



NANOLLOSE LIMITED ACN 601 676 377

# PROSPECTUS

**Lead Manager**  
Mac Equity  
(AFSL 338731)



**Corporate Adviser**  
View Street Partners  
(CAR 125 0132)



For the offer of 25,000,000  
Shares at an issue price of 20  
cents each to raise \$5,000,000.

Proposed ASX Code: NC6

This Prospectus provides important information about the Company. You should read the entire document including the Application Form. If you have any questions about the Offer or the Prospectus, you should speak to your professional adviser. The Shares offered by this Prospectus should be considered highly speculative.



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# IMPORTANT NOTICE

## Prospectus

This Prospectus is dated 21 August 2017 and was lodged with ASIC on that date. Neither ASIC, ASX nor any of their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No securities will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. Application will be made to ASX within 7 days after the date of this Prospectus for quotation of the Shares the subject of this Prospectus.

No person is authorised to provide any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation that is not contained in this Prospectus may not be relied upon as having been authorised by the Directors or the Company.

An electronic version of this Prospectus can be downloaded from our website at [www.nanollose.com](http://www.nanollose.com). If you access the electronic version of this Prospectus, you should ensure that you download and read the entire Prospectus. The electronic version of this Prospectus is only available to Australian residents. If you have received the Prospectus electronically, we will provide a paper copy and attached Application Form free of charge. Please telephone our registered office during the Offer period.

Applications for Shares may only be made on the Application Form included in or accompanying this Prospectus or in the electronic version, as downloaded in its entirety from our website.

The Offer in this Prospectus is available only to persons receiving this Prospectus within Australia, or another country where it is lawful to do so (electronically or otherwise). This Prospectus does not constitute an offer in any place where, or to any person whom, it would be unlawful to make such an offer. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons who come into possession of this Prospectus should seek advice and observe any restrictions. Any failure to comply with these restrictions may violate securities laws.

You must ensure compliance with all laws of any country relevant to your application. We will take the return of a completed Application Form as a representation by you that there has been no breach of any laws.

## Exposure Period

The Corporations Act prohibits us from processing Applications for 7 days after the date of lodgement of this Prospectus with ASIC. This period may be extended by ASIC for up to a further 7 days. This period is an exposure period to enable the Prospectus to be examined by market participants prior to the issue of Shares. Applications received during the exposure period will not be processed until after the expiry of the exposure period. No preference will be given to Applications received during that period. All Application Forms received during the exposure period will be treated as if they were simultaneously received on the Opening Date.

## No Prospective Financial Forecasts

The Directors have considered the matters outlined in ASIC Regulatory Guide 170. The Company will use the proceeds of the Offer to further research and develop its technologies. Given the Company is an early stage company which has not commercialised the Nanollose Technologies, reliable forecasts of any possible revenue and expenses cannot be prepared and accordingly the Directors have not included forecasts in this Prospectus.

This Prospectus includes, or may include, statements including, without limitation, statements about the Company's financial position, business strategy and plans and objectives for its business and future operations which have been based on the current expectations about future events. These statements reflect views held at the date of the Prospectus.

These statements are subject to risks, uncertainties and assumptions that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by such statements. Matters not yet known to the Company or not currently considered material to the Company may impact on these statements and investors are cautioned not to place undue reliance on these statements.

## Glossary

Certain terms and abbreviations used in this Prospectus have defined meanings, which are explained in the Glossary in Section 12. In this Prospectus, the words "we", "our" and "us" refer to the Company. The words "you", or "your" refer to Applicants.

## Photographs

The photographs appearing in this Prospectus are for illustration purposes only and unless otherwise stated do not represent our assets.

# CORPORATE DIRECTORY

## DIRECTORS

**Dr Wayne Best**  
Non-Executive Chairman

**Mr Raffaele (Alfie) Germano**  
Managing Director

**Mr Gary Cass**  
Non-Executive Director

**Mr Winton Willesee**  
Non-Executive Director

**Mr Terence Walsh**  
Non-Executive Director

## COMPANY SECRETARY

Miss Erlyn Dale

## REGISTERED AND BUSINESS OFFICE

Suite 5, CPC  
145 Stirling Highway  
Nedlands, Western Australia, 6009  
Telephone: +61 8 9389 3120  
Email: [info@nanollose.com](mailto:info@nanollose.com)

## WEBSITE

[www.nanollose.com](http://www.nanollose.com)

## LEAD MANAGER

Mac Equity  
Suite 7, 29 The Avenue  
Nedlands, Western Australia, 6009

## CORPORATE ADVISER

View Street Partners  
102 Forrest Street  
Cottesloe, Western Australia, 6011

## SOLICITORS TO THE OFFER

Fairweather Corporate Lawyers  
595 Stirling Highway  
Cottesloe, Western Australia, 6011

## PATENT ATTORNEY

Wrays  
56 Ord Street  
West Perth, Western Australia, 6005

## INVESTIGATING ACCOUNTANT

RSM Corporate Australia Pty Ltd  
8 St George's Terrace  
Perth, Western Australia, 6000

## AUDITOR

RSM Australia Partners  
8 St George's Terrace  
Perth, Western Australia, 6000

## SHARE REGISTRY

Automic Registry Services  
Level 2  
267 St Georges Terrace  
Perth, Western Australia, 6000  
Telephone: 1300 288 664

# 1. INVESTMENT OVERVIEW

Question	Response	Where to find more information
<b>PROSPECTUS</b>		
Who is issuing this Prospectus?	Nanollose Limited – ACN 601 676 377 (the “ <b>Company</b> ”).	
<b>BUSINESS MODEL</b>		
What does the Company do and what is its business model?	<p>The Company is a biotechnology company. It was founded to discover, develop and commercialise intellectual property based on novel products and processes related to microbial nanocellulose.</p> <p>The production of cellulose is a global industry.</p> <p>Cellulose, particularly in the form of cotton, is a mainstay of the fibre and textile industry. However, it is also used to make a range of regenerated or semi-synthetic fibres such as rayon and a range of other polymers including cellophane and cellulose acetate. Cellulose is also the main component of paper and related products.</p> <p>Traditionally cellulose has been obtained from plant-based sources such as cotton, flax and timber. These sources require considerable agricultural land and inputs.</p> <p>The Company aims to address the need of producing a usable environmentally sustainable alternative to plant based cellulose.</p> <p>The Company believes that this alternative is microbial nanocellulose. Microbial nanocellulose is a form of cellulose that is produced by bacteria and does not require light or agricultural land and can be ‘grown’ from a range of industrial organic and agricultural waste and by-products or other raw materials making it an environmentally friendly and potentially sustainable product.</p> <p>The Company has developed (and continues to develop) innovative proprietary technologies for the production and processing of microbial nanocellulose that it considers has commercial potential across the textile, horticulture and other industries. The Company calls this microbial nanocellulose <b>Plant-Free™ cellulose</b> (as described in Section 4).</p> <p>The Company’s Plant-Free cellulose technologies, processes and solutions (referred to in this Prospectus as the <b>Nanollose™ Technologies</b>) modifies the structure of nanocellulose by physical or chemical treatments to produce novel modified fibres or other materials.</p> <p><b>Textile industry</b></p> <p>The Company aims to commercialise the production and use of Plant-Free cellulose as an alternative to cotton, tree pulp and other materials used in the textile industry.</p> <p>The Nanollose Technologies can generate textiles similar to conventional textiles but without the harmful environmental effects that come from traditional sources of plant-based cellulose.</p>	Section 4

Question	Response	Where to find more information
	<p><b>Horticulture industry – seed germination</b></p> <p>The Company has also identified potential applications for the Nanollose Technologies in the horticulture industry, specifically for seed germination.</p> <p>The Nanollose Technologies are able to produce a seed germinating and plant growth medium. This medium is highly water absorbent, soil-less and edible. The Company is developing a commercialisation strategy for this seed germination medium as an alternative to soil and other seed raising mixtures.</p> <p><b>Other industries</b></p> <p>The Nanollose Technologies have potential applications in a number of other global industries – such as medical applications, personal hygiene markets, materials such as paper, packaging and cardboard, biodegradable plastic and films, and food applications such as fibre and food supplements. Further research and development is required to investigate this potential.</p> <p>The Company's business model is to develop and patent novel technologies, processes, products and solutions in relation to Plant-Free cellulose and then to licence the intellectual property rights. The Company may look to manufacture and distribute products developed by the Nanollose Technologies in select markets that do not require large capital investment.</p> <p>The Company's primary activities consist of research, development and licensing of the Nanollose Technologies.</p> <p>The Company engages third party research laboratories to conduct the research and report on the results at the direction of Mr Cass. Mr Cass is the original inventor of the Nanollose Technologies. He will be engaged as a Research and Development advisor to the Company upon ASX listing.</p> <p>The Company aims to allocate \$3 million of the funds raised under the Offer towards further research and development of the Nanollose Technologies, intellectual property rights protection and customer engagement and marketing. The primary focus will be the development of the Nanollose Technologies in the textile industry and the horticultural industry. Some funds are also intended to be allocated to the application of the technology to other relevant industries being medical, hygiene, paper and packaging and food. The Company intends to allocate:</p> <ul style="list-style-type: none"> <li>• \$2.20 million towards further product research and development;</li> <li>• \$0.40 million towards patent, trademark protection and licensing; and</li> <li>• \$0.40 million towards customer and global industry engagement and marketing.</li> </ul> <p>The Company will look to achieve capital growth for Shareholders by further developing the Nanollose Technologies and achieve commercial success as an alternative to plant-based cellulose products. The Company is a developing technology company without a history of revenue generation. Income growth in the form of dividends will only eventuate if the Company's planned activities generate sufficient revenue and returns. There will be no dividends in the immediate future.</p> <p>Further information about the Company's business model and strategy is set out in Section 4.</p>	

## 1. INVESTMENT OVERVIEW

Question	Response	Where to find more information
Has the Company patented the Nanollose Technologies?	<p>The Company has filed two provisional patents in relation to the Nanollose Technologies –</p> <p>The first patent application “Methods for Processing Microbial Cellulose” was filed in November 2016.</p> <p>The second patent application “Plant Growth Media and Method for Making Same” was filed in April 2017.</p> <p>Wrays has prepared an Independent Intellectual Property Report on the Nanollose Technologies. This report provides information on the extent of patent protection.</p>	Section 7
What are our key dependencies?	<p>As an early stage company, the Company’s business model is highly dependent on achievement of continued technical development success and commercial development success. The key dependencies include:</p> <ul style="list-style-type: none"> <li>• successful development of the Nanollose Technologies for commercial application;</li> <li>• the grant of the Company’s patent applications in the jurisdictions to which they apply;</li> <li>• successful development of brand and licensing;</li> <li>• ongoing product development and new product development;</li> <li>• maintaining key technical personnel.</li> </ul> <p>Risks of investing in our Shares are set out in this Section 1 (Key Risks) and Section 6.</p>	
What are the key dates of the Offer?	<p>Opening Date of the Offer ..... 28 August 2017</p> <p>Closing Date of the Offer ..... 11 October 2017</p> <p>Issue of Shares under the Offer ..... 18 October 2017</p> <p>Despatch of holding statements.....20 October 2017</p> <p>Shares commence trading on ASX..... 10 November 2017</p> <p>These dates are indicative only and subject to change. The Company may vary these dates without notice, including to withdraw the Offer at any time before the issue of Shares, to close the Offer early or extend the Closing Date. You are encouraged to apply as soon as possible after the Offer opens as the Offer may close at any time without notice.</p>	



Question	Response	Where to find more information
<b>INVESTMENT HIGHLIGHTS AND RISKS</b>		
What are the benefits of investing in our Shares?	<ul style="list-style-type: none"> <li>The Company has developed novel methods of modifying Plant-Free cellulose that it considers can be used in the global textile, horticulture and other industries.</li> <li>The Plant-Free cellulose produced by the Nanollose Technologies is an environmentally friendly and sustainable product. The Company's strategy is to develop the Nanollose Technologies as an alternative to cotton, tree pulp and other fibres that are used in the textile industry.</li> <li>The Nanollose Technologies produces a fibrous, edible soil-less substrate that can be used to germinate seeds in the horticulture market as a potential alternative to soil and other seed-raising mixtures.</li> <li>The Company has intellectual property rights to the Nanollose Technologies.</li> <li>Funds from the Prospectus are to be predominantly used to fund further research and development and seek to achieve commercialisation of the Nanollose Technologies.</li> <li>The Board and management team are skilled and experienced including in the development of technologies and in capital market funding. There is a spread of technical, scientific, legal, corporate, management and capital funding experience.</li> </ul>	Sections 4 and 5
What are the key risks of investing in our Shares?	<p>The key risks of investing in the Company are set out below. This list of risks is not exhaustive and further details of risks are set out in Section 6.</p> <p><b>Intellectual property risk</b></p> <p>The success of the Nanollose Technologies depends in part on the Company's ability to obtain patents without infringing the proprietary rights of others. Two patent applications have been made in respect of the Nanollose Technologies (see Section 7). The strength of patents involves complex legal and scientific questions and can be uncertain. There can be no assurance that any patents granted will afford the Company commercially significant protection of the Nanollose Technologies or that competitors or other parties will not develop competing technologies that circumvents such patents.</p> <p><b>Technology development risk</b></p> <p>The Company is an early stage company with intellectual property rights to the Nanollose Technologies. Continued research and development is in innovative, new and unproven technology. There is a risk that development will not progress as planned and may encounter delays. A significant risk is whether the Company can develop the technology and move to commercial licensing and/or production.</p> <p><b>Commercialisation risk</b></p> <p>A significant risk is whether the Company can commercialise the Nanollose Technologies. This requires successful technology development, a reliable supply of raw materials at scale and commercial development such as customer engagement and marketing. A failure to achieve commercialisation of the Nanollose Technologies will have a significant adverse impact on the Company's business model, operating results and financial position.</p>	Section 6

Question	Response	Where to find more information
	<p><b>Future funding Needs</b></p> <p>The Company has yet to commercialise the Nanollose Technologies and has not generated any material revenue or any profits. The Company will depend on the availability of investor funds until the Company generates cash flows from successful commercialisation of the Nanollose Technologies. No assurance can be given that future funding for further development of the Nanollose Technologies will be made available on acceptable terms (if at all). If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its expansion and development programs as the case may be.</p> <p><b>Licensing, supply or service contracts and customer engagement</b></p> <p>To successfully commercialise the Nanollose Technologies, the Company will look to licence its technology to customers to generate revenue and this will require customer engagement and the execution of relevant contracts. Given the Company is at an early stage, it does not currently have any paying customers.</p> <p><b>Reliance on key personnel</b></p> <p>The Company's prospects depend in part on the ability of management to advance the Nanollose Technologies. Loss of key personnel may have an adverse impact on the Company's performance.</p>	
<b>FINANCIAL INFORMATION</b>		
What is our financial position?	<p>The Company is an early stage biotechnology company that was registered on 8 September 2014. The Company has a limited operating history and historical financial information on which an assessment of its prospects can be made.</p> <p>The financial reports of the Company for the years ended 30 June 2015, 30 June 2016, and 30 June 2017 have been lodged with ASIC and are taken to be incorporated by reference in this Prospectus in accordance with section 712 of the Corporations Act. The Company will give a copy of these incorporated documents free of charge to any person during the application period of the Offer. The financial statements are available on the Company's website (<a href="http://www.nanollose.com">www.nanollose.com</a>).</p> <p>The Company has not yet generated any material revenue or any profits and is unable to provide any meaningful key financial ratios, whether relating to market performance, profitability and financial stability. The Company has a loan facility of \$75,000. Funds drawn down on this loan facility will be repaid from the funds raised under the Offer. Apart from this loan, the Company does not have any material borrowings.</p> <p>Financial information regarding the Company is set out in the Investigating Accountants Report in Section 8.</p>	Section 8
How will we generate revenue?	<p>The Company aims to generate revenue primarily through licensing of its technology.</p> <p>The Company does not have any current licence or sales contracts.</p>	Section 4.4

Question	Response	Where to find more information
Will we pay a dividend?	<p>The Company's focus is to commercialise the Nanollose Technologies and generate capital growth. The Company does not have any plan or intention to pay a dividend in the immediate future.</p> <p>Payment of any dividends in the future will depend on the Company's future profitability and financial position. The Board will review this position on an ongoing basis.</p>	Section 10.5
<b>DIRECTORS AND KEY MANAGEMENT</b>		
Who are our Directors and key management?	<ul style="list-style-type: none"> <li>• Dr Wayne Best (Non-Executive Chairman)</li> <li>• Mr Alfie Germano (Managing Director)</li> <li>• Mr Gary Cass (Non-Executive Director) and Research and Development adviser</li> <li>• Mr Winton Willesee (Non-Executive Director)</li> <li>• Mr Terence Walsh (Non-Executive Director).</li> </ul> <p>Information about the experience and background of the Directors and management is set out in Section 5. None of the directors are considered to be independent.</p>	Section 5
What payments or benefits are being made or given to Directors and their related parties?	<p>The Directors are entitled to be paid fees for their services as directors as set out in Section 10.8.</p> <p>The Company has entered into:</p> <ul style="list-style-type: none"> <li>• an executive services agreement with Mr Germano, the Managing Director, as described in Section 9.1;</li> <li>• a consultancy agreement with Mr Cass under which he is entitled to consultancy fees as Research and Development adviser to the Company as described in Section 10.8;</li> <li>• services agreements with entities associated with Mr Willesee for the provision of various corporate services for fees as described in Section 10.8;</li> <li>• a research contract with Epichem Pty Ltd under which Epichem Pty Ltd is entitled to fees as described in Section 4.4. Dr Best is employed as the managing director of Epichem Pty Ltd;</li> <li>• loan agreements with entities associated with Dr Best and Mr Willesee as described in section 3.3.</li> </ul> <p>The Directors have the benefit of an indemnity from the Company in respect of certain liabilities they may incur in acting as Directors and have liability insurance premiums paid for them by the Company.</p> <p>Each of the contracts referred to above are entered into by the Company with related parties. The Directors (other than the related party) in each case considered the contract that was to be entered into was on reasonable arms-length terms as far as the Company was concerned and therefore no Shareholder approval under the related party provisions of the Corporations Act was necessary.</p>	Sections 4.4, 9.1 and 10.8

## 1. INVESTMENT OVERVIEW

Question	Response	Where to find more information
What are the interests of the Directors and their related parties?	<p>Each of the Directors holds a relevant interest in Shares and Options in the Company. These interests are set out in section 10.6.</p> <p>The Directors may participate in the Offer by subscribing for Shares on the same terms and conditions as other applicants.</p> <p>Dr Best, Mr Willesee and Mr Cass each have a substantial holding in the Company. Each are expected to have a shareholding interest of approximately 7.52% in the Company on completion of the Offer (at Full Subscription).</p> <p>Please refer to Section 3.6 for further details.</p>	Sections 3.6 and 10.6
What material contracts have we entered into?	<p>The Company has entered into a number of material contracts. They include:</p> <ul style="list-style-type: none"><li>• Agreement with Mr Cass concerning the ownership of intellectual property rights to the Nanollose Technologies.</li><li>• Executive services agreement with Mr Germano, the Managing Director.</li><li>• Consultancy agreement with Mr Cass to be a Research and Development adviser to the Company after ASX listing.</li><li>• Research agreement with Epichem Pty Ltd, of which Dr Best is the managing director.</li><li>• Loan agreements with the Corporate Adviser, and entities associated with Dr Best and Mr Willesee.</li><li>• Mandate agreement with Mac Equity as the Lead Manager to the Offer.</li><li>• Corporate Adviser agreement with View Street Partners as the Corporate Adviser to the Offer.</li></ul> <p>Summaries of the key terms of the employment, Mandate and Corporate Adviser agreements are included in Section 9. Some of the contracts referred to above are entered into by the Company with related parties. The Directors (other than the related party) in each case considered the contract that was to be entered into was on reasonable arms-length terms as far as the Company was concerned and therefore no Shareholder approval under the related party provisions of the Corporations Act was necessary.</p>	Sections 3.3, 4.4, 7 and 9
<b>THE OFFER</b>		
What is the Offer?	<p>The Company is inviting subscriptions for 25,000,000 fully paid ordinary shares in the Company at 20 cents each to raise \$5,000,000 at Full Subscription.</p> <p>A summary of the rights attached to the Shares is set out in Section 10.1.</p>	Section 3.1
What is the purpose of this Prospectus and the objectives of the Offer?	<p>The purpose of this Prospectus and the objectives of the Offer are:</p> <ul style="list-style-type: none"><li>• to make Offers to existing and prospective new investors and raise \$5 million (before costs);</li><li>• to satisfy the requirements for the admission of the Company to the Official List of ASX, which will enable the trading of Company's securities; and</li><li>• to provide funding to further the development of the Nanollose Technologies and thereby, to position the Company to meet its business objectives.</li></ul>	Section 3.2



