

Nanollose Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Nanollose Limited ('Company')
ABN:	13 601 676 377
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	45.7% to	2,311
Loss from ordinary activities after tax attributable to the owners of Nanollose Limited	down	124.2% to	988,912
Loss for the half-year attributable to the owners of Nanollose Limited	down	124.2% to	988,912

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the Company after providing for income tax amounted to \$988,912 (31 December 2020: \$441,076). The 2021 R&D grant has not yet been received.

Please refer to the Directors' report in the attached financial statements for further commentary.

3. Net tangible assets

	Reporting period	Previous period
Net tangible assets	\$2,093,060	\$773,591
Shares (No.)	148,886,368	118,749,095
Net tangible assets per ordinary security (cents)	<u>1.41</u>	<u>0.65</u>

4. Details of associates

	Reporting period	Previous period
Name of associate		
CelluAir Pty Ltd		
Ownership interest	20%	20%
Share of associate's loss for the period	\$14,401	nil

5. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

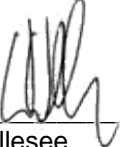
6. Audit qualification or review

The financial statements were subject to a review by the auditors and the auditor's review report is attached as part of the Interim Financial Report.

7. Attachments

The Interim Financial Report of Nanollose Limited for the half-year ended 31 December 2021 is attached.

8. Signed

Signed  _____
Winton Willesee
Non-Executive Director

Date: 22 February 2022



Nanollose Limited

ABN 13 601 676 377

**Interim Report
31 December 2021**

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Corporate Directory

Directors	Wayne Best Winton Willesee Terence Walsh Heidi Beatty
Company Secretary	Erlyn Dawson (née Dale)
Stock exchange listing	Nanollose Limited shares (ASX:NC6) and options (ASX:NC6OA) are listed on the Australian Securities Exchange (ASX).
Registered office and principal place of business	Suite 5, CPC 145 Stirling Highway Nedlands WA 6009 Phone: 08 9389 3120
Share register	Automic Registry Services Level 5 191 St Georges Terrace Perth WA 6000 Phone: 08 9324 2099
Auditor	RSM Australia Partners Level 32 Exchange Tower 2 The Esplanade Perth WA 6000
Solicitors	Fairweather Corporate Lawyers Suite 2, 589 Stirling Highway Cottesloe WA 6011
Website	www.nanollose.com

Nanollose Limited
Directors' report
For the half-year ended 31 December 2021

The Directors present their report, together with the financial statements of Nanollose Limited (referred to hereafter as the 'Company') for the half-year ended 31 December 2021 ("Reporting Period", "half-year").

Directors

The following persons were directors of the Company during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Wayne Best
Winton Willesee
Terence Walsh
Heidi Beatty

Principal Activities and Review of Operations

Nanollose is a leading biomaterials company commercialising scalable technology to create fibres and fabrics with minimal environmental impact. Nanollose uses an eco-friendly fermentation process to produce tree-free lyocell fibres for use in textiles, non-woven fabrics and other industrial applications. The Company's 100% tree-free high tenacity lyocell, Nullarbor™, is stronger than conventional lyocell, making it a potentially disruptive alternative to conventional tree-based lyocell and cotton fibres. The Company is targeting the US\$500 billion textile industry with an initial focus on the US\$14.4 billion rayon market.

During the half-year, the principal activities of the Company were the research and development, and promotion of the Company's proprietary technology, with a particular focus on the development, scale up and ultimate commercialisation of the Company's tree-free high tenacity lyocell, Nullarbor™.

Pilot Scale Production of Nullarbor™ Fibres

During the Reporting Period, Nanollose's primary focus was to progress its work with strategic partner, Birla Cellulose, towards completion of the first spin of Nullarbor™ at pilot scale ("Pilot Spin") at Birla Cellulose's facilities in India.

In furtherance of this objective, early in the half-year, the Company processed an initial multi-kilogram trial of microbial cellulose ("MC"), providing valuable technical information to the Company and Birla Cellulose, which was then applied to process a larger pilot scale quantity of MC in November 2021. The processing of this larger pilot scale trial represented a significant milestone for the Company, being the penultimate step in the production of Nullarbor fibre at pilot scale.

