	3,891,377	167,500	4,058,877
Non-current assets			
Plant and equipment	24,573	0	24,573
Total non-current assets	24,573	0	24,573
Total assets	3,915,950	167,500	4,083,450
Liabilities			
Current Liabilities			
Trade and other payables	138,121	0	138,121
Provisions	3,887	0	3,887
Borrowings	0	0	0
Total current liabilities	142,008	0	142,008
Total liabilities	142,008	0	142,008
Net assets	3,773,942	167,500	3,941,442
Equity			
Issued capital	5,137,879	167,500	5,305,379
Reserves	301,268	0	301,268
Accumulated losses	(1,665,205)	0	(1,665,205)
Total equity	3,773,942	167,500	3,941,442

2.6 Potential effect on control

The Entitlement Options have no participating rights or entitlements until exercised. It is only upon exercise of the Entitlement Options and the issue of Shares that rights such as voting rights arise.

The effect of the Offer on the capital structure is set out in Section 2.4. If all the Entitlement Options are issued under the Offer they will represent approximately 15.45% of the capital of the Company on a fully diluted basis (assuming other existing Options are exercised and Performance Rights are converted) at the date of this Prospectus.

By reason of the above and the Offer being on a pro-rata non-renounceable basis, the Offer should not have any material effect on the control of the Company.

3. RISK FACTORS

3.1 Introduction

An investment in the Entitlement Options the subject of this Prospectus is highly speculative as the Company is an early stage technology company without a history of revenue generation. Careful consideration should be given to the risk factors prior to applying for Entitlement Options offered for subscription under this Prospectus. Some of these risks can be mitigated by the use of appropriate safeguards and actions, but some are outside the Company's control and cannot be mitigated. You should also consider consulting with your professional advisers before deciding whether or not to apply for Entitlement Options.

The following is a list of the material risks that may affect the financial position of the Company, the value of an investment in the Company, as well as the Company's operations. The list is set out under "Company and Industry Risks" and "General Investment Risks". The list is not an exhaustive list of risks.

3.2 Company and Industry Risks

Intellectual property risk

The success of the Technologies will depend in part on the Company's ability to obtain patents (and therefore proprietary rights) without infringing the proprietary rights of others. The Company has filed various applications. These applications do not give the Company any currently enforceable rights. Further, the Company will need to decide on jurisdictions outside Australia in which it will seek patent protection. If the patent applications are granted, the resulting patents will constitute the Company's main asset. The Company's ability to commercialise its Technologies successfully is largely dependent upon its rights to exploit the inventions and methods described in these patent applications.

There can be no assurance that the Company's patent applications will be granted. Third parties may object to the grant of the Company's patent applications on grounds which may include alleged infringement of their patents. The Company is aware of third party held patents covering intellectual property within its relevant technology development landscape but does not believe any of these patents will materially impact the Company's business plans and current technology development. However, the Company has not undertaken an exhaustive assessment of existing patents to determine any overlapping technology or potential infringement, as the costs of such would be prohibitive.

The strength of patents involves complex legal and scientific questions and can be uncertain. There can be no assurance that any patents in relation to the Technologies will afford the Company commercially significant protection of the Technologies or that competitors or other parties will not develop competing technologies that circumvents such patents or that the patents in any way support commercial viability and or competitiveness.

Technology development risk

The Company is an early stage company which has intellectual property rights to the Technologies. The Company has not licensed the Technologies or begun commercial production of any plant-free cellulose or generated any revenue. The Technologies are currently in a research and proof-of-concept phase. Continued research and development is in innovative new and unproven technology.

There is a risk with new and untested technology that development will not progress as planned and may encounter delays. The performance of plant-free cellulose in the target industries is uncertain as the technology for these products is largely untested at this stage.

A significant risk is whether the Company can develop the Technologies and move to commercial licensing and/or production. There cannot be any assurance that this will occur within the timeframes targeted or at all. This includes successful technology development and commercial development such as customer engagement and marketing. Developmental problems or delays may have an adverse impact on the Company's business model, operating results and financial position.

Commercialisation risk

There can be no assurance that the Company will successfully commercialise the Technologies in the textiles, horticulture or other industries, or if the technology is commercialised, that it will generate ongoing interest from the market.

