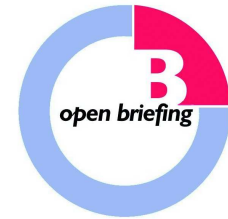


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Advanced Nanotechnology Limited (ASX code: ANO) recently announced that its strategic relationship with Energenics will be centred on a mutually exclusive five year supply agreement for its fuel borne combustion catalysts. Can you outline the strategic rationale for this supply agreement?

**CEO Paul McCormick**

Our strategy is to maximise sales to the clean-burn fuel market. We seek to achieve this through a strategic alliance with a partner that has a strong existing presence in the Asian markets with an integrated portfolio of products that provides technical solutions for fuel efficiency and reduced greenhouse gas emissions.

By working together with Energenics in developing specific products to meet market requirements, the agreement provides us with a significant window to the market and is expected to enable us to develop our own market intelligence rather than just a buyer/seller relationship.

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Will this agreement become the foundation of your fuel additives business? What products does the agreement extend to?

**CEO Paul McCormick**

Yes, under the supply agreement and with some exceptions, including Australia and New Zealand, we will manufacture and sell exclusively to Energenics. The agreement extends to all metallic oxide nanoparticle catalysts and for diesel and

other fuel types, including gaseous and solid fuels. For the Australian and New Zealand markets, we retain the ability to sell directly.

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Did you consider entering the Asian fuel additives market on your own?

**CEO Paul McCormick**

Yes, this was considered. However, on analysing the market it became clear that access to multiple products and technologies, and strong local marketing with technical backup, would be required to become a serious player in the fuel additives business in Asia.

The alliance with Energenics allows us to commercialise our nano fuel additives in a manner that does not detract from the commercialisation of our other products, such as the recently launched ZinClear-IM™. In addition, working together with Energenics in developing specific fuel additive nanoparticle blends for particular applications will provide us with an excellent understanding of the market's needs, while allowing us to focus on our core strengths in developing and commercialising nanotechnology products.

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What were the key attributes of Energenics that were considered in the formation of this strategic alliance?

**CEO Paul McCormick**

We were initially attracted to their technical understanding of the fuel additive markets and their marketing strategy. Ronen Hazarika, Managing Director of Energenics, is the original inventor of patented technology relating to coated cerium oxide nanoparticles used as a fuel-borne catalyst. Energenics' strategy of becoming a fully integrated supplier of innovative technologies will ensure excellent market exposure for our products. Energenics' location and focus on Asia, their intent to use Cercat™ as an important component in their product offering and their strategic investment in Advanced Nano were also important factors.

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Other than the subscription for A\$6 million of new Advanced Nano shares, what will Energenics contribute to the alliance?

**CEO Paul McCormick**

We expect to work with Energenics in bringing other new nanotechnology products to the marketplace. Initially our collaboration will focus on fuel-borne catalysts, however, we expect the collaboration will extend to other products, providing opportunities for us to enter new Asian markets for our products.

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Will Advanced Nano need to expand capacity in order to meet the potential demand for your nanomaterial dispersions and catalytic additives that may arise from the agreement?

**CEO Paul McCormick**

Our existing manufacturing capacity that has been built up over the last two years will be sufficient to meet initial demand. However, as sales increase we anticipate moving production to a location in Asia to take advantage of reduced manufacturing and shipping costs. Our raw materials for this product are all sourced from Asia, so it makes sense to locate our manufacturing, potentially in Singapore, in the future.

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The joint venture will focus on biofuels and clean burning fuel technologies. What is the market potential for your products within these markets?

**CEO Paul McCormick**

Our strategic partner, Energenics, estimates the total global potential for nano catalytic additives in diesel, biofuels and residual fuels to be approximately US\$14 billion dollars per annum. Energenics estimates that the market for clean coal applications for nano catalytic additives is approximately US\$17 billion dollars. It is unrealistic to expect a major share of these markets, but even a low market penetration and conservative pricing would generate substantial revenues. Energenics is currently planning a major R&D program in conjunction with us to develop new applications beyond diesel transportation fuel.

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How do you see the Asian market for biofuels and clean burning fuels developing in the medium term?

**CEO Paul McCormick**

There is a growing interest for biofuels and cleaner burning fuels in Asia and this is being stimulated by Energenics. Energenics estimates it will be supplying additive to over 500 million litres of diesel in India alone by mid-2008. It is developing opportunities in Vietnam, Thailand, Singapore, Taiwan, Hong Kong and Australia. So the medium term sales outlook is extremely promising. As all of Energenics' clean fuel programmes will be run as Clean Development Mechanism (CDM) projects, the opportunities to generate value from CO<sub>2</sub> emission reductions will drive customer adoption.

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On 30 April 2007 you announced the termination of Oxonica's contract to supply Petrol Ofisi in Turkey with Advanced Nano's Envirox™. What will be the impact of the loss of this contract?

**CEO Paul McCormick**

Oxonica's loss of the Petrol Ofisi business will have a short term impact on our revenues. As previously announced, Environmental sales for the March quarter of FY07 were down by 21 percent from the previous year's March quarter and down by 75 percent from the December 2006 quarter.

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Did sales to Oxonica meet the initial order value of US\$0.65 million in calendar 2006?

**CEO Paul McCormick**

Yes and additional sales were booked prior to termination of the Petrol Ofisi contract.

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Thank you Paul.

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For more information about Advanced Nanotechnology Limited, visit [www.advancednanotechnology.com](http://www.advancednanotechnology.com) or call Dr Paul McCormick on +61 8 9458 0800

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