Nanollose Limited

ABN 13 601 676 377

Annual Report
30 June 2021

Contents

Corporate Directory

Directors	Wayne Best Winton Willesee Terence Walsh Heidi Beatty
Company Secretary	Erlyn Dale
Stock exchange listing	Nanollose Limited shares (ASX:NC6) and options (ASX:NC6OA) are listed on the Australian Securities Exchange (ASX)
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 Suite 2, 589 Stirling Highway Cottesloe WA 6011
Website	www.nanollose.com

Nanollose Limited
Directors' Report
30 June 2021

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 2021.

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
Raffaele (Alfie) Germano (Managing Director) (resigned 15 January 2021)

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 (2020: 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 $931,045 (30 June 2020: $1,235,489).

Review of Operations

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

The Company holds a number of proprietary technologies to convert wastes from the agricultural, food and beverage industries into unique eco-friendly tree-free Lyocell 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.

Operational

Joint Patent with Grasim Industries

In January 2021, Nanollose filed a joint patent application with Birla Cellulose, Grasim Industries' business unit focused on sustainable fibres, for a high tenacity, Tree-Free lyocell made from microbial cellulose ("MC").

The patent application, entitled *High Tenacity Lyocell Fibres From Bacterial Cellulose and Method of Preparation Thereof*, represents a major advancement over the Company's previous viscose versions of nullarbor™ and nufolium™. Using the lyocell process, a team of fibre experts at Grasim's Pulp and Fibre Innovation Centre produced nullarbor™ fibre that is finer than silk and significantly stronger than conventional lyocell that is traditionally produced from wood pulp.

Lyocell is a form of rayon, made using a closed loop process with low demand on chemical and water usage and low waste generation, which makes it very environment-friendly, resulting in an elevated demand from clothing brands.

Lyocell is widely used in textile and nonwoven applications and has become popular due to a number of desirable strength and comfort characteristics. Furthermore, the combination of Nanollose's Tree-Free cellulose, along with lyocell's closed-loop production process, could potentially make Nanollose's Tree-Free lyocell one of the most eco-friendly and sustainable fibres available.

Following the success of the lyocell project coupled with the positive feedback and significant demand from brands and industry players, Nanollose and Birla Cellulose have been focused on taking this success into the pilot production phase, with the view to producing initial multi-kilo quantities of this next generation fibre in the second half of 2021.

Pilot Production of Tree-Free Fibres

Nanollose and Birla Cellulose are adopting a "Staged Scale Up" approach whereby pilot scale production of several blended fibres will be tested, with the blend percentage of Tree-Free microbial cellulose being progressively increased towards the eventual target of 100% Tree-Free fibre. During the year, the Company received significant interest from parties in relation to both 100% Tree Free lyocell and various blends, with samples from upcoming pilot spins to be dispatched to select brands and preferred partners during scale up.

The production of blended fibres is a common strategy in the fibre and textile industries, and an expanded product range of blended and 100% Tree Free fibres will enable the Company to appeal to customers at different price points, broadening the Company's addressable market. This approach presents a significant opportunity for Nanollose, with the lyocell market predicted to be worth US$1.5 billion by 2024, growing with a CAGR of around 8%[1]. Moreover, the overall rayon market is predicted to be US$20.9 billion by 2024, growing with a CAGR of around 7.8%.[1]

The first pilot fibre spin is an important step in the commercialisation process, as it will allow the Company to refine the processing of its MC to generate the consistency and specifications expected for commercial fibre production. The first pilot spin will also produce fibre to generate samples for potential partners in the fashion and textiles industries, in addition to providing valuable technical information about the production process, which will be further refined as the Company increases production scale.

The process to move from laboratory scale to pilot scale production involves the following key workstreams which are being actively progressed by Nanollose and Birla Cellulose, as described below:

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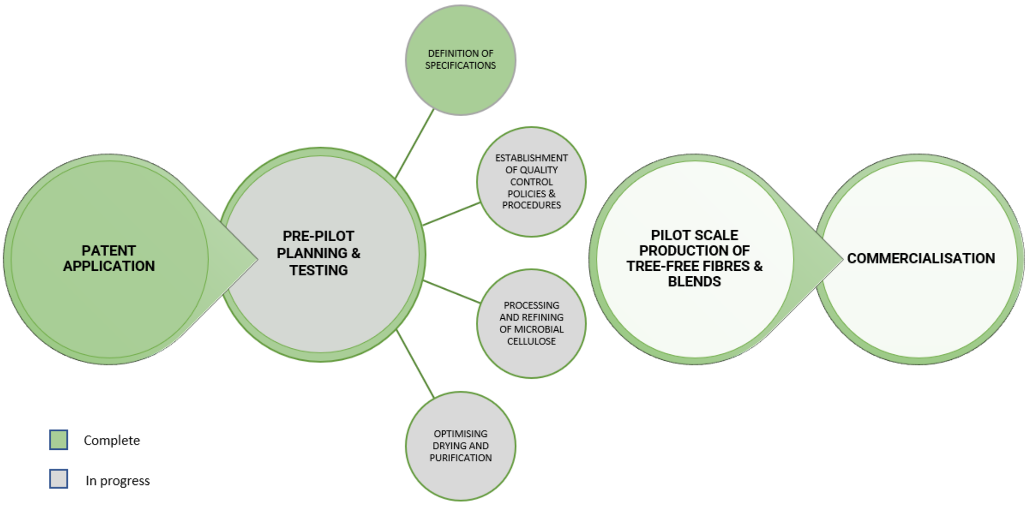
1 htt/www.gights.com/industry-analysis/lyocell-fiber-market



Commercialisation process for Nanollose's Tree-Free Fibres

1 – Definition of Specifications

During the first quarter of 2021, Nanollose initiated work with its MC suppliers, contract research providers, and Birla Cellulose to refine the production and processing of MC and define product specifications, which will facilitate a smooth scaling process as it advances the commercialisation it's Tree-Free, high tenacity lyocell.

2 – Establishment of Quality Control Policies and Procedures

Nanollose's work in identifying target specifications, and optimising raw materials and processes, is now being used as the basis for the introduction of internal quality control systems at Nanollose, in preparation for pilot scale production and beyond. To this end, the Company has appointed an Operations and Quality Manager, as detailed below.

3 – Processing and Refining of Microbial Cellulose

In collaboration with Birla Cellulose, its MC suppliers and contract research providers, the Company has been applying its learnings from the laboratory scale test work, to improve the processing of its MC with a view to production at scale.

