Nanollose Limited

ABN 13 601 676 377

Annual Report
30 June 2020

Contents

Corporate Directory

Directors	Wayne Best Winton Willesee Terence Walsh Heidi Beatty (appointed 8 July 2019) Gary Cass (resigned 8 July 2019)
Managing Director	Raffaele (Alfie) Germano
Company Secretary	Erlyn Dale
Stock exchange listing	Nanollose Limited shares 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 Registry Services 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 Unit 2, 589 Stirling Highway Peppermint Grove WA 6011
Website	www.nanollose.com

Nanollose Limited
Directors' Report
30 June 2020

The directors present their report, together with the financial statements of Nanollose Limited (referred to hereafter as the 'Company') for the year ended 30 June 2020.

Directors

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

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

Principal activities

Nanollose Limited is a leading biotechnology company, commercialising scalable technology to create fibres and fabrics with minimal environmental impact. During the financial year, the principal continuing activities of the Company consisted of research and development, and promotion of the Company's microbial cellulose technology. The primary focus has been directed towards the development, scale up and ultimate commercialisation of the Company's Plant-Free rayon fibre for use in textiles (nullarbor™) and non-woven applications (nufolium™).

Dividends

There were no dividends declared or paid during the financial year (2019: Nil).

Operating Results

During the 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 $1,235,489 (30 June 2019: $2,003,995).

Review of Operations

Nanollose Limited (ASX:NC6) is a leading biotechnology company, commercialising scalable technology to create fibres and fabrics with minimal environmental impact. Nanollose uses an eco-friendly fermentation process to produce Tree-Free rayon fibres, which are primed to become an alternative to conventional tree-based rayon and cotton fibres.

The Company has a number of proprietary technologies to convert wastes from the agricultural, food and beverage industries into unique eco-friendly rayon fibres for textiles, non-woven fabrics and other industrial applications.

The Company is targeting the US$500 billion textile industry with an initial focus on the US$14.4 billion rayon market.

Collaboration Agreement with Grasim

In January 2020, Nanollose achieved a major milestone when the Company signed a Collaboration Agreement with Grasim, a company belonging to global conglomerate, Aditya Birla Group, one of the world's largest rayon manufacturers, to exclusively develop, and commercialise Nanollose's Tree-Free fibres including nullarbor™ and nufolium™.

The Collaboration Agreement provides the Company with a world class and globally recognised industrial partner, with the ability to accelerate development, commercialisation and provide a manufacturing foundation for future textile and clothing brands that uptake Nanollose's Tree-Free fibres. As an industrial fibre manufacturer, Grasim was the final missing link required to complete Nanollose's waste to textile value chain.

Despite global lockdowns to contain the spread of COVID-19, the Company has continued to advance the Collaboration Agreement with Grasim, by liaising with their R&D team and exchanging important technical information. New and improved samples of processed microbial cellulose were successfully shipped from Nanollose to Grasim in June 2020 for trial fibre spinning.

Over the past months, the Company has also increased capabilities and capacity at its WA facilities, in part to support the Grasim Collaboration. This has resulted in improvements and refinements to the integration and efficiency of its processes, to transform waste material into microbial cellulose ("MC") suitable for conversion into nullarbor™ fibre. These process improvements will assist greatly during the upcoming scale-up phase. In addition, Nanollose has recently been exploring an alternative waste stream sourced from several local companies in WA, for its potential to produce MC, with encouraging early results.

Non-Woven Fibres and Codi Co-Operation Agreement

In July 2019, Nanollose's Tree-Free rayon fibre was successfully converted into a non-woven fabric, in what the Company believes to be another world first sustainable material. The success of this trial quickly resulted in a Cooperation Agreement with Codi International BV, which is part of the Codi Group ("Codi"), a global leader in the development, manufacturing and marketing of high-quality personal care wipes.

Under the Co-Operation Agreement, both companies will exclusively work together in developing commercially viable consumer wipe products using Nanollose's Tree-Free non-woven fibres. Codi's extensive technical and commercial understanding, along with its ability to prototype and test products, will assist Nanollose in commercialising its Tree-Free rayon fibre for this market sector. A growing application base in the healthcare and personal care industry, along with increasing demand from the automotive industry, are some of the factors propelling market growth in the non-woven sector.

Corporate

The diversity and independence of the Board was increased in July 2019 with the appointment of independent non-executive director Heidi Beatty. Ms Beatty has 20 years 'experience developing consumer and healthcare products and is the founder of Crown Abbey, an innovation consultancy company operating in the US and Europe that helps consumer and healthcare clients identify new technologies and provides support through to launch.

On 11 November 2019 the Company received a R&D Tax Incentive Rebate of $461,847 from the ATO for R&D undertaken in the 2018-2019 financial year.

On 11 May 2020 the Company raised $376,097 from a 2:5 rights issue at $0.024 per share to existing shareholders. On 21 May 2020 the Company raised an additional $343,903 by placing the shortfall from the rights issue.

In light of the challenges and delays caused by COVID-19, the Company's directors took a reduction in cash remuneration. This, combined with a significant reductions in the cash component of executive salaries and other savings, has reduced the Company's monthly expenses considerably.

Impact of Covid-19 Global Pandemic

The impact of the Coronavirus (COVID-19) pandemic is ongoing and whilst it has had no direct financial impact for the Company up to 30 June 2020, 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.

Throughout temporary lockdowns to control the spread of COVID-19, the Company's operations in Western Australia ("WA") have continued unaffected. While the Company's overseas partners, Grasim and Hainan Yeguo Foods Co., Ltd ("Hainan Yeguo Foods") have been impacted by lockdowns, however the agreements have continued as the Company progresses to commercialise its tree-free fibres.

As stated earlier, during the lockdown period, the Company has worked diligently to advance the Grasim Collaboration Agreement, to exchange important technical information with Grasim's R&D team.

It was also possible for the Company to continue to liaise with Hainan Yeguo Foods even during the lockdown period, to refine the desired technical specifications for its MC. Hainan Yeguo Foods is operational again and have recently provided the Company with a new and improved sample of MC for testing and trial processing as a prelude to scale-up.

While the pandemic has seen paradigm shifts in many industries, it is encouraging to see that it has only strengthened the fashion industry's commitment to sustainability, with Nanollose's Tree-Free fibres ideally placed to assist the industry in meeting that commitment.

Significant changes in the state of affairs

Other than detailed in the review of operations, there were no other significant changes in the state of affairs of the Company during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2020 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.

Likely developments and expected results of operations

The Company has made significant progress over the past year as it positions itself at the forefront of commercially viable, eco-friendly fibre alternatives for the fashion and textile industries. With the Collaboration Agreement with Grasim, the Company envisages that the next year will see nullarbor™ and nufolium™ fibres move through the development phase and into commercial trials. With commercial quantities of fibre in hand, the Company will be well placed to select a small number of partners to transform fibre into highly desirable consumer products.

