

## QUARTERLY UPDATE & APPENDIX 4C

### Highlights:

- Nanollose successfully increased Nullarbor® fibre production to pilot-scale
- Production increase enabled eco-friendly fabric breakthrough
- Nullarbor fibre launched on world stage at Planet Textile Summit in Vancouver
- MOU signed with PT Supra Natami Utama for supply of microbial cellulose
- Senior appointments increase commercial and development capacity
- Successful R&D tax incentive rebate and entitlement offer add to capital base

**Nanollose Limited (ASX: NC6) (“Nanollose” or “Company”)** is pleased to provide its Appendix 4C cash flow statement for the quarter ending 30<sup>th</sup> June 2018, together with the following operational update whereby all goals set out in the Company’s previous quarterly report have been achieved.

### Successful pilot-scale production of fibre, yarn and fabric

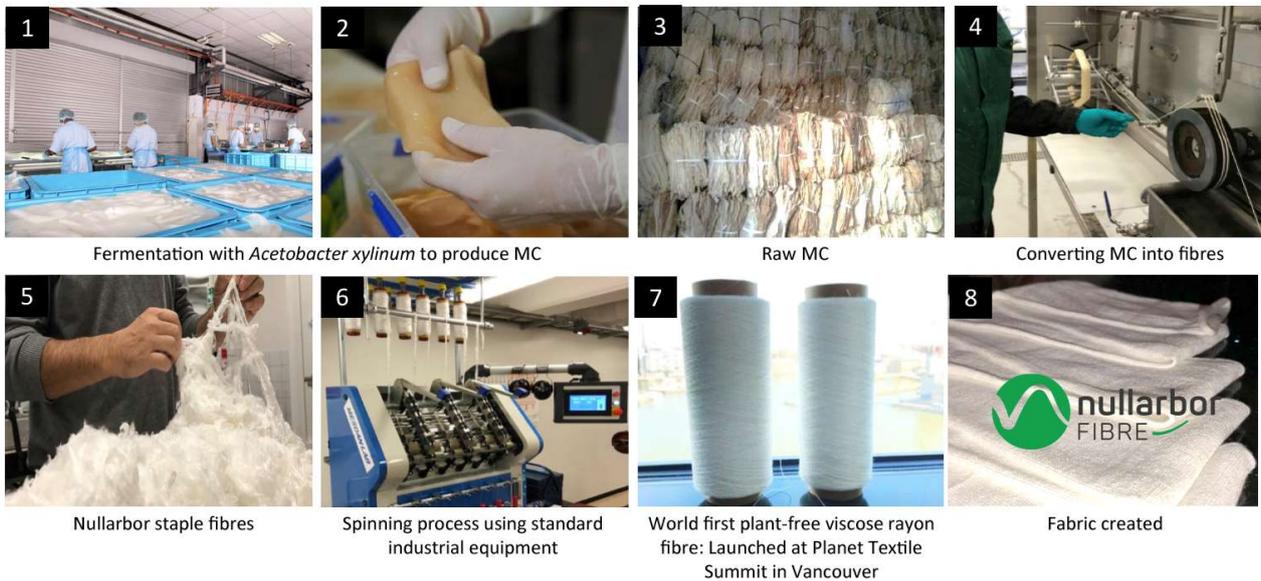
In a major milestone for the Company and the textile industry, Nanollose successfully manufactured its world first plant-free viscose-rayon fibre (Nullarbor®) on a pilot scale. As a result of this increased scale, the Company has been able to create yarn and fabric for the first time, confirming Nanollose’s technology as scalable, and demonstrating the ability to produce fibres that are suitable for the production of fabrics used in the US\$500 billion textile and apparel industry.



*Nanollose’s Director of R&D Gary Cass with the Company’s world-first plant-free viscose-rayon fibre (Nullarbor)*

Nanollose's Nullarbor fibre and fabric were produced using standard industrial equipment currently used by fibre and textile manufactures, meaning that no major retro-fitting of machinery or processing is required for future partners using Nullarbor fibre and fabric – a huge advantage for the commercial uptake of Nanollose's technology.

#### Nullarbor fibres produced in an industrial setting



#### Significant commercial advantage achieved

The viscose-rayon fibre market is predicted to reach US\$16b by 2019 with the vast majority used to make textiles and clothing. However, viscose-rayon is currently sourced from wood with significant environmental concerns surrounding the kraft (wood pulping) process required to produce the fibre.

Due to advancements in Nanollose's fibre development and production scale over the quarter, the Company is now uniquely positioned to demonstrate to brands, retailers and manufactures an eco-friendly product that can be easily retrofitted into their current textile and clothing production methods.

The below video highlights show that Nanollose's Nullarbor fibre is entirely plant-free, can be produced from a variety of waste products, does not require the kraft process, and can be produced with less waste and fewer natural resources than most fibres available today.

[\\*https://nanollose.com/technology/overview/](https://nanollose.com/technology/overview/)

#### Global launch of Nullarbor at Planet Textiles Summit

In May, Nanollose was invited to launch its breakthrough Nullarbor fibre, yarn and fabric products at the world's leading sustainable textiles event, Planet Textiles in Vancouver Canada, with the name Nullarbor chosen to recognise the fibre's Australian heritage and to reflect the Latin meaning of the word – *nullus arbor*, meaning *no trees*.

Showcasing at the event provided an excellent opportunity to engage with international fashion retailers, brands, manufacturers and designers, many of which currently use viscose-rayon across their range of textile and clothing products and are searching for sustainable solutions. The resulting interest from the industry has been extremely positive with numerous opportunities being pursued.