In May 2021, the Company dispatched the first shipment of refined MC to Birla Cellulose's pilot facilities in India, with the MC to undergo further processing and testing prior to being blended with other cellulosic feedstock and spun into lyocell fibre.

4 – Optimising Drying and Purification

With certain specifications now identified (as detailed above), work is now underway to incorporate these specifications into the production processes. In particular, Nanollose has been exploring various options for optimising the purification and drying of microbial cellulose at scale. MC is well known to contain large amounts of water following its production by fermentation, and its cost-effective drying (to produce material suitable for fibre production at scale) is an important aspect of the process. Nanollose is currently working with engineering companies, both in Australia and India, which have expertise in industrial-scale drying, and early results have been promising.

While COVID-19 related lockdowns and shipping logistics have resulted in some delays, the Company has made progress on multiple fronts and is looking forward to having fabric samples from pilot production in the second half of 2021.

Strategic Investment in Advanced Filtration Technology

In September 2020, Nanollose made a $200,000 strategic investment to acquire a 20% holding in CelluAir Pty Ltd ("CelluAir"), an Australian company developing an advanced filtration technology ("AFT") based on nanocellulose.

Developed by Queensland University of Technology, the AFT has been developed and validated over a number of years, culminating in the filing of a patent application in July 2020. Multiple applications for the AFT exist across the medical, construction, and air treatment industries, thereby providing significant opportunities for both CelluAir and Nanollose.

Proceeds from the investment are being used to scale the AFT using off-the-shelf commercial equipment, in addition to commencing discussions with potential sales partners and distribution channels in Australia and internationally. In addition, the funds have been applied to CelluAir testing the suitability for Nanollose's MC to be used in the manufacturing process.

In developing their AFT, CelluAir has completed the first scope of research comprised of the following three major areas of work, further details of which are set out in the Company's Quarterly Activities Report released on 30 April 2021:

- Formulation Optimisation;
- Consistency of Nano-Cellulose Material;
- Initial testing of Nanollose's MC to determine its suitability for application to the AFT.

Appointment of Leading Fashion Consultant - Carla Woidt

In December 2020, Nanollose announced the appointment of Carla Woidt as a Fashion Consultant to the Company, to assist in further building on Nanollose's established relationships in the Australian and global fashion industries.

Carla Woidt is a leading fashion consultant with 15 years' experience across all facets of the fashion industry including product development, design, product processes, supply chain assessment and strategy, business process refinement, sustainable product practice proposal and integration, sourcing, wholesale, textile design and innovation.

Since her appointment, Nanollose has leveraged Ms Woidt's in-depth knowledge of internal operations in the fashion industry, to assist the Company with its strategy of commercialisation and implementation, with Ms Woidt aiding the Company in shortlisting and advancing discussions with a number of potential customers and partners that have expressed an interest in obtaining material from Nanollose.

Appointment of Research Scientist

In July 2021, Nanollose appointed a Research Scientist to further explore opportunities for the application of MC to other materials, including vegan leathers, which are gaining significant traction in the market.

Vegan and synthetic leathers present a significant opportunity for the Company, with research indicating that the market for vegan leather will grow at a CGAR of 49.9% from 2019 – 2025, to be worth US$89.6 billion by 2025.[2]

The commercialisation of Nanollose's nullarbor™ Tree-Free lyocell remains the Company's first priority.

Appointment of Operations & Quality Manager

In July 2021, the Company appointed Boon Tan as Operations & Quality Manger with the expectation of future operations requiring key technical and managerial staff, as the scale and complexity of Nanollose's operations increase.

Mr Tan is responsible for the procurement and processing of MC from the Company's partners in China and Indonesia, and its delivery to Birla Cellulose for fibre production. With a strong managerial and technical background coupled with multilingual skills, Nanollose is confident that Mr Tan will contribute value in managing the supply chain from China and Indonesia and assisting in streamlining the Company's operations.

Australian Research Council Industrial Transformation Research Hub

In July 2021, Nanollose was part of a consortium of companies and academics which successfully applied for funding from the Australian Research Council (ARC) to establish an Industrial Transformational Research Hub for Functional and Sustainable Fibres.

The Hub, which will be located at, and administered by, Deakin University, will receive $5m in funding from the ARC over five years. It will provide the Company with access to world-leading materials science and fibre & textile expertise, with leveraged research and development funding, and the opportunity to initiate projects and develop valuable Intellectual Property in the fibre and textile sector from raw materials through to fibre processing, textile treatments and end-of-life handling, with a focus on shifting the industry towards a more sustainable future.

<u>Corporate</u>

Capital Raising Initiatives

In October 2020, the Company raised $660,000 (before costs) by the issue of 12,000,000 new fully paid ordinary shares (**Shares**) at an issue price of $0.055 per Share to sophisticated and professional investors. Net proceeds from the placement were used by the Company for the acquisition of its interest in CelluAir, and for working capital purposes.

In April and June 2021, the Company raised a total of $2.95m, via a placement to sophisticated and institutional investors at an issue price $0.10 per Share, together with one free attaching option per two new Shares, with an exercise price of $0.15 and an expiry date of three years from the date of issue. The funds raised are being applied to advancing Nanollose's Tree-Free high tenacity lyocell.

Changes to Management

In November 2020, Alfie Germano resigned from his position as CEO and Managing Director of Nanollose for personal reasons, and departed from the Company in January 2021.

Since his appointment in 2017, Mr Germano was successful in introducing the Company to an extensive network of global fashion brands, with these ongoing relationships forming a strong foundation for a pipeline of commercial opportunities once Nullarbor™ fibre is produced at scale.

Since Mr Germano's resignation Executive Chairman, Dr Wayne Best, has continued to oversee operations of the Company from both a management and corporate perspective.

Impact of COVID-19 Global Pandemic

The impact of the Coronavirus (COVID-19) pandemic is ongoing and whilst it has had no direct material financial impact for the Company up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date.

Various governments (including the Australian government) have imposed restrictions (including quarantines) on the movement of people and goods as a measure to seek to slow and contain the spread of the Covid-19 virus.

Throughout temporary lockdowns to control the spread of COVID-19, the Company's operations in Western Australia have continued unaffected. The Company's key commercialisation focus is on progressing its collaboration with Grasim Industries and its Birla Cellulose business unit in India. To date, the Company has been able to advance this collaboration by exchanging materials and technical information including undertaking a first shipment of microbial cellulose to Grasim Industries. However, the spread of the Covid-19 virus in India could delay the movement of goods and people and the ability of Grasim Industries to meet expected timelines.

