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ASX ANNOUNCEMENT (ASX: ANO)

29 APRIL 2008

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## **QUARTERLY CASH REPORT AND SHAREHOLDER UPDATE**

Advanced Nanotechnology Limited today released its Cash Report (Appendix 4C) for the quarter ended 31 March 2008.

Advanced Nano's cash balance at the end of the quarter was \$2,224,110 compared to \$3,381,865 as at 31 December 2007, a net decrease of \$1,157,755. Key contributors to this usage are as follows:

- Cash receipts from customers were down at \$468,163 due to the delay by some customers in taking delivery of their expected requirements;
- Grant receipts (\$38,707) were affected by timing issues and were significantly lower than the previous (December) quarter (\$242,467). Commercial Ready receipts for the next (June) quarter are estimated to increase to approximately \$115,000; and
- Payments for other working capital included approx. \$250,000 in payments to suppliers of raw materials as the Company increases its investment in raw materials to support current and future orders.

In the coming quarter, the Company's cash reserves will be boosted with a US\$650,000 working capital advance from The Dow Chemical Company (Dow) as a contribution towards the increased inventories and other outgoings Advanced Nano is incurring in its preparation for US market demand. Dow has placed its first order for ZinClear-IM™ which Advanced Nano expects to fulfil in the current financial year.

The Company has continued to implement a series of measures aimed at reducing expenditure, conserving cash, and refocusing the business towards products with the best prospects for near-term commercial success. To this end, several actions are being implemented to reduce cash usage. These include:

- Reduction of administrative and certain research overheads via redundancy;
- A review of all finance and administrative service providers;
- Planned reduction in occupancy costs through the sub-lease of excess factory and office space; and
- Focusing of the Company's product development efforts to emphasize the most attractive commercial prospects.

Since the end of last financial year, the Company's permanent staff has been reduced from a full-time equivalent of 41 people down to 28. These reductions have been achieved with no material impact on the Company's production capacity or on research and development of products with current commercial significance.

Bruce Cameron, Executive Chairman of Advanced Nano, stated "the Board and management recognise that a key priority is effective utilisation of our cash reserves through this critical phase of the Company's growth."

### **SALES FOR THE QUARTER ENDED 31 MARCH 2008**

Sales to customers for the first nine months of the 2008 financial year totalled \$2,063,010 (unaudited). Although the growth in personal care lines has been very strong, this growth has not offset the hiatus in Industrial & Environmental product revenues (principally Cercat™) accompanying the termination of the Oxonica plc supply agreement and the commencement of the Energenics relationship.

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## *Personal Care Products*

Sales of the Company's Personal Care products in the March 2008 quarter were \$499,412 (unaudited) following low January sales which recovered in February and March. Year-to-date sales of ZinClear® and Alusion® product lines totalled \$1,824,272. This is an increase of nearly 90% over the 2007 comparative total of \$966,752.

This significant sales growth predominantly reflects ZinClear-IM™ success in the Australian market. ZinClear-IM™ is the Company's new sunscreen active enabling the formulation of highly transparent sunscreen offering excellent UV-A and UV-B protection using micron-sized zinc oxide particles as the sole or main UV active.

The Company believes that the success of ZinClear-IM™ in Australia will soon be expanded to the USA and Europe.

Earlier this month, The Dow Chemical Company (via its Amerchol business portfolio) became Advanced Nano's exclusive marketer and distributor for its ZinClear-IM™ products within North and Latin America. This teaming brings Dow's technical and formulation skills, marketing resources and logistics support to existing and potential personal care customers in North America and Latin America. The early response from this collaboration has been most encouraging.

In the European market, a ZinClear-IM™ formulation was recently assessed as being of "natural origin" by ECOCERT, a European control and certification organisation. This is a significant development, for it opens up the fast-growing "natural" sunscreen segment for the Company. Existing European distributors have begun ordering initial volumes of ZinClear-IM™ and we expect this trend to continue as potential customers continue to evaluate our product.

## *Industrial and Environmental Products*

Year-to-date sales of the Company's Industrial Coatings and Environmental products totalled \$238,738 (unaudited) which is well below the 2007 comparative year-to-date total of \$1,345,633.

The significant reduction of sales is principally due to the previously announced termination of the supply agreement held by Oxonica plc. Advanced Nano is now focusing its activities in the fuel borne catalyst market with Energenics, its key customer and strategic partner. Energenics is building a significant presence in the clean-burn and biofuels markets throughout Asia, Europe and the United States and we expect sales of our Cercat™ product to grow as Energenics completes its testing of new formulations incorporating Cercat™ and builds key customer relationships.

Advanced Nano continues to work with key partners in commercializing its existing portfolio of technologies and intellectual property. This includes highly durable transparent coatings, and lightweight building materials using low-cost ingredients. Prospective opportunities in the pearlescent pigments sector are also being pursued.

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## **About Advanced Nano**

Advanced Nanotechnology Limited develops, manufactures and sells a range of advanced metal oxide powders and dispersions worldwide. Advanced Nano's products are marketed under four parent brands, ZinClear® – broad spectrum, mineral-only UV filters in cosmetic emollients used for sunscreen, skincare, and pharmaceutical formulations that allow SPF 30+ sunscreens containing only zinc oxide as the UV absorber; Alusion® – plate-shaped particles used to enhance colour cosmetics formulations to mask wrinkles and fine lines; Cercat™ – cerium oxide nanoparticle dispersion used in diesel fuel applications; and NanoZ™ – nano zinc oxide additives that allow stable UV absorber performance for coatings and plastics.

## **For Further Information:**

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