The Company is seeking to license the Technologies to markets based on historical and existing market trends as well as creating new markets for products made from its technology. Successful commercialisation of microbial cellulose has been very limited and there can be no assurance of the continued growth in existing markets nor the new markets that the Company is seeking to supply will develop as targeted.

A specific risk for the Technologies that are successfully commercialised is the need to be commercially competitive in the global markets it targets as an alternative to plant-based cellulose. This risk to be commercially competitive may limit and restrict the global markets size and or applications particularly in the industrial segment.

Another specific risk for the Technologies that are successfully commercialised is the availability of reliable raw materials in adequate supply. The Company will need to rely on the uptake of its licensed technology by global partners who have the capability and commercial incentive to produce, or procure production, of the raw materials at industrial scale.

Future funding needs

The Company has yet to commercialise the Technologies and has not as yet generated any material revenue or any profits. The Company will depend on the availability of investor funds until the Company generates cash flows from successful commercialisation of the Technologies. No assurance can be given that future funding for further development activities will be made available on acceptance terms (if at all). If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its expansion and development programs as the case may be.

Licensing, supply or service contracts and customer engagement

To successfully commercialise the Technologies, the Company will look to licence its Technologies to customers to generate revenue and this will require customer engagement and the execution of relevant contracts. Given the Company is at an early stage, it does not currently have any paying customers.

Reliance on key personnel

The Company's success largely depends on the core competencies of the Directors and

management, as well as other technical personnel including contractors (R&D laboratories) and the ability of the Company to retain these key executives. The Company's continued development and commercialisation will be dependent on the Board and senior executives. The loss of services on any of the Company's key personnel may have an adverse impact on the Company's performance in this early stage of development.

Legal Proceedings

Legal proceedings may arise from time to time in the course of the business of the Company including enforcing or defending its intellectual property rights against infringement and unauthorised use by competitors.

As at the date of this Prospectus, there are no legal proceedings affecting the Company and the Directors are not aware of any legal proceedings pending or threatened against or affecting the Company.

Compliance risk

To successfully commercialise the Technologies, the Company will need to comply with various government or regulatory standards in Australia and overseas. A failure to comply with those standards may limit the Company's ability to develop and commercialise the Technologies.

Competition

The industry in which the Company will be involved is subject to domestic and global competition. While the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, whose activities or actions may, positively or negatively, affect the operating and financial performance of the Company's business.

The cellulose production industry is a competitive sector. There are also other competitors who may be working on developing other environmentally sustainable processes for textile production.

The development of a new or superior technology by a competitor could affect the Company's ability to commercialise its Technologies. There is a risk that existing competitors or new entrants to the market may develop superior or more effective fibres which could have an adverse effect on the Company's business and financial position. Competing plant-based technologies including micro-fibrillated cellulose and nano-fibrillated cellulose may adversely impact the commercial competitiveness of the Technologies across competing global market segments.

Management of growth/Early stage company risk

There is a risk that management of the Company will not be able to implement the Company's growth strategy. The capacity of the management to properly implement and manage the strategic direction of the Company may affect the Company's financial performance.

The Company has incurred losses since it was formed. The Company needs to invest in the commercial development of its Technologies and the Directors anticipate making further losses in the foreseeable future until the Company is able to effectively commercialise and generate revenue from its Technologies. As a consequence, there can be no certainty that

the Company will achieve or sustain profitability or achieve or sustain positive cash flow from its operating activities.

Insurance

The Company may maintain insurance within ranges of coverage that it believes to be consistent with industry practice and having regard to the nature of activities being conducted. However, it is not always possible to insure against all risks associated with activities in development of technology. The Company may decide not to take out insurance against certain risks as a result of high premiums or for other reasons. Should liabilities arise on uninsured risks, the Company's business, financial condition and results of operations and the market price of the Shares may be materially adversely affected.

3.3 General Investment Risks

Securities investments and share market conditions

There are risks associated with any securities investment. The prices at which the securities trade may fluctuate in response to a number of factors.

Furthermore, the stock market, and in particular the market for early stage technology commercialisation companies, may experience extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of such companies. These factors may materially adversely affect the market price of the securities of the Company regardless of the Company's operational performance. Neither the Company nor the Directors warrant the future performance of the Company, or any return of an investment in the Company.