The Company's two current supply chain alternatives for purchase of microbial cellulose are located in Indonesia and China. Again, the spread of the Covid-19 virus and any consequent restriction on the movement of goods and people, may delay the development of the Company's technologies.

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.

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

On 5 July 2021, the Company issued 14,768,635 free attaching listed options (NC6OA, $0.15, 5 July 2024) to sophisticated investors who participated in a placement, and 7,500,000 NC6OA Options to the lead manager to the placement.

Other than the above, no matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

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2 https://www.prnewswire.com/news-releases/vegan-leather-industry-size-worth-89-6-billion-by-2025--compound-annual-growth-rate-of-49-9-infinium-global-research-301016124.html

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. Following the successful creation of nullarbor™ Tree-Free lyocell, coupled with the positive feedback and significant demand from brands and industry players, Nanollose and Birla Cellulose are focused on taking this success into the pilot production phase, with a view to producing initial multi-kilo quantities of this next generation fibre in the second half of 2021. Having received significant interest from parties in relation to both 100% Tree Free lyocell and various blends, samples from upcoming pilot spins will be dispatched to select brands and preferred partners during scale up, in the lead up to commercialisation.

Annual General Meeting

The Company anticipates that it will hold its next Annual General Meeting (‘AGM’) on or before 26 November 2021. In accordance with ASX Listing Rule 3.13.1, the closing date for the receipt of nominations from persons wishing to be considered for election as a director of the Company is 8 October 2021 (35 business days prior to the date of the AGM). Any nominations must be received in writing no later than 5.00pm (WST) on 8 October 2021, at the Company’s registered office.

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:	Dr Best has 40 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 full-time to Nanollose in 2018. 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:	8,431,798 ordinary shares 2,000,000 Class D Performance Rights
Interests in options:	Nil
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 company director and secretary with over 20 years' experience in various roles within the Australian capital markets. Mr Willesee has considerable experience with ASX listed and other companies over a broad range of industries having been involved with many successful ventures from early stage through to large capital development projects. He has a core expertise in strategy, company development, corporate governance, company public listings, merger and acquisition transactions and corporate finance. Mr Willesee holds a Master of Commerce, a Post-Graduate Diploma in Business (Economics and Finance), a Graduate Diploma in Applied Finance and Investment, a Graduate Diploma in Applied Corporate Governance, a Graduate Diploma in Education and a Bachelor of Business. He is a Fellow of the Financial Services Institute of Australasia, a Graduate of the Australian Institute of Company Directors, a Member of CPA Australia and a Fellow of the Governance Institute of Australia and the Institute of Chartered Secretaries and Administrators/Chartered Secretary.
Other current directorships:	Non-Executive Chairman of New Zealand Coastal Seafoods Limited (ASX:NZS) Chairman of UUV Aquabotix Ltd (ASX:UUV) Non-Executive Director of MMJ Group Holdings Limited (ASX:MMJ) Non-Executive Director of Neurotech International Limited (ASX: NTI)
Former listed company directorships (last three years):	Non-Executive Director of eSense Lab Ltd (delisted from ASX on 10 August 2021)
Interests in shares:	8,068,504 ordinary shares
Interests in options:	Nil
Contractual rights to shares:	None

Name:	Terence Walsh
Title:	Non-Executive Director
Qualifications:	LLM
Experience and expertise:	Mr Walsh 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:	None.
Former directorships (last three years):	Non-Executive Director of Structural Monitoring Systems PLC (ASX:SMN)
Interests in shares:	768,504 ordinary shares
Interests in options:	Nil
Contractual rights to shares:	None

Name:	Heidi Beatty
Title:	Non-Executive Director
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:	68,504 ordinary shares
Interests in options:	500,000 unlisted $0.08 options expiring 31 October 2023
Contractual rights to shares:	None

Name:	Alfie Germano (Resigned 15 January 2021)
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:	1,346,796 ordinary shares (Balance on resignation date 15 January 2021)
Interests in options:	Nil
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

Ms 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.

Ms 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.

Ms 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 2021, and the number of meetings attended by each director were:

	Attended	Held
Wayne Best	7	7
Winton Willesee	7	7
Terence Walsh	6	7
Alfie Germano (Resigned 15 January 2021)	4	4
Heidi Beatty	7	7

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:

Series B - The Company enters into a commercial agreement; (expired 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.

Series C - The Company enters into a commercial agreement; (expired on 30 September 2020)
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.

Series 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 series B, C and D Options lapse in the event of a 'Takeover Event'.

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).

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, at the election of the holder, vest and convert into one Share along with one option ($0.30, 31 December 2020) in the event that the Milestones are achieved or a Takeover Event occurs.

The Class C Performance Rights failed to vest as the milestones were not achieved, and lapsed on 15 January 2021.

On 4 December 2020 following shareholder approval, the Company issued 2,000,000 Class D Performance Rights each to Dr Wayne Best and Mr Alfie Germano. The Class D Performance Rights vest on the achievement of either of the following milestones on or before 31 December 2021:

(i) Commercial Exploitation:

A. the Company enters into a commercial agreement or multiple agreements to exploit the Company's intellectual property via the licensing of the Company's intellectual properties and/or sales of products made from or related to the Company's microbial cellulose business; and
B. the Company receives $1,000,000 of gross revenue under that agreement or those agreements; or

(ii) A 'Takeover Event' occurs.

"Takeover Event" has the meaning set out above.

The 2,000,000 Class D Performance Rights issued to Mr Alfie Germano were forfeited on the termination of his employment on 15 January 2021.