Question	Response	Where to find more information																						
How will the funds raised from the Offer be used?	<p>The Company intends to use current funds and funds raised from the Offer as follows:</p> <ul style="list-style-type: none"><li>• To fund a 2-year research and development program for the Nanollose Technologies.</li><li>• To pay fees associated with patent protection.</li><li>• To pay the 2-year corporate and administration costs.</li><li>• To provide general working capital.</li><li>• To pay the costs of the Offer.</li></ul> <p>A budget of how funds are to be used is set out in Section 3.3.</p> <p>As with any budget, new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to vary the way funds are applied.</p>	Section 3.3																						
What will the capital structure be after close of the Offer?	<p>The capital structure of the Company after the close of the Offer assuming Full Subscription will be as follows.</p> <p><b>Shares</b></p> <table><tr><td>Existing Shares</td><td>49,999,993</td></tr><tr><td>Shares under this Prospectus</td><td>25,000,000</td></tr><tr><td><b>Total Shares</b></td><td><b>74,999,993</b></td></tr></table> <p><b>Options</b></p> <table><tr><td>Series A Options</td><td>23,783,333</td></tr><tr><td>Series B Options</td><td>1,100,000</td></tr><tr><td>Series C Options</td><td>1,100,000</td></tr><tr><td>Series D Options</td><td>1,100,000</td></tr><tr><td><b>Total Options</b></td><td><b>27,083,333</b></td></tr></table> <p><b>Performance Rights</b></p> <table><tr><td>Class A Performance Rights</td><td>250,000</td></tr><tr><td>Class B Performance Rights</td><td>250,000</td></tr><tr><td><b>Total Performance Rights</b></td><td><b>500,000</b></td></tr></table> <p>The terms of the Options and Performance Rights are set out in Sections 10.2 and 10.3.</p> <p>The Company intends to offer Entitlements Options approximately 3 to 6 months after listing, as set out in Section 3.12.</p>	Existing Shares	49,999,993	Shares under this Prospectus	25,000,000	<b>Total Shares</b>	<b>74,999,993</b>	Series A Options	23,783,333	Series B Options	1,100,000	Series C Options	1,100,000	Series D Options	1,100,000	<b>Total Options</b>	<b>27,083,333</b>	Class A Performance Rights	250,000	Class B Performance Rights	250,000	<b>Total Performance Rights</b>	<b>500,000</b>	Section 3.5
Existing Shares	49,999,993																							
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Class B Performance Rights	250,000																							
<b>Total Performance Rights</b>	<b>500,000</b>																							
Is there a minimum subscription requirement for the Offer?	The minimum subscription for the Offer is \$5,000,000. Shares will not be issued unless and until applications for this amount are received.	Section 3.13																						
Is the Offer underwritten?	The Offer is not underwritten.	Section 3.14																						
What are the expenses of the Offer?	The expenses of the Offer will be approximately \$600,000 at Full Subscription.	Section 10.9																						

## 1. INVESTMENT OVERVIEW

Question	Response	Where to find more information
What are the arrangements with brokers?	<p>Mac Equity is Lead Manager to the Offer. The Company has issued Mac Equity or its nominees with 9,000,000 Series A Options and will pay up to 6% on funds raised under the Offer plus GST as a capital raising fee.</p> <p>View Street Partners is the Corporate Adviser to the Company. The Company has issued 9,000,000 Series A Options to View Street Partners and will pay \$75,000 plus GST as a success fee on completion of the Offer.</p> <p>The terms of the Series A Options are set out in Section 10.2.</p>	Sections 3.15, 9 and 10.2
Where will the Shares be quoted?	The Company will apply for quotation of the Shares on ASX under the trading symbol <b>NC6</b> .	Section 3.16
Will any Shares offered under the Prospectus be subject to escrow restrictions?	<p>Shares issued under the Offer will not be subject to any escrow restriction.</p> <p>The Company anticipates that some of the Shares and the Options and Performance Rights issued before this Prospectus will be subject to escrow restrictions by the ASX as a condition of the Company being admitted to the Official List of ASX.</p>	Section 3.7
<b>APPLYING FOR SHARES</b>		
How do I apply for Shares under the Offer?	<p>This Prospectus is accompanied by a separate Application Form.</p> <p>Applications can be made by completing an Application Form in accordance with the instructions on that form and sending it to the Share Registry.</p>	Section 3.8
What is the minimum investment?	The minimum investment is \$2,000 (10,000 Shares), with additional investments to be made in \$200 increments (1,000 Shares).	Section 3.8
When will I know if my Application is successful?	A holding statement confirming your allocation under the Offer will be sent to you if your Application is successful.	Section 3.11
Can the Offer be withdrawn?	The Company reserves the right to withdraw the Offer at any time before the issue of Shares to Applicants under the Offer. If an Offer is withdrawn, the application money will be refunded to relevant Applicants in full without interest.	

## 2. CHAIRMAN'S LETTER



Dear Investor,

On behalf of the Board I am pleased to invite you to participate in the Offer by the Company as part of the process to list on ASX.

The Company was formed in 2014 after Mr Gary Cass demonstrated to me a prototype dress made of microbial cellulose produced by the fermentation of red wine. Since then the Company has continued to develop and improve technologies to produce and process microbial cellulose into a range of consumer and industrial products. I am delighted that Mr Cass has transferred all his intellectual property rights in the technologies to the Company and that he joins me on the Board of Directors.

Cellulose is an important raw material used in a wide variety of industries. In addition to its well known forms of cotton and linen, it is also used to make a range of other fibres and plastics such as rayon and cellophane. Cellulose is also the main component of paper and related products. Traditionally, cellulose has been obtained from plant-based sources such as cotton, flax and timber. These sources require considerable agricultural land and inputs. By contrast, microbial cellulose does not require either light or agricultural land and can be 'grown' using a fermentation process from a range of industrial organic and agricultural wastes and by-products making it an environmentally friendly and sustainable product. The Company refers to microbial cellulose as Plant-Free™ cellulose.

The Company aims to continue its research activities on Plant-Free cellulose to generate a portfolio of intellectual property (IP). We will then seek to commercialise this IP through a variety of channels, and in particular, through licencing of the IP to companies already using plant-based cellulose.

I am fortunate in my role as Chairman to be supported by an experienced Board of Directors including the Managing Director with a diverse range of skills. I have a PhD in Organic Chemistry and over 35 years' experience in research and development in academia, government and both large and small companies. Our Managing Director, Mr Alfie Germano, is a 30 year veteran in the global textile and fashion industries and has spent the last 24 years in Hong Kong, USA, Japan and China as a leader of large-scale global product development, sourcing and retail operations.

With this Offer the Company is seeking to raise \$5,000,000. The funds will predominantly be used to further develop the Company's technologies. An investment in the Company involves a number of risks which are addressed in both Sections 1 and 6. This Prospectus contains important information regarding the Company and I encourage you to read it in its entirety.

I look forward to welcoming you as a Shareholder.

Yours faithfully

Dr Wayne Best, BSc (Hons), PhD, DIC, FRACI, GAICD  
Non-Executive Chairman  
Nanollose Limited

## 3. DETAILS OF THE OFFER

### 3.1. Shares offered for subscription

By this Prospectus the Company offers for subscription 25,000,000 Shares at 20 cents each to raise \$5,000,000 at Full Subscription. This is the maximum subscription under the Offer. The Company will not accept over-subscriptions.

All Shares offered under this Prospectus will be fully paid ordinary shares and will rank equally with existing Shares. Further information about the rights attaching to the Shares is set out in Section 10.1.

### 3.2. Objectives of the Offer

The objectives of the Offer are to raise a minimum of \$5 million before costs to fund:

- a 2-year research and development program for the Nanollose Technologies;
- the fees associated with patent protection;
- 2-years of corporate administration costs;
- provide general working capital for the Company's operations;
- pay for the costs of the Offer; and
- to enable the Company to list on the ASX, which provides a market for Shares and provides the Company with improved access to capital markets.

### 3.3. Use of funds

The Company intends to use its current funds of approximately \$72,000 at 31 July 2017, and the funds raised from the Offer at Full Subscription broadly as follows:

	Full Subscription
<b>Funds available</b>	
Cash available <sup>1</sup>	\$72,000
Funds from this Offer	\$5,000,000
<b>Total funds available</b>	<b>\$5,072,000</b>
<b>Application of proceeds</b>	
Technology research and development (two years) <sup>2</sup>	\$3,000,000
Two-year corporate administration costs	\$1,100,000
Pay contingent liabilities and repay loans <sup>3</sup>	\$160,000
Costs of the Offer <sup>4</sup>	\$600,000
General working capital <sup>5</sup>	\$212,000
<b>Total</b>	<b>\$5,072,000</b>

**Notes:**

1. The Company has outstanding loans totalling \$75,000, which have been provided by entities associated with Dr Best, Mr Willesee and the Corporate Adviser to assist funding the Company. Each of the loans are made available on an unsecured and no interest basis and for consideration of the issue of 100,000 Series A Options (30 cent exercise price and 31 December 2020 expiry date) to each of the lenders. The Company intends to use the funds raised by the Offer to repay these loans.
2. The research and development plan for the Nanollose Technologies includes product research and development, customer engagement and marketing and patent and trademark protection and licensing within the textile, horticulture and other industries. A 2-year expenditure budget is set out in Section 4.
3. The Company has contingent liabilities of approximately \$85,000 (as at the date of this Prospectus) that are owing to Mac Equity, to entities controlled by Mr Willesee for services provided to the Company before listing and to a former employee. These contingent liabilities are set out in the Investigating Accountants Report at Section 8 and will be paid from funds raised by the Offer.
4. The total costs of the Offer are approximately \$600,000 as described in Section 10.9. The costs of the Offer include capital raising fees of 6% on all funds raised under the Offer (being \$300,000 at Full Subscription) and a cash success fee of \$75,000 payable to the Corporate Adviser.



5. General working capital includes administration and operating costs and include directors' fees, ASX and share registry fees, legal, tax and audit fees, corporate advisory fees, insurance and travel costs. General working capital may also be used for acceleration of the development of the Nanollose Technologies.
6. This use of funds table is a statement of current intentions as at the date of this Prospectus. The use of funds may change depending on intervening events (including development success or failure) or changes in the Company's circumstances. The Board reserves the right to vary the way funds are used or applied including as between the different industry market development paths for the Nanollose Technologies.

### 3.4. Working Capital

On successful completion of the Offer the Company will have enough working capital to carry out the objectives stated in this Prospectus.

### 3.5. Capital Structure

On the close of the Offer, the capital structure of the Company is expected to be as follows (at Full Subscription).

Shares	Number	% (Undiluted)
Existing Shares <sup>1</sup>	49,999,993	67%
Shares under this Offer <sup>2</sup>	25,000,000	33%
<b>Total Shares</b>	<b>74,999,993</b>	<b>100%</b>

Options	Number
Series A Options <sup>3</sup>	23,783,333
Series B Options (to Managing Director) <sup>4</sup>	1,100,000
Series C Options (to Managing Director) <sup>4</sup>	1,100,000
Series D Options (to Managing Director) <sup>4</sup>	1,100,000
<b>Total Options<sup>5</sup></b>	<b>27,083,333</b>

Performance Rights <sup>6</sup>	Number
Class A Performance Rights (to Managing Director)	250,000
Class B Performance Rights (to Managing Director)	250,000
<b>Total Performance Rights</b>	<b>500,000</b>

**Notes:**

1. Some of the Shares, the Options and Performance Rights will be held in escrow under the ASX listing rules and will have restrictions on transfer or to be pledged. Further information about ASX escrow is set out in Section 3.7.
2. Shares issued under this Prospectus will rank equally with the existing Shares. The key rights attaching to the Shares are summarised at Section 10.1 of this Prospectus.
3. The Series A Options have been issued to the founding Shareholders, the Directors, the Company Secretary, the Lead Manager and the Corporate Adviser or their nominees. These Options have an exercise price of 30 cents and an expiry date of 31 December 2020. The Company expects that, if it is listed on ASX, some or all of the Series A Options will be held in escrow under the ASX listing rules and will not be able to be transferred or pledged for 2 years. After the escrow period has expired these Options are freely transferable. Further information about ASX escrow is set out in Section 3.7. The full terms of the Series A Options are set out in Section 10.2.
4. The Series B, C and D Options have been issued to the Managing Director. These Options have the following exercise prices and expiry dates – Series B – 25 cents and 30 September 2019; Series C – 30 cents and 30 September 2020; and Series D – 40 cents and 30 September 2021. These Options are subject to vesting hurdles that must be met before the Options can be exercised. If the Company is listed on ASX, then the Series B, Series C and Series D Options may be held in escrow under the ASX listing rules. After any escrow period has expired these Options are transferable with approval of the Board. Further information about ASX escrow is set out in Section 3.7. The full terms of the Series B, Series C and Series D Options are set out in Section 10.2.
5. The Company intends to offer to issue Options to Shareholders approximately 3 to 6 months after listing on the basis of 1 Option for every 4 Shares held. These Options will be issued on the same terms as the Series A Options. Based on the capital structure table shown in this Prospectus, this means that up to a further approximate 18,750,000 Series A Options will be offered to Shareholders under the Entitlements Offer (assuming no Options are exercised before the record date). The Company will apply to ASX for these Options to be quoted on ASX. Further information about the Entitlements Offer is set out in Section 3.12.
6. The Performance Rights have been issued in 2 classes to the Managing Director. The terms of the Performance Rights including service conditions are set out in Section 10.3.

## 3.6. Substantial Shareholders

Shareholders who have a relevant interest in 5% or more of the Shares are set out in the table below.

Name of Shareholder <sup>1</sup>	Number of Shares	% Existing (Undiluted)	% Post-Offer (Undiluted)
Wayne Best <Wayne & Debra Best Fam A/C>	5,642,858	11.29%	7.52%
John Moursounidis <Moursounidis Family A/C>	5,642,857	11.29%	7.52%
Stonehorse Nominees Pty Ltd <sup>3</sup>	5,642,857	11.29%	7.52%
Azalea Family Holdings Pty Ltd <sup>2</sup> <No 2 A/C>	5,642,857	11.29%	7.52%
Suzanne Margaret Cass <sup>2</sup> <The Cass A/C>	5,642,857	11.29%	7.52%
Jaek Holdings Pty Ltd <Hannaford Family A/C>	2,700,000	5.40%	3.60%
Tejiman Holdings Pty Ltd <The Tejiman A/C>	2,700,000	5.40%	3.60%
Bryant James McLarty <McLarty Family A/C>	2,648,810	5.30%	3.53%

**Notes:**

1. This table assumes that no existing substantial Shareholder subscribes for, and receives additional Shares under the Offer.
2. These are entities or persons associated with Mr Willesee and Mr Cass. Dr Best, Mr Willesee and Mr Cass (or entities or persons associated with them) also hold Series A Options. Refer to Section 10.6 for information about the Directors' interests in the Company.
3. Stonehorse Nominees Pty Ltd is an entity associated with Mr Willesee. Stonehorse Nominees holds the Shares referred to in the table above on trust for the beneficial holder and Mr Willesee has no relevant interest in the securities.

The Company will announce to ASX details of its top 20 Shareholders (following completion of the Offer) before the Shares commence trading on ASX.

## 3.7. Escrow restrictions

The Shares offered under this Prospectus will not be subject to escrow restrictions and will be transferable from the date of issue.

Subject to the Company being admitted to the official list of ASX, some of the existing Shares, the Options and the Performance Rights are likely to be classified by ASX as "restricted securities" and will be required to be held in escrow. These include securities issued to the Directors, the Managing Director, the Lead Manager and Corporate Adviser, other related parties and promoters and seed capital investors before the Offer. Any existing Shares, Options or Performance Rights that are classified as restricted securities will be required to be held in escrow for a period determined by ASX and will not be able to be sold, mortgaged, assigned or transferred for the escrow period without the consent of ASX.

The Company has no voluntary escrow arrangements in place.

The Company will announce to ASX details (quantity and duration) of the securities required to be held in escrow before the Shares commence trading on ASX.

## 3.8. Application for Shares

You may apply on-line and pay electronically by BPAY (if an Australian resident) and complete an on-line Application Form in accordance with instructions on the Application Form. Overseas residents applying on-line must complete the Application Form accompanying this Prospectus and follow relevant instructions. Alternatively, you may pay by cheque and complete the Application Form accompanying this Prospectus and follow relevant instructions.

Applications must be for a minimum of 10,000 Shares (being minimum application moneys of \$2000), and thereafter in multiples of 1,000 Shares (\$200).

If you are an Australian resident and paying electronically by BPAY you will need to complete an on-line Application Form and make payment in accordance with instructions on that Application Form. Overseas residents may pay by electronic funds transfer and by emailing a completed Application Form in accordance with instructions on the Application Form. Applications by overseas residents may not be accepted in accordance with Section 3.9.

If paying by cheque, the cheque must be drawn on an Australian bank and made payable to *"Nanollose Limited – Share Issue Account"* and crossed *"Not Negotiable"* and the completed Application Form together with the accompanying cheque must be mailed or delivered to the following addresses:

**By Post to:**

Nanollose Limited  
c/- Automic  
PO Box 2226  
STRAWBERRY HILLS NSW 2012

**By Delivery to:**

Nanollose Limited  
c/- Automic  
Level 3, 50 Holt Street  
SURRY HILLS NSW 2010

Applicants who wish to apply under the Offer are urged to lodge Application Forms as soon as possible as the Offer may close early without notice.

An original, completed and lodged Application Form, together with a payment for the Application Money, constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in the relevant Application Form. The Application Form does not need to be signed to be valid. An Application will be deemed to have been accepted by the Company upon the issue of the Shares.

If the Application Form is not completed correctly, or if the accompanying payment of the Application Moneys is for the wrong amount, it may be treated by the Company as valid at its discretion. The Directors' decision as to whether to treat such an application as valid, and how to construe, amend or complete the Application Form is final. However, an Applicant will not be treated as having applied for more Shares than is indicated by the payment for the Application Moneys.

No brokerage or stamp duty is payable by Applicants in respect of Applications for Shares under this Prospectus.

### 3.9. Applicants outside Australia

No action has been taken to register or qualify the Shares or the Offer, or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia.

This Prospectus does not constitute an offer of Shares in any country or place where, or to any person to whom, it would not be lawful to issue the Prospectus or make the Offer.

The distribution of the Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons who come into possession of the Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities law.

It is the responsibility of any Applicant who is resident outside Australia to ensure compliance with all laws of any country relevant to their application, and any such Applicant should consult their professional advisers as to whether any government or other consents are required or whether any formalities need to be followed to enable them to apply for and be issued Shares.

The return of a duly completed Application Form will constitute a representation and warranty by the Applicant that there has been no breach of such laws and that all necessary approvals and consents have been obtained.

### 3.10. Application Money held on trust

The Company will hold the Application Money on trust for you in accordance with the Corporations Act until the Shares are issued under the Offer or the Application Money is refunded. The Company will retain any interest that accrues on the Application Money, whether or not Shares are issued to you.

### 3.11. Allocation and issue of Shares

Subject to ASX granting approval for the Company to be admitted to the Official List of ASX, the issue of Shares to Applicants will occur as soon as practicable after the Closing Date, following which holding statements will be despatched.

Pending the allotment and issue of Shares or payment of any refunds under this Prospectus the Company will hold all Application Money on trust for you in a separate bank account. The Company will retain all interest that accrues on the Application Money held.

The Directors in conjunction with the Lead Manager and the Corporate Adviser will determine the recipients of the issued Shares in their sole discretion. The Directors may reject your Application or allocate fewer Shares to you than the number applied for.

The Company will refund to you any Application Money to the extent that your Application is not accepted (in full or in part).

A holding statement confirming the allotment of Shares will be sent to you, if your Application is successful.

### 3.12. Entitlements offer

The Company intends to undertake a non-renounceable entitlements issue of Options to registered Shareholders at a time approximately 3 to 6 months after admission to the Official List of ASX. The Options are intended to be offered for subscription at a price of 1 cent each and on the basis of 1 Option for every 4 Shares held. The Options will have an exercise price of 30 cents and an expiry date of 31 December 2020 and will be issued on the same terms as the Series A Options. The Company will apply to ASX for these Options to be quoted on ASX.

The full terms of these Options are set out in Section 10.2.

### 3.13. Minimum subscription

The minimum subscription for the Offer is \$5,000,000. The Company will not issue any Shares under this Prospectus until the minimum subscription is satisfied.

If the minimum subscription for the Offer has not been raised within 4 months from the date of this Prospectus, the Company will either refund Application Money without interest or will issue a supplementary prospectus or replacement prospectus. If a supplementary or replacement prospectus is issued, the Company will allow you one month to withdraw your Application and, if you do so, the Company will repay your Application money. No interest will be paid on these moneys.

### 3.14. Underwriting

The Offer is not underwritten.

### 3.15. Lead Manager

Mac Equity has been appointed by the Company as the Lead Manager under a mandate agreement to manage the Offer under this Prospectus. The Lead Manager is entitled to a fee for these services.