Potential Offtake Partners

During the half-year, the Company continued to advance discussions with leading fashion and textile brands that have expressed an interest in obtaining material from the Company. The Company has shortlisted high quality partners that have a commitment to sustainable solutions for the fashion industry's environmental challenges, and that are seeking a long-term relationship with Nanollose. The formalisation of these negotiations is now a priority for the Company.

Internal Research and Development Projects

During the half-year, the Company progressed internal research and development initiatives to expand the application of microbial cellulose beyond fashion. Such initiatives included research and development of the Company's Jelli Grow™ product, work on development of an MC-based alternative to leather, and the development of non-woven products and absorbency materials. In July 2021, the Company appointed a Research Scientist, to further progress these projects.

Production of First 100% Nullarbor™ Lyocell Garment

During the half-year, Nanollose and Birla Cellulose produced a small quantity of 100% Tree-Free Nullarbor lyocell fibre, which has recently been converted into yarn.

The Company has engaged one of Australia's leading fashion designers, and a garment manufacturer to design and produce a garment from this yarn, to showcase its revolutionary fibre. Nanollose expects to launch its first garment made from 100% Nullarbor lyocell in April 2022.

Nanollose Limited
Directors' report
For the half-year ended 31 December 2021

Patent Application/Grant Updates

During the Reporting Period, Nanollose's patent for its Jelli Grow™ product, "*Plant Growth Media and Method for Making Same*", was granted in China, representing the Company's first granted patent, and the first patent granted in any territory for this product. For more information on Jelli Grow™ please see: <https://nanollose.com/products/jelli-grow/>.

Shortly following the end of the Reporting Period, the Company's joint patent application (entitled *High Tenacity Lyocell Fibres From Bacterial Cellulose and Method of Preparation Thereof*) with Grasim Industries was filed globally via the Patent Cooperation Treaty (PCT).

Operating Results

During the half-year, the principal continuing activities of the Company consisted of research and development, and promotion of the Company's nanocellulose technology.

The loss for the Company after providing for income tax amounted to \$988,912 (31 December 2020: \$441,076). At 31 December 2021, the Company had cash of \$2,158,860 (30 June 2021: \$3,006,597) and net assets of \$2,305,911 (30 June 2021: \$2,873,808).

Subsequent events after reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had no direct material financial impact for the Company up to 31 December 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date.

The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Other than the above, no matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Dividends

There were no dividends declared or paid during the half-year ended 31 December 2021 (31 December 2020: Nil).

Nanollose Limited
Directors' report
For the half-year ended 31 December 2021

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Winton Willesee
Director

22 February 2022
Perth



RSM Australia Partners

Level 32 Exchange Tower, 2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 92619100
F +61 (0) 8 92619111

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Nanollose Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 22 February 2022

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Nanollose Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

	Note	31 December 2021 \$	31 December 2020 \$
Revenue			
Interest Income		2,311	1,586
		<u>2,311</u>	<u>1,586</u>
Expenses			
Administration expenses		(85,095)	(41,812)
Compliance and regulatory expenses		(59,413)	(28,267)
Depreciation expense		(32,152)	(26,506)
Director and employee related expenses		(323,602)	(265,779)
Foreign exchange rate movements		(66)	-
Interest expense		(1,877)	(2,349)
Legal and consultancy expenses		(30,469)	(44,020)
Promotion and communication expenses		(72,143)	(58,981)
Research and development expenses		(300,240)	(174,249)
Share of loss of associate using the equity method	2	(14,401)	-
Share based payments expense		(137,600)	(196,699)
Share based payments reversed for performance rights not vested		65,835	396,000
		<u>(988,912)</u>	<u>(441,076)</u>
Loss before income tax expense		(988,912)	(441,076)
Income tax expense		-	-
		<u>(988,912)</u>	<u>(441,076)</u>
Loss after income tax expense for the half-year		(988,912)	(441,076)
Other comprehensive income			
Other comprehensive income for the half-year, net of tax		-	-
		<u>(988,912)</u>	<u>(441,076)</u>
Total comprehensive loss for the half-year		(988,912)	(441,076)
		Cents	Cents
Basic loss per share		(0.82)	(0.40)
Diluted loss per share		(0.82)	(0.40)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Nanollose Limited
Statement of financial position
As at 31 December 2021