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 2021 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)
- Terence Walsh (Non-Executive Director)
- Heidi Beatty (Non-Executive Director)
- Alfie Germano (Managing Director) (resigned 15 January 2021)

	Cash salary and fees	Super-annuation	Annual Leave	Options issued	Equity-settled Shares	Equity-settled Performance rights	Total	Fixed	Incentive
2021	**$**	**$**		**$**	**$**	**$**	**$**	**%**	**%**
Executives:									
Wayne Best	160,000	15,506	24,788	-	5,000	65,835	271,129	76%	24%
Alfie Germano*	99,720	8,501	-	-	5,000	-	113,221	100%	-
Non-executives:									
Winton Willesee	32,667	-	-	-	2,333	-	35,000	100%	-
Terence Walsh	32,667	-	-	-	2,333	-	35,000	100%	-
Heidi Beatty	32,667	-	-	16,571	2,333	-	51,571	60%	32%
Total	**357,721**	**24,007**	**24,788**	**16,571**	**16,999**	**65,835**	**505,921**		

*Resigned on 15 January 2021

	Cash salary and fees	Super-annuation	Annual Leave	Equity-settled Shares	Equity-settled Performance rights	Total	Fixed	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**		

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:	Wayne Best
Title:	Executive Chairman
Agreement commenced:	10 April 2018
Term of agreement:	No fixed term
Details:	The remuneration of Dr Wayne Best is $225,000 per year plus statutory superannuation. Of the $165,000 cash component, Dr Best agreed to forego $5,000 in cash for the 4 months from 1 July 2020 to 31 October 2020 in consideration of the issue of Shares. From 1 July 2021 cash remuneration reverted to $225,000 per annum.

Name:	Alfie Germano
Title:	Managing Director
Agreement commenced:	20 March 2017. Resigned on 15 January 2021
Term of agreement:	No fixed term
Details:	On 1 September 2019, Mr Germano’s base salary was amended from $225,000 per annum (plus superannuation) 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. From 1 July 2020 to 31 October 2020 Mr Germano agreed to forego $5,000 in cash in consideration for the issue of Shares. In previous periods Mr Germano (or his nominee) was 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. Mr Germano’s agreement was able to be terminated by either party on 3 months’ notice, and a 12 month non-solicitation period applies following termination.

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

Share-based compensation

Pursuant to Shareholder approval at the Company’s 2020 Annual General Meeting held on 20 November 2020 the following share-based payments were made by the Company.

Dr Wayne Best was issued 2,000,000 Class D Performance Rights. The Performance Rights vest on the achievement of certain milestones by 31 December 2021 and upon vesting, each Class D Performance Right will convert into one ordinary share. An expense of $65,835 was recognised in the financial year ended 30 June 2021. Mr Alfie Germano was issued 2,000,000 Class D Performance Rights. The 2,000,000 Class D Performance Rights issued to Mr Alfie Germano were forfeited on the termination of his employment on 15 January 2021 and no expense was recognised in the financial year ended 30 June 2021.

Ms Heidi Beatty was issued with 500,000 unlisted options with an exercise price of $0.08 expiring 31 October 2023. The options were valued using the Black-Scholes option valuation model and an expense of $16,571 was recognised in the financial year ended 30 June 2021.

Additional information

The loss of the Company for the five years to 30 June 2021 are summarised below:

	2021 $	2020 $	2019 $	2018 $	2017 $
Sales revenue	-	-	-	-	-
EBITDA	(875,938)	(1,187,793)	(2,022,299)	(1,776,703)	(817,432)
EBIT	(932,885)	(1,241,318)	(2,054,457)	(1,783,135)	(817,916)
Loss after income tax	(931,045)	(1,235,489)	(2,003,995)	(1,730,214)	(820,346)

The factors that are considered to affect total shareholders return ('TSR') are summarised below.

	2021	2020	2019	2018	2017
Share price at financial year end ($)	0.09	0.04	0.05	0.13	-*
Total dividends declared (cents per share)	-	-	-	-	-
Basic loss per share (cents per share)	0.77	1.57	2.67	2.57	1.82

*The Company's official listing date was 18 October 2017.

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	8,285,002	146,796	-	-	8,431,798
Winton Willesee	7,830,000	68,504	170,000	-	8,068,504
Terence Walsh	700,000	68,504	-	-	768,504
Heidi Beatty	-	68,504	-	-	68,504
Alfie Germano	700,000	146,796	500,000	(1,346,796)*	-
Total	**17,515,002**	**499,104**	**670,000**	**(1,346,796)**	**17,337,310**

*****Balance on resignation date, 15 January 2021.

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)	-
Terence Walsh	1,625,000	-	-	(1,625,000)	-
Heidi Beatty	-	500,000	-	-	500,000
Alfie Germano	2,325,000	-	-	(2,325,000)	-
Total	**9,333,632**	**500,000**	**-**	**(9,333,632)**	**500,000**

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	-	(2,000,000)	2,000,000
Winton Willesee	-	-	-	-	-
Terence Walsh	-	-	-	-	-
Heidi Beatty	-	-	-	-	-
Alfie Germano	2,500,000	2,000,000	(500,000)	(4,000,000)	-
Total	**4,500,000**	**4,000,000**	**(500,000)**	**(6,000,000)**	**2,000,000**

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:

	2021 $	2020 $
Payable to Epichem Pty Ltd (director related entity of Wayne Best)	-	25,260
Payable to Valle Corporate Pty Ltd (director related entity of Winton Willesee)	2,000	4,000
Payable to Azalea Consulting Pty Ltd (director related entity of Winton Willesee)	5,496	10,991

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

Payments to Epichem Pty Ltd (director related entity of Wayne Best) of nil (2020: $153,592) for research consultancy fees. Epichem is no longer a director related entity of Wayne Best since 1 July 2020.

Payments to Valle Corporate Pty Ltd (director related entity of Winton Willesee) of $21,800 (2020: $20,000) for bookkeeping and financial reporting services fees.

Payments to Azalea Consulting Pty Ltd (director related entity of Winton Willesee) of $60,451 (2020: $59,955) 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 2020 Annual General Meeting ('AGM')

At the AGM held on 20 November 2020, the Company received votes representing 20,340,008 shares in favour of the adoption of the remuneration report put to shareholders for the financial year ended 30 June 2020. This represented 90.16% of the votes cast at the AGM.

This concludes the remuneration report, which has been audited.

Shares on issue

As at the date of this report, there are 148,686,368 (2020: 105,749,991) fully paid ordinary shares on issue.