### Memorandum of Understanding (MOU) for supply of microbial cellulose

Nanollose took a foundational first step in securing a supply of plant-free microbial cellulose when the Company signed a non-binding MOU with PT Super Natami Utama (PT SNU), one of Indonesia's largest and most established producers of coconut products.

PT SNU has multiple facilities across Indonesia with access to significant quantities of coconut by-products, which will then be synthesised into microbial cellulose. Nanollose then plans to convert the microbial cellulose into valuable fibres for the textile and clothing industry.



### Executive appointments increase commercial and development capacity

Nanollose made two key executive appointments to increase research and development capacity and accelerate commercialisation of the Company's technology. Non-executive chairman, Dr Wayne Best, was appointed full-time executive chairman on 9<sup>th</sup> April 2018 and non-executive director Mr Gary Cass was appointed full-time executive director of R&D on 11<sup>th</sup> June 2018.

Dr Best has a PhD in Organic Chemistry with over 35 years' experience in multinational chemical companies, academia, government, and most recently Epichem Pty Ltd, an award winning research company he founded in 2003. Dr Best has already increased his involvement across research and development and has assisted in the effort to prioritise and convert numerous opportunities currently being presented to the company.

Mr Gary Cass has a BSc in Agricultural Sciences specialising in microbiology and over 20 years' experience working with microbial cellulose. Mr Cass has already increased capacity to broaden the Company's R&D portfolio. More specifically, Mr Cass is currently focused on accelerating the development of Nanollose's supply chain for microbial cellulose from a variety of waste materials, which is essential for the commercialisation of the Company's technologies.

### Additional AUD \$262,224 secured via funding and tax initiatives

Nanollose received an R&D tax incentive rebate of \$117,167 from the Australian Taxation Office (ATO) for eligible expenditure in FY2016/2017. The R&D Tax Incentive scheme is a programme jointly administered by the ATO and AusIndustry, under which companies can receive up to a 43.5% refundable tax offset of eligible expenses on research and development activities.

During the quarter, the Company also issued 14,505,733 options to existing shareholders subscribed for under the Entitlement Offer pursuant to the non-renounceable 1:4 entitlement option offer announced on 16 April 2018. The Offer raised \$145,057 before costs.

## Outlook

The next 3-6 months will see Nanollose focus on the following objectives:

- Diversify the types of waste streams suitable for microbial cellulose production to ensure scalable commercial supply.
- Continue to develop and implement improved methods and equipment to increase the throughput and reduce the cost of producing microbial cellulose in a purity and state suitable for various industrial applications.
- Continue to engage with the many potential customers and partners resulting from the Planet Textile Summit, and to select and develop commercial relationships with those which align with Nanollose's commercialisation strategy.
- Complete the final step in the Company's journey from waste to microbial cellulose, to fibre, to yarn, and to fabric, by producing an actual garment; a world first garment made from plant-free Nullarbor fibre.

## [ENDS]

For further information, please contact:

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## ABOUT NANOLLOSE

Nanollose Limited (ASX: NC6) is an innovative Australian company that uses a low cost and eco-friendly fermentation process to grow fibres that could become a sustainable alternative to conventional plant-derived cellulose fibres. The Company's process, which uses streams from various large-scale industries like sugar, wine and food, has the ability to produce 'Plant-Free' Cellulose. Cellulose is the hidden building block polymer most consumers know nothing about, but forms a huge part of items used in their everyday life such as clothing, paper and hygiene products.

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Nanollose Limited

**ABN**

13 601 676 377

**Quarter ended ("current quarter")**

30<sup>th</sup> June 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(394)	(729)
(b) product manufacturing and operating costs		
(c) advertising and marketing	(59)	(121)
(d) leased assets		
(e) staff costs	(109)	(280)
(f) administration and corporate costs	(193)	(553)
1.3 Dividends received (see note 3)		
1.4 Interest received	35	45
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	117	117
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(603)</b>	<b>(1,521)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(6)	(42)
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(d) intellectual property		
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(6)</b>	<b>(42)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	145	5,145
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options	(19)	(591)
3.5 Proceeds from borrowings	0	179
3.6 Repayment of borrowings	0	(241)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
<b>3.10 Net cash from / (used in) financing activities</b>	<b>126</b>	<b>4,492</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	3,453	41
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(603)	(1,521)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(6)	(42)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	126	4,492

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held		
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>2,970</b>	<b>2,970</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
		<b>2,970</b>	<b>3,453</b>
5.1	Bank balances	250	433
5.2	Call deposits	2,720	3,020
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,970</b>	<b>3,453</b>

**6. Payments to directors of the entity and their associates**

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
\$A'000**

(280)

Nil

6.1 Payments to directors and their related entities for R&D consulting services, director's fees and accounting & company secretarial fees.

**7. Payments to related entities of the entity and their associates**

7.1 Aggregate amount of payments to these parties included in item 1.2

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter  
\$A'000**

Nil

Nil

N/A

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	Nil	Nil
8.2 Credit standby arrangements	Nil	Nil
8.3 Other (director loans)	Nil	Nil
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

N/A

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	300
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	25
9.4 Leased assets	-
9.5 Staff costs	109
9.6 Administration and corporate costs	175
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>609</b>

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

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  ..... Date: 30 July 2018 .....

(Director)

Print name: .....Winton Willesee.....

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.