The material terms of the mandate agreement are summarised in Section 9.

### 3.16. ASX listing

The Company will apply to ASX within 7 days after the date of this Prospectus for quotation of the Shares offered by this Prospectus on ASX. If ASX does not grant permission for the quotation of the Shares offered under this Prospectus within 3 months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Shares offered by this Prospectus will be issued. In these circumstances, your Application will be dealt with in accordance with the Corporations Act including the return of all Application Moneys without interest.

A decision by ASX to grant official quotation of the Shares is not to be taken in any way as an indication of ASX's view as to the merits of the Company or of the Shares. ASX and its officers take no responsibility as to the contents of this Prospectus. Quotation, if granted, of the Shares offered by this Prospectus will commence as soon as practicable after statements of holdings of the Shares are dispatched.



### 3.17. CHESS

The Company will apply to participate in the security transfer system known as CHESS, operated by ASX Settlement Pty Ltd (ACN 008 504 632) (a wholly owned subsidiary of ASX).

On admission to CHESS, the Company will operate an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together will make up the principal register of securities. Under CHESS you will not receive a share certificate. You will receive a holding statement setting out the number of Shares issued to you under this Prospectus. If you are broker sponsored, ASX Settlement Pty Ltd will send you a CHESS statement.

### 3.18. Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

### 3.19. Electronic Prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

## 4. COMPANY, TECHNOLOGY AND MARKET OVERVIEW

### 4.1. Introduction

The Company is an Australian based biotechnology company which has developed (and aims to continue to develop) innovative proprietary technologies relating to the production, processing and applications of microbial nanocellulose, which have the potential to effect change in the global cellulose industry and to offer an environmentally sustainable alternative to plant-based cellulose materials. The Company's primary activities consist of research, development and licensing of these technologies ("the Nanollose™ Technologies").

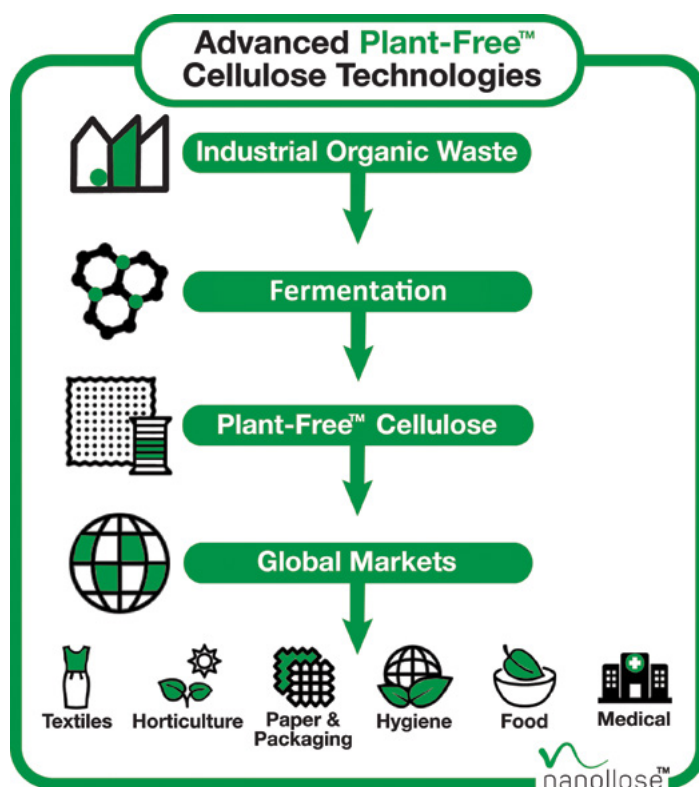
Cellulose, in its various forms, is produced globally and used to manufacture a wide range of products such as linen and cotton textiles, and a range of regenerated fibres and films such as rayon and cellophane. It is also the main component of paper and paper related products. Cellulose is a polymeric organic compound and is a major component of plants and trees. Traditionally, cellulose has been obtained from plant-based sources such as cotton, flax and timber. These sources require considerable agricultural land and inputs putting pressure on natural resources.

By contrast, microbial nanocellulose is a form of cellulose consisting of nano-sized<sup>1</sup> fibres produced by a non-hazardous and non-infectious bacterium in a biological system. It does not require light or agricultural land and can be 'grown' from a range of industrial organic and agricultural waste and by-products making it a sustainable product with potential for industrial scale manufacture.

The Company refers to the microbial nanocellulose that is produced using the Nanollose Technologies as **Plant-Free™ cellulose**. This concept is core to the Company's philosophy. It is a reference to the Nanollose Technologies, which uses industrial organic and agricultural waste and by-products to produce cellulose and does not involve the felling of trees or require the use of arable land or its associated use of irrigation, pesticides and other resource intensive inputs. The Company believes that Plant-Free cellulose is a more environmentally sustainable and ecofriendly alternative to traditional forms of plant-based cellulose.

The Company's focus is to develop sustainable alternatives to plant-based cellulose by developing improved systems and processes to produce Plant-Free cellulose, novel methods of processing it, and new products from it, which can be used in the global industrial and consumer markets.

The aim of the Company is to commercialise the Nanollose Technologies by licensing or partnering with third parties for the manufacture and use of Plant-Free cellulose. The Company's focus will initially be on the textile and horticulture industries. It also proposes to conduct further research into the use of the Nanollose Technologies in other markets such as medical, personal hygiene and nappies, materials such as paper, packaging and cardboard, biodegradable plastic and films and food applications such as fibre and food supplements.



*This diagram is an illustration of the basic development path for the Nanollose Technologies.*

<sup>1</sup> Nano-sized means measured in nanometres (nm). 1nm = (10<sup>-9</sup>)m and 75nm is 1 thousandth the size of a human hair

## 4.2. Company background

In 2006 Mr Cass developed a novel method for processing Plant-Free cellulose which he used to produce non-woven fabrics. In particular, he produced a non-woven fabric from the bacterial fermentation of red wine which was used to make a dress. In 2014 Mr Cass demonstrated the wine dress to Dr Best who recognised the potential of the material and technology.

The Company was established as a proprietary company in 2014 with the purpose of developing and exploiting this technology. Mr Cass assigned all his intellectual property rights to his Plant-Free cellulose inventions to the Company. Since formation, the Company has continued to develop the technology and used Plant-Free cellulose to produce a non-woven fabric and explored other uses for the technology including the production of fibres for textiles, biodegradable plastics and as a seed germination medium in the horticultural sector.

To demonstrate the potential of Plant-Free cellulose in the fashion industry, the Company produced a dress in 2015 using the Nanollose Technologies to convert the bacterial fermentation of beer into fabric (the "Beer Dress"). The "Beer Dress" was exhibited at World Expo 2015 in Milan, Italy.

The Beer Dress was a turning point for the Company as it demonstrated a prototype of a non-woven fabric with an appearance similar to conventional fabrics using the Nanollose Technologies.

More recently the Company has been working to extend the commercial potential of Plant-Free cellulose to areas other than textiles. In particular, the Company has exploited the considerable water holding capacity of Plant-Free cellulose by developing a novel seed germinating and raising medium.

In July 2016 Nanollose converted to a public company limited by shares and raised seed funding of \$600,000 (by the issue of 9,999,993 Shares at 6 cents each) to provide working capital.

The Company has no subsidiaries.



*The Beer Dress, part of Textifood, lille3000 at World Expo 2015 Milan, Italy.  
Photo credit: B. Cimarosti*

## 4.3. Microbial nanocellulose

The chemical structure of microbial nanocellulose is similar to plant-based cellulose. It is produced from a sustainable fermentation process that uses *Acetobacter xylinum*, a non-hazardous bacterium, which converts solutions of certain organic materials into nanocellulose fibres. These fibres are then collected as a very dense, tightly packed non-woven material. The solutions used can include, but are not limited to, the waste or by-products from the production of beer, wine and or desiccated coconuts.

The fermentation process involves inoculating the waste products with *Acetobacter xylinum* and allowing it to grow over several weeks depending on the temperature. Optimal growth is achieved at about 30°C. Fermentation can be conducted in either static or agitated conditions. Different forms of microbial nanocellulose are produced under these different conditions. Under static conditions the process is regulated by air supply and the yield depends on the concentration of available carbon in the solution.

Microbial nanocellulose can be produced in approximately 18 days. This is a potential key advantage over plant-based cellulose, which takes much longer to produce. For example, trees used in the production of plant-based cellulose can take years to grow and cotton generally takes about 6 months from planting before being ready for harvest.

Other advantages of microbial nanocellulose over plant-based cellulose include:

- **Waste product value add:** Microbial nanocellulose can be grown from some types of industrial organic and agricultural waste streams, thereby offering a potential waste remediation opportunity. This contrasts with traditional plant-based sources of cellulose such as cotton, flax and timber which require considerable agricultural land, water and chemical inputs.

- **Water holding capacity:** The water holding capacity of microbial nanocellulose is considered one of its most important physical characteristics. The ability of microbial nanocellulose to absorb large amounts of water compared to conventional plant-based cellulose affords it considerable potential for applications in personal care products, nappies and biomedical applications such as wound dressings.
- **High purity:** Microbial nanocellulose is a highly pure form of cellulose and does not contain impurities. Plant-based sources can contain significant impurities which must be removed before the cellulose can be used in many industrial processes.
- **Potential use in food industry:** Microbial nanocellulose is edible and a source of dietary fibre. It can be processed into a variety of shapes and textures with the potential to be suitable for use in the food industry.

### 4.4. Developing the Nanollose Technologies

The Nanollose Technologies involve a variety of physical and/or chemical processes that can modify the properties of microbial nanocellulose. These novel modified materials have potential to produce textiles (both woven and non-woven), a seed raising medium and other products such as biodegradable plastics.

The Company has undertaken a proof-of-concept study and converted a commercial waste stream from the beverage industry into Plant-Free cellulose on laboratory scale. Further work will be undertaken to optimise the process to various types of waste streams and to allow the process to be scaled up.

The Company has undertaken a laboratory proof-of-concept study and produced a fibre from microbial nanocellulose, which the Company believes has the potential to be used to make conventional woven fabrics. Further work is required to optimise the process.

The Company's aim is to successfully develop technologies that establish Plant-Free cellulose as a sustainable alternative to plant-based cellulose materials. The Company is currently targeting the application of the Nanollose Technologies to the textiles industry (woven and non-woven fabrics) and the horticulture industry (seed germination).

As an early stage company, the Company's business model is highly dependent on achievement of continued technical development success and commercial development success. The key dependencies include:

- successful development of the Nanollose Technologies for commercial application;
- the grant of the Company's patent applications in the jurisdictions to which they apply;
- successful development of brand and licensing;
- ongoing product development and new product development;
- maintaining key technical personnel.

The Company's business model is subject to a number of risks as summarised in Section 6. This section sets out the goals and aims of the Company but does not represent any forecast or projection as to future revenue or profitability of the Company or penetration into markets.

#### Protection of technology

The Company has filed two patent applications regarding its novel Nanollose Technologies for:

- the method for processing microbial cellulose; and
- plant growth media and method for making same.

These patent applications are intended to protect key aspects of the Nanollose Technologies. The patent applications are still pending and have not yet been granted. Please refer to the Intellectual Property Report in Section 7 for information on the Company's patent applications and some aspects of patent law.

The Company has not committed to any royalties or encumbrances in respect of the Nanollose Technologies. The Company has full commercial discretion to commercialise the intellectual property in any way it so chooses.

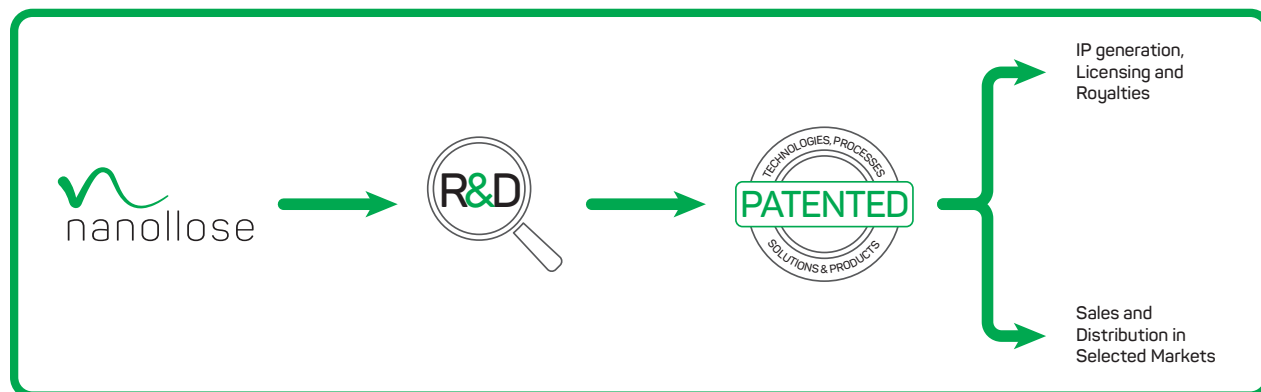
#### Licensing model

The Company's business model is to generate valuable intellectual property through innovative research and development and subsequently licensing the intellectual property to relevant market sectors or entering a partnering arrangement with third parties on a commercial basis. Revenue is intended to be sourced from third party licensees who pay a fee or some form of royalty to use the Nanollose Technologies.



This licensing model allows the Company to focus resources on generating valuable intellectual property across a range of industries and opportunities rather than investing in large capital projects.

The Company may look to manufacture and distribute its products in select markets that do not require large capital investment.



*This diagram is an illustration of the Company's business model.*

### Leadership and management team

The Company has an experienced leadership and management team. The Board is led by Dr Best as Chairman, Mr Germano as Managing Director and Mr Cass as a Non-Executive Director. Mr Cass will manage the Company's R&D to develop the intellectual property portfolio.

Mr Germano is responsible for the overall strategy and co-ordination of activities at the Company including matters corporate.

Mr Germano spent the last 25 years based in Hong Kong in various positions of the global textile chain and is responsible for working with the development team to ensure output is commercially relevant followed by acquisition and delivery of a licensed customer base.

### Laboratory research partners

The Company's strategy is to implement laboratory-based research on a contract basis. The Company does not intend to establish its own laboratory or testing facilities. The 2-year budget (set out in Section 4.9 below) assumes R&D being conducted on a contract or collaborative basis. These research providers can contribute specialised expertise and equipment.

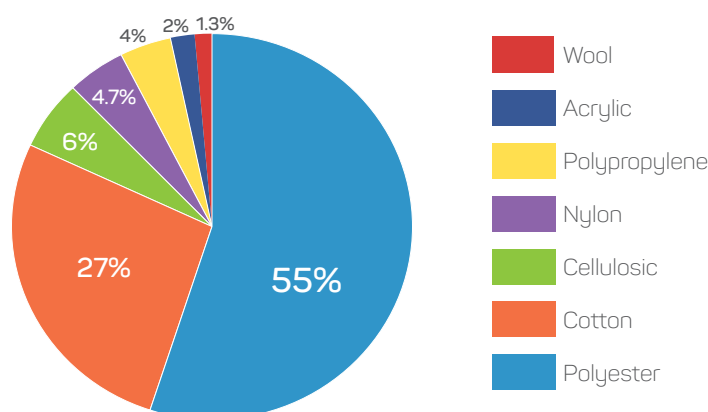
The Company has a research contract with Epichem Pty Ltd (**Epichem**). Epichem is one of Australia's largest contract research laboratories for organic chemistry. Dr Best is the founder of Epichem and its current managing director. Under this contract Epichem provides laboratory services to undertake research towards novel products and processes related to Plant-Free cellulose at the direction of Mr Cass. Epichem provides the Company with samples and reports containing methodologies and analytical results from these experiments and materials. All intellectual property is retained by the Company. The Company pays \$18,000 per scientist plus GST per month to secure these services. This monthly fee is included in the research and development budget set out in Section 4.9 below.

Mr Cass will be responsible for managing relationships with contract R&D service providers. The use of contract research organisations (CROs) provides the Company with access to a range of world class equipment and expertise than it would otherwise be able to achieve in-house. Moreover, CROs provide the Company with greater flexibility to change focus and resources rapidly to exploit new research breakthroughs and commercial opportunities.

### 4.5. Textiles market

The textile and clothing industry is one of the largest industrial sectors in the world.<sup>2</sup> The development of innovative design, processes and materials is reported to be of paramount importance for the future of the industry.<sup>3</sup> Obtaining cotton from sustainable sources is a growing issue for clothing manufacturers – for example, Swedish brand H&M, which is the largest user of organic cotton in the world, has pledged to use only cotton from sustainable sources for all production by 2020.<sup>4</sup>

#### Global Mill Consumption Share of Major Fibres (2015)



Source: Textile Exchange Preferred Fiber Market Report 2016

The value of the global cotton market is estimated at US\$77bn for 2014/15.<sup>5</sup> The potential opportunity for the Company in the cotton market is significant. Cotton is established as an important fibre in the textile and clothing sectors. The aim of the Company is to develop its Nanollose Technologies to produce a sustainable source of cellulose fibres that are an alternative to cotton and other fabrics produced from traditional sources of plant-based cellulose.

The Company is aiming to develop the Nanollose Technologies to be used in the commercial production of fibres that can be used in the textiles industry for both woven and non-woven fabrics. The Company believes that the Nanollose Technologies has the potential to produce a sustainable source of cellulose fibres as an alternative to cotton and other fabrics, such as rayon and silk.

The original activity and application of the technology by Mr Cass, was directed at making novel non-woven fabrics for high end fashion garments as an artistic endeavour. While this activity attracted a great deal of interest from a wide range of market participants, the primary benefit was to demonstrate that the product could be used in a relevant format, that is fabric for a dress. Since the Beer Dress, the Company has further demonstrated the application of the Nanollose Technologies by producing a non-woven fabric from sparkling wine and used this to make a Sparkling Couture Dress.

However, the development of this technology remains at the laboratory testing stage. While the Company's prototype non-woven fabrics have an appealing look and feel, and have been used to make one-off couture fashion items, they are not yet robust enough for everyday wearing and washing. Further R&D is required to address this durability issue.

For this purpose, the Company has engaged contract research organisations to conduct further research and testing on fibres produced using the Nanollose Technologies and to refine the process to ensure that it is cost-competitive at industrial scale. The Company's aim is to then enter licence agreements with key textile industry participants.

<sup>2</sup> R.Shishoo, The Global Textile and Clothing Industry, Technological Advances and Future Challenges, 2012, Pages 1-7

<sup>3</sup> R.Shishoo, The Global Textile and Clothing Industry, Technological Advances and Future Challenges, 2012, Pages 1-7

<sup>4</sup> *Fabric for Fashion: The Complete Guide*, Ed. Clive Hallett and Amanda Johnston, Laurence King Publishing, London, 2014, p 154.

<sup>5</sup> <http://cottonaustralia.com.au/cotton-library/fact-sheets/cotton-fact-file-the-world-cotton-market>



*The Sparkling Couture Dress. Photo credit: Shasa Michael*

## 4.6. Horticulture industry - seed germination and plant growth

The world's population has been growing. This has increased the demand for food placing pressure and importance on the horticulture industry.

The Company has identified a potential opportunity to gain market share in the traditional horticultural markets and the emerging vertical farming systems. The Nanollose Technologies have been used to produce a seed germinating and plant growth medium that is organic, highly water absorbent, soil-less and edible.

The Nanollose Technologies has the potential to be used as a seed germination medium as an alternative to soil and other seed raising mixtures. Plant-Free cellulose is highly water absorbent (over ~95% water content compared to about ~5-30% in traditional soils). The Company has a patent application lodged for the method of producing Plant-Free cellulose as a plant growth media.

The Company has developed this product under the name Seeds to Serve™ as a fibrous soil-less micro herb consumer product. Plant-Free cellulose is edible, which allows the entire sprout, roots and all, to be eaten.

A prototype of the Seeds to Serve micro herb kit has been produced. The Company intends to conduct further testing post listing to ensure adequate shelf-life of the products and compliance with regulatory standards. To be classified as edible the Seeds to Serve fibrous soil-less product must comply with the Australian and New Zealand Food Standards and relevant labelling laws. Further, as the Seeds to Serve micro herb kit will contain seeds, it must comply with quarantine regulation within Australia and outside Australia. These regulations can differ from state to state and country to country.



*Red Cabbage growing on Nanollose's Plant-Free cellulose.  
Photo credit: Gary Cass*

### 4.7. Other industries

The Company's research and development has prioritised two key market segments – the textiles and horticulture industries. Other potential opportunities that have been identified are in the medical, food, personal hygiene, paper and packaging industries. The Company aims to identify and secure partners to assist with the research in these fields.

Plant-Free cellulose, with its nano-scaled three-dimensional fibrous matrix, gives it a similar physical structure to collagen (human and other animal's structural protein). Preliminary studies have shown that human cells will attach and grow on the Plant-Free cellulose, giving the material an opportunity to be used in the regenerative tissue medical field.