Options on issue

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

Date of issue	Class of option	No. of Options	Exercise price	Expiry date
21 May 2020	NC6OPT1	800,000	$0.10	31 May 2023
4 December 2020	Class F	2,400,000	$0.10	30 November 2021
4 December 2020	Class G	500,000	$0.08	31 October 2023
20 April 2021	Class H	1,000,000	$0.10	20 April 2024
5 July 2021	NC6OA	22,268,635	$0.15	5 July 2024
Total		**26,968,635**		

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 on issue

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

Date of issue	Class of performance rights	No. of performance rights	Service condition	Vesting date
4 December 2020	Class D	2,000,000	Each Class D performance right will, at the election of the holder, vest and convert into one share if, before 31 December 2021, the Company enters into commercial agreement(s) relating to the licencing of the Company's intellectual property and receives $1,000,000 of gross revenue under those agreements, or a Takeover Event occurs.	31 December 2021
Total		**2,000,000**		

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 2021 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

30 August 2021
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 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

RSM

RSM AUSTRALIA PARTNERS

Perth, WA
Dated: 30 August 2021

TUTU PHONG
Partner

Nanollose Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	2021 $	2020 $
Revenue			
Interest income		1,840	5,830
R&D incentives		322,859	461,847
Government Grant – Cashflow Boost		-	100,000
		324,699	567,677
Expenses			
Research expenses		(393,433)	(474,557)
Promotion and communication expenses		(202,549)	(66,311)
Consultancy and legal expenses		(104,520)	(171,651)
Employee benefits expense		(452,460)	(636,307)
Depreciation expense		(56,948)	(53,526)
Share-based payments		145,735	(235,538)
Share of losses of associates using the equity accounting method		(23,445)	-
Other expenses		(164,290)	(161,737)
Interest expense		(3,834)	(3,539)
Loss before income tax expense		**(931,045)**	**(1,235,489)**
Income tax expense	4	-	-
Loss after income tax expense for the year		**(931,045)**	**(1,235,489)**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		**(931,045)**	**(1,235,489)**
		Cents	**Cents**
Basic loss per share	24	0.77	1.57
Diluted loss per share	24	0.77	1.57

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 2021

Assets		**2021**	**2020**
		$	**$**
Current assets			
Cash and cash equivalents	5	3,006,597	839,161
Trade and other receivables		33,018	67,372
Prepayments		57,760	22,930
Total current assets		3,097,375	929,463
Non-current assets			
Right of use asset	6	10,447	35,519
Investments in associates	7	176,555	-
Plant and equipment	8	97,265	56,988
Total non-current assets		284,267	92,507
Total assets		**3,381,642**	**1,021,970**
Liabilities			
Current liabilities			
Trade and other payables	9	445,166	147,161
Provisions	10	24,788	31,467
Lease liability	11	11,405	26,424
Borrowings		26,475	20,295
Total current liabilities		507,834	225,347
Non-current liabilities			
Lease liability	11	-	11,405
Total current liabilities		-	11,405
Total liabilities		507,834	236,752
Net assets		**2,873,808**	**785,218**
Equity			
Issued capital	12	8,955,496	5,788,186
Reserves	13	653,411	801,086
Accumulated losses	14	(6,735,099)	(5,804,054)
Total equity		**2,873,808**	**785,218**

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 2021

	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2020	5,788,186	801,086	(5,804,054)	785,218
Total comprehensive loss for the year	-	-	(931,045)	(931,045)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	3,041,810	-	-	3,041,810
Issue of shares to directors in lieu of fees (note12)	25,500	-	-	25,500
F Class options issued (note 13a)	-	33,960	-	33,960
G Class options issued (note 13a)	-	16,571	-	16,571
H Class options issued (note 13a)	-	64,100	-	64,100
C Class performance rights issued (note 13b)	-	167,859	-	167,859
D Class performance rights issued (note 13b)	-	65,835	-	65,835
A Class performance rights converted (note 12 and 13b)	100,000	(100,000)	-	-
C Class performance rights not vested (note 13b)	-	(396,000)	-	(396,000)
Balance as at 30 June 2021	**8,955,496**	**653,411**	**(6,735,099)**	**2,873,808**

	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
B Class performance rights issued (note 13b)	-	7,397	-	7,397
C Class performance rights issued (note 13b)	-	228,141	-	228,141
Balance as at 30 June 2020	**5,788,186**	**801,086**	**(5,804,054)**	**785,218**

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 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,305,955)	(1,462,442)
Interest received		1,840	8,540
Interest paid		(3,834)	(3,539)
R&D incentive received		322,859	461,847
Government grants received – Cashflow Boost		49,904	50,000
Net cash used in operating activities	22	(935,186)	(945,594)
Cash flows from investing activities			
Payments for plant and equipment		(72,153)	(1,091)
Investment in associate	7	(200,000)	-
Net cash used in investing activities		(272,153)	(1,091)
Cash flows from financing activities			
Proceeds from issue of shares		3,633,727	720,000
Share issue costs		(238,708)	(52,021)
Proceeds from borrowings		6,180	33,825
Repayment of borrowings		-	(13,530)
Repayment of lease liability		(26,424)	(25,138)
Net cash from financing activities		3,374,775	663,136
Net increase/(decrease) in cash and cash equivalents		2,167,436	(283,549)
Cash and cash equivalents at the beginning of the financial year		839,161	1,122,710
Cash and cash equivalents at the end of the financial year	5	**3,006,597**	**839,161**

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 ('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:

Conceptual Framework for Financial Reporting (Conceptual Framework)
The Company has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the Company's financial statements.

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.

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.

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.

Note 1. Significant accounting policies (continued)

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.

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.

Note 1. Significant accounting policies (continued)

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.

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.

Note 1. Significant accounting policies (continued)

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.

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.

Note 1. Significant accounting policies (continued)

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.

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.

Note 1. Significant accounting policies (continued)

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.

Associates

Associates are entities over which the Company has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post acquisition changes in the Company’s share of net assets of the associate. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Company discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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 2021. The Company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

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

	2021 $	2020 $
Reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense from continuing operations	(931,045)	(1,235,489)
Tax benefit at the statutory tax rate of 26% (2020: 27.5%)	242,072	339,759
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable income	102,960	-
Other non-deductible expenses	(82,766)	(65,178)
	262,266	274,581
Future tax benefit not recognised	(262,266)	(274,581)
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 tax losses. The Directors estimate that the potential deferred tax assets at 26% (2020: 27.5%) not brought to account attributable to tax losses carried forward at reporting date is approximately $1,090,779 (2020: $906,067).