Environmental regulation

The Company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Wayne Best
Title:	Executive Chairman
Qualifications:	BSc (Honours), PhD, DIC, FRACI, GAICD
Experience and expertise:	Wayne has 36 years' experience in organic chemistry both in academia, government and industry. Wayne obtained his BSc (Hons) and PhD in Organic Chemistry from The University of Western Australia. He then spent two years at Imperial College in the UK where he obtained a DIC, followed by a year at the Australian National University in Canberra. He then took up a position with ICI Australia's Research Group in Melbourne for four and a half years which included a secondment to ICI Agrochemicals' in the UK. Following ICI, Wayne returned to Western Australia and spent ten years at the Chemistry Centre (WA) where he was responsible for the formation and running of the Medicinal & Biological Chemistry Section which undertook collaborative R&D into drug discovery and contract synthesis for the drug discovery and pharmaceutical industries. He then founded Epichem Pty Ltd, a contract research and drug discovery Company, which he managed for 14 years before moving to Nanollose. He is currently Epichem's non-executive chairman. Wayne is a Fellow of the Royal Australian Chemical Institute and has held appointments as an Adjunct Associate Professor at both Murdoch University and The University of Western Australia. He is also a Graduate Member of the Australian Institute of Company Directors and has served as a Director for several listed and unlisted biotechnology companies.
Other current directorships:	None
Former directorships (last three years):	Pharmaust Limited
Interests in shares:	8,285,002 ordinary shares 2,000,000 Class C Performance Rights
Interests in options:	1,290,476 Class A options 1,404,465 NC6O listed options
Contractual rights to shares:	None

Name:	Alfie Germano
Title:	Managing Director
Qualifications:	Diploma - FDTS
Experience and expertise:	Mr Germano is a creative achiever who strives for the balance of art and science in product and process. He is a 30-year veteran in the global textile industry sector. Alfie obtained his Fashion Design and Textile Science Diploma from the Bentley College of Technical and Further Education in Perth, Western Australia. After working for his family garment manufacturing company, he moved to Hong Kong where he spent 24 years in the garment industry as a leader of large scale global product development, sourcing and retail operations. He held Vice President and Director positions at GAP Inc, VF Corporation, Liz Claiborne Inc, Fila Inc and Carter's Inc. Alfie has travelled the world extensively with postings in the USA, Japan and China. Alfie relocated his family to Perth in 2016 and is enjoying the "green-change" in Australia. He is passionate about sustainability, strategy, performance, metrics, process and product.
Other current directorships:	None
Former directorships (last three years):	None
Interests in shares:	700,000 ordinary shares 250,000 Class A Performance Rights 250,000 Class B Performance Rights 2,000,000 Class C Performance Rights
Interests in options:	1,100,000 Class C options 1,100,000 Class D options 125,000 NC6O listed options
Contractual rights to shares:	None

Name:	Winton Willesee
Title:	Non-Executive Director
Qualifications:	BBus, DipEd, PGDipBus, MCom, FFin, CPA, GAICD, FGIS/FCIS
Experience and expertise:	Mr Willesee is an experienced corporate professional with a broad range of skills and experience strategy, company development, corporate governance, company public listings, merger and acquisition transactions and corporate finance. Mr Willesee has considerable experience with ASX listed and other companies over a broad range of industries, having held directorships, chairmanships and company secretarial positions with a number of ASX-listed companies over many years. Mr Willesee holds formal qualifications in Commerce, Economics and Finance, Accounting, Applied Finance and Investment, Applied Corporate Governance and Education. He is a Fellow of the Financial Services Institute of Australasia, the Governance Institute of Australia and the Institute of Chartered Secretaries and Administrators, Graduate of the Australian Institute of Company Directors and a Member of CPA Australia.
Other current directorships:	New Zealand Coastal Seafoods Limited, MMJ Group Holdings Limited, Neurotech International Limited and eSense Lab Ltd
Former listed company directorships (last three years):	Ding Sheng Xin Finance Co Limited and Kopore Metals Limited
Interests in shares:	7,830,000 ordinary shares
Interests in options:	1,290,476 Class A options 1,398,215 NC6O listed options
Contractual rights to shares:	None

Name:	Terence Walsh
Title:	Non-Executive Director
Qualifications:	LLB
Experience and expertise:	Terry is a senior commercial lawyer and manager with more than 20 years of experience in project development, mining and general commercial law. He initially worked with leading law firms in Perth and Sydney before moving in house, where he has worked as the General Counsel of Hancock Prospecting Pty Ltd and prior to that as a Corporate Counsel with Rio Tinto Ltd. In these roles he has been involved with the legal and commercial aspects associated with the development and operation of technology and mining projects.
Other current directorships:	Structural Monitoring Systems PLC
Former directorships (last three years):	Hazer Group Limited
Interests in shares:	700,000 ordinary shares
Interests in options:	1,500,000 Class A options 125,000 NC6O listed options
Contractual rights to shares:	None

Name:	Heidi Beatty
Title:	Non-Executive Director (appointed 8 July 2019)
Qualifications:	BSc
Experience and expertise:	Heidi Beatty, founder of Crown Abbey Ltd is a scientist and innovator who has 20 years' experience developing consumer and health care products. After gaining a BSc in Chemistry from the University of York UK, Heidi worked with Johnson & Johnson for 10 years in Europe and the US. In 2015 Heidi founded Crown Abbey Ltd, a consultancy company that supports clients in their project launches, combining Project Management and Product Development across Consumer and Healthcare categories.
Other current directorships:	None
Former directorships (last three years):	None
Interests in shares:	Nil
Interests in options:	Nil
Contractual rights to shares:	None

Name:	Gary Cass
Title:	Executive Director (resigned 8 July 2019)
Qualifications:	BSc
Experience and expertise:	Mr Cass has a BSc in Agricultural Sciences specialising in microbiology and over 20 years' experience working with microbial cellulose. In addition to his expertise in microbiology he has a broad theoretical and practical knowledge across the biological sciences including environmental conversation and molecular biotechnology. Mr Cass has published in scientific journals and run international bio-science workshops in Australia and overseas. He has been a key collaborator with numerous international arts and sciences projects, including Fermented Fashion, the first dresses in the world made from wine and beer that have been exhibited around the world including the Venice Biennale (fringe), Trinity College Science Gallery, Ireland and the Signature Art Prize in Singapore.
Other current directorships:	None
Former directorships (last three years):	None
Interests in shares as at the date of resignation:	5,142,857 ordinary shares
Interests in options as at the date of resignation:	1,190,476 Class A options 1,285,715 NC6O listed options
Contractual rights to shares:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities unless otherwise stated.

'Former directorships (last three years)' quoted above are directorships held in the last three years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Miss Dale is an experienced corporate professional with a broad range of corporate governance and capital markets experience, having been involved with several public company listings, merger and acquisition transactions and capital raisings for ASX-listed companies across a diverse range of industries.

Miss Dale began her career in corporate recovery and restructuring at Ferrier Hodgson and is now the Managing Director of corporate services firm, Azalea Consulting, which provides outsourced company secretarial, accounting and administration services to a portfolio of ASX-listed companies.

Miss Dale holds a Bachelor of Commerce (Accounting and Finance) and a Graduate Diploma in Applied Corporate Governance. She is a member of the Governance Institute of Australia/Chartered Secretary.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2020, and the number of meetings attended by each director were:

	Attended	Held
Wayne Best	5	5
Winton Willesee	5	5
Terence Walsh	5	5
Alfie Germano	5	5
Gary Cass	-	-
Heidi Beatty	5	5

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Company’s executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board fulfilling the role of the Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Company.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having value creation and capital growth in advance of economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of growth in share price and eventually dividends, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed from time to time by the Board fulfilling its role as the Nomination and Remuneration Committee. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not entitled to vote on the determination of his own remuneration. Given the nature of the Company and the more hands-on role the non-executive directors' play in the operations of the Company non-executive directors may receive share options or other incentives.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was via a resolution of all shareholders on 5 June 2016, where the shareholders approved a maximum annual aggregate remuneration of $500,000.