As the Plant-Free cellulose has been shown to support human cell growth, it has potential to support farm animal cell growth. The Company intends to conduct research as to whether the Plant-Free cellulose may be able to support animal muscle cell growth, which has the potential for the production of a lab grown 'biotech burger'.

The Company has identified that the high water holding capacity and high purity properties of Plant-Free cellulose could potentially be used in female hygiene products and children's nappies. The Company believes that the Plant-Free cellulose could be a more ecofriendly product to some of the non-biodegradable synthetic products that are currently used in the market.

The paper and packaging industries predominantly use tree pulp to manufacture its paper products. Plant-Free cellulose has the potential to be a more sustainable method of supplying these industries with their required fibre without the felling of trees.

The Company plans to conduct further research of the Nanollose Technologies to determine if Plant-Free cellulose can find application in these markets.

### 4.8. Research and development strategy

The Company intends to allocate \$3 million of the funds raised under the Offer to undertake further R&D to develop and expand the Nanollose Technologies in its target industries.

This R&D will concentrate on the production of high quality Plant-Free cellulose and its conversion into commercially viable fibres and/or films. The Company plans to focus on five main areas of research and development: (1) optimising Plant-Free cellulose growth conditions and set up a quality controlled supply chain; (2) the use of Plant-Free cellulose for regenerated (fibres/films) woven and non-woven textiles; (3) the use of Plant-Free cellulose as a media for seed germination and plant growth; (4) identify partners with the possibility of commercialising Plant-Free cellulose usage in the medical, food, hygiene, paper and packaging industries; and (5) to secure intellectual property on all research and development activities. The Company's budget for this R&D is set out in Section 4.9.

#### Plant-Free cellulose supply chain

The initial step to be undertaken by the Company is to seek to understand and optimise the growing conditions for Plant-Free cellulose and set up a quality controlled supply chain. One of the Company's priorities with regards to supply is to set up an initial association with growers mainly from Indonesia, before branching out to other global suppliers. Pilot trials using the waste streams from the brewing and other food industries, as a culture media for *Acetobacter xylinum*, are also intended to be examined.

#### Woven and non-woven textiles

The Company plans to carry out research and development on the use of Plant-Free cellulose to increase its applicability in the textile industry. The Company plans to undertake further work on its non-woven fabric to seek to increase its strength, durability and washability with the aim that it will be accepted as a mainstream consumer product. The Company also plans to undertake research to generate more conventional fibres and yarns from Plant-Free cellulose with the aim that these fibres and yarns can be used by manufacturers to make conventional woven textiles using existing equipment. If successful the Company plans to test a small/medium scaled trial, with the end goal to secure a large-scale commercial partner with a licence to use the Nanollose Technologies.

### **Plant growth and seed germination media**

The use of Plant-Free cellulose as a media for plant growth and seed germination in the horticultural industry will be further developed and commercialised. The Company intends to conduct further consumer trials of the Seeds to Serve micro-herb kit and to investigate marketing issues such as packaging, supply chain and distribution models. The Company will seek to secure partner/s to produce the Seeds to Serve micro-herb kit, manage distribution channels and market surveillance. If successful the Company intends to have an initial product launch in Western Australia, followed by a national launch, with the goal of release in select global markets.

### **Medical, food, hygiene, paper and packaging**

The Company plans to identify partners who can examine the possibility of using Plant-Free cellulose as a scaffold for regenerative medicine and to support farm animal cell tissue to produce a 'biotech cultured burger'.

The Company intends to conduct research into the potential application of Plant-Free cellulose in the hygiene markets and the paper and packaging markets.

### **Intellectual property protection and licensing**

At all times, the Company will seek to develop further intellectual property regarding the Nanollose Technologies and where possible seek to protect that property by filing for patents. Each research and development focus will endeavour to achieve an outcome of licensing to industry for scaling up and commercialisation.



## 4.9. Budget

Set out below are budgets for the R&D segments of the Nanollose Technologies (as described above) for the next 2 years.

Market/Activity	Year 1 \$	Year 2 \$	Total \$
<b><i>Textile industry (woven and non-woven)</i></b>			
Product research and development	720,000	480,000	1,200,000
Customer engagement and marketing	100,000	150,000	250,000
Patent and trademark protection and licensing	48,000	72,000	120,000
<b>Sub-total</b>	<b>868,000</b>	<b>702,000</b>	<b>1,570,000</b>
<b><i>Horticultural industry</i></b>			
Product research and development	200,000	133,333	333,333
Customer engagement and marketing	20,000	30,000	50,000
Patent and trademark protection and licensing	37,333	56,000	93,333
<b>Sub-total</b>	<b>257,333</b>	<b>219,333</b>	<b>476,667</b>
<b><i>Other industries (medical, hygiene, paper and packaging, food)</i></b>			
Product research and development	400,000	266,667	666,667
Customer engagement and marketing	40,000	60,000	100,000
Patent and trademark protection and licensing	74,667	112,000	186,667
<b>Sub-total</b>	<b>514,667</b>	<b>438,667</b>	<b>953,333</b>
<b>Total</b>	<b>1,640,000</b>	<b>1,360,000</b>	<b>3,000,000</b>

### Notes:

1. The Company will seek to access any research and development tax incentive funding from the Australian Commonwealth Government to assist funding the product research and development. Currently, a research and development tax incentive scheme provides a refundable tax offset for certain eligible research and development activities for an entity whose aggregated turnover is less than \$20 million. Any such funding by way of receiving a refundable tax offset is intended to be applied pro-rata to the items above. Any such funding is uncertain and has therefore not been included in the budgets above.
2. The above budgets are a statement of current intention at the date of this Prospectus. As with any budget, intervening events (including development success or failure) and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to vary the way funds are applied on this basis including as between the different industry market development paths of the Nanollose Technologies.

## 4.10. Finance arrangements

The Company has a loan of \$75,000 that has been made available by related parties and the Corporate Adviser. The Company intends to repay this loan from funds raised under this Prospectus. Details about the loan facility are set out in Section 3.3.

The Company has contingent liabilities of approximately \$85,000 (as at the date of this Prospectus), which are set out in the Investigating Accountants Report at Section 8 and will be paid from funds raised under the Offer.

The Company has prepared a budget for the use of funds raised by the Offer (see Sections 3.3 and 4.8). However, it may require additional funding if it is not able to successfully commercialise the Nanollose Technologies. The Company may also seek additional capital to accelerate its business growth depending on the outcome of its further research and development.

## 5. BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

### 5.1. Directors and key management

The Company is managed by the Board of Directors. The Board comprises five Directors, being Dr Wayne Best, Mr Alfie Germano, Mr Gary Cass, Mr Winton Willesee and Mr Terence Walsh.

Mr Germano is the Company's Managing Director. He is responsible for the operations of the Company and to develop the Nanollose Technologies.



#### **Dr Wayne Best (Non-executive Chairman)**

Qualifications: BSc (Hons), PhD, DIC, FRACI, CChem, GAICD

Dr Best has over 35 years' experience in organic chemistry and the biotechnology sector. He obtained his 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 Diploma of the Imperial College (DIC), followed by a year at the Australian National University in Canberra. He then moved into industry with a position at ICI Australia's Research Group in Melbourne. Following ICI, Dr Best spent 10 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 pharmaceutical industries. In 2003, he founded Epichem Pty Ltd, a contract research company, where he is currently the Managing Director. Dr Best is also a Director of Epichem's parent company, PharmAust Ltd. Dr Best is a Fellow of the Royal Australian Chemical Institute and an Adjunct Associate Professor of Chemistry at the University of Western Australia. He is a Graduate Member of the Australian Institute of Company Directors and served as Chair of the WA Branch of the industry body AusBiotech for two years.

Dr Best is considered to not be an independent director of the Company because an entity associated with Dr Best has a substantial holding in the Company.



#### **Mr Alfie Germano (Managing Director)**

Qualifications: Diploma – FDTS

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.

Mr Germano is not an independent director as he is engaged by the Company as a full-time executive.



#### **Mr Gary Cass (Non-executive Director)**

Qualifications: BSc

Perth based, Mr Cass has been a key creative collaborator with numerous international arts and sciences projects including Fermented Fashion, which is one of the first dresses in the world made from wine and beer. Mr Cass is director of The Scientific Creativity Initiative, which has a philosophy that "creativity is as important as literacy and numeracy." Mr Cass' collaborative projects have been exhibited around the world including a fringe event at the Venice Biennale and Documenta Germany, Trinity College Science Gallery, Ireland, Signature Art Prize in Singapore, and ArtStays Slovenia. Fermented Fashion has recently gained media coverage with AOL.com, appeared in the 2014 edition of Ripley's Believe It or Not.

Mr Cass is considered to not be an independent director of the Company because an entity associated with Mr Cass has a substantial holding in the Company. He is also engaged by the Company to be a Research and Development adviser upon ASX listing.



### **Mr Winton Willesee (Non-executive Director)**

Qualifications: BBus, DipEd, PGDipBus, MCom, FFin, CPA, GAICD, FGIS/FCIS

Mr Willesee is an experienced company director. He brings a broad range of skills and experience in strategy, company development, corporate governance, company public listings, merger and acquisition transactions and corporate finance. Mr Willesee has considerable experience with ASX listed and other companies over a broad range

of industries having been involved with many successful ventures from early stage through to large capital development projects.

Investors should be aware that Mr Willesee was previously a director of public company, Cove Resources Limited. In July 2013, Cove Resources Limited was suspended from ASX and subsequently in January 2014, the board of Cove Resources Limited appointed an administrator due to concerns around the future availability of capital to fund its continued minerals exploration operations. Since then Cove Resources Limited has been recapitalised, is no longer in administration and has recommenced trading on the ASX. The Directors (other than Mr Willesee) have considered the above circumstances surrounding Mr Willesee's involvement in Cove Resources Limited and are of the view that Mr Willesee's involvement in no way adversely impacts on his appointment and contribution as a Director of the Company.

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.

Mr Willesee's entities have a substantial holding in the Company. Mr Willesee is considered to not be an independent director of the Company.



### **Mr Terence Walsh (Non-executive Director)**

Qualifications: LLB, LLM

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. Mr Walsh is a non-executive director of ASX listed company, Hazer Group Ltd.

Mr Walsh is considered to not be an independent director of the Company because he is a nominee of the Lead Manager.



### **Miss Erlyn Dale (Company Secretary)**

Qualifications: BCom, GradDipACG, ACIS/ACSA

Miss Dale has a broad range of experience in corporate administration and corporate governance having been involved with several listed and unlisted public and other companies. Miss Dale holds a Bachelor of Commerce (Accounting and Finance) and is a Chartered Secretary.

## 5.2. Corporate governance

The Board recognises the importance of establishing a comprehensive system of control and accountability as the basis for the administration of corporate governance.

To the extent relevant and practical, the Company has adopted a corporate governance framework that is consistent with *The Corporate Governance Principles and Recommendations (3rd Edition)* as published by ASX Corporate Governance Council (**Recommendations**).

The Board has adopted the following corporate governance policies and procedures which are contained with the Company's Corporate Governance Plan, a copy of which is available on the Company's website at [www.nanollose.com](http://www.nanollose.com).

- Board Charter
- Corporate Code of Conduct
- Audit and Risk Committee Charter
- Remuneration Committee Charter
- Nomination Committee Charter
- Continuous Disclosure Policy
- Risk Management Policy
- Trading Policy
- Diversity Policy
- Shareholder Communications Strategy
- Performance Evaluation Procedures

The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

In light of the Company's size and nature, the Board considers that the current corporate governance regime is a fit-for-purpose, efficient, practical and cost-effective method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the implementation of additional corporate governance policies and structures will be reviewed.

### Board of Directors and composition of the Board

The Board is responsible for corporate governance of the Company and for protecting the rights and interests of Shareholders. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives.

The Board's responsibilities include:

- a. developing initiatives for asset growth and profit;
- b. reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- c. acting on behalf of, and being accountable to, the Shareholders; and
- d. identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

### Composition of the Board

The Board comprises five Directors. The names, qualification and relevant experience of each Director are set out in Section 5.1. There is no requirement for any Director's shareholding qualification.

As the Company's activities increase in size, nature and scope, the size of the Board will be reviewed periodically and the optimum number of Directors required to adequately govern the Company's activities determined within the limitations imposed by the Constitution.

### Identification and management risk

The Board and executive management will identify and manage risk including compliance with risk management policies.

### Independent professional advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

### Remuneration arrangements

Details regarding the remuneration of the Directors is set out in Section 10.6.

### Trading policy

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel. The policy prohibits any dealing in securities if a person possesses inside information and otherwise generally prohibits dealing during certain closed periods. A process is outlined for prior written clearance to trade for key management personnel generally.

## 5.3. Compliance and departures from recommendations

Following admission to the Official List of the ASX, the Company will be required to report any departures from the Recommendations on an annual basis. The Company's compliance and departures from the Recommendations as at the date of this Prospectus are set out on the following pages.

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
<i>Principle 1: Lay solid foundations for management and oversight</i>		
<b>Recommendation 1.1</b>  A listed entity should have and disclose a charter which sets out the respective roles and responsibilities of the board, the chair and management; and includes a description of those matters expressly reserved to the board and those delegated to management.	YES	The Company has adopted a Board Charter which complies with the guidelines prescribed by the ASX Corporate Governance Council.  A copy of the Company's Board Charter is available on the Company's website.
<b>Recommendation 1.2</b>  A listed entity should: <ul style="list-style-type: none"> <li>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</li> <li>(b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.</li> </ul>	YES	<ul style="list-style-type: none"> <li>(a) The Nomination Committee (the function of which is currently performed by the full Board) is responsible for the selection and appointment of members of the Board. The Company's Nomination Committee Charter requires the Nomination Committee to undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director. The Company confirms that such checks were undertaken in respect of each of the Company's current directors as part of the IPO process.</li> <li>(b) All material information relevant to a decision on whether or not to elect or re-elect a Director will be provided to security holders prior to any general meeting at which a resolution to elect or re-elect a Director will be voted on.</li> </ul>
<b>Recommendation 1.3</b>  A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	YES	The Company has written agreements with all Directors and senior executives of the Company which sets out the terms of their appointment.
<b>Recommendation 1.4</b>  The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	YES	The Board Charter outlines the roles, responsibility and accountability of the Company Secretary. The Company Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.



PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
<p><b>Recommendation 1.5</b></p> <p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board:</p> <p>(i) to set measurable objectives for achieving gender diversity; and</p> <p>(ii) to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period:</p> <p>(i) the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them; and</p> <p>(ii) either:</p> <p>(A) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(B) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.</p>	PARTIALLY	<p>(a) The Company has adopted a Diversity Policy however, given the current size of the Company, the Board has determined that the benefits of the initiatives recommended by the ASX Corporate Governance Council in this regard are disproportionate to the costs involved in the implementation of such strategies. Accordingly, the Board has elected to adopt a tiered approach to the implementation of its Diversity Policy which is relative to the size of the Company and its workforce. The Company's policy provides:</p> <ul style="list-style-type: none"> <li>Where the Company employs 50 or more employees, the Board undertakes to adopt practices in line with the Recommendations of the ASX Corporate Governance Council, including compliance with the requirement for the Company to set and report against measurable objectives for achieving gender diversity.</li> <li>Whilst the Company's workforce remains below this threshold, the Board will continue to drive the Company's diversity strategies on an informal basis and will apply the initiatives contained in its Diversity Policy to the extent that the Board considers relevant and necessary.</li> </ul> <p>(b) The Diversity Policy is available on the Company's website.</p> <p>(c) For each reporting period following admission to the Official List of the ASX, the Company will include in the annual report each year relevant information about the Company's diversity practices to the extent required by its Diversity Policy.</p>
<p><b>Recommendation 1.6</b></p> <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and</p> <p>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	YES	<p>(a) The Nomination Committee (the function of which is currently performed by the full Board) is responsible for evaluating the performance of the Board and individual Directors on an annual basis. The process for this is set out in the Company's Performance Evaluation Procedures policy which is available on the Company's website.</p> <p>(b) For each reporting period following admission to the Official List of ASX, the Company will disclose in the annual report each year whether or not performance evaluations were conducted during the relevant reporting period in line with the Company's Performance Evaluation Procedures policy.</p>

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
<b>Recommendation 1.7</b> A listed entity should: <ul style="list-style-type: none"> <li>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</li> <li>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</li> </ul>	YES	<ul style="list-style-type: none"> <li>(a) The Remuneration Committee (the function of which is currently performed by the full Board) is responsible for evaluating the performance of senior executives on an annual basis in accordance with the Company's Performance Evaluation Procedures policy. The Performance Evaluation Procedures policy is available on the Company's website.</li> <li>(b) For each reporting period following admission to the Official List of ASX, the Company will disclose in the annual report each year whether or not performance evaluations were conducted during the relevant reporting period in line with the Company's Performance Evaluation Procedures policy.</li> </ul>
<b>Principle 2: Structure the board to add value</b>		
<b>Recommendation 2.1</b> The board of a listed entity should: <ul style="list-style-type: none"> <li>(a) have a nomination committee which: <ul style="list-style-type: none"> <li>(i) has at least three members, a majority of whom are independent directors; and</li> <li>(ii) is chaired by an independent director,</li> </ul> and disclose: <ul style="list-style-type: none"> <li>(iii) the charter of the committee;</li> <li>(iv) the members of the committee; and</li> <li>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> </li> <li>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.</li> </ul>	YES	<ul style="list-style-type: none"> <li>(a) The Board has determined that the function of the Nomination Committee is most efficiently carried out with full board participation and accordingly, the Company has elected not to establish a separate Nomination Committee at this stage.  As a result, the duties that would ordinarily be assigned to the Nomination Committee under the Nomination Committee Charter are carried out by the full board.  A copy of the Nomination Committee Charter is available on the Company's website.</li> <li>(b) The Board will devote time at board meetings to discuss Board succession issues. All members of the Board are to be involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules.</li> </ul>
<b>Recommendation 2.2</b> A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	YES	<p>The Board skills matrix is set out in the Company's Corporate Governance Plan and shows that the Board of the Company is comprised of directors with a broad range of complementary technical, commercial, financial and other skills, experience and knowledge relevant to overseeing the business of the company.</p> <p>The Board skills matrix will be reviewed on at least an annual basis as a tool to assess the appropriate balance of skills, experience, independence and knowledge necessary for the Board to discharge its duties and responsibilities effectively.</p>

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
<p><b>Recommendation 2.3</b></p> <p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director</p>	YES	<p>(a) Non-Executive Chairman, Dr Best and Non-Executive Directors, Mr Willesee and Mr Cass are not considered to be independent by virtue of their respective substantial shareholdings in the Company, and Mr Walsh is not considered independent by virtue of being the nominee of the Lead Manager to the Company's IPO. Mr Germano is not independent because he is engaged as a full-time executive of the Company.</p> <p>(b) The Board has determined the independence of each of the Company's directors in line with the guidance set out by the ASX's Corporate Governance Council and have not formed an opinion contrary to those guidelines.</p> <p>(c) The Directors in office at the date of this Statement have served continuously since their respective dates of appointment which are as follows:</p> <ul style="list-style-type: none"> <li>• Dr Best: appointed 26 September 2014;</li> <li>• Mr Cass: appointed 26 September 2014;</li> <li>• Mr Willesee: appointed 8 September 2014;</li> <li>• Mr Walsh: appointed 15 August 2016;</li> <li>• Mr Germano: appointed 9 August 2017.</li> </ul>
<p><b>Recommendation 2.4</b></p> <p>A majority of the board of a listed entity should be independent directors.</p>	NO	<p>The Board has formed the view that, given the size and technical nature of the business of the Company, the current Board structure is appropriate for the Company at its current stage of development.</p>
<p><b>Recommendation 2.5</b></p> <p>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	PARTIALLY	<p>The Board has formed the view that, given the size and technical nature of the business of the Company, and the in-depth knowledge Dr Best holds in the operations of the Company, Dr Best is the most appropriate person to hold the position of Chairman of the Company, despite the fact he is not an independent director.</p> <p>The Chairman is not the same person as the CEO of the entity.</p>

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
<b>Recommendation 2.6</b>  A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.	YES	<p>The Company's program for the induction of new directors is tailored to each new Director depending on their personal requirements, background skills, qualifications and experience and includes the provision of a formal letter of appointment and an induction pack containing sufficient information to allow the new Director to gain an understanding of the business of the Company and the roles, duties and responsibilities of Directors.</p> <p>All Directors are encouraged to undergo continual professional development and, subject to prior approval by the Chairman, all Directors have access to numerous resources and professional development training to address any skills gaps.</p> <p>In addition, opportunities to develop the skills and experience of individual board members are considered as part of the Company's annual board performance review process.</p>
<b>Principle 3: Act ethically and responsibly</b>		
<b>Recommendation 3.1</b>  A listed entity should: <ul style="list-style-type: none"> <li>(a) have a code of conduct for its directors, senior executives and employees; and</li> <li>(b) disclose that code or a summary of it.</li> </ul>	YES	<ul style="list-style-type: none"> <li>(a) The Company has a Corporate Code of Conduct that applies to its Directors, employees and contractors.</li> <li>(b) The Company's Corporate Code of Conduct is available on the Company's website.</li> </ul>

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
<b>Principle 4: Safeguard integrity in financial reporting</b>		
<b>Recommendation 4.1</b>  The board of a listed entity should: <ul style="list-style-type: none"> <li>(a) have an audit committee which: <ul style="list-style-type: none"> <li>(i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</li> <li>(ii) is chaired by an independent director, who is not the chair of the board,</li> </ul> and disclose: <ul style="list-style-type: none"> <li>(iii) the charter of the committee;</li> <li>(iv) the relevant qualifications and experience of the members of the committee; and</li> <li>(v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> </li> <li>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</li> </ul>	YES	<p>(a) The Board has determined that the function of the Audit and Risk Committee is most efficiently carried out with full board participation and accordingly, the Company has elected not to establish a separate Audit and Risk Committee at this stage.</p> <p>As a result, the duties that would ordinarily be assigned to the Audit and Risk Committee under the Audit and Risk Committee Charter are carried out by the full board.</p> <p>The Audit and Risk Committee Charter is available on the Company's website.</p> <p>(b) The Board will devote time on at least an annual basis to consider the robustness of the various internal control systems it has in place to safeguard the integrity of the Company's financial reporting.</p> <p>In addition, the Board will have the opportunity to confer with the Company's external auditors on matters identified during the course of the audit that have the potential to increase the Company's exposure to risks of material misstatements in its financial reports.</p> <p>The full Board also assumes responsibility for recommendations to security holders on the appointment and removal of the external auditor. Audit partner rotations will be enforced in accordance with the relevant guidelines.</p>
<b>Recommendation 4.2</b>  The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	YES	The Company's Audit and Risk Committee is responsible for ensuring that before the Board approves the Company's interim and annual financial reports, the Company receives from its CEO and person fulfilling the role of CFO a declaration that the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
<b>Recommendation 4.3</b>  A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	YES	For each AGM following admission to the Official List of ASX, the Company will ensure its external auditor attends the AGM (in person or by telephone) and is available to answer questions from security holders relevant to the audit.