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

	2021 $	2020 $
Cash at bank	52,856	269,161
Term deposit [1]	2,953,741	570,000
	3,006,597	839,161

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

Note 6. Right of use asset

Right of use asset	100,289	100,289
Accumulated depreciation	(89,842)	(64,770)
	10,447	35,519
Right of use asset		
Opening balance	100,289	-
Transitional adjustment for adoption of AASB16	-	100,289
Closing balance	100,289	100,289
Accumulated depreciation		
Opening balance	(64,770)	-
Transitional adjustment for adoption of AASB16	-	(39,698)
Depreciation expense	(25,072)	(25,072)
	(89,842)	(64,770)
	10,447	35,519

Note 7. Investment in associate

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

Name	Principal place of business / Country of incorporation	Ownership interest 2021 %	2020 %
CelluAir Pty Ltd	Australia	20	-

Summarised financial information

	CelluAir Pty Ltd 2021 $	2020 $
Summarised statement of financial position		
Current assets	122,774	-
Total assets	122,774	-
Net assets	122,774	-
Summarised statement of profit or loss and other comprehensive income		
Expenses	(117,226)	-
Loss before income tax	(117,226)	-
Income tax expense	-	-
Loss after income tax	(117,226)	-
Other comprehensive loss	-	-
Total comprehensive loss	(117,226)	-
Reconciliation of the Company's carrying amount		
Opening carrying amount	-	-
Addition	200,000	-
Share of loss after income tax	(23,445)	-
Closing carrying amount	176,555	-

Commitments

The Company has no commitments not recognised as liabilities as at 30 June 2021 (2020: $nil).

Contingent assets

The Company has no contingent assets as at 30 June 2021 (2020: $nil).

Contingent liabilities

The Company has no contingent liabilities as at 30 June 2021 (2020: $nil).

Note 8. Plant and Equipment

	2021 $	2020 $
Plant and equipment – at cost	137,281	65,128
Accumulated depreciation	(58,208)	(40,855)
	79,073	24,273
Leasehold improvements – at cost	58,251	58,251
Accumulated depreciation	(40,059)	(25,536)
	18,192	32,715
	97,265	56,988

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 2020	24,273	32,715	56,988
Additions	72,153	-	72,153
Depreciation expense	(17,353)	(14,523)	(31,876)
Balance at 30 June 2021	**79,073**	**18,192**	**97,265**

Note 9. Trade and other payables

	2021 $	2020 $
Trade payables	108,106	139,798
Other payables	337,060	7,363
	445,166	147,161

Refer to Note 23 for further information on financial instruments.

Note 10. Provisions

	2021 $	2020 $
Provision for annual leave	24,788	31,467

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	11,405	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, hence the remaining liability has been classified as current.

Note 12. Equity - issued capital

	2021 Shares	2020 Shares	2021 $	2020 $
Ordinary shares - fully paid	148,686,368	105,749,991	8,955,496	5,788,186

Movements in ordinary share capital

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

	Date	Shares	Issue price	$
Balance as at 30 June 2019		**74,999,993**		**5,120,207**
Issue of shares - rights issue	13 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)
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

	2021 $	2020 $
Options reserve (a)	587,576	472,945
Performance rights reserve (b)	65,835	328,141
	653,411	**801,086**

(a) Movements in options reserve

		No. of Options	$
Balance as at 30 June 2019		**45,833,332**	**472,945**
30 September 2019	lapsed 1,100,000 Series B	(1,100,000)	-
21 May 2020	issue of 1,000,000 NC6OPT1[1]	1,000,000	-
Balance as at 30 June 2020		**45,733,332**	**472,945**
30 September 2020	lapsed 1,100,000 Series C	(1,100,000)	-
4 December 2020	issue of 2,400,000 Series F	2,400,000	33,960[2]
4 December 2020	issue of 500,000 Series G	500,000	16,571[3]
31 December 2020	lapsed 23,783,333 Series A	(23,783,333)	-
31 December 2020	lapsed 18,749,999 NC6OPT	(18,749,999)	-
15 January 2021	lapsed 1,100,000 Class D	(1,100,000)	-
25 January 2021	exercised 200,000 NC6OPT1	(200,000)	-
20 April 2021	issue 1,000,000 Class H	1,000,000	64,100[4]
Balance as at 30 June 2021		**4,700,000**	**587,576**

[1] These options are free attaching to the issue of shares issued in 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.
[2] Issued in consideration for services provided to the Company.
[3] Issued to director.
[4] Issued in consideration for marketing and investor relations services provided to the Company.

The options on issue as at 30 June 2021 are as follows:

Date of issue	Class of option	No. of Options	Exercise price	Expiry date
21 May 2020	NC6OPT1	800,000	$0.10	31 May 2023
4 December 2020	Series F	2,400,000	$0.10	30 November 2021
4 December 2020	Series G	500,000	$0.08	31 October 2023
20 April 2021	Series H	1,000,000	$0.10	20 April 2024
Total		**4,700,000**		

Note 13. Equity – reserves (continued)

(b) Movements in performance rights reserve

	No. of Performance Rights	$
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**
Conversion of A Class Performance Rights	(500,000)	(100,000)
C Class Performance rights issued in prior year - expense recognised for the year end 30 June 2021	-	167,859*
D Class Performance rights issued to director - expense recognised for the year end 30 June 2021**	2,000,000	65,835*
C Class Performance rights lapsed	(4,000,000)	(396,000)*
Balance as at 30 June 2021	**2,000,000**	**65,835**

* Total of ($145,735) is recorded as share-based payment in the profit of loss.

**4,000,000 performance rights were issued to directors, Wayne Best and Alfie Germano. An expense of $65,835 was recognised in the financial year ended 30 June 2021 relating to performance rights issued to Wayne Best. Each performance right is fair valued at $0.06 which was the share price on the grant date. The 2,000,000 Class D Performance Rights issued to Mr Alfie Germano were forfeited on the termination of his employment on 15 January 2021 and no expense was recognised in the financial year ended 30 June 2021.

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Class	Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
Series F	20-Nov-20	30-Nov-21	$0.06	$0.10	100%	0%	0.09%	$0.014
Series G	20-Nov-20	31-Oct-23	$0.06	$0.08	100%	0%	0.11%	$0.033
Series H	20-Apr-21	20-Apr-24	$0.12	$0.10	100%	0%	0.10%	$0.064

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.76 years (2020: 0.58 years).

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 0.5 years (2020: 0.5 years).

The weighted average exercise price of options outstanding at the end of the financial year was $0.10 (2020: $0.30).