Executive directors' remuneration

The Company aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed regularly by the Board fulfilling the role of Nomination and Remuneration Committee based on the overall performance of the Company and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other benefits where it does not create any additional costs to the Company and provides additional value to the executive.

The short-term incentives ('STI') program has yet to be finalised. Once adopted it will be designed to align the targets of Company with the performance hurdles of executives. STI payments will be granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved.

The long-term incentives ('LTI') include equity-based payments. Equity securities are awarded to executives with vesting conditions and expiry dates aligned to the Company's business plans and targets. The details of the current vesting conditions and targets are as follows and further detailed in the section on service agreements found below.

Options

The Options vest on the achievement of the following milestones:

Class B - The Company enters into a commercial agreement;(lapsed on 30 September 2019)
1. to exploit one of the Company's two existing patents (AU2016904456 and AU2017901318); and
2. receives $1 million of gross revenue under that agreement.

Class C - The Company enters into a commercial agreement;
1. to exploit a second technology or patent held by the Company (other than the patent the subject of Milestone 1); and
2. receives $5 million of gross revenue under that agreement.

Class D - The Company enters into a commercial agreement;
1. to exploit a third technology or patent held by the Company; and
2. receives $10 million of gross revenue under that agreement.

All class C and D Options vest in the event of a 'takeover event'.

Performance Rights

Pursuant to Shareholder approval at the Company's 2019 Annual General Meeting held on 24 October 2019. Mr Alfie Germano was issued 2,000,000 Class C Performance Rights and Dr Wayne Best was issued 2,000,000 Class C Performance Rights. The Performance Rights will, at the election of the holder, vest and convert into one share along with one option (NC6O) if, before 31 December 2020, the Company enters into a commercial agreement relating to the licencing of the Company's intellectual property and receives $1,000,000 of gross revenue under this agreement or a Takeover Event occurs.

A "Takeover Event" means a takeover bid for the Company pursuant to Chapter 6 of the Corporations Act where at least 50% of the holders of ordinary shares accept the bid and such bid is free of conditions or a court grants an order approving a compromise or scheme where the ordinary shares are either cancelled or transferred to a third party (not being a scheme of arrangement simply for the purposes of a corporate restructure).

Company performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the Company. Each key management personnel holds equity securities designed to incentivise them to drive the Company's performance in line with its business plans.

A portion of any cash bonus that may be paid to executives will be directly linked to the achievement of goals designed to align with the Company's performance.

Details of remuneration

Details of the remuneration of key management personnel of the Company during the year ended 30 June 2020 are set out in the following tables.

The key management personnel of the Company consisted of the following directors of Nanollose Limited:

- Wayne Best (Executive Chairman)
- Winton Willesee (Non-Executive Director)
- Gary Cass (Executive Director)
- Terence Walsh (Non-Executive Director)
- Alfie Germano (Managing Director)
- Heidi Beatty (Non-Executive Director)

Changes since the end of the reporting period:

- Gary Cass resigned as Executive Director on 8 July 2019
- Heidi Beatty was appointed as a Non-Executive Director on 8 July 2019

	Cash salary and fees	Super-annuation	Annual Leave	Equity-settled Shares	Equity-settled Performance rights	Total	Fixed remuneration	Incentive
2020	**$**	**$**	**$**	**$**	**$**	**$**	**%**	**%**
Executives:								
Wayne Best	172,500	16,625	18,174	2,500	114,070	323,869	65%	35%
Gary Cass	91,612	7,714	-	-	-	99,326	100%	-
Alfie Germano	172,500	16,625	13,293	2,500	121,468	326,386	87%	37%
Non-executives:								
Winton Willesee	33,833	-	-	1,167	-	35,000	100%	-
Terence Walsh	33,839	-	-	1,161	-	35,000	100%	-
Heidi Beatty	33,175	-	-	1,166	-	34,341	100%	-
Total	**537,459**	**40,964**	**31,467**	**8,494**	**235,538**	**853,922**		

2019	Cash salary and fees $	Super-annuation $	Annual Leave $	Equity-settled Shares $	Equity-settled Performance rights $	Total $	Fixed remuneration %	Incentive %
Executives:								
Wayne Best	242,677	21,375	-	-	-	264,052	100%	-
Gary Cass	170,626	15,200	-	-	-	185,826	100%	-
Alfie Germano	239,336	21,375	-	-	39,178	299,889	87%	13%
Non-executives:								
Winton Willesee	35,000	-	-	-	-	35,000	100%	-
Terence Walsh	35,007	-	-	-	-	35,007	100%	-
	722,646	**57,950**	**-**	**-**	**39,178**	**819,774**		

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Alfie Germano
Title:	Managing Director
Agreement commenced:	20 March 2017
Term of agreement:	No fixed term
Details:	Originally with a base Salary of $225,000 per annum plus superannuation, on 1 September 2019 the base salary was amended to $165,000 for a period of 12 months for which Mr Germano (or his nominee) was issued with 2,000,000 Class C Performance Rights and from 1 May 2020 the base salary was reduced a further $15,000 to $150,000 for which the Company proposes to seek shareholder approval for the issue of shares in lieu of the May 2020 $15,000 per annum reduction. In previous periods Mr Germano (or his nominee) has been issued with 500,000 Shares in lieu of accrued salary, along with 500,000 Performance Rights (Class A and B), each with vesting conditions that have been satisfied. The Agreement may be terminated by either party on 3 months' notice, and there is a 12 month non-solicitation period upon any termination of the Agreement.

Name:	Wayne Best
Title:	Executive Chairman
Agreement commenced:	9 April 2018
Term of agreement:	No fixed term
Details:	Originally with a base salary of $225,000 per annum plus superannuation, on 1 September 2019 the base salary was amended to $165,000 for a period of 12 months for which Mr Best (or his nominee) was issued with 2,000,000 Class C Performance Rights and from 1 May 2020 the base salary was reduced a further $15,000 to $150,000 for which the Company proposes to seek shareholder approval for the issue of shares in lieu of the May 2020 $15,000 per annum reduction. The Agreement may be terminated by either party on 3 months' notice and there is a 12 month non-solicitation period upon any termination of the Agreement.

Name:	Gary Cass
Title:	Executive Director (resigned 8 July 2019)
Agreement commenced:	11 June 2018
Term of agreement:	No fixed term
Details:	Base salary of $160,000 per annum plus superannuation with no separate Director's fee payable from the commencement of the Agreement. Mr Cass gave notice in October 2019 and ceased with the Company shortly afterwards. The Agreement included a 12 month non-solicitation period following termination of the Agreement.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

There were no options issued to directors and other key management personnel as part of compensation during the year ended 30 June 2020.

Pursuant to Shareholder approval at the Company's 2019 Annual General Meeting held on 24 October 2019. Mr Alfie Germano was issued 2,000,000 Class C Performance Rights and Dr Wayne Best was issued 2,000,000 Class C Performance Rights. The Performance Rights vest on the achievement of certain milestones by 31 December 2020 and upon vesting, each Class C Performance Right will convert into one ordinary share and one option (exercise price of 30 cents and 31 December 2020 expiry date).

In previous periods, in accordance with his employment contract, 500,000 ordinary shares were issued to Mr Alfie Germano in lieu of his accrued salary at the time of the ASX listing. Mr Alfie Germano was also issued 500,000 performance rights all of which have now vested.

