

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 2019
Previous period: For the half-year ended 31 December 2018

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	- to	461,847
Loss from ordinary activities after tax attributable to the owners of Nanollose Limited	down	75% to	588,267
Loss for the half-year attributable to the owners of Nanollose Limited	down	75% to	588,267

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 \$588,267 (31 December 2018: \$1,031,785). Included in the loss for the half-year period are compliance, regulatory, legal and consulting expenses relating to the ASX listing amounting to \$186,682.

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	550,584	2,079,583
Shares (No.)	74,999,993	74,999,993
Net tangible assets per ordinary security (cents)	<u>0.73</u>	<u>2.77</u>

4. 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.

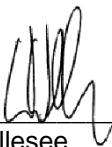
5. Audit qualification or review

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.

6. Attachments

The Interim Financial Report of Nanollose Limited for the half-year ended 31 December 2019 is attached.

7. Signed

Signed 
Winton Willesee
Non-Executive Director

Date: 24 February 2020

Nanollose Limited

ABN 13 601 676 377

Interim Report - 31 December 2019

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Nanollose Limited
Corporate directory
31 December 2019

Directors	Wayne Best Winton Willesee Terence Walsh Heidi Beatty (appointed 8 July 2019)
Managing Director	Raffaele (Alfie) Germano
Company Secretary	Erlyn Dale
Stock exchange listing	Nanollose Limited shares and options are listed on the Australian Securities Exchange (ASX) (ASX code: NC6 and NC6O).
Registered office	Suite 5 CPC 145 Stirling Highway Nedlands WA 6009
Principal place of business	Suite 5 CPC 145 Stirling Highway Nedlands WA 6009
Share register	Automic Level 2 267 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 595 Stirling Highway Peppermint Grove WA 6011
Website	www.nanollose.com

Nanollose Limited
Directors' report
31 December 2019

The directors present their report, together with the financial statements, for Nanollose Limited (referred to hereafter as the "Company" or "Nanollose") for the half-year ended 31 December 2019.

Directors

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

Wayne Best (Chairman)
Winton Willesee
Terence Walsh
Alfie Germano
Heidi Beatty (appointed 8 July 2019)
Gary Cass (resigned 8 July 2019)

Principal Activities and Review of operations

Nanollose has made significant progress towards commercialising its Tree-Free fibre technologies in the last six months.

In particular, the trial production of a nonwoven fabric from our Tree-Free fibre last July not only provided further validation of our technologies but also increased their potential applications and markets. Shortly after that trial, Nanollose signed an agreement with Codi Group, one of Europe's leading wipes manufacturers, who will assist in the development of our Tree-Free fibres for use in wipes in return for exclusive use of our fibres for that market.

More recently (January 2020), Nanollose received a major boost to its development and commercialisation program when it signed a collaboration agreement with Grasim Industries Limited (Grasim Industries), arguably the world's largest rayon fibre manufacturer. Significantly, this positioned Nanollose with partners across the entire supply chain from production of the raw material, to its conversion into fibre, and the transformation of that fibre into consumer products. The journey of scaling up these processes to produce commercial quantities of fibre can now commence.

To facilitate and accelerate commercialisation of the Nanollose's technologies, the last six months has seen the Company refocus its efforts away from developing multiple products for multiple markets and concentrated solely on developing fibre-based products for the clothing, textile and nonwoven markets. This "fibre-first" strategy is based on matching our technologies against the market demand, competitor landscape, stage of development and barriers to entry.

From a corporate perspective, the Company strengthened the independence and diversity of the board in July with the appointment of Heidi Beatty as an independent non-executive director. Ms Beatty has 20 years' experience in identifying, developing and launching new consumer and healthcare products.

With the Grasim Industries collaboration in place, the outlook for 2020 is very encouraging. The core objectives will be working with Grasim Industries to ensure the fibre technology scales successfully, working with our supply partners to increase supply of microbial cellulose, working with Codi Group to trial wipes production, and establishing agreements with preferred fashion brands to purchase initial quantities of fibre. Achieving these objectives should see the Company generate revenues.

Nanollose remains a truly transformative project for the textile and clothing industries. Not only are we embarking on creating high performance fibres that don't impact the environment, we are also building an end-to-end supply chain to mitigate waste and provide complete traceability for future customers to understand where our fibres come from.

The loss for the Company after providing for income tax amounted to \$588,267 (31 December 2018: \$1,031,785).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company during the financial half-year.

Nanollose Limited
Directors' report
31 December 2016

Events after the reporting period

Other than the agreement with Grasim Industries as noted above, no matter or circumstance has arisen since 31 December 2019 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

No dividend has been declared or paid during the half-year ended 31 December 2019 (31 December 2018: Nil), and the directors do not recommend the payment of a dividend in respect of the half-year ended 31 December 2019.

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

24 February 2020

Perth

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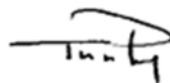
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Nanollose Limited for the half-year ended 31 December 2019, 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: 24 February 2020

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Nanollose Limited
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Nanollose Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

	2019	2018
	\$	\$
Revenue		
Research and development grant	461,847	-
Interest income	4,796	33,339
Expenses		
Administration expenses	(51,579)	(103,737)
Compliance and regulatory expenses	(45,881)	(46,900)
Depreciation expense	(26,989)	(14,678)
Employee related expenses	(361,853)	(419,925)
Foreign exchange rate movements	(692)	(96)
Interest expense	(1,443)	(1)
Legal and consultancy expenses	(140,801)	(137,341)
Promotion and communication expenses	(27,945)	(76,316)
Research and development expenses	(327,938)	(239,144)
Share based payments	(69,533)	(26,986)
Other expenses	(256)	-
Loss before income tax expense	(588,267)	(1,031,785)
Income tax expense	-	-
Loss after income tax expense for the half-year	(588,267)	(1,031,785)
Other comprehensive income		
Other comprehensive income for the half-year, net of tax	-	-
Total comprehensive loss for the half-year	(588,267)	(1,031,785)
	Cents	Cents
Basic loss per share	(0.78)	(1.38)
Diluted loss per share	(0.78)	(1.38)