	31 December 2021	30 June 2021
Note	\$	\$
Assets		
Current assets		
Cash and cash equivalents	2,158,860	3,006,597
Trade and other receivables	747	33,018
Prepayments	15,118	57,760
Total current assets	<u>2,174,725</u>	<u>3,097,375</u>
Non-current assets		
Right of use asset	50,697	10,447
Investments in associates	2	162,154
Plant and equipment	83,116	97,265
Total non-current assets	<u>295,967</u>	<u>284,267</u>
Total assets	<u>2,470,692</u>	<u>3,381,642</u>
Liabilities		
Current liabilities		
Trade and other payables	70,050	445,166
Provisions	43,919	24,788
Lease liability	25,783	11,405
Borrowings	-	26,475
Total current liabilities	<u>139,752</u>	<u>507,834</u>
Non-current liabilities		
Lease liability	25,029	-
Total current liabilities	<u>25,029</u>	<u>-</u>
Total liabilities	<u>164,781</u>	<u>507,834</u>
Net assets	<u>2,305,911</u>	<u>2,873,808</u>
Equity		
Issued capital	4	8,975,496
Reserves	1,054,426	653,411
Accumulated losses	(7,724,011)	(6,735,099)
Total equity	<u>2,305,911</u>	<u>2,873,808</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Nanollose Limited
Statement of changes in equity
For the half-year ended 31 December 2021

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 July 2020	5,788,186	801,086	(5,804,054)	785,218
Loss after income tax expense for the half-year	-	-	(441,076)	(441,076)
<i>Transactions with owners in their capacity as owners:</i>				
Proceeds from share issues	660,000	-	-	660,000
Share issue costs	(67,727)	-	-	(67,727)
Share issues in lieu of director's fees	25,500	-	-	25,500
Share based payments – Options	-	50,530	-	50,530
Class A and B performance rights converted to shares	100,000	(100,000)	-	-
Class C performance rights not vested	-	(396,000)	-	(396,000)
Share based payments – Performance rights	-	180,129	-	180,129
Balance as at 31 December 2020	6,505,959	535,745	(6,245,130)	796,574
	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 July 2021	8,955,496	653,411	(6,735,099)	2,873,808
Loss after income tax expense for the half-year	-	-	(988,912)	(988,912)
<i>Transactions with owners in their capacity as owners:</i>				
Options converted to shares	20,000	-	-	20,000
Share based payments – Options to Lead Manger	-	329,250	-	329,250
Share based payments – Options to employee	-	52,400	-	52,400
Class D performance rights not vested	-	(65,835)	-	(65,835)
Share based payments – Options to directors	-	85,200	-	85,200
Balance as at 31 December 2021	8,975,496	1,054,426	(7,724,011)	2,305,911

The above statement of changes in equity should be read in conjunction with the accompanying notes

Nanollose Limited
Statement of cash flows
For the half-year ended 31 December 2021

	31 December 2021	31 December 2020
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(849,325)	(725,548)
Interest received	2,311	1,847
Interest paid	(1,571)	(1,596)
Government grants received – Cashflow Boost	-	49,904
Net cash used in operating activities	(848,585)	(675,393)
Cash flows from investing activities		
Payments for plant and equipment	(5,352)	(18,887)
Payments for investments	-	(200,000)
Net cash used in investing activities	(5,352)	(218,887)
Cash flows from financing activities		
Proceeds from share issues	-	626,233
Proceeds from exercise of options	20,000	-
Repayment of borrowings	-	(20,295)
Repayment of principle portion of lease liabilities	(13,800)	-
Net cash from financing activities	6,200	605,938
Net increase/(decrease) in cash and cash equivalents	(847,737)	(288,342)
Cash and cash equivalents at the beginning of the half-year period	3,006,597	839,161
Cash and cash equivalents at the end of the half-year period	2,158,860	550,819

The above statement of cash flows should be read in conjunction with the accompanying notes

Nanollose Limited
Notes to the financial statements
For the half-year ended 31 December 2021

Note 1. Significant accounting policies

Basis of preparation for the half-year financial statements

These financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Accounting Standard 34 'Interim Financial Reporting'.

These financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Investment in associate

Interests in associates are accounted for using the equity method of accounting.

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 December 2021	30 June 2021
		%	%
CelluAir Pty Ltd	Australia	20	20

Interests in associates are accounted for using the equity method of accounting.

Summarised financial information

	CelluAir Pty Ltd	
	31 December 2021	30 June 2021
	\$	\$
<i>Summarised statement of financial position</i>		
Current assets	105,386	122,774
Current liabilities	5,404	-
Net assets	99,982	122,774

Nanollose Limited
Notes to the financial statements
For the half-year ended 31 December 2021

Note 2. Investment in associate (cont'd)

Summarised financial information (cont'd)

	CelluAir Pty Ltd	
	31 December 2021	30 June 2021
	\$	\$
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Expenses	(72,004)	(117,226)
Loss before income tax	(72,004)	(117,226)
Income tax expense	-	-
Loss after income tax	(72,004)	(117,226)
Other comprehensive loss	-	-
Total comprehensive loss	<u>(72,004)</u>	<u>(117,226)</u>
<i>Reconciliation of the Company's carrying amount</i>		
Opening carrying amount	176,555	-
Addition	-	200,000
Share of loss after income tax	<u>(14,401)</u>	<u>(23,445)</u>
Closing carrying amount	<u>162,154</u>	<u>176,555</u>

Note 3. Operating segments

Primary Reporting Format – Business Segments

The Company has one geographical location which is Australia. The Company's sole operations are research and development, and promotion of the Company's nanocellulose technology from that location.

Identification of reportable operating segments

The operating segment identified is based on the internal reports that are reviewed and used by the Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments. The CODM reviews EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. The information reported to the CODM is on at least a quarterly basis.

Note 4. Equity – issued capital

	31 December 2021	30 June 2021	31 December 2021	30 June 2021
	Shares	Shares	\$	\$
Ordinary shares - fully paid	148,886,368	148,686,368	8,975,496	8,955,496

Nanollose Limited
Notes to the financial statements
For the half-year ended 31 December 2021

Movements in ordinary share capital

	Date	Shares	Issue price	\$
Balance as at 30 June 2021		148,686,368		8,955,496
Issue of shares upon exercise of options	16 November 2021	<u>200,000</u>	\$0.100	<u>20,000</u>
Balance as at 31 December 2021		<u>148,886,368</u>		<u>8,975,496</u>
	Date	Shares	Issue price	\$
Balance as at 30 June 2020		105,749,991		5,788,186
Issue of shares to sophisticated investors	6 October 2020	12,000,000	\$0.055	660,000
Issue of shares to directors in lieu of fees	4 December 2020	499,104	\$0.051	25,500
Conversion of Performance Rights	4 December 2020	500,000	\$0.200	100,000
Issue of shares - lieu of cash fees for advisors	15 January 2021	200,000	\$0.050	10,000
Conversion of options	25 January 2021	200,000	\$0.100	20,000
Issue of shares to sophisticated investors	23 April 2021	28,537,273	\$0.100	2,853,727
Issue of shares to sophisticated investors	24 June 2021	1,000,000	\$0.100	100,000
Transaction costs relating to share issues		<u>-</u>	<u>-</u>	<u>(601,917)</u>
Balance as at 30 June 2021		<u>148,686,368</u>		<u>8,955,496</u>

Note 5. Contingent Liabilities

The Company has no contingent liabilities at 31 December 2021.

Note 6. Events after the Reporting Period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had no direct material financial impact for the Company up to 31 December 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date.

The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Other than the above, no matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Note 7. Dividends

There were no dividends declared or paid during the half-year ended 31 December 2021 (31 December 2020: Nil).

Nanollose Limited
Directors' declaration
For the half-year ended 31 December 2021

In the directors' opinion:

- i) the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standards AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- ii) the attached financial statements and notes give a true and fair view of the Company's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- iii) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Winton Willesee
Director

22 February 2022
Perth



RSM Australia Partners

Level 32 Exchange Tower, 2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 92619100
F +61 (0) 8 92619111

www.rsm.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF NANOLLOSE LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Nanollose Limited, which comprises the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2021 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Nanollose Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Nanollose Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.


Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Nanollose Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 22 February 2022