Additional information

The loss of the Company for the five years to 30 June 2020 are summarised below:

	2020	**2019**	**2018**	**2017**	**2016**
	$	**$**	**$**	**$**	**$**
Sales revenue	-	-	-	-	11,630
EBITDA	(1,187,793)	(2,022,299)	(1,776,703)	(817,432)	(9,790)
EBIT	(1,241,318)	(2,054,457)	(1,783,135)	(817,916)	(9,907)
Loss after income tax	(1,235,489)	(2,003,995)	(1,730,214)	(820,346)	(9,907)

The factors that are considered to affect total shareholders return ('TSR') are summarised below. Given the Company listed during the financial year, no comparative information is available. The Company's official listing date was 18 October 2017.

	2020	**2019**	**2018**	**2017**
Share price at financial year end ($)	0.04	0.05	0.13	-
Total dividends declared (cents per share)	-	-	-	-
Basic loss per share (cents per share)	1.57	2.67	2.57	1.82

Additional disclosures relating to key management personnel

Shareholdings

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Company, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposal on resignation	Balance at the end of the year
Ordinary shares					
Wayne Best	5,917,858	-	2,367,144	-	8,285,002
Winton Willesee	5,592,857	-	2,237,143	-	7,830,000
Gary Cass	5,142,857	-	-	(5,142,857)	-
Terence Walsh	500,000	-	200,000	-	700,000
Alfie Germano	500,000	-	200,000	-	700,000
Heidi Beatty	-	-	-	-	-
Total	**17,653,572**	**-**	**5,004,287**	**(5,142,857)**	**17,515,002**

Option holdings

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Company, including their personally related parties, is set out below:

	Balance at the start of the year	Issued	Exercised	Expired/ disposal on resignation	Balance at the end of the year
Options over ordinary shares					
Wayne Best	2,694,941	-	-	-	2,694,941
Winton Willesee	2,688,691	-	-	-	2,688,691
Gary Cass	2,476,191	-	-	(2,476,191)	-
Terence Walsh	1,625,000	-	-	-	1,625,000
Alfie Germano	3,425,000	-	-	(1,100,000)	2,325,000
Heidi Beatty	-	-	-	-	-
Total	**12,909,823**	**-**	**-**	**(3,576,191)**	**9,333,632**

Performance Rights holdings

The number of performance rights in the Company held during the financial year by each director and other members of key management personnel of the Company, including their personally related parties, is set out below:

	Balance at the start of the year	Issued	Converted	Expired/ forfeited/ other	Balance at the end of the year
Rights to Ordinary shares					
Wayne Best	-	2,000,000	-	-	2,000,000
Winton Willesee	-	-	-	-	-
Gary Cass	-	-	-	-	-
Terence Walsh	-	-	-	-	-
Alfie Germano	500,000	2,000,000	-	-	2,500,000
Heidi Beatty		-	-	-	-
Total	**500,000**	**4,000,000**	**-**	**-**	**4,500,000**

Other transactions with key management personnel and their related parties during the financial year

(i) Receivable from and payable to key management personnel and their related parties are as follows:

The following balances are outstanding at the reporting date in relation to transactions with key management personnel and their related parties:

	2020 $	2019 $
Payable to Epichem Pty Ltd (director related entity of Wayne Best)	25,260	16,375
Payable to Valle Corporate Pty Ltd (director related entity of Winton Willesee)	4,000	2,200
Payable to Azalea Consulting Pty Ltd (director related entity of Winton Willesee)	10,991	5,995

(ii) Transactions with key management personnel and their related parties

Payments to Epichem Pty Ltd (director related entity of Wayne Best) of $153,592 (2019: $186,457) for research consultancy fees. As at the date of this report, Epichem is no longer a director related entity of Wayne Best.

Payments to Valle Corporate Pty Ltd (director related entity of Winton Willesee) of $20,000 (2019: $22,000) for bookkeeping and financial reporting services fees.

Payments to Azalea Consulting Pty Ltd (director related entity of Winton Willesee) of $59,955 (2019: $65,077) for corporate services fees including company secretarial services, and front and registered office services.

All transactions were made on normal commercial terms and conditions and at market rates.

Voting and comments made at the Company's 2019 Annual General Meeting ('AGM')

At the AGM held on 24 October 2019, the Company received votes representing 16,008,785 shares in favour of the adoption of the remuneration report put to shareholders for the financial year ended 30 June 2019. This represented 96.3% of the votes cast at the AGM.

This concludes the remuneration report, which has been audited.

Shares

As at the date of this report, there are 105,749,991 (2019: 74,999,993) fully paid ordinary shares on issue.

Shares under option

Unissued ordinary shares of Nanollose Limited under option at the date of this report are as follows:

Date of issue	Class of option	No. of Options	Exercise price	Expiry date
4 August 2016	Class A	21,000,000	$0.30	31 December 2020
5 April 2017	Class A	1,450,000	$0.30	31 December 2020
5 April 2017	Class C	900,000	$0.30	30 September 2020
5 April 2017	Class D	900,000	$0.40	30 September 2021
21 April 2017	Class A	1,333,333	$0.30	31 December 2020
21 June 2017	Class C	200,000	$0.30	30 September 2020
21 June 2017	Class D	200,000	$0.40	30 September 2021
25 May 2018	NC6O	14,505,733	$0.30	31 December 2020
17 August 2018	NC6O	4,244,266	$0.30	31 December 2020
21 May 2020	NC6OPT1	1,000,000	$0.10	31 May 2023
Total		**45,733,332**		

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Performance Rights

Performance rights of Nanollose Limited at the date of this report are as follows:

Date of issue	Class of performance rights	No. of performance rights	Service condition	Vesting date
10 August 2017	Class A	250,000	Each Class A performance right will, at the election of the holder, vest and convert into one share upon satisfaction of the service condition as being engaged as the Managing Director for the period of 12 months after the Company lists on ASX.	18 October 2018
10 August 2017	Class B	250,000	Each Class B performance right will, at the election of the holder, vest and convert into one share upon satisfaction of the service condition as being engaged as the Managing Director for the period of 24 months after the Company lists on ASX.	18 October 2019
24 October 2019	Class C	4,000,000	Each Class C performance right will, at the election of the holder, vest and convert into one share if, before 31 December 2020, the Company enters into a commercial agreement relating to the licencing of the Company's intellectual property and receives $1,000,000 of gross revenue under this agreement or a Takeover Event occurs.	31 December 2020
Total		**4,500,000**		

The Class A and Class B performance rights have vested, but have not yet been exercised and converted to Ordinary Shares.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 16 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in Note 16 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Corporate Governance

The Company’s 2020 Corporate Governance Statement is contained in the ‘Corporate Governance’ section of the Company’s website at https://nanollose.com/about/corporate-governance/.

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.

