

ASX ANNOUNCEMENT
 (ASX: ANO)

23 JANUARY 2006

**APPENDIX 4C – QUARTERLY REPORT FOR ENTITIES ADMITTED ON
 THE BASIS OF COMMITMENTS**

Name of entity	Advanced Nanotechnology Limited
ABN	54 079 845 855
Quarter ended	31 December 2005 (“Current Quarter”)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Current Quarter \$A	Year to date (6 months) \$A
Cash flows related to operating activities		
1.1 Receipts from customers	\$ 993,652	\$ 1,298,935
1.2 Payments for (a) staff costs (excluding R&D Staff Costs)	\$ (524,578)	\$ (1,035,757)
(b) advertising and marketing	\$ (21,622)	\$ (36,400)
(c) R&D (including Staff Costs)	\$ (212,196)	\$ (382,053)
(d) leased assets	\$ (11,835)	\$ (16,559)
(e) other working capital	\$ (469,632)	\$ (1,121,388)
1.3 Dividends received	\$ -	\$ -
1.4 Interest and other items of a similar nature received	\$ 135,317	\$ 216,352
1.5 Interest and other costs of finance paid	\$ (5,925)	\$ (11,850)
1.6 Income taxes paid	\$ -	\$ -
1.7 Other	\$ -	\$ -
1.8 Net operating cash flows	\$ (116,819)	\$ (1,088,720)
Cash flows related to investing activities		
1.10 Payments for acquisition of:		
(a) businesses (item 5)	\$ -	\$ -
(b) equity investments	\$ -	\$ -
(c) intellectual property	\$ (10,734)	\$ (12,350)
(d) physical non-current assets	\$ (38,985)	\$ (177,051)
(e) other non-current assets	\$ -	\$ -

CONSOLIDATED STATEMENT OF CASH FLOWS cont.

	Current Quarter \$A	Year to date (6 months) \$A
Cash flows related to investing activities (continued)		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	\$ -	\$ -
(b) equity investments	\$ -	\$ -
(c) intellectual property	\$ -	\$ -
(d) physical non-current assets	\$ -	\$ -
(e) other non-current assets	\$ -	\$ -
1.11 Loans to other entities	\$ -	\$ -
1.12 Loans repaid by other entities	\$ -	\$ -
1.13 Other	\$ -	\$ -
Net investing cash flows	\$ (49,719)	\$ (189,401)
1.14 Total operating and investing cash flows	\$ (166,538)	\$ (1,278,121)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	\$ -	\$ -
1.16 Proceeds from sale of forfeited shares	\$ -	\$ -
1.17 Proceeds from borrowings	\$ -	\$ -
1.18 Repayment of borrowings	\$ (8,329)	\$ (16,658)
1.19 Dividends paid	\$ -	\$ -
1.20 Other - share issue costs	\$ (11,604)	\$ (11,604)
Net financing cash flows	\$ (19,933)	\$ (28,262)
Net increase (decrease) in cash held	(186,471)	(1,306,383)
1.21 Cash at beginning of quarter/year to date	7,285,359	8,405,549
1.22 Exchange rate adjustments to item 1.2	3,261	2,983
1.23 Cash at end of quarter	\$ 7,102,149	\$ 7,102,149

PAYMENTS TO DIRECTORS OF THE ENTITY AND ASSOCIATES OF THE DIRECTORS

PAYMENTS TO RELATED ENTITIES OF THE ENTITY AND ASSOCIATES OF THE RELATED ENTITIES

	Current Quarter \$A
1.24 Aggregate amount of payments to the parties included in item 1.2	9,863
1.25 Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

1) Watson Mangioni is a director related entity and bills Advanced Nanotechnology Limited at normal commercial terms. During the year Watson Mangioni acted as Commercial Lawyer for Advanced Nanotechnology Limited. Fees related to these activities totalled \$9,863 for the quarter and \$22,720 year to date. This is disclosed at items 1.2(e) and 1.24.

NON-CASH FINANCING AND INVESTING ACTIVITIES

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not applicable

NON-CASH FINANCING AND INVESTING ACTIVITIES (CONTINUED)

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Not applicable

FINANCING FACILITIES AVAILABLE

	Available \$A	Used \$A
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

RECONCILIATION OF CASH

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current Quarter \$A	Previous Quarter \$A
4.1 Cash on hand and at bank	154,369	164,579
4.2 Deposits at call	6,947,780	7,120,780
4.3 Bank overdraft	-	-
4.4 Other	-	-
Total: cash at end of quarter (item 1.23)	\$ 7,102,149	\$ 7,285,359

ACQUISITIONS AND DISPOSALS OF BUSINESS ENTITIES

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	-	-
5.2 Place of incorporation or registration	-	-
5.3 Consideration for acquisition or disposal	-	-
5.4 Total net assets	-	-
5.5 Nature of business	-	-

COMPLIANCE STATEMENT

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
2. This statement does give a true and fair view of the matters disclosed.

Sign here: *D. Cesari*
Company Secretary

Date: 23 January 2006

Print name: Deana Cesari

NOTES

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, AASB 1026: Statement of Cash Flows apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. Accounting Standards. ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.