Legislative

Changes in relevant taxes, legal and administration regimes, accounting practice and government policies may adversely affect the financial performance of the Company.

Economic risk

Changes in both Australian and world economic conditions may adversely affect the financial performance of the Company. Factors such as inflation, currency fluctuations, interest rates, industrial disruption and economic growth may impact on future operations and earnings.

4. DETAILS OF THE OFFER

4.1 The Offer

(a) Overview

All Eligible Shareholders are entitled to participate in the Offer. You are an Eligible Shareholder if you are a Shareholder with a registered address in Australia or New Zealand on the Record Date. The Record Date is 5.00pm WST, 20 April 2018.

As an Eligible Shareholder you are entitled to subscribe for 1 Entitlement Option for every 4 Shares held on the Record Date at the Issue price of 1 cent per Entitlement Option.

When calculating your Entitlement, we will round up fractions to the nearest whole number.

The Company's share registry must receive your Entitlement and Acceptance Form by the Closing Date (being 5.00pm WST on 18 May 2018).

The Offer is non-renounceable. This means that you may not sell or transfer all or part of your Entitlement. The Offer will lapse if you do not accept your Entitlement by the Closing Date.

(b) No Minimum Subscription

There is no minimum subscription under the Offer. The Company has sufficient working capital to meet its current objectives. Any capital raised pursuant to this Offer will be applied to general working capital after the payment of the expenses of the Offer.

(c) Offer is not underwritten

The Offer is not underwritten. Any Entitlement not accepted will form the Shortfall (see Section 4.4).

(d) Rights attaching to Entitlement Options and underlying securities

A summary of the rights attaching to the Entitlement Options and the underlying securities (Shares) are set out in Sections 5.1 and 5.2.

(e) Taxation

There may be taxation implications in relation to subscribing for Entitlement Options. These taxation implications vary depending on your individual circumstances. You should seek and rely on your own taxation advice regarding an investment in the Company. Neither the Company nor any of its officers, employees, agents and advisers accepts any liability or responsibility with respect to the taxation consequences connected with the Offer or the Entitlement Options.

4.2 How to accept the Offer

(a) Action required by Eligible Shareholders

Your Entitlement is shown on the Entitlement and Acceptance Form accompanying the Prospectus sent to you. To subscribe to the Offer, you must complete this form in accordance with the instructions.

You may take up your Entitlement in whole or in part or allow all of your Entitlement to lapse.

You may pay by cheque or by BPAY.

If you pay by cheque, please make the cheque payable to "Nanollose Limited – Entitlement Option Offer Account" and cross it "Not Negotiable". Completed Entitlement and Acceptance Forms (and a cheque for the Application Money) must be mailed to the postal address, or delivered by hand to the delivery address set out below.

Postal address:

Nanollose Limited
c/- Automic
PO Box 2226
STRAWBERRY HILLS NSW 2012

Delivery address:

Nanollose Limited
c/- Automic
Level 3, 50 Holt Street
SURRY HILLS NSW 2010

If you pay by BPAY, please follow the procedure set out in the Entitlement and Acceptance Form. You do not have to send us a completed Entitlement and Acceptance Form if you pay by BPAY. It is your responsibility to ensure that we receive your payment by the Closing Date. We do not accept any responsibility for incorrectly completed BPAY payments.

If paying by cheque, we must receive your Entitlement and Acceptance Form by the Closing Date. If we receive your Entitlement and Acceptance Form after the Closing Date, we may, at our discretion, accept or reject your Application. If we reject your Application, you will receive a refund in full of any payment of Application Money without interest.

If you complete and lodge an Entitlement and Acceptance Form, you will be deemed to have accepted the Offer to subscribe, on the terms set out in this Prospectus and in the Entitlement and Acceptance Form, for the number of Entitlement Options specified in the Entitlement and Acceptance Form.

We will hold your Application Money on trust until we issue the Entitlement Options in accordance with the Corporations Act. We will retain any interest earned on the Application Money, whether or not the Entitlement Options are issued to you.

If you are in any doubt as to how to complete or deal with your Entitlement and Acceptance Form, you should contact your professional adviser for assistance.