Auditor

RSM Australia Partners continues in office in accordance with Section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Winton Willesee
Director

25 August 2020
Perth

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Nanollose Limited for the year ended 30 June 2020, 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

Perth, WA
Dated: 25 August 2020

TUTU PHONG
Partner

Nanollose Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

	Note	2020 $	2019 $
Revenue			
Interest income		5,830	50,462
R&D incentives		461,847	235,846
Government Grant – Cashflow Boost		100,000	-
		567,677	286,308
Expenses			
Research expenses		(474,557)	(725,411)
Promotion and communication expenses		(66,311)	(112,052)
Consultancy and legal expenses		(171,651)	(343,119)
Employee benefits expense		(636,307)	(835,128)
Depreciation expense		(53,526)	(32,158)
Share-based payments		(235,538)	(39,178)
Other expenses		(161,737)	(197,578)
Interest expense		(3,539)	(5,679)
Loss before income tax expense		**(1,235,489)**	**(2,003,995)**
Income tax expense	4	-	-
Loss after income tax expense for the year		**(1,235,489)**	**(2,003,995)**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		**(1,235,489)**	**(2,003,995)**

	Note	Cents	Cents
Basic loss per share	24	1.57	2.67
Diluted loss per share	24	1.57	2.67

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 30 June 2020

Assets		**2020**	**2019**
		$	**$**
Current assets			
Cash and cash equivalents	5	839,161	1,122,710
Trade and other receivables	6	67,372	30,878
Prepayments		22,930	40,875
Total current assets		**929,463**	**1,194,463**
Non-current assets			
Right of use asset	7	35,519	-
Plant and equipment	8	56,988	83,320
Total non-current assets		92,507	83,320
Total assets		**1,021,970**	**1,277,783**
Liabilities			
Current liabilities			
Trade and other payables	9	147,161	115,580
Provisions	10	31,467	42,638
Lease liability	11	26,424	-
Borrowings		20,295	-
Total current liabilities		225,347	158,218
Non-current liabilities			
Lease liability	11	11,405	-
Total current liabilities		11,405	-
Total liabilities		236,752	158,218
Net assets		**785,218**	**1,119,565**
Equity			
Issued capital	12	5,788,186	5,120,207
Reserves	13	801,086	565,548
Accumulated losses	14	(5,804,054)	(4,566,190)
Total equity		**785,218**	**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 year ended 30 June 2020

	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2019	5,120,207	565,548	(4,566,190)	1,119,565
Adjustment to accumulated losses at 1 July 2019 arising from the adoption of AASB16 Leases			(2,375)	(2,375)
Total comprehensive loss for the year	-	-	(1,235,489)	(1,235,489)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	667,979	-	-	667,979
Share based payments (note 12b)	-	235,538	-	235,538
Balance as at 30 June 2020	**5,788,186**	**801,086**	**(5,804,054)**	**785,218**

	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2018	5,120,537	483,928	(2,562,195)	3,042,270
Total comprehensive loss for the year	-	-	(2,003,995)	(2,003,995)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	(330)	-	-	(330)
Share based payments (note 12b)	-	39,178	-	39,178
Issue of options (note 12a)	-	42,442	-	42,442
Balance as at 30 June 2019	**5,120,207**	**565,548**	**(4,566,190)**	**1,119,565**

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

Nanollose Limited
Statement of cash flows
For the year ended 30 June 2020

	Note	2020 $	2019 $	
Cash flows from operating activities				
Payments to suppliers and employees		(1,462,442)	(2,154,663)	
Interest received		8,540	56,249	
Interest paid		(3,539)	-	
R&D incentive received		461,847	235,846	
Government grants received – Cashflow Boost		50,000	-	
Net cash used in operating activities	22	(945,594)	(1,862,568)	
Cash flows from investing activities				
Payments for plant and equipment		(1,091)	(37,209)	
Net cash used in investing activities		(1,091)	(37,209)	
Cash flows from financing activities				
Proceeds from issue of shares		720,000	-	
Share issue costs		(52,021)	(330)	
Proceeds from issue of options		-	42,442	
Proceeds from borrowings		33,825	-	
Repayment of borrowings		(13,530)	-	
Repayment of lease liability		(25,138)	-	
Net cash from financing activities		663,136	42,112	
Net (decrease) in cash and cash equivalents		(283,549)	(1,857,665)	2,9
Cash and cash equivalents at the beginning of the financial year		1,122,710	2,980,375	
Cash and cash equivalents at the end of the financial year	5	**839,161**	**1,122,710**	**2,9**

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, 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 that are mandatory for the current reporting period. The impact on the financial performance and position of the Company from the adoption of the new or amended Accounting Standards and Interpretations was not material. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation
These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, certain financial assets and liabilities.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed 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.

As disclosed in the financial statements, the Company incurred a loss of $1,235,489 and had net cash outflows from operating activities of $945,594 for the year ended 30 June 2020.

The Directors believe that it is reasonably foreseeable that the Company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:
1. The Company had cash and cash equivalents at 30 June 2020 of $839,161;
2. The Company expects to receive a R&D tax incentive during the year ended 30 June 2021 upon lodgement of its claim;
3. The Company's business model includes strategies to secure cash flows from commercial sales of the Company's nullarbor™ and other products;
4. The Company has the ability to issue additional equity securities under the *Corporations Act 2001* to raise further working capital; and
5. The Company has the ability to curtail administrative, discretionary research expenses and overhead cash outflows as and when required.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation
The financial statements are presented in Australian dollars, which is Nanollose Limited's functional and presentation currency.

Note 1. Significant accounting policies (continued)

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Revenue recognition
Interest
Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Earnings per share
Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 1. Significant accounting policies (continued)

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

The Company has applied the simplified approach of measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line or diminishing balance basis to write off the net cost of each class of plant and equipment over their expected useful lives as follows:

Plant and equipment	3-5 years	diminishing balance
Leasehold improvements	4 years	stright-line

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Note 1. Significant accounting policies (continued)

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee benefits
Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Company receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Note 1. Significant accounting policies (continued)

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Company or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Company or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Note 1. Significant accounting policies (continued)

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends
Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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.

The following Accounting Standards and Interpretations are most relevant to the company:

AASB 16 Leases
The company has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117.

Note 1. Significant accounting policies (continued)

However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption
AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

	1 July 2019 $
Operating lease commitments as at 1 July 2019 (AASB 117)	110,400
Operating lease commitments discount based on the weighted average incremental borrowing rate of 5% (AASB 16)	(10,111)
Accumulated depreciation as at 1 July 2019 (AASB 16)	(39,698)
Right-of-use assets (AASB 16)	60,591
Lease liabilities - current (AASB 16)	(25,138)
Lease liabilities - non-current (AASB 16)	(37,829)
Reduction in opening retained profits as at 1 July 2019	(2,375)

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2020. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)
The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Company has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Company's financial statements.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Management has applied a probability estimate to the vesting conditions being met, since the Company was unable to reliably measure the fair value of the services received. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

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. Income tax expense

	2020 $	2019 $
Reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense from continuing operations	(1,235,489)	(2,003,995)
Tax benefit at the statutory tax rate of 27.5%	339,759	551,098
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Other non-deductible expenses	(65,178)	(11,021)
	274,581	540,077
Future tax benefit not recognised	(274,581)	(540,077)
Income tax expense	-	-

Note 4. Income tax expense (continued)

Unrecognised deferred tax balances

The Company does not currently recognise any deferred tax asset arising from its accumulated losses. The Directors estimate that the potential deferred tax assets at 27.5% not brought to account attributable to tax losses carried forward at reporting date is approximately $906,067 (2019: $631,486).

The losses have not been brought to account because the Directors do not believe it is appropriate to regard realisation of those deferred tax assets as being probable. The benefit of these deferred tax assets will only be obtained if:

(1) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the temporary differences to be realised;
(2) the Company continues to comply with the conditions for deductibility imposed by tax legislation; and
(3) no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the temporary differences.

Note 5. Cash and cash equivalents

	2020 $	2019 $
Cash at bank	269,161	252,710
Term deposit [1]	570,000	870,000
	839,161	1,122,710

[1] – Term deposit amount includes $20,000 used as security for credit cards.