## 5. BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
<b>Principle 5: Make timely and balanced disclosure</b>		
<b>Recommendation 5.1</b> A listed entity should: <ul style="list-style-type: none"> <li>(a) have a written policy for complying with its continuous disclosure obligations under the ASX listing Rules; and</li> <li>(b) disclose that policy or a summary of it.</li> </ul>	YES	<ul style="list-style-type: none"> <li>(a) The Company has adopted a Continuous Disclosure Policy which details the processes and procedures which have been adopted by the Company to ensure that it complies with its continuous disclosure obligations as required under the ASX Listing Rules and other relevant legislation.</li> <li>(b) The Continuous Disclosure Policy is available on the Company's website.</li> </ul>
<b>Principle 6: Respect the rights of security holders</b>		
<b>Recommendation 6.1</b> A listed entity should provide information about itself and its governance to investors via its website.	YES	Shareholders can access information about the Company and its governance (including its Constitution and adopted governance policies) from the Company's website on the "Corporate Governance" page.
<b>Recommendation 6.2</b> A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	YES	<p>The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Strategy outlines a range of ways in which information is communicated to shareholders.</p> <p>A copy of the Company's Shareholder Communications Strategy policy is available on the Company's website.</p>
<b>Recommendation 6.3</b> A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	YES	Shareholders are encouraged to participate at all EGMs and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting, providing options for shareholders to vote by proxy if they are unable to attend the meeting in person and encouraging all Shareholders to participate at the meeting.
<b>Recommendation 6.4</b> A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	YES	Shareholders have the option of electing to receive all shareholder communications by e-mail and can update their communication preferences with the Company's registrar at any time.



PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
<b>Principle 7: Recognise and manage risk</b>		
<b>Recommendation 7.1</b> The board of a listed entity should: <ul style="list-style-type: none"> <li>(a) have a committee or committees to oversee risk, each of which: <ul style="list-style-type: none"> <li>(i) has at least three members, a majority of whom are independent directors; and</li> <li>(ii) is chaired by an independent director, and disclose: <ul style="list-style-type: none"> <li>(iii) the charter of the committee;</li> <li>(iv) the members of the committee; and</li> <li>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> </li> </ul> </li> <li>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.</li> </ul>	YES	<ul style="list-style-type: none"> <li>(a) The Board has determined that the function of the Audit and Risk Committee is most efficiently carried out with full board participation and accordingly, the Company has elected not to establish a separate Audit and Risk Committee at this stage.  As a result, the duties that would ordinarily be assigned to the Audit and Risk Committee under the Audit and Risk Committee Charter are carried out by the full board.  The Audit and Risk Committee Charter is available on the Company's website.</li> <li>(b) The Board will devote time on at least an annual basis to fulfill the roles and responsibilities associated with overseeing risk and maintaining the Company's risk management framework.</li> </ul>
<b>Recommendation 7.2</b> The board or a committee of the board should: <ul style="list-style-type: none"> <li>(a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and</li> <li>(b) disclose in relation to each reporting period, whether such a review has taken place.</li> </ul>	YES	<ul style="list-style-type: none"> <li>(a) The Company's process for risk management and internal compliance includes a requirement to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems. The Company's Risk Management Policy details the Company's disclosure requirements with respect to the review of the Company's risk management procedures and internal compliance and controls.</li> <li>(b) For each reporting period following the Company's admission to the Official List of the ASX, the Company will disclose in its annual report whether a review of the Company's risk management framework was undertaken in line with its Risk Management Policy.</li> </ul>
<b>Recommendation 7.3</b> A listed entity should disclose: <ul style="list-style-type: none"> <li>(a) if it has an internal audit function, how the function is structured and what role it performs; or</li> <li>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</li> </ul>	YES	<ul style="list-style-type: none"> <li>(a) The Audit and Risk Committee (the function of which is currently performed by the full Board) is responsible for monitoring the need for a formal internal audit function. Due to the size and nature of the Company's operations, the Company does not consider it necessary to establish a formal internal audit committee at this stage. The Board has delegated responsibility for the management of risk. The effectiveness of the Company's risk management and internal control processes is subject to annual review by the Board.</li> </ul>

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
<b>Recommendation 7.4</b>  A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	YES	<p>The Company's Risk Management Policy details the Company's risk management systems which assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (where appropriate).</p> <p>To the extent the Company is exposed to economic, environmental and social sustainability risks, the Company has disclosed such risks in this Prospectus.</p>
<b>Principle 8: Remunerate fairly and responsibly</b>		
<b>Recommendation 8.1</b>  The board of a listed entity should: <ul style="list-style-type: none"> <li>(a) have a remuneration committee which: <ul style="list-style-type: none"> <li>(i) has at least three members, a majority of whom are independent directors; and</li> <li>(ii) is chaired by an independent director, and disclose: <ul style="list-style-type: none"> <li>(iii) the charter of the committee;</li> <li>(iv) the members of the committee; and</li> <li>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> </li> </ul> </li> <li>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</li> </ul>	YES	<ul style="list-style-type: none"> <li>(a) Due to its size, the Board has determined that the function of the Remuneration Committee is most efficiently carried out with full board participation and accordingly, the Company has elected not to establish a separate Remuneration Committee at this stage. <p>As a result, the duties that would ordinarily be assigned to the Remuneration Committee under the Remuneration Committee Charter are carried out by the full board.</p> <p>The Remuneration Committee Charter is available on the Company's website.</p> </li> <li>(b) The Board will devote time at annual Board meetings to discuss the outcome of performance reviews of its Board and any senior executives, and to consider the level and composition of remuneration for Company directors and senior executives in line with its Remuneration Policy which has been developed under the guidance of an external remuneration consultant to ensure that such remuneration is appropriate and not excessive.</li> </ul>
<b>Recommendation 8.2</b>  A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration.	YES	<p>The Company's policies and practices regarding the remuneration of non-executive and executive directors and other senior employees are set out in its <i>Remuneration Policy</i>, a copy of which is available on the Company's website.</p>

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
<p><b>Recommendation 8.3</b></p> <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	YES	<p>(a) The Company's Remuneration Committee (the function of which is currently performed by the full Board) is responsible for the review and approval of any equity-based remuneration schemes offered to Directors and Employees of the Company. Further, in accordance with the Remuneration Committee Charter, the Remuneration Committee is also responsible for granting permission, on a case by case basis, for scheme participants to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the Scheme.</p> <p>(b) The Company's policy in this regard is set out in the Company's Remuneration Committee Charter, a copy of which is available on the Company's website.</p>

## 6. RISK FACTORS

An investment in the Shares the subject of this Prospectus is highly speculative as the Company is an early stage technology company without a history of revenue generation. Careful consideration should be given to all matters raised in this Prospectus and the relative risk factors before applying for the Shares offered under this Prospectus. Some of these risks can be mitigated by appropriate safeguards and actions, but some are outside the Company's control and cannot be mitigated. You should also consider consulting with your professional advisers before deciding whether to apply for Shares.

The following is a list of the material risks that may affect the financial position of the Company, the value of an investment in the Company, as well as the Company's operations. The list is set out under "Company and Industry Risks" and "General Investment Risks". It is not an exhaustive list of risks.

### COMPANY AND INDUSTRY RISKS

#### Intellectual property risk

The success of the Nanollose Technologies will depend in part on the Company's ability to obtain patents (and therefore proprietary rights) without infringing the proprietary rights of others. The Company has filed 2 provisional patent applications in respect of the Nanollose Technologies (see Section 7). These applications do not give the Company any currently enforceable rights. Further, the Company will need to decide on jurisdictions outside Australia in which it will seek patent protection. If the patent applications are granted, the resulting patents will constitute the Company's main asset. The Company's ability to commercialise its technology successfully is largely dependent upon its rights to exploit the inventions and methods described in these patent applications.

While the Company anticipates that its patent applications will be granted, there can be no assurance of this or that the patents will be granted in other jurisdictions. Third parties may object to the grant of the Company's patent applications on grounds which may include alleged infringement of their patents. The Company is not aware of any of its technology infringing any third party's patent. However, the Company has not undertaken an extensive assessment of existing patents to determine any overlapping technology or potential infringement, as the costs of such would be prohibitive.

The strength of patents involves complex legal and scientific questions and can be uncertain. There can be no assurance that any patents in relation to the Nanollose Technologies will afford the Company commercially significant protection of the Nanollose Technologies or that competitors or other parties will not develop competing technologies that circumvents such patents or that the patents in any way support commercial viability and or competitiveness.

#### Technology development risk

The Company is an early stage company which has intellectual property rights to the Nanollose Technologies. The Company has not licensed the technology or begun commercial production of any Plant-Free cellulose or generated any material revenue. The Nanollose Technologies are currently in a research and proof-of-concept phase. Continued research and development is in innovative new and unproven technology.

There is a risk with new and untested technology that development will not progress as planned and may encounter delays. The performance of Plant-Free cellulose in the target industries is uncertain as the technology for these products is untested at this stage.

A significant risk is whether the Company can develop the technology and move to commercial licensing and/or production. There cannot be any assurance that this will occur within the timeframes targeted or at all. This includes successful technology development and commercial development such as customer engagement and marketing. Developmental problems or delays may have an adverse impact on the Company's business model, operating results and financial position.

### Commercialisation risk

There can be no assurance that the Company will successfully commercialise the Nanollose Technologies in the textiles, horticulture or other industries, or if the technology is commercialised, that it will generate ongoing interest from the market.

The Company is seeking to license the Nanollose Technologies to markets based on historical and existing market trends as well as creating new markets for products made from its technology. Successful commercialisation of microbial cellulose has been very limited and there can be no assurance of the continued growth in existing markets nor the new markets that the Company is seeking to supply will develop as targeted.

A specific risk for the Nanollose Technologies that are successfully commercialised is the need to be commercially competitive in the global markets it targets as an alternative to plant-based cellulose. This risk to be commercially competitive may limit and restrict the global markets size and or applications particularly in the industrial segment.

Another specific risk for the Nanollose Technologies that is successfully commercialised is the availability of reliable raw materials in adequate supply. The Company will need to rely on the uptake of its licensed technology by global partners who have the capability and commercial incentive to produce at industrial scale.

### Future funding needs

The funds raised by the Offer will be used to carry out the Company's objectives as detailed in this Prospectus.

The operations of the Company are at an early stage. The Company has yet to commercialise the Nanollose Technologies and has not as yet generated any material revenue or any profits. The Company will depend on the availability of investor funds until the Company generates cash flows from successful commercialisation of the Nanollose Technologies. No assurance can be given that future funding for further development activities will be made available on acceptance terms (if at all). If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its expansion and development programs as the case may be.

### Licensing, supply or service contracts/customer engagement

In order to successfully commercialise the Nanollose Technologies, the Company will need to supply, service or licence the Nanollose Technologies to customers. Revenue generation will require customer engagement and the execution of contracts. Given the Company is at an early stage, it does not currently have any paying customers.

### Reliance on key personnel

The Company's success largely depends on the core competencies of the Directors and management, as well as other technical personnel including contractors (R&D laboratories) and the ability of the Company to retain these key executives. The Company's continued development and commercialisation will be dependent on the Board and senior executives. The loss of services on any of the Company's key personnel may have an adverse impact on the Company's performance in this early stage of development.

### Legal Proceedings

Legal proceedings may arise from time to time in the course of the business of the Company including enforcing or defending its intellectual property rights against infringement and unauthorised use by competitors.

The Company has settled a claim brought by a former employee in the Fair Work Commission. Under the terms of the settlement, the Company has a liability to pay \$10,000 to the former employee after ASX listing. This sum will be paid from funds raised under the Offer and is noted as a contingent liability in the Investigating Accountants Report at Section 8.

Apart from this claim (which has settled), as at the date of this Prospectus, there are no other legal proceedings affecting the Company and the Directors are not aware of any legal proceedings pending or threatened against or affecting the Company.

### **Compliance risk**

To successfully commercialise the Nanollose Technologies, the Company will need to comply with various government or regulatory standards in Australia and overseas. A failure to comply with those standards may limit the Company's ability to develop and commercialise the technology.

### **Competition**

The industry in which the Company will be involved is subject to domestic and global competition. While the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, whose activities or actions may, positively or negatively, affect the operating and financial performance of the Company's business.

The cellulose production industry is a competitive sector. There are also other competitors who may be working on developing other environmentally sustainable processes for textile production.

The development of a new or superior technology by a competitor could affect the Company's ability to commercialise its technology. There is a risk that existing competitors or new entrants to the market may develop superior or more effective fibres which could have an adverse effect on the Company's business and financial position. Competing plant-based technologies including micro-fibrillated cellulose and nano-fibrillated cellulose may adversely impact the commercial competitiveness of the Nanollose Technologies across competing global market segments.

### **Management of growth/Early stage company risk**

There is a risk that management of the Company will not be able to implement the Company's growth strategy. The capacity of the management to properly implement and manage the strategic direction of the Company may affect the Company's financial performance.

The Company has incurred losses since it was formed. The Company needs to invest in the commercial development of its technology and the Directors anticipate making further losses in the foreseeable future until the Company is able to effectively commercialise and generate revenue from its technology. As a consequence, there can be no certainty that the Company will achieve or sustain profitability or achieve or sustain positive cash flow from its operating activities.

### **Liquidity and volatility**

The Company will be a small company in terms of market capitalisation upon listing on the ASX. Investment in its securities will be regarded as speculative and the Company will have a narrow shareholder base. As a consequence, there is a risk that, particularly in times of share market turbulence or negative investor sentiment there will not be a highly liquid market for the Company's securities or that the price of the Company's securities may decrease considerably. There may be relatively few buyers or sellers of securities on ASX at any given time and the market price may be highly volatile. This may result in holders wishing to sell their securities in the Company in circumstances where they may receive considerable less than the price paid under the Offer.

### **Insurance**

The Company may maintain insurance within ranges of coverage that it believes to be consistent with industry practice and having regard to the nature of activities being conducted. However, it is not always possible to insure against all risks associated with activities in development of technology. The Company may decide not to take out insurance against certain risks as a result of high premiums or for other reasons. Should liabilities arise on uninsured risks, the Company's business, financial condition and results of operations and the market price of the Shares may be materially adversely affected.



## GENERAL INVESTMENT RISKS

### Securities investments and share market conditions

There are risks associated with any securities investment. The prices at which the securities trade may fluctuate in response to a number of factors.

Furthermore, the stock market, and in particular the market for early stage technology commercialisation companies, may experience extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of such companies. These factors may materially adversely affect the market price of the securities of the Company regardless of the Company's operational performance. Neither the Company nor the Directors warrant the future performance of the Company, or any return of an investment in the Company.

### Legislative

Changes in relevant taxes, legal and administration regimes, accounting practice and government policies both in Australia and internationally may adversely affect the financial performance of the Company.

### Economic risk

Changes in both Australian and world economic conditions may adversely affect the financial performance of the Company. Factors such as inflation, commodity prices, currency fluctuations, interest rates, industrial disruption and economic growth may impact on the Company's operations and share market prices.

# 7. INTELLECTUAL PROPERTY REPORT



## INTELLECTUAL PROPERTY REPORT

Our Ref: 267538

22 May 2017

### The Directors

Nanollose Limited

Dear Directors,

This Report has been prepared for Nanollose Limited ("Nanollose") for inclusion in a Prospectus required for lodgement at the Australian Securities and Investments Commission for the purpose of raising funds through the issue of securities. This report considers and provides details of patent applications in the name of Nanollose and intellectual property rights assigned to Nanollose from Mr Gary Cass.

### 1.0 Structure of Report

Section 2.0 provides background information relevant to the understanding of patent rights.

Section 3.0 identifies patent applications in the name of Nanollose.

Section 4.0 identifies trade mark applications in the name of Nanollose.

Section 5.0 identifies the proprietorship of Nanollose's intellectual property rights.

Section 6.0 outlines the scope and limitations of this Report.

Sections 7.0 presents our Statement of Independence.

### 2.0 Patents – background information

Patents provide protection for certain new, non-obvious and useful inventions for a limited period. Patents may be granted in respect of new or improved products, compositions and processes in almost all areas of current scientific, commercial and industrial activities. However, it is important to note that not all new or improved products are amenable to patent protection, and that there is considerable variation between jurisdictions in this regard.

Patent rights are typically national rather than trans-national and a patent must be obtained in each country where protection of an invention is required. A fundamental requirement of the patent system is that the invention be 'new' at the time of lodging a patent application. Newness in this sense is judged in relation to what was publicly known or used at the date of

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22 May 2017

the application. Another requirement is for a distinct inventive advance over what was previously known. This means that valid patent protection cannot be obtained for obvious developments.

Pursuant to the Paris Convention, the filing of an initial patent application in, for example, Australia establishes a priority date for the invention in Australia and all other countries that are a party to this Convention, including countries such as the United States, Canada, New Zealand, Europe and Japan. The usual steps towards obtaining a patent in Australia and other countries in respect of an invention begin by filing a provisional application. The filing of a provisional application establishes the priority date in respect of the invention disclosed in the provisional specification.

Within twelve months from the date of the filing of the provisional application, a complete application must be lodged otherwise the provisional application, which remains pending for only one year, ceases to exist, along with the priority date set thereby. Thus, if no application is filed within one year of the provisional application, the priority date is no longer valid. Within the one year pendency of the provisional application, in order to obtain protection in other countries, the applicant may file separate national patent applications in each of the countries in which protection is required. Alternatively, the applicant may file a single international application under the provisions of the Patent Cooperation Treaty (generally referred to as a 'PCT' application or an 'International' application) in which it is possible to designate countries or regions in which protection is required. The International application itself does not mature into a worldwide patent, but at the end of the international phase, steps can be taken to file the application into any or all of the countries or regions designated in the original International application.

Regional patent applications, such as a European regional application, may also be filed. A European application may designate any or all countries that are a party to the European Patent Convention. The European patent application is processed centrally and in a single language and, if ultimately successful, can mature into a granted European patent, which must then be validated in each country in which protection is sought, some of which require translation into that country's native language. The term 'European patent' thus actually constitutes a bundle of national patent rights, each of which can be enforced separately through national Courts.

The registration of a patent right includes a number of steps, the timings of which are widely variable from jurisdiction to jurisdiction, and also may vary greatly across different types of technology applications within one jurisdiction's examination office. In some jurisdictions,

22 May 2017

after a patent application is filed the application must be examined for substantive patentability before registration.

In Australia and most other countries, patent rights may be kept in force for a period of 20 years from the date of filing of the complete application on which the patent is granted.

A granted patent enables the patentee to prevent others from performing the invention claimed therein. A granted patent does not guarantee that performing the invention does not infringe the rights of other patent owners.

