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**MEDIA RELEASE**

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## **UK BUS FLEET DEAL TO BOOST ADVANCED NANO'S REVENUES IN SECOND HALF**

Advanced Nanotechnology Limited (ASX:ANO) expects to see increased revenue being generated over the second half of 2004/05 from a recently announced deal between UK-based Cerulean International Limited and the Stagecoach Group to roll out the use of Cerulean's Envirox™ diesel fuel additive to Stagecoach's 7,000 strong bus fleet in the United Kingdom.

The UK deal follows a successful 12-month commercial evaluation by the Stagecoach Group. Advanced Nano manufactures a cerium oxide nanoparticle dispersion, a key component in Envirox™, which, Stagecoach's tests show, increases engine efficiency and lowers emissions. Envirox™ will be introduced to the Stagecoach Group's UK fleet over the next six months. Stagecoach also operates in USA, Canada and New Zealand, with around 16,000 vehicles and rolling stock worldwide.

Announcing its maiden interim results today following its listing on the ASX last week, Advanced Nanotechnology Limited ("Advanced Nano") reported total revenue for the six months to 31 December 2004 of \$608,000, down 9% compared to the previous corresponding period. The reduction was primarily due to the timing of orders for the Company's industrial and environmental products. Advanced Nano announced an interim net loss of \$1.66 million (compared to a loss of \$1.18 million for the previous corresponding period).

Dr Paul McCormick, CEO of Advanced Nano, said financial performance for the first half was in line with Directors' expectations and is consistent with the Company's move from research and development to commercialisation of its nanotechnology products. He said the transfer of key staff from its previously partly-owned and now fully-owned subsidiary Advanced Nano Technologies Pty Ltd ("ANT") as the Company continued its scale-up activities, plus increased finance and administration costs due to Advanced Nano's IPO and public listing, had contributed to the increased loss.

"I believe we have a world class manufacturing process for our nanotechnology products which are now being introduced in the cosmetics, industrial coatings and fuel additives sectors," Dr McCormick said. "A top priority in the second half is to complete the planned expansion of the Company's manufacturing facilities so that we can reap the full benefits of our development activities in national and international markets."

Revenues for the Company's personal care products increased by 31% in the first half, compared to the previous corresponding period. This was due to increased demand as five suncare products incorporating an Advanced Nano manufactured product ZinClear® were launched in Australia and overseas in 2004. The six-month reporting period also saw increased demand for another product, Alusion® (albeit from a small base), as customers completed their product development activities and launched new cosmetic products.

Revenues from the Company's industrial and environmental products were down by 59% in the half as Stagecoach completed its testing of Envirox™, but now with their decision to proceed with the introduction of Envirox into their UK fleets a significant increase in revenue is expected in the second half.

	2004	2003	Increase / (Decrease)	% Change	
	\$	\$			
Sales to customers					
Personal care	400,403	304,961	95,442	Up	31%
Industrial and environmental	<u>136,163</u>	<u>330,685</u>	<u>(194,522)</u>	Down	59%
	536,566	635,646	(99,080)		
Bank interest and other revenue	<u>71,560</u>	<u>30,112</u>	<u>41,448</u>		
Total Revenue from Operating Activities	<u>608,126</u>	<u>665,758</u>	<u>(57,632)</u>	Down	9%
(Loss) from ordinary activities	<u>(1,659,458)</u>	<u>(1,175,231)</u>	<u>(484,227)</u>	Up	41%

## KEY DEVELOPMENTS POST BALANCE DATE

Negotiations are continuing on the terms of a supply agreement between Cerulean Limited and Advanced Nano, which the Company expects to conclude within the current half year. On 31 January 2005, Oxonica Limited (Cerulean's parent company) announced, that following the successful UK commercial evaluation of Envirox™ with the Stagecoach Group, Oxonica is partnering with BASF to introduce Envirox™ to the Philippines.

Advanced Nano and Buhler AG are finalising a six month extension of their non-binding Heads of Agreement to evaluate formation of a joint venture for the manufacture and sales of nanomaterials dispersions worldwide. The large private Swiss-based Buhler AG is a global specialist in the field of plant design and construction and related services for transforming renewable and synthetic raw materials into high-quality functional products and valuable substances.

## PLANT EXPANSION

Advanced Nano's expansion program at its Welshpool manufacturing plant in Perth will increase capacity to meet current and expected growing demand for its products. Key items of equipment have been purchased in order to bring in-house two costly and time consuming processes which are currently being outsourced. Based on current plans, the Company expects Phase I of the plant will become operational in the September 2005 quarter.

## HIGHLIGHTS

In January 2005, Advanced Nano's IPO to raise \$9 million to fund the Company's working capital requirements was closed oversubscribed.

Other highlights of the half year to 31 December included:

- July 2004 – Advanced Nano's joint venture entity ANT successfully completed its mission of scaling the patented MCP™ process to production scale and completed its \$2.8 million AusIndustry Start Grant;
- August 2004 – Advanced Nano raised approximately \$2 million as part of a private placement;
- December 2004 – the Company entered into a three-year lease for additional premises in Welshpool, WA to provide much needed space for the expansion of its manufacturing plant;
- December 2004 – Cerulean Limited confirmed that the Stagecoach Group plans to introduce Envirox™ over the next six months across their 7,000 strong bus fleet in the UK after the success of a 12 month commercial evaluation. Advanced Nano manufactures a cerium oxide nanoparticle dispersion, a key component in Envirox™.
- December 2004 – Advanced Nano, ANT and Samsung Corning Co. Ltd. of Korea entered into agreements with respect to the buy back of Samsung Corning's 50% shareholding in ANT and to establish co-ownership of ANT's IP relating to the MCP™ nanopowder manufacturing process. The buy back was completed in January 2005 and at that time ANT became a wholly owned subsidiary of Advanced Nano.