Note 6. Trade and other receivables

	2020 $	2019 $
ATO receivables	66,886	27,682
Accrued interest	486	3,196
	67,372	30,878

Note 7. Right of use asset

	2020 $	2019 $
Right of use asset	100,289	-
Accumulated depreciation	(64,770)	-
	35,519	-
Right of use asset		
Opening balance	-	-
Transitional adjustment for adoption of AASB16	100,289	-
Closing balance	100,289	-
Accumulated depreciation		
Opening balance	-	-
Transitional adjustment for adoption of AASB16	(39,698)	-
Depreciation expense	(25,072)	-
	(64,770)	-

Note 8. Plant and Equipment

	2020 $	2019 $
Plant and equipment – at cost	65,128	64,037
Accumulated depreciation	(40,855)	(24,337)
	24,273	39,700
Leasehold improvements – at cost	58,251	58,251
Accumulated depreciation	(25,536)	(14,631)
	32,715	43,620
	56,988	83,320

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Plant and equipment $	Leasehold improvements $	Total $
Balance at 30 June 2018	24,494	53,775	78,269
Additions	32,936	4,273	37,209
Disposals	-	-	-
Depreciation expense	(17,730)	(14,428)	(32,158)
Balance at 30 June 2019	39,700	43,620	83,320
Additions	1,091	-	1,091
Disposals	-	-	-
Depreciation expense	(16,518)	(10,905)	(27,423)
Balance at 30 June 2020	**24,273**	**32,715**	**56,988**

Note 9. Trade and other payables

	2020 $	2019 $
Trade payables	139,798	85,285
Other payables	7,363	30,295
	147,161	115,580

Refer to Note 23 for further information on financial instruments.

Note 10. Provisions

	2020 $	2019 $
Provision for annual leave	31,467	42,638

Amounts not expected to be settled within the next 12 months
The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current since the Company does not have an unconditional right to defer settlement.

Note 11. Lease liability

Lease liability - current	26,424	-
Lease liability – non-current	11,405	-

The lease liability relates to the lease of premises with an annual; rental of $27,600 and an expiry date of 25 November 2021. The portion of the lease liability that relates to the financial year ended 30 June 2021 has been classified as current liability and the balance has been classified as non-current.

Note 12. Equity - issued capital

	2020 Shares	2019 Shares	2020 $	2019 $
Ordinary shares - fully paid	105,749,991	74,999,993	5,788,186	5,120,537

Movements in ordinary share capital

	Date	Shares	Issue price	$
Balance as at 30 June 2018		74,999,993		5,120,537
Transaction costs relating to share issues		-		(330)
Balance as at 30 June 2019		**74,999,993**		**5,120,207**
Issue of shares - rights issue	11 May 2020	15,670,713	$0.024	376,097
Issue of shares – rights issue shortfall	21 May 2020	14,329,285	$0.024	343,903
Issue of shares - lieu of cash fees for advisors	21 May 2020	750,000	$0.024	18,000
Transaction costs relating to share issues		-		(70,021)
Share based payments				-
Balance as at 30 June 2020		**105,749,991**		**5,788,186**

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 13. Equity - reserves

	2020 $	2019 $
Options reserve (a)	472,945	472,945
Performance rights reserve (b)	328,141	92,603
	801,086	**565,548**

(a) Movements in options reserve

		No. of Options	$
Balance as at 30 June 2018		41,589,066	430,503
17 August 2018	Issue of 4,244,266 NC6O Listed	4,244,266	42,442
Balance as at 30 June 2019		**45,833,332**	**472,945**
30 September 2019	lapsed 1,100,000 Class B	(1,100,0000)	-
21 May 2020	Issue of 1,000,000 NC6OPT1[1]	1,000,000	-
Balance as at 30 June 2020		**45,733,332**	**472,945**

[1] These options are free attaching to the issue of shares lieu of cash fees for advisors in relation to the rights issue undertaken in May 2020, hence no value has been attributed to the options.

The options on issue as at 30 June 2020 are as follows:

Date of issue	Class of option	No. of Options	Exercise price	Expiry date
4 August 2016	Class A	21,000,000	$0.30	31 December 2020
5 April 2017	Class A	1,450,000	$0.30	31 December 2020
5 April 2017	Class C	900,000	$0.30	30 September 2020
5 April 2017	Class D	900,000	$0.40	30 September 2021
21 April 2017	Class A	1,333,333	$0.30	31 December 2020
21 June 2017	Class C	200,000	$0.30	30 September 2020
21 June 2017	Class D	200,000	$0.40	30 September 2021
25 May 2018	NC6O	14,505,733	$0.30	31 December 2020
17 August 2018	NC6O	4,244,266	$0.30	31 December 2020
21 May 2020	NC6OPT1	1,000,000	$0.10	31 May 2023
Total		**45,733,332**		

Note 13. Equity – reserves (continued)

(b) Movements in performance rights reserve

	No. of Performance Rights	$
Balance as at 30 June 2018	**500,000**	**53,425**
A & B Class Performance rights- expense recognised for the year end 30 June 2019	-	39,178
Balance as at 30 June 2019	**500,000**	**92,603**
B Class Performance rights- expense recognised for the year end 30 June 2020	-	7,397
C Class Performance rights issued- expense recognised for the year end 30 June 2020	4,000,000	228,141
Balance as at 30 June 2020	**4,500,000**	**328,141**

30 June 2020 - Share based payments
During the year ended 30 June 2018, Mr Alfie Germano was issued 500,000 performance rights in accordance with his employment contract. The fair value of the performance rights recognised as an expense (based on the Company share price at the grant date and amortised over the vesting period) was measured at $7,397 (2019: $39,178).

On 20 November 2019, Mr Alfie Germano was issued 2,000,000 performance rights and Dr Wayne Best was issued with 2,000,000 performance rights pursuant to Shareholder approval at the 2019 Annual General Meeting.

The performance right will, at the election of the holder, vest and convert into one share if, before 31 December 2020, the Company enters into a commercial agreement relating to the licencing of the Company's intellectual property and receives $1,000,000 of gross revenue under this agreement or a Takeover Event occurs.

The fair value of the performance rights recognised as an expense (based on the Company share price at the grant date and amortised over the vesting period) the expenses recognised for the year ended 30 June 2020 was $228,141.

Note 14. Equity – Accumulated losses

	2020 $	2019 $
Accumulated losses at the beginning of the financial year	(4,566,190)	(2,562,195)
Adjustment on 1 July 2019 arising from the adoption of AASB16 Leases	(2,375)	-
Loss after income tax expense for the year	(1,235,489)	(2,003,995)
Accumulated losses at the end of the financial year	(5,804,054)	(4,566,190)

Note 15. Key management personnel compensation

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

	2020	2019
	$	$
Short-term employee benefits	537,459	722,646
Post-employment benefits	40,964	57,950
Annual leave payments	31,467	-
Share-based payments - shares	8,494	-
Share-based payments - performance rights	235,538	39,178
	853,922	819,774

Note 16. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the Company:

Audit services – RSM Australia Partners		
Auditor review of the financial statements	28,500	28,500
Other services – RSM Australia Partners		
Preparation of income tax return	4,500	4,500
Other services	-	2,000
	4,500	6,500
	33,000	35,000

Note 17. Commitments

The Company has no lease commitments not recognised as liabilities as at 30 June 2020.

Note 18. Contingent assets

The Company has no contingent assets as at 30 June 2020 (2019: $nil).