(b) **Excluded Shareholders**

The Offer is not extended to Excluded Shareholders (a Shareholder whose registered address on the Record Date is situated outside Australia or New Zealand). The Offer does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

In making this decision, the Directors have taken into account the number of Excluded Shareholders and the cost and administrative complexity of complying with applicable regulations in jurisdictions outside Australia and New Zealand.

(c) **New Zealand offer restrictions**

The Entitlement Options are not being offered or sold to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand.

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority. This Prospectus is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

4.3 **Allotment and quotation**

(a) **Allotment of Entitlement Options**

The Entitlement Options issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date. We will allot the Entitlement Options on the basis of your Entitlement.

Pending the allotment and issue of Entitlement Options or payment of refunds under this Prospectus, we will hold all Application Money on trust for you in a separate bank account. We will, however, be entitled to retain all interest that accrues on any Application Money we hold.

No securities will be allotted and issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

(b) **Quotation by ASX**

We will apply to ASX for quotation of the Entitlement Options within 7 days of the date of this Prospectus. If the ASX accepts our application, quotation of the Entitlement Options will commence after the allotment of the Entitlement Options.

If any Entitlement Options are not granted quotation on ASX within 3 months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, we will not issue those Entitlement Options and the Application Money in respect of those Entitlement Options will be refunded to you without interest within the time prescribed by the Corporations Act.

(c) **Holding statements**

We participate in the security transfer system known as CHESSE. CHESSE is operated by ASX Settlement Pty Ltd (a wholly owned subsidiary of ASX) in accordance with the Listing Rules and the ASX Settlement Operating Rules. Under CHESSE you will receive a holding statement setting out the number of Entitlement Options issued to you under this Prospectus. If you are broker sponsored, ASX Settlement Pty Ltd will send you a CHESSE statement.

4.4 **Shortfall**

Any Entitlement Options under the Offer that are not applied for will form the Shortfall. The Offer to issue Shortfall is a separate offer under this Prospectus.

The Directors reserve the right within 3 months of the Closing Date, to issue the Shortfall at the discretion of the Directors on the same terms as being offered to Eligible Shareholders under this Prospectus. No related party will be issued with Shortfall without prior Shareholder approval.

5. RIGHTS ATTACHING TO ENTITLEMENT OPTIONS AND UNDERLYING SECURITIES

5.1 Rights attaching to Entitlement Options

The terms of the issue of the Entitlement Options are:

- (a) The Options will be issued for a subscription price of 1 cent each.
- (b) Each Option gives the holder the right to subscribe for one Share. To obtain the right given by each Option, the holder must exercise the Options in accordance with the terms and conditions of the Options.
- (c) The exercise price of the Options is 30 cents (Exercise Price).
- (d) The Options are exercisable at any time prior to 5.00 pm WST on 31 December 2020 (Expiry Date). Any Option not exercised before the relevant Expiry Date will automatically lapse on the Expiry Date.
- (e) The Options are freely transferable. The Company will apply for quotation of the Options on ASX.
- (f) The Options held by each holder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion. Where less than 1,000 Options are held, all Options must be exercised together.
- (g) A holder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised (Exercise Notice).
- (h) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (i) Within 10 business days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (j) All Shares issued upon the exercise of Options will upon rank equally in all respects with other Shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of a holder are to be changed in a manner consistent with the Corporations Act and the Listing Rules at the time of the reconstruction.

- (l) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any issue, the record date will be after the issue is announced. This will give holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (m) Other than pursuant to term (n), an Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.
- (n) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issue of the Options, the number of securities over which an Option is exercisable may be increased by the number of securities which the holder would have received if the Option had been exercised before the record date for the bonus issue.

5.2 **Rights attaching to underlying securities (Shares)**

The securities underlying the Entitlement Options are Shares. The rights attaching to ownership of Shares in the Company are:

- (a) set out in the Company's Constitution; and
- (b) in certain circumstances, regulated by the Corporations Act, the Listing Rules and the general law.

A summary of the more significant rights attaching to Shares is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of our Shareholders.