In most countries, a patent application is subjected to examination for novelty and obviousness (and other grounds) before a patent is granted. There can be no assurance that each of the patent applications set out below will result in the grant of a patent, or that the scope of protection provided by any granted patent will be identical to the scope of the application as originally filed, or that the granted patent will effectively inhibit competition. Furthermore, due to differences in examination between countries and regions and scope of available protection, the scope of protection provided by a granted patent in one jurisdiction may differ from that provided by a granted patent in another jurisdiction.

Further, it should be noted that the grant of a patent does not guarantee validity of that patent since it may be revoked by a court on the grounds of invalidity at any time during its life. If none of the claims of a granted patent are valid, then the patent is unenforceable. For example, relevant prior disclosures may be discovered that were not raised during examination, which may limit the scope of patent protection sought, perhaps to a very narrow field. In the preparation of this report, we have not assessed the validity of the granted patents or the likelihood that the pending applications will grant with commercially effective patent claims.

### **3.0 Patent Applications in the Name of Nanollose**

The patent applications listed in this Section 3.0 are provisional patent applications. As explained in Section 2.0 above, under various international regimes, these Australian Provisional Patent Applications afford Nanollose the opportunity to file patent applications worldwide, while receiving the benefit of the filing date of the Australian Provisional Patent Applications.



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The provisional applications are:

Australian Provisional Application No. 2016904456

Filed: 01 November 2016

Entitled: " Method for Processing Microbial Cellulose"

Applicant: Nanollose Limited.

Inventor: Mr Gary Andrew Cass

Australian Provisional Application No. 2017901318

Filed: 11 April 2017

Entitled: "Plant Growth Media and Method for Making Same"

Applicant: Nanollose Limited.

Inventor: Mr Gary Andrew Cass

The Australian Provisional Patent Applications were prepared with the co-operation of Mr Cass and they both list Mr Cass as the inventor. They both currently have Nanollose Limited recorded as the owner. The contents of these Australian Provisional Patent Applications are not currently available to the public, and will not be so until approximately 18 months from the filing date of the Australian Provisional Patent Applications, and then only if Nanollose (or its successors in title) elects to file patent applications claiming priority from the Australian Provisional Patent Applications. This aspect of the international patent regime potentially affords Nanollose a competitive advantage.

As discussed in Section 2.0, the filing of the Australian Provisional Patent Applications establishes a priority date for the inventions in Australia and all other countries that are a party to the Paris Convention. Assuming that patent applications claiming priority from the Australian Provisional Patent Applications are filed and, assuming that patents based on such applications are granted, the expiry date of these families of patents will be approximately 1 November 2037 and 11 April 2038 respectively. These expiry dates are based on the latest possible filing date under the Paris Convention. These estimates do not make allowances for any patent term adjustments or extensions.

This Report is based on information generated by searches undertaken on 12 April 2017 and Wrays is not aware of any material changes expected to occur to the status of matters discussed above, except for normal changes in the course of standard patent prosecution. The status summary of patent applications is correct to the best of our knowledge after conducting reasonable due diligence and research, at the date of this Report.

Please refer to Section 5.0 for more information on the validity of Nanollose's claim to the ownership of the Australian Provisional Patent Applications.

#### 4.0 Trade Mark applications in the Name of Nanollose

The trade mark application listed in Section 4.0 is pending and awaiting examination by the Australian Trade Marks Office. Expedited examination of the trade mark application has been requested.

The trade mark application is:

Australian Trade Mark Application No. 1831536  
Filed: 14 March 2017  
Mark: NANOLLOSE  
Applicant: Nanollose Limited

Under the Paris Convention and Madrid Protocol international regimes, this Australian Trade Mark Application affords Nanollose with the opportunity to file corresponding trade mark applications in member countries to such conventions within 6 months of the filing date (i.e., until 14 September 2017) claiming the priority filing date of 14 March 2017.

We have not been instructed to advise on whether Nanollose's use of the trade mark application may infringe the rights of third parties.

#### 5.0 Proprietorship

##### *Patents*

A patent for an invention may only be granted to the inventor(s) or to a person (including a legal entity) who has entitlement to the invention by way of assignment, employment contract or other means. As discussed above under Section 3.0, Mr Cass is listed as the inventor on the Australian Provisional Patent Applications.

On or about 13 May 2014, in consideration for a shareholding in a to-be-incorporated company, Mr Cass agreed to assign his rights to any know-how and confidential information pertaining to methods, products and processes relating to microbial cellulose and the use of the products of such methods in various applications to that company upon becoming a shareholder. On 8 September 2014, Nanollose Proprietary Ltd was incorporated and Mr Cass became a shareholder of Nanollose Proprietary Ltd on 26 September 2014. Nanollose Proprietary Ltd subsequently became a public company on 14 July 2016 resulting in a change in its name to Nanollose Ltd.

On 28 April 2017, Nanollose Limited and Mr Cass executed a Deed of Assignment of Intellectual Property Rights (the Assignment) to confirm the assignment of, among other





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things, rights to certain know-how and confidential information from Mr Cass to Nanollose. Under the terms of the Assignment, Mr Cass confirms, with effect from 26 September 2014, the assignment of any intellectual property rights to the Australian Provisional Applications and any know-how and confidential information pertaining to methods, products and processes relating to microbial cellulose and the use of the products of such methods in various applications to Nanollose. The Assignment is subject to the laws of Western Australia. Nanollose's claim to ownership to these patent applications is dependent on the enforceability of the agreement between Mr Cass and Nanollose of 13 May 2014 and the subsequent Assignment to confirm and perfect the assignment of these rights. We are not aware of any broad enforceability issues that would render the Assignment unenforceable under the laws of Western Australia.

At the date of this Report, we are not aware of any threats or assertions of infringement being made in relation to the implementation of the inventions the subject of this provisional patent applications described in this Report. However, we have not been engaged to undertake any novelty or freedom to operate searches which may impact upon our awareness referred to above.

#### *Trade Secrets and Know-How*

Know-how and confidential information in the nature of trade secrets can be protected by a person or company, so long as such information is not already in the public domain and is precluded from disclosure via appropriate obligations of confidence (whether arising through contract or operation of common law). The right to prevent disclosure of know-how and confidential information can typically only be exercised by the person or company to whom the obligation of confidence is owed. Know-how and confidential information are not "property", per se, but rights to protect know-how and confidential information can be assigned or licensed through transfer of the benefit of existing obligations of confidence.

As discussed above, on or about 13 May 2014, Mr Cass agreed to assign certain know-how and confidential information to Nanollose. On 28 April 2017 Nanollose and Mr Cass executed the Assignment to confirm the assignment of that know-how and confidential information. In the preparation of this Report, we have not assessed Mr Cass's underlying entitlement to claim and assign the rights to confidential information and know-how under the Assignment. Nevertheless, we note that Mr Cass has provided certain assurances as to his entitlement in the form of a warranty as part of the Assignment.

*Trade Marks*

A trade mark may only be granted to the person who has entitlement to the trade mark by way of first commercial use (or filing) to distinguish the trade origin of a good or service. In the preparation of this report, we have not assessed the validity and strength of Nanollose's claim to title to the trade mark applications listed in Section 4.0. We are not aware of any issues that may invalidate Nanollose's claim to ownership of the trade mark applications listed in Section 4.0.

**6.0 Limitations of this Report**

This Report is not to be construed as a legal opinion as to the registrability or validity of the Nanollose patent applications, know-how or trade marks.

As noted above, we are not aware of any threats or assertions of infringement being made in relation to the implementation of the inventions the subject of this provisional patent applications described in this Report. Beyond this, this Report does not provide any indication that the subject inventions may be commercially exploited in any jurisdiction without risk of infringement of existing patents to other parties. It is important to note that the granting of a patent does not guarantee that the patentee has freedom to operate the invention claimed in the patent. It may be that working of a patented invention is prevented by the existence of another patent. In the preparation of this report, we have not assessed whether or not the commercialisation of the invention described in the Nanollose Australian Provisional Patent Applications and know-how will infringe third party patent rights.

The searches conducted for this Report and the results of which are in part relied upon in this Report, have been substantially computer based and as such, would have been limited in terms of the time periods and the geographical areas covered. All searches are subject to the accuracy and scope of the records searched as well as to the indexing and classification of those records.

In most countries, patent applications undergo an independent search and examination by the local Patent Office, the results of which are not binding in other jurisdictions. Similarly, international PCT search and examination reports are not binding on national patent applications during subsequent examination in the national phase. Such reports should therefore be regarded as indicative only and not determinative of patentability. It should also be appreciated that the grant of a patent in one country provides no guarantee that patents will grant in other jurisdictions.

WRAYS

22 May 2017

This Report is not to be construed as a representing that the claims of the Australian Provisional Patent Applications will be granted in their current form. It is often necessary during the examination of a patent application to define the invention more specifically by amendment of the claims, so as to distinguish relevant prior art. As a result of this process, there may be variations in the claims between countries, reflecting in part the different examination procedures and threshold requirements for patentability, according to national laws. Whilst this is a relatively standard procedure, in certain circumstances, such amendments may affect the scope and hence the commercial significance of the resultant patent protection.

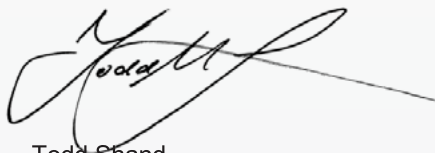
#### 7.0 Statement of Independence

Wrays, established in 1920, is an Australian intellectual property law firm, proudly representing a significant number of Australian and international businesses. Neither Wrays nor any of its Directors or Principals has any entitlement to any securities in Nanollose Limited, or has any other interest in the promotion of Nanollose Limited. Furthermore, the payment of fees to Wrays for the preparation of this Report, is not contingent upon Nanollose Limited successfully raising funds through the issue of securities.

We have given our consent to the issue of the Prospectus with this Report appearing therein.

Yours sincerely

WRAYS



Todd Shand  
Principal



Adrian Huber  
Consultant

## 8. INVESTIGATING ACCOUNTANT'S REPORT



**RSM Corporate Australia Pty Ltd**

8 St Georges Terrace Perth WA 6000  
GPO Box R 1253 Perth WA 6844

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F +61 (0) 8 9261 9199

[www.rsm.com.au](http://www.rsm.com.au)

16 August 2017

The Directors  
Nanollose Limited  
Suite 5, CPC  
145 Stirling Highway  
Nedlands, WA, 6009

Dear Directors

### INVESTIGATING ACCOUNTANT'S REPORT

#### **Independent Limited Assurance Report ("Report") on Nanollose Limited Historical and Pro Forma Historical Financial Information**

##### **Introduction**

We have been engaged by Nanollose Limited ("Nanollose" or the "Company") to report on the historical financial information of the Company for the period from incorporation until 30 June 2017 and pro forma financial information of the Company as at 30 June 2017 for inclusion in the prospectus ("Prospectus") of the Company dated on or about 21 August 2017 in connection with the Company's proposed initial public offering and listing on the Australian Securities Exchange ("ASX"), pursuant to which the Company is offering 25,000,000 ordinary Nanollose shares at an issue price of \$0.20 per share to raise \$5.0 million before costs (the "Offer").

Expressions and terms defined in the Prospectus have the same meaning in this Report.

The future prospects of the Company, other than the preparation of Pro Forma Historical Financial Information, assuming completion of the transactions summarised in Note 1 of the Appendix of this Report, are not addressed in this Report. This Report also does not address the rights attaching to the shares to be issued pursuant to this Prospectus, nor the risks associated with an investment in shares in the Company.

##### **Background**

Nanollose was established as a proprietary company on 14 September 2014. Nanollose is an Australian based biotechnology company that specialises in the process of creating plant-free nanocellulose material.

Nanollose generates intellectual property that relates to the modification of the properties of nanocellulose materials available globally through its proprietary processes which are aimed at global industrial and consumer markets.

##### **THE POWER OF BEING UNDERSTOOD AUDIT | TAX | CONSULTING**

RSM Corporate Australia Pty Ltd is beneficially owned by the Directors of RSM Australia Pty Ltd. RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 Australian Financial Services Licence No. 255847



## Scope

### Historical financial information

You have requested RSM Corporate Australia Pty Ltd ("RSM") to review the following historical financial information of the Company included in the Prospectus at the Appendix to this Report:

- The statements of financial performance of the Company for period from incorporation on 14 September 2014 to 30 June 2015 and the years ended 30 June 2016 and 30 June 2017;
- The statements of cash flows of the Company for period from incorporation on 14 September 2014 to 30 June 2015 and the years ended 30 June 2016 and 30 June 2017; and
- The statement of financial position of the Company as at 30 June 2017.

(together the "Historical Financial Information" attached at the Appendix to this Report for reference).

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles of the International Financial Reporting Standards and the Company's adopted accounting policies.

The Historical Financial Information represents that of the Company and has been extracted from the financial statements of the Company for period from incorporation on 14 September 2014 to 30 June 2015 and the years ended 30 June 2016 and 30 June 2017, which were audited by RSM Australia Partners in accordance with International Auditing Standards. The audit and review reports issued for the periods were unqualified opinions.

The Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by International Financial Reporting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

### Pro forma historical financial information

You have requested RSM to review the pro forma historical statement of financial position as at 30 June 2017, referred to as "the Pro Forma Historical Financial Information".

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information of the Company after adjusting for the effects of the subsequent events and pro forma adjustments described in Note 1 of the Appendix to this Report. The stated basis of preparation is the recognition and measurement principles of the International Financial Reporting Standards applied to the Historical Financial Information and the events or transactions to which the subsequent events and pro forma adjustments relate, as described in Note 1 of the Appendix to this Report, as if those events or transactions had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position or statement of financial performance.

## Directors' responsibility

The Directors of the Company are responsible for the preparation of the Historical Financial Information and Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of Historical Financial Information and Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

### Our responsibility

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information and Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making such enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Our procedures included:

- A consistency check of the application of the stated basis of preparation, to the Historical and Pro Forma Historical Financial Information;
- A review of the Company's and its auditors' work papers, accounting records and other documents;
- Enquiry of directors, management personnel and advisors;
- Consideration of subsequent events and pro forma adjustments described in Note 1 of the Appendix to this Report; and
- Performance of analytical procedures applied to the Pro Forma Historical Financial Information.

A review is substantially less in scope than an audit conducted in accordance with International Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusions

#### Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in the Appendix to this Report, and comprising:

- The statements of financial performance of the Company for period from incorporation on 14 September 2014 to 30 June 2015 and the years ended 30 June 2016 and 30 June 2017;
- The statements of cash flows of the Company for period from incorporation on 14 September 2014 to 30 June 2015 and the years ended 30 June 2016 and 30 June 2017; and
- The statement of financial position of the Company as at 30 June 2017.

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Note 2 of the Appendix to this Report.

#### Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as described in the Appendix to this Report, and comprising the pro forma statement of financial position as at 30 June 2017 of the Company and its controlled entities are not presented fairly in all material respects, in accordance with the stated basis of preparation, as described in Note 1 of the Appendix of this Report.

### Restriction on Use

Without modifying our conclusions, we draw attention to the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.



**Responsibility**

RSM has consented to the inclusion of this assurance report in the Prospectus in the form and context in which it is included. RSM has not authorised the issue of the Prospectus. Accordingly, RSM makes no representation regarding, and takes no responsibility for, any other documents or material in, or omissions from, the Prospectus.

**Disclosure of Interest**

RSM does not have any pecuniary interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. RSM will receive a professional fee for the preparation of this Report.

Yours faithfully

A handwritten signature in black ink that reads 'Andrew Gilmour'.

A J GILMOUR  
Director

**NANOLLOSE LIMITED**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE PERIOD FROM 14 SEPTEMBER 2014 TO 30 JUNE 2015,**  
**AND THE YEARS ENDED 30 JUNE 2016**  
**AND 30 JUNE 2017**

	Year ended 30-Jun-17 Audited \$	Year ended 30-Jun-16 Audited \$	14-Sep-2014 to 30-Jun-15 Audited \$
Revenue	-	11,630	-
Interest Income	1,497	-	-
<b>Expenses</b>			
Development expenses	(299,418)	(9,698)	(873)
Consultancy and legal expenses	(154,758)	(5,000)	-
Employee benefits expense	(36,961)	-	-
Depreciation and amortisation expense	(484)	(117)	(87)
Share based payments	(265,846)	-	-
Other expenses	(64,376)	(6,722)	(768)
<b>Loss before income tax</b>	<b>(820,346)</b>	<b>(9,907)</b>	<b>(1,728)</b>
Income tax expense	-	-	-
<b>Loss after income tax for the period</b>	<b>(820,346)</b>	<b>(9,907)</b>	<b>(1,728)</b>
<b>Total comprehensive loss for the period</b>	<b>(820,346)</b>	<b>(9,907)</b>	<b>(1,728)</b>

Investors should note that past results are not a guarantee of future performance.

**NANOLLOSE LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD FROM 14 SEPTEMBER 2014 TO 30 JUNE 2015,**  
**AND THE YEARS ENDED 30 JUNE 2016**  
**AND 30 JUNE 2017**

	Year ended 30-Jun-17 Audited \$	Year ended 30-Jun-16 Audited \$	14-Sep-2014 to 30-Jun-15 Audited \$
<b>Cash flows from operating activities</b>			
Receipts from customers	-	12,793	-
Payments to suppliers and employees (inclusive of GST)	(575,184)	(16,197)	(1,702)
Interest received	1,497	-	-
Interest and other finance costs paid	(327)	-	-
Net cash (outflow) from operating activities	(574,014)	(3,404)	(1,702)
<b>Cash flows from investing activities</b>			
Formation expenses	-	-	(585)
Payments for plant and equipment	(4,989)		
Net cash (outflow) from investing activities	(4,989)	-	(585)
<b>Cash flows from financing activities</b>			
Net proceeds from issue of shares	600,395	-	5
Proceeds from borrowings	59,668	-	16,000
Share issue transaction costs	(51,163)	-	-
Net cash inflow from financing activities	608,900	-	16,005
Net increase (decrease) in cash held	29,897	(3,404)	13,718
Cash and cash equivalents at the beginning of the period	10,314	13,718	-
<b>Cash and cash equivalents at the end of the period</b>	<b>40,211</b>	<b>10,314</b>	<b>13,718</b>

Investors should note that past results are not a guarantee of future performance.

**NANOLLOSE LIMITED**  
**PRO FORMA STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2017**

	Note	Nanollose Audited 30-Jun-17 \$	Subsequent events Unaudited 30-Jun-17 \$	Pro forma adjustments Unaudited 30-Jun-17 \$	Pro forma Unaudited 30-Jun-17 \$
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	3	40,211	20,000	4,240,000	4,300,211
Trade and other receivables		14,407	-	-	14,407
Other assets		92,229	-	-	92,229
<b>Total current assets</b>		<b>146,847</b>	<b>20,000</b>	<b>4,240,000</b>	<b>4,406,847</b>
<b>Non-current assets</b>					
Plant and equipment		4,505	-	-	4,505
<b>Total non-current assets</b>		<b>4,505</b>	<b>-</b>	<b>-</b>	<b>4,505</b>
<b>Total assets</b>		<b>151,352</b>	<b>20,000</b>	<b>4,240,000</b>	<b>4,411,352</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables		127,677	-	-	127,677
Borrowings	4	60,973	20,000	(75,000)	5,973
<b>Total current liabilities</b>		<b>188,650</b>	<b>20,000</b>	<b>(75,000)</b>	<b>133,650</b>
<b>Total liabilities</b>		<b>188,650</b>	<b>20,000</b>	<b>(75,000)</b>	<b>133,650</b>
<b>Net assets</b>		<b>(37,298)</b>	<b>-</b>	<b>4,315,000</b>	<b>4,277,702</b>
<b>Equity</b>					
Issued capital	5	509,237	100,000	4,400,000	5,009,237
Reserves	6	285,446		-	285,446
Accumulated losses	7	(831,981)	(100,000)	(85,000)	(1,016,981)
<b>Total equity</b>		<b>(37,298)</b>	<b>-</b>	<b>4,315,000</b>	<b>4,277,702</b>

The unaudited pro forma statement of financial position represents the audited statement of financial position of the Company as at 30 June 2017 adjusted for the subsequent events and pro forma transactions outlined in Note 1 of this Appendix. It should be read in conjunction with the notes to the historical and pro forma financial information.

## 1. Introduction

The financial information set out in this Appendix consists of the Historical Financial Information together with the Pro Forma Historical Financial Information.

The Pro Forma Historical Financial Information has been compiled by adjusting the statement of financial position of the Company, reflecting the Directors' pro forma adjustments, for the impact of the following subsequent events and pro forma adjustments.