Note 19. Contingent liabilities

The Company has no contingent liabilities as at 30 June 2020 (2019: $nil).

Note 20. Events after the reporting period

The World Health Organisation announced that the Coronavirus (COVID-19) had become a pandemic on 11 March 2020. The impact of the Coronavirus (COVID-19) pandemic is ongoing and whilst it has had no financial impact for the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the re-porting date.

The situation is rapidly developing and is dependent on measures imposed by the Australian Government and Governments of other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. The full impact of COVID-19 and timing of easing of restrictions continues to evolve. At the date of this report, it is uncertain what the effect will be on the group and potentially it will have a post balance date impact.

Other than the above, no matter or circumstance has arisen since 30 June 2020 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 21. Related Party Transactions

Key management personnel
Disclosures relating to key management personnel are set out in Note 15 and the Remuneration Report included in the Directors' Report.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

There were no further transactions with Directors or other Key Management Personnel, including their personally related parties, not disclosed in Note 15 or the Remuneration Report.

Note 22. Reconciliation of loss after income tax to net cash used in operating activities

	2020 $	2019 $
Loss after income tax expense for the year	(1,235,489)	(2,003,995)
Adjustments for:		
Depreciation of plant and equipment	27,423	32,158
Depreciation of right-of-use-asset	25,072	-
Performance rights	235,538	39,178
Change in operating assets and liabilities:		
Trade and other receivables	(36,494)	12,320
Other current assets	17,947	59,927
Provisions	(11,172)	28,484
Trade and other payables	31,581	(30,640)
Net cash used in operating activities	(945,594)	(1,862,568)

Note 23. Financial Instruments

The Company's activities are being funded by equity and are not exposed to significant financial risks.
There are no speculative or financial derivative instruments. The Company holds the following financial instruments:

	2020	2019
Financial assets	**$**	**$**
Cash and cash equivalents	839,161	1,122,710
Trade and other receivables	67,372	30,878
	906,533	1,153,588
Financial liabilities		
Trade and other payables	143,666	115,580
Lease liability (current and non-current)	37,828	-
Borrowings	20,295	-
	201,789	115,580

The Company's principal financial instruments comprise of cash. The main purpose of these financial instruments is to fund the Company's operations.

It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial operations are credit risk, capital risk and liquidity risk. The Directors' review and agree policies for managing each of these risks and they are summarised below:

(a) Credit risk

Management does not actively manage credit risk as the Company has no significant exposure to credit risk from external parties at year end as there are no trade receivables.

(b) Capital risk

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(c) Liquidity risk

Maturity profile of financial instruments

Prudent liquidity risk management implies maintaining sufficient cash balances and access to equity funding.

The Company's exposure to the risk of changes in market interest rates relates primarily to cash assets and floating interest rates. The Company does not have significant interest-bearing assets and is not materially exposed to changes in market interest rates.

The Company does not have financial instruments with maturity exceeding 12 months, other than non-current lease liability repayments of $11,405 from the reporting date as at 30 June 2020 (2019 nil exceeding 12 months).

Sensitivity analysis – interest rates

The sensitivity effect of possible interest rate movements has not been disclosed as they are insignificant.

(d) Net fair value of financial assets and liabilities

Unless otherwise stated, the carrying amount of financial instruments reflect their fair value.

Note 24. Loss per share

	2020 cents	2019 cents
Basic loss per share (cents)	1.57	2.67
Diluted loss per share (cents)	1.57	2.67

	2020 $	2019 $
Net loss used in the calculation of basic and diluted loss per share	(1,235,489)	(2,003,995)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	78,713,323	74,999,993
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted loss per share	78,713,323	74,999,993

As the Company is in a loss position, the diluted loss per share calculation excludes the dilutive effect of the performance rights and options issued and not yet converted to ordinary shares.

Nanollose Limited
Directors' declaration
30 June 2020

In the directors' opinion:

(i) the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

(ii) the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board;

(iii) the attached financial statements and notes give a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

(iv) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Winton Willesee
Director

25 August 2020
Perth

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
NANOLLOSE LIMITED

Opinion

We have audited the financial report of Nanollose Limited (the Company), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

(ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed this matter
Going Concern Refer to Note 1 to the financial statements	
For the year ended 30 June 2020, the Company has incurred a loss of $1,235,489 and had net cash outflows from operating activities of $945,594. The directors' have prepared the financial report on the going concern basis. The directors' assessment of the Company's ability to continue as a going concern is based on the factors disclosed in Note 1 to the financial statements. The assessment of going concern is a key audit matter due to the significant judgements involved in determining why the adoption of the going concern basis is appropriate.	Our audit procedures included: • Assessing the appropriateness of the going concern factors and the mathematical accuracy of the cash flow budget prepared by the Company; • Challenging the reasonableness of key assumptions used in its cash flow forecast; • Critically assessing the directors' reasons of why they believe it is appropriate to prepare the financial report on a going concern basis; and • Assessing the adequacy of the going concern disclosures in the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2020 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors’ report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Nanollose Limited, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 25 August 2020

Shareholder Information

The shareholder information set out below was applicable as at 1 August 2020.

1. Quotation

Listed securities in Nanollose Limited are quoted on the Australian Securities Exchange under ASX code NC6 (Fully Paid Ordinary Shares) and NC6O (Listed Options).

2. Voting Rights

The voting rights attached to the Fully Paid Ordinary shares of the Company are:

(a) at a meeting of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney; and

(b) on a show of hands, every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

There are no voting rights attached to any Options or Performance Rights on issue.

3. Distribution of Shareholders

i) Fully Paid Ordinary Shares

Shares Range	Holders	Units	%
1 – 1,000	13	2,891	0.01
1,001 – 5,000	54	202,271	0.19
5,001 – 10,000	73	626,741	0.59
10,001 – 100,000	287	11,463,162	10.84
100,001 and above	137	93,454,926	88.37
Total	**564**	**105,749,991**	**100.00%**

On 1 August 2020, there were 101 holders of unmarketable parcels of less than 442,437 ordinary shares (based on the closing share price of $0.0520).

ii) Listed Options exercisable at $0.30 on or before 31 December 2020

Shares Range	Holders	Units	%
1 – 1,000	8	5,618	0.03
1,001 – 5,000	77	222,495	1.19
5,001 – 10,000	28	202,520	1.08
10,001 – 100,000	89	2,521,166	13.45
100,001 and above	28	15,798,200	84.26
Total	**230**	**18,749,999**	**100.00%**

iii) Class A Performance Rights

Shares Range	Holders	Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	1	250,000[1]	100.00
Total	**1**	**250,000**	**100.00%**

[1]Holders who hold more than 20% of securities are:
Germano McInally Pty Ltd – 250,000 performance rights

iv) Class B Performance Rights

Shares Range	Holders	Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	1	250,000[1]	100.00
Total	**1**	**250,000**	**100.00%**

[1]Holders who hold more than 20% of securities are:
Germano McInally Pty Ltd – 250,000 performance rights

v) Class C Performance Rights

Shares Range	Holders	Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	2	4,000,000[1]	100.00
Total	**2**	**4,000,000**	**100.00%**

[1]Holders who hold more than 20% of securities are:
Wayne Morris Best <Wayne & Debra Best Fam A/C> – 2,000,000 performance rights
Germano McInally Pty Ltd – 2,000,000 performance rights

vi) Class A Options exercisable at $0.30 on or before 31 December 2020

Shares Range	Holders	Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	1	100,000	0.42
100,001 and above	19	23,683,333	99.58
Total	**20**	**23,783,333**[1]	**100.00%**