Voting Rights

Subject to any rights or restrictions attached to any class of shares, at a general meeting every member has one vote on a show of hands and one vote per fully paid share on a poll. The person who holds a share which is not fully paid shall be entitled to a fraction of a vote equal to that proportion of a vote that the amount paid on the relevant share bears to the total issue price of the share. Voting may be in person or by proxy, attorney or representative.

Dividends

The Directors may declare dividends by resolution. Subject to the rights of holders of shares with special rights, all dividends are apportioned and paid equally on each share. All Shares currently on issue and the Shares to be issued under this Prospectus are fully paid shares.

Future Issues of Securities

Subject to the Corporations Act and the Listing Rules, the Directors may issue, grant options over, or otherwise dispose of shares in the Company at the times and on the terms that the Directors think proper and a share may be issued with preferential or special rights.

Transfer of Shares

A shareholder may transfer Shares by a transfer in accordance with any system established or recognised by ASX for the purpose of facilitating transfers in Shares or by an instrument

in writing in a form approved by ASX or the Board.

Meetings and Notices

Each shareholder is entitled to receive notice of, and to attend, general meetings for the Company and to receive all notices, accounts and other documents required to be sent to shareholders under the Constitution, the Corporations Act or the Listing Rules.

Shareholders may requisition meetings in accordance with the Corporations Act.

Election of Directors

There must be a minimum of 3 Directors. A director must not hold office for a continuous period in excess of 3 years. There must be an election of directors at every annual general meeting. These retirement rules do not apply to certain appointments including the managing director.

Indemnities

To the extent permitted by law the Company must indemnify each past and present Director and secretary against any liability incurred by that person as an officer of the Company and any legal costs incurred in defending an action in respect of such liability.

Winding Up

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the shareholders:

- divide the assets of the Company among the members in kind;
- for that purpose fix the value of assets and decide how the division is to be carried out as between the members and any different class of members; and
- vest assets of the Company in trustees on any trusts for the benefit of the members as the liquidator thinks appropriate.

Alteration to the Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of shareholders present and voting at the general meeting. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

Listing Rules

While the Company is admitted to trading on the Official List, then despite anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision and it does not contain such a provision, the Constitution is deemed to contain that provision. If the Listing Rules require the Constitution not to contain a provision and it contains such a provision, the Constitution is deemed not to contain that provision. If a provision of the Constitution is inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

6. ADDITIONAL INFORMATION

6.1 Transaction specific prospectus and continuous disclosure obligations

We are a disclosing entity under the Corporations Act and therefore are subject to regular reporting and disclosure obligations. Under those obligations, we are required to comply with all applicable continuous disclosure and reporting requirements in the Corporations Act and the Listing Rules. In particular, we must comply with the requirement to disclose to ASX any information held by us which a reasonable person would expect to have a material effect on the price or the value of the Company's securities. The Shares that will be issued on the exercise of the Entitlement Options issued pursuant to this Prospectus will be in the same class of Shares that have been granted official quotation by ASX in the 3 months prior to the issue of this Prospectus.

As this Prospectus is a transaction specific prospectus issued under section 713 of the Corporations Act, it is only required to contain information in relation to the effect of the Offer on the Company and the rights and liabilities attaching to the securities offered. This Prospectus is not required to provide information regarding our assets and liabilities, financial position and performance, profits and losses or prospects on the basis that, as at the date of this Prospectus, the Company has not withheld from its continuous disclosure reporting any information about such matters that investors and their professional advisers would reasonably require to make an informed assessment of such matters and expect to find in this Prospectus.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act, states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge before the Offer closes, to any person on request:
 - (i) the annual financial report most recently lodged by the Company with ASIC;
 - (ii) any half-year financial report lodged with ASIC after lodgement of the annual financial report and before lodgement of this Prospectus with ASIC; and
 - (iii) any continuous disclosure notices given by the Company after the lodgement of the annual financial report and before the lodgement of this Prospectus with ASIC.

We lodged our latest annual report with ASX on 31 October 2017. Since then, we have made the following announcements to ASX, shown in the table below.