Note 14. Equity – Accumulated losses

	2021 $	2020 $
Accumulated losses at the beginning of the financial year	(5,804,054)	(4,566,190)
Adjustment on 1 July 2019 arising from the adoption of AASB16 Leases	-	(2,375)
Loss after income tax expense for the year	(931,045)	(1,235,489)
Accumulated losses at the end of the financial year	**(6,735,099)**	**(5,804,054)**

Note 15. Key management personnel compensation

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

	2021 $	2020 $
Short-term employee benefits	357,721	537,459
Post-employment benefits	24,007	40,964
Annual leave payments	24,788	31,467
Share-based payments - shares	16,999	8,494
Share-based payments - options	16,571	-
Share-based payments - performance rights	65,835	235,538
	505,921	853,922

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:

	2021 $	2020 $
Audit services – RSM Australia Partners		
Auditor review of the financial statements	30,750	28,500
Other services – RSM Australia Partners		
Preparation of income tax return	5,500	4,500
	5,500	4,500
	36,250	33,000

Note 17. Commitments

The Company has no commitments not recognised as liabilities as at 30 June 2021 (2020: $nil).

Note 18. Contingent assets

The Company has no contingent assets as at 30 June 2021 (2020: $nil).

Note 19. Contingent liabilities

The Company has no contingent liabilities as at 30 June 2021 (2020: $nil).

Note 20. Events after the reporting period

Options

On 5 July 2021, the Company issued 14,768,635 free attaching listed options (NC6OA, $0.15, 5 July 2024) to sophisticated investors who participated in a placement, and 7,500,000 NC6OA Options to the lead manager to the placement.

Other than the above, no matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Note 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

	2021 $	2020 $
Loss after income tax expense for the year	(931,045)	(1,235,489)
Adjustments for:		
Depreciation of plant and equipment	31,876	27,423
Depreciation of right-of-use-asset	25,072	25,072
Equity accounted expense	23,445	-
Share based payments	(145,735)	235,538
Expenses paid via equity instruments	64,100	-
Change in operating assets and liabilities:		
Trade and other receivables	34,353	(36,494)
Prepayments	(34,830)	17,947
Provisions	(6,679)	(11,172)
Trade and other payables	4,257	31,581
Net cash used in operating activities	(935,186)	(945,594)

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:

	2021	2020
Financial assets	**$**	**$**
Cash and cash equivalents	3,006,597	839,161
Trade and other receivables	33,018	67,372
	3,039,615	906,533
Financial liabilities		
Trade and other payables	445,166	147,161
Lease liability (current and non-current)	11,405	37,829
Borrowings	-	20,295
	456,571	205,285

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 (2020: $11,405).

Sensitivity analysis – interest rates

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

(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

	2021 cents	2020 cents
Basic loss per share (cents)	0.77	1.57
Diluted loss per share (cents)	0.77	1.57

	2021 $	2020 $
Net loss used in the calculation of basic and diluted loss per share	(931,045)	(1,235,489)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	120,612,310	78,713,323
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted loss per share	120,612,310	78,713,323

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 2021

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 2021 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

30 August 2021
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 2021, 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 2021 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
Share-based payments Refer to Note 13 to the financial statements	
During the year ended 30 June 2021, the Company issued 3,900,000 options to a director and external suppliers and 4,000,000 performance rights to directors. The Company has accounted for these arrangements in accordance with AASB 2 *Share-Based Payments*. We consider this to be a key audit matter because of: • The judgmental nature of inputs into the valuation models, including the appropriate valuation methodology to apply; and • The variety of conditions associated with each instrument.	Our audit procedures included: • Reviewing the terms and conditions of the instruments issued; • Reviewing the valuation methodology to ensure it is appropriate; • Evaluating the key assumptions used, considering the grant date share price, the risk-free interest rate, the expected volatility, the dividend yield, the vesting period and the number of instruments vested; • Recalculating the value of the share-based payment expense to be recognised; and • Reviewing the adequacy of the disclosures in the financial statements.

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 2021 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 2021.

In our opinion, the Remuneration Report of Nanollose Limited, for the year ended 30 June 2021, 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: 30 August 2021

Shareholder Information

Shareholder Information

The shareholder information set out below was applicable as at 19 August 2021.

1. Quotation

Listed securities in Nanollose Limited are quoted on the Australian Securities Exchange under ASX code NC6 (Fully Paid Ordinary Shares) and NC6OA (Listed Options), and are not quoted on any other exchange.

2. Voting Rights

The voting rights attached to the Fully Paid Ordinary Shares ("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) every member present in person, or by proxy or attorney:

(i) on a show of hands, has one vote; and

(ii) on a poll, has one vote for each 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	30	4,843	0.00%
1,001 – 5,000	201	786,460	0.53%
5,001 – 10,000	271	2,211,401	1.49%
10,001 – 100,000	796	30,813,322	20.72%
100,001 and above	227	114,870,342	77.26%
Total	**1,525**	**148,686,368**	**100.00%**

On 19 August 2021, there were 234 holders of unmarketable parcels of less than 5,102 Shares (based on the closing Share price of $0.098).

ii) **Listed Options exercisable at $0.15 on or before 5 July 2024**

Shares Range	Holders	Units	%
1 – 1,000	1	5	-
1,001 – 5,000	8	32,533	0.15
5,001 – 10,000	3	28,750	0.13
10,001 – 100,000	89	4,364,062	19.60
100,001 and above	31	17,843,285	80.13
Total	**132**	**22,268,635**	**100.00%**

iii) **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	1	800,000[1]	100%
Total	**1**	**800,000**	**100%**

[1] Held by Anthony John Locantro

iv) **Class G Options exercisable at $0.08 on or before 31 October 2023**

Shares Range	Holders	Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	1	500,000[1]	100%
Total	**1**	**500,000**	**100%**

[1]Held by Heidi Beatty

v) **Class F Options exercisable at $0.10 on or before 30 November 2021**

Shares Range	Holders	Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	4	160,000	6.67%
100,001 and above	3	2,240,000[1]	93.33%
Total	**7**	**2,400,000**	**100%**

[1]Holders who hold more than 20% of these securities are:

- Mr Philip John Cawood – 1,000,000 Options; and
- Fredronn Pty Ltd <Fredronn Family A/C> - 1,000,000 Options.

vi) **Class H Options exercisable at $0.10 on or before 20 April 2024**

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

[1]Held by Cheena Corporate Pty Ltd <Cheena A/C>

vii) Class D 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	2,000,000[1]	100%
Total	**1**	**2,000,000**	**100%**

[1]Held by Wayne Morris Best <Wayne & Debra Best Fam A/C>

4. Substantial Shareholders

The names of the substantial shareholders as notified to the Company as at 19 August 2021 are:

Name: Azalea Family Holdings Pty Ltd ATF The Britt and Winton Willesee Family Trust
Holder of: 8,068,504 Shares, representing 5.43% as at 24 June 2021
Notice Received: 17 August 2021

Name: Wayne Morris Best ATF Wayne & Debra Best Fam A/C
Holder of: 8,431,798 Shares, representing 5.67% as at 24 June 2021
Notice Received: 17 August 2021

5. Restricted Securities

There are no restricted securities listed on the Company's register as at 19 August 2021.