### Adjustments adopted in compiling the Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information has been prepared by adjusting the Historical Financial Information to reflect the financial effects of the following subsequent events which have occurred in the period since 30 June 2017 and the date of this Report:

- (i) The Company was provided \$20,000 in funds loaned by directors and the corporate advisor under a related party loan facility ("Related Party Loan Facility"), bringing the total amount drawn down at the date of this report to \$75,000; and
- (ii) On 9 August 2017, the Company appointed Mr Germano as a director of the Company. Mr Germano has been issued with 500,000 shares in lieu of any entitlement to payment of his accrued salary prior to the Company listing on the ASX ("MD Shares"). In addition, Mr Germano was issued 500,000 performance rights in the following tranches:
  - 250,000 performance rights that will become shares subject to Mr Germano remaining employed as Managing Director of the Company for a period of 12 months after the Company lists on the ASX ("Class A Performance Rights"); and
  - 250,000 performance rights that will become shares subject to Mr Germano remaining employed as Managing Director of the Company for a period of 24 months after the Company lists on the ASX ("Class B Performance Rights").
- (iii) The Company has incurred contingent liabilities of approximately \$85,000, being amounts payable to Directors, Management and advisors. The approximately \$85,000 is made up of amounts due to Azalea Consulting Pty Ltd for company secretarial and associated services of \$35,000, to Mac Equity Partners for advisory services in relation to the Company's seed raising of \$40,000 and to a former employee under the terms of a settlement of \$10,000, all payable conditional on successful completion of the Offer;

and the following pro forma transactions which are yet to occur, but are proposed to occur immediately before or following completion of the Offer:

- (iv) The issue of 25,000,000 ordinary Nanollose shares at \$0.20 each to raise \$5,000,000 before costs pursuant to the Offer;
- (v) The payment of cash costs related to the Offer estimated to be \$600,000;
- (vi) The repayment of the \$75,000 Related Party Loan Facility; and
- (vii) The payment of \$85,000 in liabilities which crystallise upon successful completion of the Offer.

The Pro Forma Historical Financial Information has been presented in abbreviated form and does not contain all the disclosures usually provided in an Annual Report prepared in accordance with the *Corporations Act 2001*.

### 2. Statement of significant accounting policies

#### (a) Basis of preparation

The Historical Financial Information has been prepared in accordance with the recognition and measurement requirements of the International Financial Reporting Standards ("IFRS"), adopted by the International Accounting Standards Board and the Corporations Act 2001.

The Pro Forma Historical Financial Information presented in the Prospectus as at 30 June 2017 has been prepared to reflect the Directors' pro forma adjustments for the effects of the Offer and other transactions in Note 1 above.

The significant accounting policies that have been adopted in the preparation and presentation of the historical and the Pro forma Historical Financial Information are:

#### (b) Basis of measurement

The Historical and Pro Forma Historical Financial Information has been prepared on the historical cost basis except for financial instruments classified at *fair value through profit or loss*, which are measured at fair value.

#### (c) Functional and presentation currency

The Historical and Pro Forma Historical Financial Information has been presented in Australian dollars which is the Company's functional currency.

#### (d) Use of estimates and judgements

The preparation of Financial Information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

#### (e) Going concern

The Historical and Pro Forma Historical Financial Information has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

#### (f) Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

##### *Interest*

Interest revenue 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.

#### (g) 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.

#### (h) 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.



Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

#### **(i) 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.

#### **(j) Share-based payment transactions**

The Company provides benefits to employees and other parties in the form of share based payments, whereby the employees and parties provide services in exchange for shares and other securities in the Company. The cost of the equity settled share based payment transactions is determined by reference to the fair value of the equity instruments granted.

The fair value of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance/ and or service conditions are fulfilled ("vesting period").

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- (i) The grant date fair value;
- (ii) The extent to which the vesting period has expired; and
- (iii) The number of equity instruments that, in the opinion of the Directors of the Company, will ultimately vest.

This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for equity instruments that do not ultimately vest, except for equity instruments where vesting is conditional upon a market condition.

#### **(k) Goods and services Tax**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item 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.

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

### 3. Cash and cash equivalents

	Note	Audited 30-Jun-17 \$	Unaudited Pro-forma 30-Jun-17 \$
Cash and cash equivalents		40,211	4,300,211
Nanollose cash and cash equivalents as at 30 June 2017			40,211
<i>Subsequent events are summarised as follows:</i>			
Drawdown of Related Party Loan Facility	1(i)		20,000
<i>Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:</i>			
Proceeds from the Offer pursuant to the Prospectus	1(iv)		5,000,000
Capital raising costs	1(v)		(600,000)
Repayment of the Related Party Loan Facility from funds of the Offer	1(vi)		(75,000)
Payment of contingent liabilities	1(vii)		(85,000)
			4,240,000
<b>Pro-forma cash and cash equivalents</b>			<b>4,300,211</b>

### 4. Borrowings

	Note	Audited 30-Jun-17 \$	Unaudited Pro-forma 30-Jun-17 \$
Borrowings		60,973	5,973
Nanollose borrowings as at 30 June 2017			60,973
<i>Subsequent events are summarised as follows:</i>			
Drawdown of Related Party Loan Facility	1(i)		20,000
<i>Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:</i>			
Repayment of the Related Party Loan Facility from funds of the Offer	1(vi)		(75,000)
			(55,000)
<b>Pro-forma borrowings</b>			<b>5,973</b>

## 5. Issued capital

	Note	Number of shares	\$
Nanollose issued share capital as at 30 June 2017		49,499,993	509,237
<i>Subsequent events are summarised as follows:</i>			
MD Shares issued in lieu of payment of accrued salary	1(ii)	500,000	100,000
<i>Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:</i>			
Fully paid ordinary shares issued at \$0.20 pursuant to this Prospectus	1(vi)	25,000,000	5,000,000
Cash costs associated with the share issue pursuant to this Prospectus	1(v)	-	(600,000)
		25,500,000	4,500,000
<b>Pro-forma issued share capital</b>		<b>74,999,993</b>	<b>5,009,237</b>

## 6. Reserves

	Note	Audited 30-Jun-17 \$	Unaudited Pro-forma 30-Jun-17 \$
Reserves		285,446	285,446
Nanollose reserves as at 30 June 2017			285,446
<b>Pro-forma reserves</b>			<b>285,446</b>

### (a) Performance rights

The Company issued the Chief Executive Officer the following performance rights:

- 250,000 Class A Performance Rights that will become shares subject to Mr Germano remaining employed as Managing Director of the Company for a period of 12 months after the Company lists on the ASX; and
- 250,000 Class B Performance Rights that will become shares subject to Mr Germano remaining employed as Managing Director of the Company for a period of 24 months after the Company lists on the ASX.

The performance rights are to be recognised by the Company over the vesting period.

## 7. Accumulated losses

	Note	Audited 30-Jun-17 \$	Unaudited Pro-forma 30-Jun-17 \$
Accumulated losses		(831,981)	(1,016,981)
Nanollose accumulated losses as at 30 June 2017			(831,981)
<i>Subsequent events are summarised as follows:</i>			
Cost of MD Shares	1(ii)		(100,00)
<i>Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:</i>			
Contingent liabilities crystallising into liabilities on successful completion of the Offer	1(vii)		(85,000)
			(185,000)
<b>Pro-forma accumulated losses</b>			<b>(1,016,981)</b>

## 8. Related party disclosure

Following completion of the Offer and Restructure, the Directors of Nanollose will be Dr Wayne Best, Mr Gary Cass, Mr Winton Willesee, Mr Terry Walsh and Mr Alfie Germano. Directors' holdings of shares, directors' remuneration and other directors' interests are set out in Section 10.8 of the Prospectus.

## 9. Commitments and contingent liabilities

The Company has no commitments as at 30 June 2017.

Following completion of the Offer, the Company will have no contingent liabilities as at 30 June 2017.

## 9. MATERIAL CONTRACTS

Set out below is a summary of the material terms of the contracts to which the Company is a party which may be material in terms of this Prospectus and which are not otherwise summarised or referred to other parts of the Prospectus.

### 9.1. Agreement with Managing Director

Mr Germano has been employed by the Company since 20 March 2017 initially as the Chief Innovation Officer and then as Chief Executive Officer. The employment of Mr Germano is on a probationary basis for period of 6 months (expiring on 20 September 2017). During this time both parties can assess compatibility, capacity and performance. On 9 August 2017 Mr Germano was appointed to the Board and engaged by the Company as the Managing Director. The Company has entered into an executive services agreement with Mr Germano in relation to this role.

As Managing Director, Mr Germano is entitled to be paid a full-time annual salary of \$225,000 plus superannuation. In addition, he has been issued with 500,000 Performance Rights (Class A and B) and 3,300,000 Options (Series B, C and D).

The Performance Rights will convert into Shares if Mr Germano remains employed by the Company as the Managing Director 12 months after listing (Class A) and 24 months after listing (Class B). The terms of the Performance Rights are set out in Section 10.3.

The Options vest upon satisfaction of service and performance conditions. The terms of these Options are set out in Section 10.2.

Mr Germano is expected to discharge his duties in accordance with the directions of the Board and the Company policies and procedures.

Mr Germano assigns to the Company all future intellectual property rights in all inventions, designs, works and subject matter created by Mr Germano during his employment or that is in any way related to the business of the Company while he is an employee of the Company.

The employment of Mr Germano may be terminated without cause by Mr Germano or the Company giving 1 month notice during the probationary period and 3 months' notice after the probationary period has passed. The Company may otherwise terminate Mr Germano's employment immediately for cause (eg. serious misconduct). Mr Germano has agreed to resign from the Board if his employment as Managing Director is terminated.

Mr Germano is subject to a post-employment restraint on providing the same services or soliciting the Company's employees or customers world-wide for up to 12 months

### 9.2. Lead Manager agreement with Mac Equity

The Company has entered into corporate advisory and a capital raising mandate agreement with the Lead Manager (Mac Equity Partners) under which (amongst other things) the Lead Manager was appointed as lead manager to the Offer.

Under this agreement, the Lead Manager has been engaged as lead manager to provide capital raising services on an exclusive basis to the Company's seed capital raising and the Offer. The Lead Manager has also been engaged to provide corporate advisory support to the Company in conjunction with the Corporate Adviser.

The Lead Manager is entitled to be paid a retainer fee of \$40,000 for the services provided under the mandate agreement before listing. The Company intends to pay this fee from the funds raised under the Offer.

The Company has issued 9,000,000 Series A Options (exercise price of 30 cents and expiry date of 31 December 2020) to the Lead Manager or its nominees. The terms of the Series A Options are set out in Section 10.2.

In addition, the Company must pay the following fees to the Lead Manager as a capital raising fee to the Offer when the Company is admitted to the Official List of ASX:

- (a) Cash equal to 5% of all funds raised under the Offer from applicants introduced to the Company by the Lead Manager; and
- (b) Cash equal to 1% of all funds raised under the Offer.

The Lead Manager may pass on any part of this fee to Australian financial services licensees or authorised representatives or other nominated parties at its discretion.

### 9.3. Corporate Adviser agreement with View Street Partners

The Company has entered into corporate advisory agreement with the Corporate Adviser (View Street Partners).

Under this agreement, the Corporate Adviser has been engaged to provide corporate advisory services to the Company's seed capital raising and initial public offer.

The Company has paid the following fees to the Corporate Adviser:

- (a) \$50,000 as a transaction introduction fee; and
- (b) \$72,000 as a retainer fee.

The Company has issued 9,000,000 Series A Options (exercise price of 30 cents and expiry date of 31 December 2020) to the Corporate Adviser or its nominees. The terms of the Series A Options are set out in Section 10.2.

In addition, the Corporate Adviser is entitled to a cash success fee of \$75,000 (ex GST) on completion of the Offer.

Under the agreement, the Company must engage the Corporate Adviser as its mandated corporate adviser for 24 months after listing on ASX. This is an exclusive retainer at a cost of not less than \$6,000 per month.



# 10. ADDITIONAL INFORMATION

## 10.1. Rights attaching to Shares

The Shares issued under this Prospectus will be fully paid ordinary shares in the capital of the Company and will rank equally with existing Shares.

The rights to ownership of the Shares are:

- detailed in our Constitution; and
- in certain circumstances, regulated by the Corporations Act, the ASX listing rules and the general law.

A summary of the more significant rights attaching to Shares is set out below. The summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, you should seek independent legal advice.

### Voting Rights

Subject to any rights or restrictions attached to any class of shares, at a general meeting every member has one vote on a show of hands and one vote per fully paid share on a poll. The person who holds a share which is not fully paid shall be entitled to a fraction of a vote equal to that proportion of a vote that the amount paid on the relevant share bears to the total issue price of the share. Voting may be in person or by proxy, attorney or representative.

### Dividends

The Directors may declare dividends by resolution. Subject to the rights of holders of shares with special rights, all dividends are apportioned and paid equally on each share. All Shares currently on issue and the Shares to be issued under this Prospectus are fully paid shares.

### Future Issues of Securities

Subject to the Corporations Act and the ASX listing rules, the Directors may issue, grant options over, or otherwise dispose of shares in the Company at the times and on the terms that the Directors think proper and a share may be issued with preferential or special rights.

### Transfer of Shares

A shareholder may transfer Shares by a transfer in accordance with any system established or recognised by ASX for the purpose of facilitating transfers in Shares or by an instrument in writing in a form approved by ASX or the Board.

### Meetings and Notices

Each shareholder is entitled to receive notice of, and to attend, general meetings for the Company and to receive all notices, accounts and other documents required to be sent to shareholders under the Constitution, the Corporations Act or the ASX listing rules.

Shareholders may requisition meetings in accordance with the Corporations Act.

### Election of Directors

There must be a minimum of 3 Directors. A director must not hold office for a continuous period in excess of 3 years. There must be an election of directors at every annual general meeting. These retirement rules do not apply to certain appointments including the managing director.

### Indemnities

To the extent permitted by law, the Company must indemnify every person who is or who has been an officer of the Company against all losses, liabilities, costs and charges incurred by that person as an officer of the Company and any legal costs incurred in defending an action in respect of such liability.

### Winding Up

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the shareholders:

- divide the assets of the Company among the members in kind;
- for that purpose, determine how the division is to be carried out as between the members and different class of members; and
- vest assets of the Company in trustees on any trusts for the benefit of the members as the liquidator thinks appropriate.

### Shareholder Liability

As the Shares under the Prospectus are fully paid Shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

### Alteration to the Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of shareholders' present and voting at the general meeting. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

### ASX listing rules

If the Company is admitted to the Official List of ASX, then despite anything in the Constitution, if the ASX listing rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the ASX listing rules require to be done. If the ASX listing rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the ASX listing rules require the Constitution to contain a provision and it does not contain such a provision, the Constitution is deemed to contain that provision. If the ASX listing rules require the Constitution not to contain a provision and it contains such a provision, the Constitution is deemed not to contain that provision. If a provision of the Constitution is inconsistent with the ASX listing rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

## 10.2. Option terms

The Company will have 4 series of Options on issue at the time of ASX listing – Series A, Series B, Series C and Series D. The Exercise Price and the Expiry Date for each series of Options is shown in the table below.

Type	Total Number of Options	Vesting Hurdle	Exercise Price	Expiry Date
Series A Options	23,783,333 <sup>1</sup>	No	30 cents	31 December 2020
Series B Options	1,100,000 <sup>2</sup>	Yes (see below)	25 cents	30 September 2019
Series C Options	1,100,000 <sup>2</sup>	Yes (See below)	30 cents	30 September 2020
Series D Options	1,100,000 <sup>2</sup>	Yes (see below)	40 cents	30 September 2021

#### Notes:

1. The Series A Options have been issued to the founding Shareholders, the Directors, the Company Secretary, the Lead Manager and the Corporate Adviser or their nominees.
2. The Series B, C and D Options have been issued to the Managing Director.

The terms of the Options are set out below.

### All Options (Series A, Series B, Series C and Series D)

- (a) Each Option gives the holder the right to subscribe for one Share. To obtain the right given by each Option, the holder must exercise the Options in accordance with the terms and conditions of the Options.
- (b) Each Option will expire at 5.00pm (WST) on the relevant Expiry Date of each series (as shown in the table above). Any Option not exercised before the relevant Expiry Date will automatically lapse on the Expiry Date.

- (c) The amount payable upon exercise of each Option is the relevant Exercise Price of each series (as shown in the table above).
- (d) The Options held by each holder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 (in the same series) must be exercised on each occasion. Where less than 1,000 Options (in the same series) are held, all Options must be exercised together.
- (e) A holder may exercise their Options by lodging with the Company, before the Expiry Date:
  - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
  - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised ("Exercise Notice").
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) All Shares issued upon the exercise of Options will upon rank equally in all respects with other Shares.
- (i) If at any time the issued capital of the Company is reconstructed, all rights of a holder are to be changed in a manner consistent with the Corporations Act and the ASX listing rules at the time of the reconstruction.
- (j) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any issue, the record date will be after the issue is announced. This will give holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (k) Other than pursuant to term (l), an Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.
- (l) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issue of the Options, the number of securities over which an Option is exercisable may be increased by the number of securities which the holder would have received if the Option had been exercised before the record date for the bonus issue.

#### **Series A Options – additional terms**

- (a) The exercise price of the Series A Options is 30 cents.
- (b) The Series A Options are exercisable at any time prior to 5.00pm WST on 31 December 2020 (Expiry Date).
- (c) The Series A Options are freely transferable, subject to any ASX escrow restrictions. The Company may apply to have these Options quoted if the requirements of the ASX listing rules are met.

#### **Series B Options – additional terms**

- (a) The exercise price of the Series B Options is 25 cents.
- (b) The Options vest if the Company enters into a commercial agreement to exploit one of the Company's two technologies the subject of the existing patent applications (AU2016904456 and AU2017901318) and receives \$1 million of gross revenue under that agreement (**Milestone 1**). The Options also vest in the event of a "Takeover Event".
- (c) 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).
- (d) Subject to Milestone 1 having been met, the Series B Options are exercisable at any time prior to 5.00pm (WST) on 30 September 2019 (Expiry Date).
- (e) In the absence of a Board resolution waiving the vesting hurdle, all unvested Options will lapse upon the executive to whom the grant of Options was made ceasing to be an employee, contractor, consultant or Board member of the Company.
- (f) The Series B Options are only transferable with Board approval and are subject to any ASX escrow restrictions. These Options are not intended to be quoted.

**Series C Options – additional terms**

- (a) The exercise price of the Series C Options is 30 cents.
- (b) The Options vest if the Company enters into a commercial agreement to exploit a second technology or patent held by the Company (other than the technologies or patents the subject of Milestone 1) and receives \$5 million of gross revenue under that agreement (**Milestone 2**). The Options also vest in the event of a “Takeover Event” (refer to paragraph (c) of the additional terms of the Series B Options set out above for the meaning of Takeover Event).
- (c) Subject to Milestone 2 having been met, the Series C Options are exercisable at any time prior to 5.00pm (WST) on 30 September 2020 (Expiry Date).
- (d) In the absence of a Board resolution waiving the vesting hurdle, all unvested Options will lapse upon the executive to whom the grant of Options was made ceasing to be an employee, contractor, consultant or Board member of the Company.
- (e) The Series C Options are only transferable with Board approval and are subject to any ASX escrow restrictions. These Options are not intended to be quoted.

**Series D Options – additional terms**

- (a) The exercise price of the Series D Options is 40 cents.
- (b) The Options vest if the Company enters into a commercial agreement to exploit a third technology or patent held by the Company (other than the technologies or any patents the subject of Milestones 1 or 2) and receives \$10 million of gross revenue under that agreement (**Milestone 3**). The Options also vest in the event of a “Takeover Event” (refer to paragraph (c) of the additional terms of the Series B Options set out above for the meaning of Takeover Event).
- (c) Subject to Milestone 3 having been met, the Series D Options are exercisable at any time prior to 5.00pm WST on 30 September 2021 (Expiry Date).
- (d) In the absence of a Board resolution waiving the vesting hurdle, all unvested Options will lapse upon the executive to whom the grant of Options was made ceasing to be an employee, contractor, consultant or Board member of the Company.
- (e) The Series D Options are only transferable with Board approval and are subject to any ASX escrow restrictions. These Options are not intended to be quoted.

**10.3. Performance Rights terms**

The Company has issued 500,000 Performance Rights to Mr Germano, the Managing Director. The Performance Rights have been issued in two classes as follows:

Class	Number	Service Condition
Class A	250,000	Mr Germano is engaged as the Managing Director for the period of 12 months after the Company lists on ASX.
Class B	250,000	Mr Germano is engaged as the Managing Director for the period of 24 months after the Company lists on ASX.