Date	Description of Announcement
31/10/2017	Appendix 4G
31/10/2017	Quarterly Update and Appendix 4C
07/11/2017	Corporate Governance Statement
16/11/2017	Nanollose Files International Patent Application
05/12/2017	Nanollose – Revolutionary Plant-Free Viscous-Rayon Fibre
06/12/2017	Investor Presentation
06/12/2017	Change of Director's Interest Notice
11/12/2017	Change of Director's Interest Notice
13/12/2017	Change of Director's Interest Notice
13/12/2017	Change of Director's Interest Notice
15/01/2018	Change of Director's Interest Notice
31/01/2018	Quarterly Update and Appendix 4C
19/02/2018	Half Yearly Report and Accounts
19/02/2018	Change of Director's Interest Notice
19/02/2018	Change of Director's Interest Notice
09/04/2018	Non-Binding MOU to Secure Commercial Supply of MC
10/04/2018	Dr Wayne Best Appointed Executive Chairman
10/04/2018	NC6 to Present at TechKnow Invest Roadshow

6.2 Market price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest and lowest closing market price of the Company's quoted Shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with ASIC and the respective dates of those sales and the last closing market price on the day on which Shares traded prior to lodgement of this Prospectus with ASIC were:

	Price	Date
Highest	19 cents	13 April 2018
Lowest	11 cents	7 February 2018
Latest	18 cents	13 April 2018

6.3 Directors' Interests

(a) Interests of Directors

Other than as disclosed in this Prospectus, no Director or proposed Director holds, or has held at any time during the last two years, any interest in:

- (i) the formation or promotion of the Company; or
- (ii) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Company or the Offer; or
- (iii) the Offer;

and no amounts have been paid or agreed to be paid by any person and no benefits have been given or agreed to be given by any person to a Director or proposed Director to induce him or her to become, or to qualify as, a Director or for services provided by a Director or proposed Director in connection with the formation or promotion of the Company or the Offer.

(b) Interests in securities as at the date of this Prospectus

As at the date of this Prospectus, the Directors (and their respective associates) have relevant interests in the Shares and Options of the Company as set out in the table below. Interests include those held directly and indirectly.

The Directors will be entitled to participate in the Offer. The table below includes the Entitlement Options that these Directors may subscribe for under the Offer.

Director	Shares	Options	Performance Rights	Entitlement Options
Wayne Best	5,617,858	1,290,476 ¹	0	1,404,465
Alfie Germano	500,000	3,300,000 ²	500,000	125,000
Gary Cass	5,142,857	1,190,476 ¹	0	1,285,715
Winton Willesee	5,592,857	1,290,476 ¹	0	1,398,215
Terence Walsh	500,000	1,500,000 ¹	0	125,000

Notes:

1. All the Options are Series A Options (exercise price of 30 cents and expiry date of 31 December 2020).
2. 1,100,000 Options are Series B Options (exercise price of 25 cents and expiry date of 30 September 2019), 1,100,000 Options are Series C Options (exercise price of 30 cents and expiry date of 30 September 2020) and 1,100,000 Options are Series D Options (exercise price of 40 cents and expiry date of 30 September 2021).

(c) **Remuneration of Directors**

Dr Wayne Best is paid \$225,000 per annum plus statutory superannuation as executive chairman. In the 2 years prior to the date of this Prospectus, Dr Best has received cash remuneration totalling approximately \$22,700.

Mr Alfie Germano is paid \$225,000 per annum plus statutory superannuation as managing director. In the 2 years prior to the date of this Prospectus, Mr Germano has received cash remuneration totalling approximately \$102,400.

Mr Gary Cass is paid a Director's fee of \$30,000 per annum plus a day rate of \$550 per day for any executive services both inclusive of statutory superannuation. In the 2 years prior to the date of this Prospectus, Mr Cass and entities controlled by him have received cash remuneration totalling approximately \$49,100.

Mr Winton Willesee is paid a Director's fee of \$30,000 per annum including statutory superannuation. In the 2 years prior to the date of this Prospectus, Mr Willesee has received cash remuneration totalling approximately \$13,500.

Mr Terence Walsh is paid a Director's fee of \$40,000 per annum including statutory superannuation. In the 2 years prior to the date of this Prospectus, Mr Walsh has received cash remuneration totalling approximately \$18,100.

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

6.4 Interests of experts and advisers

Other than as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the two year period ending on the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer.