6. On market buy-back

There is currently no on market buy-back in place.

7. Twenty Largest Shareholders

The twenty largest holders of the Company's quoted Shares as at 19 August 2021 are as follows:

	Name	Holding	%
1	WAYNE MORRIS BEST <WAYNE & DEBRA BEST FAM A/C>	8,431,798	5.67
2	AZALEA FAMILY HOLDINGS PTY LTD	8,000,000	5.38
3	MR JASON DUNCAN MACLAURIN	6,351,190	4.27
4	MR JOHN MOURSOUNIDIS <MOURSOUNIDIS FAMILY A/C>	5,934,523	3.99
5	MRS SUZANNE MARGARET CASS <CASS A/C>	4,231,977	2.85
6	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	4,231,504	2.85
7	MR JONATHAN JAMES HUNTER & MRS REBECCA MEI LIANG HUNTER <HHC EQUITIES SUPERFUND A/C>	3,280,000	2.21
8	CITICORP NOMINEES PTY LIMITED	2,596,514	1.75
9	MR MICHAEL HILTON HOLBROOK	2,361,470	1.59
10	TRIPIT PTY LTD <PETER HEATHER WELLS S/F A/C>	2,060,000	1.39
11	MADEIROS PTY LTD <VISSER SUPER FUND A/C>	1,760,826	1.18
12	10 BOLIVIANOS PTY LTD	1,694,834	1.14
13	MR ADAM LAURENCE BODE	1,500,000	1.01
14	GERMANO MCINALLY PTY LTD	1,346,796	0.91
15	MR BILL CHIA-HAN CHANG	1,219,761	0.82
16	MR ANDREAS STEINWACHS	1,184,111	0.80

17	MR DAVID ROBIN LUNN & MRS STEPHANIE ANN YU <LUNN SUPERFUND A/C>	1,074,729	0.72
18	MR DEAN ANTHONY MACKENZIE	1,001,000	0.67
19	PRIMACLASS CONSULTING PTY LTD <PRIMACLASS SUPER FUND A/C>	1,000,000	0.67
19	VAGELI PANAGIOTIDIS	1,000,000	0.67
20	MR ZHIYU NING	900,000	0.61
	TOTAL	**61,161,033**	**41.13%**

8. Twenty Largest Listed Option Holders – NC6OA ($0.15, 05/07/2024)

The twenty largest holders of the Company's quoted Options as at 19 August 2021 are as follows:

	Holder Name	Holding	%
1	10 BOLIVIANOS PTY LTD	6,385,408	28.67
2	MR MICHAEL HILTON HOLBROOK <HELMACRON A/C>	3,409,335	15.31
3	MR ADAM LAURENCE BODE	2,000,000	8.98
4	KOVI G INVESTMENTS PTY LTD <KOVI GORDON FAMILY A/C>	625,000	2.81
5	MR ALI MOHAMMED PARVEZ UKANI	525,000	2.36
6	MR DAVID ROBIN LUNN & MRS STEPHANIE ANN YU <LUNN SUPERFUND A/C>	445,454	2.00
7	MR ZHIYU NING	400,000	1.80
8	MR STEFAN ALASDAIR GRAHAM	356,552	1.60
9	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	290,103	1.30
10	DAVSAM PTY LTD <ROSEMAN RETIREMENT FUND A/C>	275,000	1.23
11	MR KADISON TYMUS	247,058	1.11
12	MR MATTHEW STUART DIXON	200,000	0.90
13	MRS KATHRYN VALERIE VAN DER ZWAN <HARLESTON FAMILY A/C>	187,500	0.84
14	GOLDEN TRIANGLE CAPITAL PTY LTD	156,250	0.70
14	MRS HETAL SANGHAVI	156,250	0.70
14	MR NOEL RUSSELL CAMERON & DR BELINDA CAROLINE GOAD <NOEL CAMERON SUPER FUND A/C>	156,250	0.70
14	CRANLEY CONSULTING PTY LTD <CRANLEY CONSULTING A/C>	156,250	0.70
14	SURF COAST CAPITAL PTY LTD <MINNIE P/F A/C>	156,250	0.70
14	MR NOEL RUSSELL CAMERON & DR BELINDA CAROLINE GOAD <NOEL CAMERON SUPER A/C>	156,250	0.70
14	PKT SPRINGBROOK PTY LTD <SPRINGBROOK FAMILY A/C>	156,250	0.70
15	GMB INVESTMENTS PTY LTD <GMB SUPER A/C>	150,000	0.67
15	FTM SHARE INVESTMENTS PTY LTD	150,000	0.67

16	FURNTREE AUSTRALIA PTY LTD	125,000	0.56
16	ANGORA BLUE PTY LTD	125,000	0.56
16	MR NEIL GRANT MCMILLAN	125,000	0.56
16	FURNTREE 2020 SUPER PTY LTD <FURNTREE 2020 SUPER A/C>	125,000	0.56
16	MR SHANE JAMES SENTANCE	125,000	0.56
16	MR HOWARD VAN NGUYEN	125,000	0.56
16	MR EDWARD CHUAN ONG & MRS ANGELINE LOOI-CHIN ONG & MR TIMOTHY JUN-WEI ONG <ONG FAMILY A/C>	125,000	0.56
17	MR MARTIN PAUL WILSON <CONNOR A/C>	118,750	0.53
18	MR GAVIN WAYNE STEPHENSON	109,375	0.49
19	SDJM DEVELOPMENTS PTY LTD <ALLEGIANCE SF A/C>	100,000	0.45
19	SJ CAPITAL PTY LTD	100,000	0.45
20	MR ROBERT REVIS	93,750	0.42
20	MR KALPESH MANJI VARSANI & MRS RITA KALPESH VARSANI <VARSANI FAMILY SUPER A/C>	93,750	0.42
20	BVB CUSTODIAN PTY LTD <BVB A/C>	93,750	0.42
20	MR PAUL FOLEY	93,750	0.42
	Total	**18,418,285**	**82.71%**