The terms of the Performance Rights are:

- (a) (Conversion) Upon satisfaction of the relevant service condition, each Performance Right will, at the election of the holder, vest and convert into one Share.
- (b) (No Consideration payable) No consideration is payable upon the vesting and conversion of the Performance Rights.
- (c) (No Voting rights) A Performance Right does not entitle a holder to vote on any resolutions proposed at a general meeting of Shareholders of the Company.
- (d) (No dividend rights) A Performance Right does not entitle a holder to any dividends.
- (e) (No rights on winding up) A Performance Right does not entitle the holder to participate in the surplus profits or assets of the Company upon winding up of the Company.
- (f) (Not transferable) A Performance Right is not transferable.
- (g) (Reorganisation of capital) If there is a reorganisation (including, without limitation, consolidation, sub-division, reduction or return) of the issued capital of the Company, the rights of a holder will be varied, as appropriate, in accordance with the Listing Rules which apply to reorganisation of capital at the time of the reorganisation.
- (h) (Quotation of Shares on conversion) An application will be made by the Company to ASX for official quotation of the Shares issued upon the conversion of each Performance Right in accordance with the ASX listing rules.

The Company will not apply for quotation of the Performance Rights on ASX.

- (i) (No participation in entitlements and bonus issues) A Performance Right does not entitle a holder to participate in new issues of capital offered to holders of Shares, such as bonus issues and entitlement issues.
- (j) (No other rights) A Performance Right does not give a holder any other rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.
- (k) (Lapse) If the service condition relevant to a Performance Right has not been satisfied by the relevant vesting date, then the Performance Rights will automatically lapse.

## 10.4. Entitlements offer

The Company intends to undertake a non-renounceable entitlements issue of Options to Shareholders at a time approximately 3 to 6 months after admission to the official list of ASX. The Options are intended to be offered for subscription at a price of 1 cent each and on the basis of 1 Option for every 4 Shares held. The Options will be offered on the same terms and will be part of the same class as the Series A Options. The terms of the Series A Options are set out in Section 10.2 above.

It is proposed that all Shareholders registered on the record date and resident in Australia or New Zealand will be entitled to participate in the non-renounceable entitlements issue of Series A Options. A disclosure document for the issue of the Series A Options will be issued and mailed to eligible Shareholders at the relevant time. Anyone who wishes to acquire Series A Options under the Entitlement Offer will need to complete an application form which will be in or accompanying the disclosure document.

Application will be made for the Series A Options to be granted quotation on the ASX. Any offer will be subject to then prevailing market conditions.

## 10.5. Company tax status and financial year

The Company will be taxed in Australia as a public company. The Company's financial year ends on 30 June annually.

## 10.6. Legal proceedings

Legal proceedings may arise from time to time in the course of the business of the Company including enforcing or defending its intellectual property rights against infringement and unauthorised use by competitors.

The Company has settled a claim brought by a former employee in the Fair Work Commission. Under the terms of the settlement, the Company has a liability to pay \$10,000 to the former employee after ASX listing. This sum will be paid from funds raised under the Offer and is noted as a contingent liability in the Investigating Accountants Report at Section 8.

Apart from this claim (which has settled), as at the date of this Prospectus, there are no legal proceedings affecting the Company and the Directors are not aware of any legal proceedings pending or threatened against or affecting the Company.

## 10.7. Dividend policy

The Company anticipates that significant expenditure will be incurred in the development of the Nanollose Technologies. These activities are expected to dominate the 2-year period following the date of this Prospectus. Income growth in the form of dividends will only eventuate if the planned development of the Nanollose Technologies is commercially successful. The Company has no immediate intention to declare or distribute dividends.

Any future determination as to the payment of dividends generally by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors.

## 10.8. Directors' Interests

### Interests of Directors

Other than as set out below or elsewhere in this Prospectus (including Director loans as set out in section 3.3), no Director or proposed Director holds at the date of this Prospectus, or held at any time during the last two years before the date of lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Company or the Offer; or
- (c) the Offer;

and no amounts have been paid or agreed to be paid by any person and no benefits have been given or agreed to be given by any person to a Director or proposed Director to induce him or her to become, or to qualify as, a Director; or for services provided by a Director or proposed Director in connection with the formation or promotion of the Company or the Offer.

### Interests in securities

The Directors (and their respective associates) at the date of the Prospectus will have a relevant interest in securities of the Company as set out below. Interests include those held directly and indirectly.

Director	Shares <sup>1</sup>	Options <sup>2</sup>	Performance Rights
Dr Best	5,642,858	1,290,476	0
Mr Cass	5,642,857	1,190,476	0
Mr Willesee	5,642,857	1,290,476	0
Mr Germano	500,000	3,300,000	500,000
Mr Walsh	500,000	1,500,000	0

#### Notes:

- The Directors may subscribe for Shares under the Prospectus. The table assumes that the Directors do not subscribe for Shares under this Prospectus.
- Each of the Directors, except for Mr Germano (who was recently appointed to the Board), have been issued with 1,000,000 Series A Options in consideration for their services as directors of the Company. These Options have an exercise price of 30 cents and an expiry date of 31 December 2020. The full terms are set out in Section 10.2.
- Dr Best and Mr Willesee have been issued with additional Series A Options in repayment of loans made by them to the Company. Dr Cass has received additional Series A Options as the nominee of a lender (who was entitled to the Options in repayment of a loan made to the Company).
- Mr Germano has been issued with 500,000 Shares in lieu of payment of his accrued salary as an employee of the Company for the period March 2017 until the date of his appointment to the Board. Mr Germano has also been issued with Performance Rights (which vest subject to service conditions) and Options (which vest subject to service and performance conditions). The terms of the Options and Performance Rights are set out in Sections 10.2 and 10.3.
- Mr Walsh has been issued with Shares and additional Series A Options as the nominee of the Lead Manager.

### Remuneration of Directors

The Constitution provides that Directors may be paid for their services as directors.

Dr Best is entitled to be paid a Director's fee of \$50,000 per annum inclusive of superannuation entitlements as non-executive Chairman. The Company has issued 1,000,000 Series A Options to Dr Best in consideration for his services as the Chairman. In the 2 years prior to the date of this Prospectus, Dr Best has received no cash remuneration for his services to the Company.

Mr Germano has entered into an executive service agreement with the Company under which he has been engaged as the Managing Director. The agreement is summarised in Section 9.1. Mr Germano has been issued 500,000 Shares in lieu of payment of his accrued salary as an employee of the Company until the date of his appointment to the Board. Mr Germano has also been issued with 500,000 Performance Rights and 3,300,000 Options. In the 2 years prior to the date of this Prospectus, Mr Germano has received no cash remuneration for his services to the Company.

Mr Cass is entitled to be paid a Director's fee of \$30,000 per annum inclusive of superannuation entitlements. The Company has issued 1,000,000 Series A Options to Mr Cass in consideration for his services as a non-executive director. Upon listing Mr Cass will be engaged as Research and Development Adviser under a consultancy agreement with the Company. Under this agreement, Mr Cass is engaged on a 3-day a week basis



and is entitled to be paid \$550 per day plus GST for his services. This contract can be terminated on 2 months written notice without cause. In the 2 years prior to the date of this Prospectus, Mr Cass has received no cash remuneration for his services to the Company.

Mr Willesee is entitled to be paid a Director's fee of \$30,000 per annum inclusive of superannuation entitlements. The Company has issued 1,000,000 Series A Options to Mr Willesee in consideration for his services as a non-executive director. Entities controlled by Mr Willesee have been engaged by the Company to provide corporate administration services such as company secretarial, office premises and book keeping services. Entities controlled by Mr Willesee are entitled to \$35,000 for corporate administration services provided before listing. The Company intends to pay this amount from the funds raised under the Offer. After ASX listing, these entities will receive a combined minimum monthly fee of \$7,850 plus GST for these services. In the 2 years prior to the date of this Prospectus, the entity providing book-keeping services has been paid \$9,899 (including GST). Apart from this entity, in the 2 years prior to the date of this Prospectus, Mr Willesee or entities controlled by him have received no cash remuneration for services to the Company.

Mr Walsh is entitled to be paid a Director's fee of \$40,000 per annum inclusive of superannuation entitlements. The Company has issued 1,000,000 Series A Options to Mr Walsh in consideration for his services as a non-executive director. In the 2 years prior to the date of this Prospectus, Mr Walsh has received no cash remuneration for his services to the Company.

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

## 10.9. Interests of experts and advisors

Except as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the 2-year period ending on the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer.

Fairweather Corporate Lawyers has acted as solicitors to the Offer. In respect of this work, the Company will pay approximately \$70,000 exclusive of GST. Subsequently fees will be paid in accordance with normal hourly rates. In the 2 years prior to the date of this Prospectus, Fairweather Corporate Lawyers has been paid fees of approximately \$20,000 for other legal services.

Wrays Pty Ltd has acted as the Patent Attorneys and (in consultation with its wholly owned subsidiary Wrays Lawyers Pty Ltd) (together Wrays) prepared the Intellectual Property Report in this Prospectus. In respect of this work, the Company will pay approximately \$3,740 (including GST). In the 2 years prior to the date of this Prospectus, Wrays has been paid \$38,567 (including GST) for intellectual property legal services.

RSM Corporate Australia Pty Ltd has prepared the Investigating Accountant's Report in this Prospectus. In respect of this work, the Company will pay approximately \$8,000 exclusive of GST. RSM Corporate Australia Pty Ltd has not received any other fees for services to the Company in the 2 years prior to the date of this Prospectus.

RSM Partners Australia has been paid fees of \$19,525 (including GST) for tax and audit services to the Company in the 2 years prior to the date of this Prospectus.

Mac Equity Partners Pty Ltd is Lead Manager to the Offer. The material terms of the mandate agreement with the Company and the fees to be paid to Mac Equity Partners Pty Ltd are set out in Section 9.2. In the 2 years prior to the date of this Prospectus, Mac Equity Partners Pty Ltd has received \$1,650 (including GST) in cash remuneration from the Company and it has (or its nominees have) been issued with 9,000,000 Series A Options.

View Street Partners Pty Ltd is Corporate Adviser to the Offer. The material terms of the corporate adviser agreement with the Company and the fees to be paid to View Street Partners Pty Ltd are set out in Section 9.3. In the 2 years prior to the date of this Prospectus, View Street Partners Pty Ltd has received cash remuneration totalling approximately \$134,200 (including GST) from the Company and it has (or its nominees have) been issued with 9,000,000 Series A Options.

### 10.10. Consents

The following parties have given their written consent to be named in this Prospectus and for the inclusion of statements made by those parties as described below in the form and context in which they are included, and have not withdrawn such consent before lodgement of this Prospectus with ASIC.

- (a) FW Legal Pty Ltd trading as Fairweather Corporate Lawyers has consented to being named as the Solicitors to the Offer in this Prospectus.
- (b) Wrays has consented to being named as the Patent Attorney to the Company and the inclusion of the Intellectual Property Report in this Prospectus.
- (c) RSM Corporate Australia Pty Ltd has consented to being named as the Investigating Accountant to the Company and the inclusion of the Investigating Accountant's Report in this Prospectus.
- (d) RSM Australia Partners has consented to being named as Auditor in this Prospectus and to the reference in this Prospectus to the audited financial information of the Company.
- (e) Automic Pty Ltd trading as Automic Registry Services has consented to being named as the Share Registry to the Offer.
- (f) Mac Equity Partners Pty Ltd has consented to being named as the Lead Manager to the Offer and the inclusion in the Prospectus of all statements referring to it.
- (g) View Street Partners Pty Ltd has consented to being named as the Corporate Adviser to the Offer and the inclusion in the Prospectus of all statements referring to it.

Each of the parties referred to above in this Section:

- does not make, or purport to make any statement in this Prospectus, or on which a statement made in this Prospectus is based other than as specified in this Section;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in the Prospectus with the consent of that party as specified in this Section; and
- has not caused or authorised the issue of this Prospectus.

### 10.11. Expenses of the Offer

The expenses connected with this Prospectus are estimated to be approximately \$600,000 exclusive of GST at Full Subscription. These expenses include fees to be paid to the Lead Manager, Corporate Adviser, solicitors, the patent attorney and investigating accountant, listing fees, prospectus design, printing and other miscellaneous expenses.

## 11. DIRECTORS' RESPONSIBILITY AND CONSENT

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or to the Directors knowledge, before any issue of the Shares pursuant to this Prospectus.

Each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Dated: 21 August 2017

A handwritten signature in dark ink that reads "Wayne Best". The signature is written in a cursive, slightly slanted style.

Signed for and on behalf of  
Nanollose Limited by  
Dr Wayne Best  
Chairman

## 12. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

<b>AFSL</b>	Australian Financial Services Licence.
<b>Applicant</b>	A person who submits a valid Application Form.
<b>Application</b>	An application to subscribe for Shares under this Prospectus.
<b>Application Form</b>	The Application Form attached to or accompanying this Prospectus and, where relevant, includes an on-line application form.
<b>Application Money</b>	The Offer Price multiplied by the total number of Shares subscribed for by an Applicant.
<b>ASIC</b>	Australian Securities & Investments Commission.
<b>ASX</b>	ASX Limited (ACN 008 624 691).
<b>Board</b>	The board of Directors.
<b>Closing Date</b>	The time and date at which the Offer closes, being 5.00pm WST on 11 October 2017, as varied by us.
<b>Company or Nanollose</b>	Nanollose Limited (ACN 601 676 377).
<b>Constitution</b>	The constitution of the Company.
<b>Corporate Adviser or View Street Partners</b>	View Street Partners Pty Ltd (ACN 613 339 236).
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth).
<b>Director</b>	A director of the Company.
<b>Entitlements Offer</b>	Offer of Series A Options on the terms set out in Section 3.12.
<b>Full Subscription</b>	The amount to be raised under this Prospectus being \$5,000,000.
<b>IP</b>	Intellectual property.
<b>Lead Manager or Mac Equity</b>	Mac Equity Partners Pty Ltd (ACN 126 369 640) (AFSL 338731)
<b>Nanollose Technologies</b>	The technologies developed by the Company relating to the processing, production and applications of microbial nanocellulose as described in Section 4.
<b>Offer</b>	The Offer to the public under this Prospectus to subscribe for 25,000,000 Shares at a price of 20 cents each to raise \$5,000,000.
<b>Opening Date</b>	28 August 2017.
<b>Option</b>	An option to acquire a Share.
<b>Performance Right</b>	The right which entitles the holder to be issued with one Share subject to satisfaction of any service conditions.
<b>Plant-Free cellulose</b>	The Company's name for microbial nanocellulose produced by the Nanollose Technologies from industrial organic and agricultural waste by-products and which does not involve the felling of trees or require the use of arable land or its associated use of irrigation, pesticides and other resource intensive inputs as described in Section 4.
<b>Prospectus</b>	This Prospectus dated 21 August 2017.
<b>R&amp;D</b>	Research and development.
<b>Series A Options</b>	Series A Options on the terms set out in Section 10.2.
<b>Series B Options</b>	Series B Options on the terms set out in Section 10.2.
<b>Series C Options</b>	Series C Options on the terms set out in Section 10.2.
<b>Series D Options</b>	Series D Options on the terms set out in Section 10.2.
<b>Share</b>	A fully paid ordinary share in the Company.
<b>Shareholder</b>	A registered holder of Shares.
<b>Share Registry</b>	Automic Pty Ltd (ACN 152 260 814) trading as Automic Registry Services.
<b>WST</b>	Western Standard Time, Perth, Western Australia.
<b>\$, A\$ or Dollars</b>	Australian dollars unless otherwise stated.



**Privacy Clause:** Automic Pty Ltd (ACN 152 260 814) trading as Automic Registry Services (Automic) advises that Chapter 2C of the *Corporation Act 2001* requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Primarily, your personal information is used in order to provide a service to you. We may also disclose the information that is related to the primary purpose and it is reasonable for you to expect the information to be disclosed. You have a right to access your personal information, subject to certain exceptions allowed by law and we ask that you provide your request for access in writing (for security reasons). Our privacy policy is available on our website – [www.automic.com.au](http://www.automic.com.au)

CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Trusts	Mr John Richard Sample <Sample Family A/C>	John Sample Family Trust
Superannuation Funds	Mr John Sample & Mrs Anne Sample <Sample Family Super A/C>	John & Anne Superannuation Fund
Partnerships	Mr John Sample & Mr Richard Sample <Sample & Son A/C>	John Sample & Son
Clubs/Unincorporated Bodies	Mr John Sample < Food Help Club A/C>	Food Help Club
Deceased Estates	Mr John Sample <Estate Late Anne Sample A/C>	Anne Sample (Deceased)

INSTRUCTIONS FOR COMPLETING THE FORM

This is an Application Form for Ordinary Fully Paid Shares ('Shares') in Nanollose Limited (ACN 601 676 377) (Company), made under the terms set out in the Prospectus dated 21 August 2017. The expiry date of the Prospectus is the data which is 13 months after the date of the Prospectus.

**The Prospectus contains important information relevant to your decision to invest and you should read the entire Prospectus before applying for Shares. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus and any supplementary prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary prospectus (if applicable) and an Application Form, on request and without charge.**

**1 Shares applied for** - Enter the number of Shares you wish to apply. Your application must be for a minimum of 10,000 Shares (A\$2,000). Applications for greater than 10,000 shares must be in multiples of 1,000 Shares (A\$200). Enter the amount of the Application Monies. To calculate this amount, multiply the number of Shares applied for by the offer price which is A\$0.20.

**2 Applicant name(s) and postal address** - Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person. You should refer to the table for the correct forms of registrable title(s). Applicants using the wrong form of names may be rejected. Enter your postal address for all correspondence. Only one address can be recorded against a holding. With exception to annual reports, all communications to you from the Company will be mailed to the person(s) and address shown. Annual reports will be made available online when they are released.

**3 Contact Details** - Please advise your contact details between 9:00am WST and 5:00pm WST should we need to speak to you about your application. You can notify any change to your communication preferences by visiting the registry website – [www.automic.com.au](http://www.automic.com.au)

**4 CHESS Holders** - If you are sponsored by a stockbroker or other participant and you wish to hold shares allotted to you under this Application on the CHESS subregister, enter your CHESS HIN. Otherwise leave the section blank and on allotment you will be sponsored by the Company and a "Securityholder Reference Number" (SRN) will be allocated to you.

**5 TFN/ABN/Exemption** - If you wish to have your Tax File Number, ABN or Exemption registered against your holding, please enter the details. Collection of TFN's is authorised by taxation laws but quotation is not compulsory and it will not affect your Application Form.

**6 Payment** - Unless received from their broker, Applicants under the Offer must lodge their Application Form and Application Monies with the Share Registry by 5.00pm (WST) on the Closing Date.

**BPAY®** your payment via internet or phone banking. Please visit our share registry's website: <https://investor.automic.com.au/nanolloselimited.html> and complete the online application form. All online applicants can BPAY® their payments via internet or phone banking. A unique reference number will be quoted upon completion of the application. Applicants should be aware of their financial institution's cut-off time (the time payment must be made to be processed overnight) and ensure payment is processed by their financial institution on or before the day prior to the closing date of the offer. BPAY® applications will only be regarded as having been made if payment is received by the registry from your financial institution on or prior to the closing date. It is the applicant's responsibility to ensure funds are submitted correctly by the closing date and time.

**You do not need to return any documents if you have made payment via BPAY®.**  
Your BPAY® reference number will process your payment to your application electronically and you will be deemed to have applied for such securities for which you have paid.

**All cheques** should be made payable to "Nanollose Limited – Share Offer Account" and drawn on an Australian bank and expressed in Australian currency and crossed "Not Negotiable".

Cheques or bank drafts drawn on overseas banks in Australian or any foreign currency will NOT be accepted. Any such cheques will be returned and the acceptance deemed to be invalid. Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonoured.  
Do not forward cash as receipts will not be issued.

**Electronic Funds Transfer (EFT)** is available for overseas applicants. Please email your completed Application Form and payment method request to [hello@automic.com.au](mailto:hello@automic.com.au). The registry will then contact you with your unique payment reference number and will outline the procedure for making payment by EFT. Applicants should be aware of their financial institution's cut-off time. It is the Applicant's responsibility to ensure funds are submitted correctly by the Closing Date and time.

**Applicants who received this Offer from their broker must return their Application Form and Application Monies back to their broker. Any cheque must be made payable to the broker.**

LODGEMENT INSTRUCTIONS

There is no maximum value of Shares that may be applied for under the Offer. The Company may determine a person to be eligible to participate in the Offer.

The Offer opens at 9.00am (WST) on 28 August 2017 and is expected to close at 5.00pm (WST) on 11 October 2017. The Company and the Lead Manager may elect to extend the Offer or any part of it, may be closed at any earlier date and time, without further notice. Applicants are therefore encouraged to submit their Applications as early as possible.

Completed Application Forms and cheques must be:

<b>Posted to:</b> Nanollose Limited C/- Automic PO Box 2226 STRAWBERRY HILLS NSW 2012	<b>Delivered to:</b> Nanollose Limited C/- Automic Level 3, 50 Holt Street SURREY HILLS NSW 2010 <b>Hand delivery during business hours only - 9am to 5pm (AEDT)</b>
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Enquiries in respect of this Share Application Form should be addressed to Automic at 300 288 664.  
Share Application Forms must be received no later than 5.00pm (WST) 11 October 2017











[www.nanollose.com](http://www.nanollose.com)