Other than as disclosed in this Prospectus, no amounts of any kind (whether in cash, securities or otherwise) have been paid or agreed to be paid to any expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, or to any firm in which any of those persons is or was a partner or to any company in which any of those persons is or was associated with, for services rendered by that person in connection with the formation or promotion of the Company or the Offer.

Fairweather Corporate Lawyers has acted as lawyers to the Company in relation to the Offer. We estimate that we will pay approximately \$10,000 (excluding GST) for these services. In the past two years, Fairweather Corporate Lawyers has been paid fees (excluding GST) of approximately \$115,500 by the Company.

6.5 Expenses of the Offer

The expenses connected to the Offer payable by the Company are estimated at approximately \$20,000 cash. These estimated expenses include legal fees, ASX and ASIC fees and other miscellaneous expenses directly attributable to the Offer.

6.6 Consents

The following parties have given their written consent to be named in this Prospectus and for the inclusion of statements made by that party (as described below in the form and context in which they are included), and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

FW Legal Pty Ltd trading as Fairweather Corporate Lawyers has consented to Fairweather Corporate Lawyers being named as the Solicitors to the Offer.

RSM Australia Partners has consented to the reference and use in this Prospectus of the audit reviewed statement of financial position as at 31 December 2017.

The parties referred to in this Section:

- do not make, or purport to make any statement in this Prospectus, or on which a statement made in this Prospectus is based other than as specified in this Section;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in the Prospectus with the consent of that party as specified in this Section; and
- have not caused or authorised the issue of this Prospectus.

7. DIRECTORS' AUTHORISATION AND CONSENT

This Prospectus is authorised by the Company and lodged with the ASIC pursuant to section 718 of the Corporations Act.

Each Director has consented to lodgement of this Prospectus with ASIC in accordance with the terms of section 720 of the Corporations Act and has not withdrawn that consent.

Dated: 16 April 2018



.....
Signed for and on behalf of
Nanollose Limited
Winton Willesee
Non-Executive Director

8. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

Applicant	A person who submits an Entitlement and Acceptance Form.
Application	An application for Entitlement Options under the Offer.
Application Money	The Issue Price multiplied by the total number of Entitlement Options applied for by an Applicant under an Entitlement and Acceptance Form.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited (ACN 008 624 691) and the Australian Securities Exchange it operates
Board	The Board of Directors.
Closing Date	The time and date at which the Offer expires, being 5.00pm WST, 18 May 2018 subject to the Company varying this date.
Company or Nanollose	Nanollose Limited (ACN 601 676 377).
Constitution	The constitution of the Company.
Corporations Act	The Corporations Act 2001 (Cth)
Director	A director of the Company for the time being.
Eligible Shareholder	Shareholders with a registered address in Australia or New Zealand at the Record Date.
Entitlement	The entitlement to subscribe for Entitlement Options under the Offer.
Entitlement and Acceptance Form	The entitlement and acceptance form attached to or accompanying this Prospectus, personalised for each Eligible Shareholder, which allows each Eligible Shareholder to accept the Offer.
Entitlement Options	The Options to be issued under this Prospectus on the terms set out in Section 5.1.
Excluded Shareholder	A Shareholder whose registered address is not in Australia or New Zealand.
Full Subscription	The maximum amount to be raised under the Offer being the sum of \$187,500 assuming no existing Options are exercised.
Issue Price	1 cent per Entitlement Option.
Listing Rules	The official listing rules of ASX.

Offer	The pro-rata non-renounceable offer of Entitlement Options under this Prospectus on the basis of 1 Entitlement Option for every 4 Shares held by Eligible Shareholders on the Record Date at an issue price of 1 cent per Entitlement Option.
Official List	The official list of the ASX.
Option	An option to acquire a Share.
Performance Right	The right which entitles the holder to be issued with a Share subject to satisfaction of any service conditions.
Prospectus	This prospectus.
Record Date	The time and date for determining an Eligible Shareholder's entitlement in the Offer, being 5.00pm WST, 20 April 2018.
Share	A fully paid ordinary share in the issued capital of the Company.
Shareholder	Registered holder of Shares.
Shortfall	Entitlement Options not applied for under the Offer before the Closing Date.
Technologies	The technologies developed by the Company relating to the processing, production and applications of microbial nanocellulose.
WST	Western Standard Time.
\$	means Australian dollars unless otherwise stated.