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 2019

	Note	31 Dec 2019 \$	30 Jun 2019 \$
Assets			
Current assets			
Cash and cash equivalents		584,844	1,122,710
Trade and other receivables		20,880	30,878
Other current assets		18,618	40,875
Total current assets		624,342	1,194,463
Non-current assets			
Right of use asset		47,760	-
Plant and equipment		71,085	83,320
Total non-current assets		118,845	83,320
Total assets		743,187	1,277,783
Liabilities			
Current liabilities			
Trade and other payables		65,811	115,580
Lease liability		25,666	-
Provisions		28,687	42,638
Total current liabilities		120,164	158,218
Non-current liabilities			
Lease liability		24,678	-
Total non-current liabilities		24,678	-
Total liabilities		144,842	158,218
Net assets		598,345	1,119,565
Equity			
Issued capital		5,120,207	5,120,207
Reserves		635,081	565,548
Accumulated losses		(5,156,943)	(4,566,190)
Total equity		598,345	1,119,565

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 2019

	Issued capital \$	Share based payments reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019	5,120,207	565,548	(4,566,190)	1,119,565
Adoption of AASB 16 (refer to Note 2)	-	-	(2,486)	(2,486)
Proceeds from share issues	-	-	-	-
Share issue costs	-	-	-	-
Share based payments	-	69,533	-	69,533
Loss after income tax expense for the half-year	-	-	(588,267)	(588,267)
Balance at 31 December 2019	<u>5,120,207</u>	<u>635,081</u>	<u>(5,156,943)</u>	<u>598,345</u>

	Issued capital \$	Share based payments reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018	5,120,537	483,928	(2,562,195)	3,042,270
Proceeds from share issues	-	42,442	-	42,442
Share issue costs	(330)	-	-	(330)
Share based payments	-	26,986	-	26,986
Loss after income tax expense for the half-year	-	-	(1,031,785)	(1,031,785)
Balance at 31 December 2018	<u>5,120,207</u>	<u>553,356</u>	<u>(3,593,980)</u>	<u>2,079,583</u>

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 2019

	2019 \$	2018 \$
Cash flows from operating activities		
Interest received	4,796	33,339
Research and development	461,847	-
Payments to suppliers and employees	(1,001,347)	(993,374)
Interest paid	(1,150)	-
Net cash used in operating activities	(535,854)	(960,035)
Cash flows from investing activities		
Payments for plant and equipment	(2,012)	(19,899)
Net cash used in investing activities	(2,012)	(19,899)
Cash flows from financing activities		
Net proceeds from share issues	-	-
Net proceeds from option issue	-	42,442
Net repayment of borrowings	-	-
Net cash from financing activities	-	42,442
Net (decrease) /increase in cash and cash equivalents	(537,866)	(937,492)
Cash and cash equivalents at the beginning of the financial half-year	1,122,710	2,980,375
Cash and cash equivalents at the end of the financial half-year	584,844	2,042,883

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 2019

Note 1. Significant Accounting Policies

Basis of preparation of the half year Financial Statements

These financial statements for the interim half-year reporting period ended 31 December 2019 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 Financial Reporting Standard IAS 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 2019 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, with the exception of the adoption of AASB16 - Leases. The financial effect of the change in accounting policy is detailed in Note 2.

Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The Company incurred a loss of \$588,267 and net cash outflows from operating activities of \$535,854 for the half-year ended 31 December 2019. The Board believe that it is reasonably foreseeable that the Company will continue as a going concern and that it is appropriate for it to adopt the going concern basis in the preparation of the financial report after consideration of following factors:

- The Company's business model includes strategies to secure cash flows from commercial sales of the Company's nullarborTM and other products;
- The Company has the ability to issue additional equity securities under the Corporations Act 2001 to raise further working capital;
- The Company has the ability to curtail administrative, discretionary research expenses and overhead cash outflows as and when required.

Nanollose Limited
Notes to the Financial Statements
For the half-year ended 31 December 2019

Note 2. Financial effect of the adoption of new Accounting Standards

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board 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.

The Company has changed its accounting policies to reflect the requirements of the accounting standards AASB16 – Leases which became effective from 1 July 2019.

The financial effect of the adoption of AASB16 is as follows:

	31 Dec 2019	30 Jun 2019
	\$	\$
Transitional re-classification		
Recognition of right of use asset	-	101,749
Recognition of accumulated depreciation	-	(41,530)
Recognition of lease liability	-	(62,705)
Adjustment to reduce retained earnings	-	(2,486)
Impact on profit or loss for the current period		
Increase in depreciation expense	12,459	-
Increase in finance costs	1,439	-
Reduction in operating (rental) expenses	(13,800)	-
Net increase in profit	98	-

Note 3. Contingent Liabilities

The Company has no contingent liabilities as at 31 December 2019.

Note 4. Events after the Reporting Period

Other than the agreement with Grasm Industries as noted in the Review of Operations contained in the Director's Report, no matter or circumstance has arisen since 31 December 2019 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.

Nanollose Limited
Directors' declaration
31 December 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- 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

24 February 2020
Perth



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**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 2019, 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 2019 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 2019 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: 24 February 2020

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