
ASX ANNOUNCEMENT
(ASX: ANO)

2 NOVEMBER 2006

ANNUAL GENERAL MEETING - CHAIRMAN'S ADDRESS

Fellow shareholders, on behalf of the Advanced Nano Board it is my pleasure to welcome you to the 2006 Annual General Meeting, our second such meeting as a publicly listed company.

I think we can all be very pleased with the Company's operational performance throughout this year. From the perspective of the Board, we believe that the Company has delivered on the operational objectives set at the time of our float nearly two years ago.

Starting with sales, we are pleased that revenues are up 78% on those of last financial year. Sales of our major product lines, ZinClear[®] sunscreen additive, NanoZ[®] UV blocking dispersion for the protection of timber and paint, Alusion[®] cosmetic product, and Cercat[™] cerium oxide catalyst used in Envirox^{™(1)} have all increased substantially.

It generally takes our customers many months or even years to develop products incorporating our ingredients as they move from testing small trial batches to full scale production. In these circumstances the growth in sales and the take up of our products in such a short time is a remarkable achievement. There is now clear commercial evidence of the quality and uniqueness of our product offering. Moreover, our sales have been made at attractive gross margins so it is evident that we will become profitable as our sales and the scale of production builds.

On the production side, I am also pleased to say that our plant expansion which started last year has been completed. Our capacity has now more than doubled and we have the capability to increase production further at relatively moderate cost. All of our production is now in-house so that we are now supplying the Envirox^{™(1)} product to our customer Oxonica in finished form.

Advanced Nano has of course continued its extensive R&D program, and we are delighted at the progress. We are progressively launching second generation versions of our major product lines that fine-tune their suitability for major markets, whilst also incorporating production process refinements that enable us to offer them to a much broader market at improved profit margins.

The Company is progressing scale-up trials for the continuous production of its enhanced ZinClear-IM[™] sunscreen ingredient. This will provide Advanced Nano with the ability to market to large-volume international sunscreen brands.

Our research into applications such as stable UV blockers for transparent food packaging and for precision sintered ceramic components is showing exceptional promise. Both of these products address billion dollar global market opportunities.

The commercial potential of our technology was recognised by the Federal Government in October, with their awarding of nearly \$2m in Commercial Ready grant funding. This dollar for dollar grant is aimed at the development and commercialisation of a range of advanced coatings and films, known as transparent functional coatings. This grant validates the potential of Advanced Nano's technology, providing clear evidence of the significance of our work.

Our Company is also continuing to receive recognition worldwide for the uniqueness and strength of its technologies and products. Last year we won the Frost and Sullivan global innovation award, and have recently been recognised by New-York based Lux Research as a leader in the nanomaterials business sector.

Building upon the initial success of our products, we have begun actively expanding our commercialisation effort. We have appointed new personnel to expand our sales internationally, and have continued to expand our distribution networks in Europe, the USA and Asia.

We see 2007 as being an important year in the evolution of Advanced Nano as we progress towards becoming a significant international producer of high quality nano ingredients. As mentioned, it takes two or three years of trials and testing to get new products into production process of our large customers. The opportunity exists to secure sales growth in the future significantly greater than the over 70% growth we have seen in each of our first three years.

As our products become established in our customers' production lines, opportunities for joint ventures or alliances are increasingly developing. The Board has some exciting strategic decisions to make as to how to optimise these opportunities for the Company and its shareholders.

Finally, I would like to thank all shareholders for their continued support in 2006. I am confident that your support is well founded and that the Company's performance will reward your patience.

On behalf of my fellow independent directors, I would also like to thank Dr McCormick, his management team, and all employees for an outstanding performance in 2006. Let me now invite Dr McCormick to give us a more comprehensive review of the Company.

ABOUT ADVANCED NANOTECHNOLOGY LIMITED

Advanced Nano develops, manufactures, and sells advanced nanomaterials products worldwide that deliver significant performance and value improvements to its customers' products, and is the only Australian public company to successfully operate in the rapidly expanding global nanomaterials sector. Advanced Nano's MCP™ nanopowder manufacturing technology is a patented, platform technology that enables the production of a broad range of high quality nanopowders and nanomaterials. The Company has achieved early revenues and strong growth through high value, short time to market products where the high quality of its nanomaterials provides a clear competitive edge.

The Company's first products are in personal care, coatings, plastics and environmental catalyst markets where product transparency and functionality are required attributes. The products are manufactured and marketed under three parent brands: ZinClear® – sunscreen dispersions that allow SPF 30+ sunscreens containing only zinc oxide as the UV absorber; Alusion® – soft focus effect pigments for masking ageing effects; and NanoZ® – nano zinc oxide additives that allow stable UV absorber performance for coatings and plastics. Advanced Nano also manufactures Envirox™⁽¹⁾, a fuel borne nanocatalyst for use in diesel fuel, for UK-based Oxonica plc.

(1) Envirox™ is a trademark of the Oxonica group.

FURTHER INFORMATION:

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