

QUARTERLY UPDATE & APPENDIX 4C

Highlights;

- Microbial Cellulose Supply & Purchase Agreement signed
- World's first Tree-Free fibre created for nonwoven applications
- Successful second pilot-scale production of Tree-Free Rayon fibre
- Promising initial results from Tissue Scaffold project with Murdoch University
- \$235,846 cash rebate received from the ATO

Nanollose Limited (ASX: NC6) ("Nanollose" or the "Company") is pleased to provide its Appendix 4C cash flow statement for the quarter ending 30 June 2019, together with the following commentary.

Supply & Purchase Agreement:

In May, Nanollose announced a 'Supply and Purchase Agreement' with Hainan Yeguo Foods that will allow the Company to achieve a consistent supply of microbial cellulose for development and commercialisation of its Tree-Free fibres.

Hainan Yeguo Foods is a coconut processing pioneer and one of the world's largest manufacturers of nata de coco products. Through this agreement, Nanollose has the ability to purchase 1-3 tonnes of microbial cellulose per month from Hainan Yeguo Foods for further processing and to ultimately convert it into fibre.

This initial offering and method of procurement is a pragmatic short-term step towards the much larger and longer-term goal of turning primary waste streams into scalable microbial cellulose as a sustainable and eco-friendly feedstock for the fibre industry.

This new stream of raw material supply, in conjunction with the supply expected from Nanollose's Indonesian partner, will set the platform for future revenues and enable Nanollose to provide a fibre manufacturer with sufficient quantities of microbial cellulose for nullarbor fibre production at a small commercial scale.

Tree-Free Nonwoven Fibre: nufolium™

In April, Nanollose successfully produced a Tree-Free fibre for use in nonwoven applications, in what the Company believes to be another world first sustainable product. This achievement aligns with Nanollose's strategy of creating a range of high performance and eco-friendly products for multiple applications across the global textile market.

Samples of this new fibre, which Nanollose has called nufolium, were sent to a select group of industry leaders in Europe who expressed an interest in testing it in various applications and

products. Feedback to date has been extremely encouraging, with further due diligence now being undertaken to test the performance of the fibre in a number of nonwoven applications.

The nonwoven textile market, which includes such diverse items as wipes, filters and single use surgical gowns, is estimated to be worth approximately US\$44 billion. And as the industry continues to use nonwoven products made from environmentally damaging sources, Nanollose is well positioned to offer a more sustainable alternative in the future.

Tree-Free Rayon Fibre: nullarbor™

In April, Nanollose successfully completed the second pilot-scale production of its Tree-Free Rayon with a European based biomass processing company specialising in viscose production. The purpose of the production was to assess several alternative styles of equipment thought to be better suited to commercial scale operations.

This production run provided a number of critical metrics surrounding cost and manufacturing efficiencies, and while Nanollose continues to use and benefit from this European contract R&D facility, the company has identified a faster and more cost effective way of converting its existing stockpile of microbial cellulose into nullarbor fibre.

Nanollose is now engaging with commercial fibre manufacturers who have the capacity to prepare nullarbor fibre on an increased scale. In comparison to the R&D facility, this will potentially reduce the cost and increase the amount of fibre available for small commercial garment collections to be made with future apparel brands.

Tissue Scaffold Project at Murdoch University:

Results from the Company's research project with Murdoch University investigating the potential of microbial cellulose as a scaffold for human tissue engineering have been positive. Cells have been shown to replicate and migrate throughout the three dimensional structure of the scaffold as desired. The second project, which is to assess the viability of microbial cellulose as a scaffold for animal tissue growth for potential applications in the rapidly emerging field of artificial meat products, is still on going.

The human tissue growth market is expected to reach USD \$11.5 billion by 2022 and given the cost, lead time and regulatory barriers to enter this market, Nanollose will seek to identify suitable partners in the field to further progress this opportunity in the future. Currently, the Company will continue to focus internal resources in fibre technologies, as this is the most prominent and value adding commercial opportunity facing the company.

R&D Tax Incentive Rebates:

Nanollose received a \$235,846 cash rebate from the ATO in May as part of the Federal Government's R&D Tax Incentive scheme for eligible research it conducted in the 2017-2018 financial year.

In October last year, Nanollose announced that it had obtained favourable advanced overseas findings from the Department of Industry, Innovation and Science for certain overseas research and development expenditure up to \$1.4million over 2017-2018, 2018-2019 and 2019-2020 financial years, representing further potential tax rebates of \$617k (at the current rate of 43.5%).

3-6 Month Outlook:

Nanollose has distilled its corporate focus into three major commercial and developmental areas and plans progress towards achieving these milestones across the next 3-6 months.