[1] There are no holders who hold more than 20% of securities.

vii) Class C Options exercisable at $0.30 on or before 30 September 2020

Shares Range	Holders	Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	1	1,100,000[1]	100.00
Total	**1**	**1,100,000**	**100.00%**

[1]Holders who hold more than 20% of securities are:
Germano McInally Pty Ltd – 1,100,000 options

viii) Class D Options exercisable at $0.40 on or before 30 September 2021

Shares Range	Holders	Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	1	1,100,000[1]	100.00
Total	**1**	**1,100,000**	**100.00%**

[1]Holders who hold more than 20% of securities are:
Germano McInally Pty Ltd – 1,100,000 options

ix) Class E Options exercisable at $0.10 on or before 31 May 2023

Shares Range	Holders	Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	2	1,000,000[1]	100.00
Total	**2**	**1,000,000**	**100.00%**

[1]Holders who hold more than 20% of securities are:
Anthony John Locantro – 800,000 options
ACNS Capital Markets Pty Ltd – 200,000 options

4. Substantial Shareholders

The names of the substantial shareholders listed on the Company's register as at 1 August 2020 are:

Name: Wayne Best ATF The Wayne and Debra Family Trust
Holder of: 5,517,857 fully paid ordinary shares, representing 7.36% as at 18 October 2017
Notice Received: 18 October 2017

Name: Azalea Family Holdings Pty Ltd ATF The Britt and Winton Willesee Family Trust
Holder of: 5,517,857 fully paid ordinary shares, representing 7.36% as at 18 October 2017
Notice Received: 18 October 2017

Name: John Moursounidis ATF The Moursounidis Family Trust
Holder of: 5,934,523 fully paid ordinary shares, representing 5.61% as at 21 May 2020
Notice Received: 21 May 2020

Name: Jason MacLaurin
Holder of: 6,351,190 fully paid ordinary shares, representing 6.01% as at 21 May 2020
Notice Received: 21 May 2020

NB: Substantial holders Wayne Best and Azalea Family Holdings Pty Ltd both participated in the May rights issue and maintained their respective interests to a level that did not require the provision of additional substantial shareholder notices. Each now holds additional shares maintaining a materially unchanged proportionate interest in the Company's voting shares.

5. Restricted Securities

There are no restricted securities listed on the Company's register as at 1 August 2020.

6. On market buy-back

There is currently no on market buy back in place.

7. Twenty Largest Shareholders

The twenty largest shareholders of the Company’s quoted securities as at 1 August 2020 are as follows:

	Name	No. of Shares	%
1	WAYNE MORRIS BEST <WAYNE & DEBRA BEST FAM A/C>	8,285,002	7.83
2	AZALEA FAMILY HOLDINGS PTY LTD	7,830,000	7.40
3	STONEHORSE NOMINEES PTY LTD	6,351,190	6.01
4	JOHN MOURSOUNIDIS <MOURSOUNIDIS FAMILY A/C>	5,934,523	5.61
5	MRS SUZANNE MARGARET CASS <CASS A/C>	4,870,285	4.61
6	KOHEN ENTERPRISES PTY LTD	3,008,001	2.84
7	TRIPIT PTY LTD <PETER HEATHER WELLS S/F A/C>	2,500,000	2.36
7	MR ADAM LAURENCE BODE	2,500,000	2.36
8	JAEK HOLDINGS PTY LTD <THE HANNAFORD FAMILY A/C>	2,200,000	2.08
9	MR MICHAEL FRANCIS MCMAHON & MRS SUSAN LESLEY MCMAHON <MCMAHON SUPER FUND A/C>	2,070,000	1.96
10	MR MICHAEL HILTON HOLBROOK	1,515,433	1.43
11	MR STEPHEN GORDON PATTRICK	1,150,000	1.09
12	FANO PTY LTD <KIM HURLEY SUPER FUND A/C>	1,120,000	1.06
13	MR JOHN OAKLEY CLINTON & MRS LILIAN ACHIENG CLINTON <CLINTON S/F A/C>	1,063,683	1.01
14	XEEN PTY LTD <FRENCH SUPER FUND A/C>	1,057,251	1.00
15	DR RICHARD GALLUZZO & MS TANYA MCCARTHY <MACGLU FAMILY A/C>	1,032,955	0.98
16	ASMAC INVESTMENTS PTY LTD	1,003,843	0.95
17	MR JOHN WILLIAM MATTHEWS	1,000,000	0.95
17	VAGELI PANAGIOTIDIS	1,000,000	0.95
17	MR GRAHAM ARTHUR ROBINSON	1,000,000	0.95
17	PARK AND MAYFAIR PTY LTD <J MATTHEWS&J BROOKE SF A/C>	1,000,000	0.95
18	APAM HOLDINGS PTY LTD <HECTOR SUPER FUND A/C>	966,666	0.91
19	MR PETER HOWELLS	927,500	0.88
20	GFA SERVICES PTY LTD <LIDDELL STAFF SUPER FUND A/C>	857,519	0.81
	Total	**60,243,851**	**56.97%**

8. Twenty Largest Listed Option Holders – NC6O ($0.30, 31/12/2020)

The twenty largest listed option holders of the Company's quoted securities as at 1 August 2020 are as follows:

	Name	No. of Options	%
1	MR CHRISTOPHER DAVID HOFFMANN	2,094,009	11.17
2	WAYNE MORRIS BEST <WAYNE & DEBRA BEST FAM A/C>	1,404,465	7.49
3	AZALEA FAMILY HOLDINGS PTY LTD	1,398,215	7.46
4	STONEHORSE NOMINEES PTY LTD	1,379,465	7.36
4	JOHN MOURSOUNIDIS <MOURSOUNIDIS FAMILY A/C>	1,379,465	7.36
5	MRS SUZANNE MARGARET CASS <CASS A/C>	1,285,715	6.86
6	BHIL PTY LTD <THE BHIL A/C>	1,112,250	5.93
7	JAEK HOLDINGS PTY LTD <THE HANNAFORD FAMILY A/C>	675,000	3.60
8	JDDD SUPER PTY LTD <DDJD SUPERFUND A/C>	662,288	3.53
9	MR BRYANT JAMES MCLARTY <MCLARTY FAMILY A/C>	662,203	3.53
10	GFA SERVICES PTY LTD <LIDDELL STAFF SUPER FUND A/C>	578,129	3.08
11	MR JOHN OAKLEY CLINTON	381,054	2.03
12	SURF COAST CAPITAL PTY LTD <MINNIE P/F A/C>	380,000	2.03
13	MS KIM BARBARA DOWLING	260,000	1.39
14	MR MICHAEL HILTON HOLBROOK	240,625	1.28
15	MR DAVID FERGUSON DICKIE & MS JANET KATHLEEN DOWLING <2 A/C>	205,734	1.10
16	FANO PTY LTD <KIM HURLEY SUPER FUND A/C>	200,000	1.07
17	XEEN PTY LTD <FRENCH SUPER FUND A/C>	190,796	1.02
18	THE GAS SUPER FUND PTY LTD <THE GAS SUPER FUND A/C>	190,000	1.01
18	MR CAMERON PEARCE	190,000	1.01
19	MRS LORRAINE ALYSSA GOLDSMITH	150,000	0.80
20	MAC EQUITY PARTNERS INTERNATIONAL	140,582	0.75
	Total	**15,159,995**	**80.85%**