1# Secure Commercial Fibre Manufacture

Nanollose's ambition is to execute an initial partnership agreement with a commercial fibre manufacturer in the near term. During the quarter, management held discussions with a number of potential partners who have the capacity to prepare nullarbor fibre on a much larger scale than the company's European contract R&D facility can.

Securing a commercial fibre manufacture will be transformative for Nanollose. Any partnership is expected to reduce the cost of converting the Company's current stockpile of raw material into nullarbor fibre, and increase production amounts for future apparel brands to create small collections of clothing.

2# Partner with an Apparel Brand

Nanollose continues to receive significant interest from major international clothing brands, with feedback to date being very positive. Once sufficient fibre is available, Nanollose will select a number of apparel brands to produce small collections and work towards manufacturing agreements and collaborative global marketing initiatives with these brands.

3# Secure Development Partner for Nonwoven

As mentioned in this release, samples of the Company's new nonwoven fibre have been sent to a select group of leading industry players in the nonwoven products space. Preliminary feedback has been extremely encouraging, and Nanollose will work towards securing a partner to continue developing the company's nonwoven products for commercial uptake.

[ENDS]

For further information, please contact:

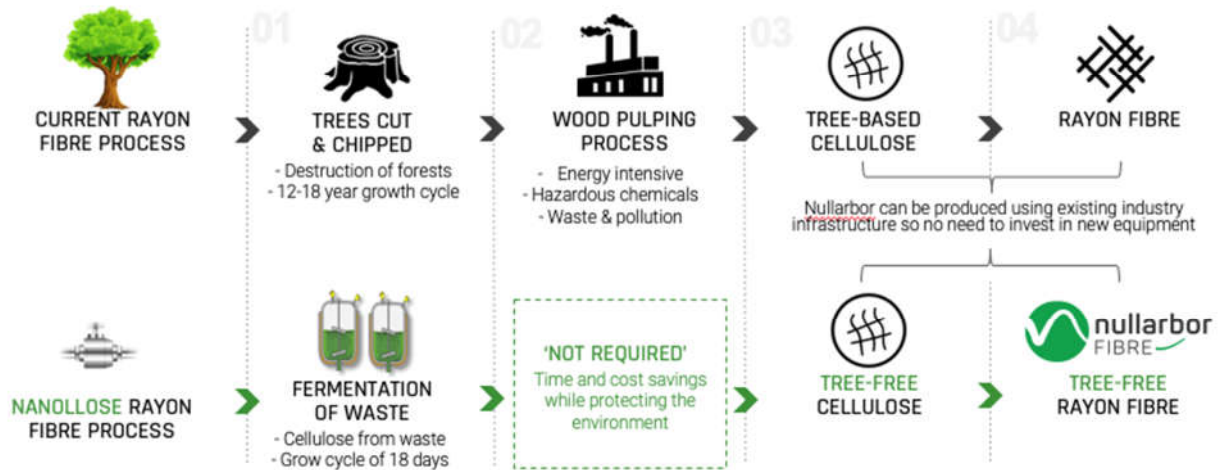
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ABOUT NANOLLOSE

Nanollose Limited (ASX: NC6) is an innovative Australian company that uses a potentially 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 'Tree-Free' Cellulose. Cellulose is the hidden 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.

ADVANTAGES OF OUR TREE-FREE RAYON



NO DEFORESTATION - **NO** PULPING PROCESS - **LOW** ENERGY USE - **NO** PESTICIDES - **LOW** WATER USE - **LOW** USE OF LAND

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")

30th June 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	0	0
1.2 Payments for		
(a) research and development	(392)	(1,060)
(b) product manufacturing and operating costs		
(c) advertising and marketing (including business development)	(62)	(317)
(d) leased assets		
(e) staff costs	(50)	(199)
(f) administration and corporate costs	(113)	(517)
1.3 Dividends received (see note 3)		
1.4 Interest received	9	56
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	236	236
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(372)	(1,801)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	0	(77)
(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)		
2.6 Net cash from / (used in) investing activities	0	(77)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	0	42
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	0	(17)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	0	25

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,489	2,970
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(372)	(1,801)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	0	(77)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	0	25

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	1,117	1,117

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	247	219
5.2	Call deposits	870	1,270
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,117	1,489

6. Payments to directors of the entity and their associates

	Current quarter \$A'000
6.1	(264)
6.2	
6.3	

6.1 Payments to a director 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

	Current quarter \$A'000
7.1	Nil
7.2	Nil
7.3	

N/A

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	0	0
8.2 Credit standby arrangements	0	0
8.3 Other (please specify)	0	0
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

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	311
9.2 Product manufacturing and operating costs	
9.3 Advertising and marketing	66
9.4 Leased assets	
9.5 Staff costs	38
9.6 Administration and corporate costs	138
9.7 Other (provide details if material)	
9.8 Total estimated cash outflows	553

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
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 2019
Company secretary

Print name: Erlyn Dale

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.