

**Attention ASX Company Announcements Platform
Lodgement of Open Briefing®**



Advanced Nanotechnology Limited
108 Radium Street
Welshpool
Western Australia, 6106



Date of lodgement: 4-Oct-2006

Title: Open Briefing® . Advanced Nano. CEO on Strategy and Outlook

Record of interview:

corporatefile.com.au

Advanced Nanotechnology Limited (ASX code: ANO) was borne out of the University of Western Australia in 1997 as Advanced Powder Technologies, and listed on ASX at \$0.20 in February 2005 under the current name. The shares are currently trading at \$0.13. Does the diminution in shareholder value reflect strategic underperformance since your IPO?

CEO Paul McCormick

We are disappointed in the current share price and believe it does not reflect the substantial progress that we've made since the IPO.

Our vision is to become a world leader in innovative advanced nanomaterials and nanomaterials solutions. Since the IPO we've achieved significant revenue growth with our four existing products and have introduced three new products to the market which we believe will contribute to future revenue growth.

Our products are sold to formulators such as cosmetics companies, paint manufacturers, and the like. As it takes time for them to test formulations using our products, our rate of growth is very encouraging and indicates our products are winning acceptance at an early stage in their commercialisation. This profile of early stage market acceptance is precisely what we had hoped for back when we listed.

We've expanded our manufacturing capacity to meet increased demand and made significant improvements in our ability to service this demand by bringing out-sourced processes in-house, increasing product throughput and reducing direct manufacturing costs. At the same time we've carefully managed our cash balance

by directing our limited resources into those areas providing the best opportunity for both short and long-term growth.

As a new and small publicly listed company in a cutting edge sector with a limited number of investors, we aren't well known by the investment community. The Nanotechnology sector is also not particularly well understood in Australia and consequently our share price has languished even though operationally we've performed very well. We're implementing a programme of improving market awareness through investor and broker presentations, Open Briefings and other releases aimed at continuing to keep investors informed of our progress.

corporatefile.com.au

What are your strategic priorities?

CEO Paul McCormick

We have three clear strategic priorities. Firstly, to establish strong sales and distribution overseas. Already over 85 percent of our 2006 revenue comes from overseas customers, so establishing a direct presence alongside major customers will have clear benefits.

Second is to bring to commercial reality new products and extensions of existing products. We've launched three new products in the last six months and plan a further two product launches in the next six months. We expect these new products will generate significant future revenue growth, well beyond that of existing products. Our current R&D activities will form the basis of the next stage of growth and will continue to build on our expanding Intellectual Property (IP) portfolio.

Thirdly, we're implementing process improvements to reduce manufacturing costs and expand production capability. This is essential to remain competitive in the long term. We're already competitive and yet we continue to make significant progress in achieving cost reductions. Furthermore, we expect margins to increase in future years as sales of new lower cost products commence.

corporatefile.com.au

Who are your main competitors and to what extent is your small size a competitive disadvantage?

CEO Paul McCormick

Our competition consists of both large international chemical companies as well as a number of small companies still in the R&D stage. Despite our location and small size, we're able to compete very effectively in a rapidly expanding market thanks to the uniqueness and high quality of our products, as well as our ability to respond quickly to customer and market needs. New applications for nano materials are developing in many directions so that the competition in our chosen areas of operation is more limited.

corporatefile.com.au

What are your competitive advantages?

CEO Paul McCormick

Our competitive advantages are the IP behind our proprietary production technologies, the versatility of our nanoparticle manufacturing process and the high quality of our products, which enables our customers to develop their own superior products.

The MCP™ process and related enhancements may be used to make a wide range of different nanopowders that bring unique attributes to the final product. Our IP is protected by an extensive patent portfolio, which today includes 9 granted and in-process patents in a variety of jurisdictions.

We are not just a powder manufacturing company, but rather developing the next level of technology using nanopowders in end products. Finally, by being nimble we believe we're able to react quickly to our customer's needs and work closely with them to minimise the time required to get the product to market.

corporatefile.com.au

ANO depends on patented technologies for the production of its nanomaterials. Can you explain the critical aspects of your patented MCP™ manufacturing process?

CEO Paul McCormick

Our strategy is to selectively patent our IP for product applications and new product processes where it can be demonstrated that patent protection is justified. We also keep certain key IP as proprietary trade secrets rather than patenting to avoid copying by competitors. Patents cover both the technology for manufacturing the nanoparticles, which is co-owned with Samsung Corning, and the processes for incorporating nanoparticles into the final product, which we've developed and own outright.

The patents on our MCP™ process cover our unique ability to produce very small particles with uniform size and shape. Our process is specially designed so the nanoparticles remain completely separate after being formed and after transferring into the final product, which is critical in achieving the unique enhancement to the final product, such as transparency.

The value of our technology resides both with the core IP for manufacturing the particle and importantly, our processes for incorporating the particles either partially or wholly in the final product. Where possible, because of the uniqueness of the products made with our nanoparticles, we take out patent applications that cover both the process and the final product. For example, when we realised our zinc oxide nanoparticles were so transparent that they could be used to manufacture transparent SPF30+ sunscreens without the need to add chemical UV absorbers, we patented the product as well as the process for making the transparent sunscreen.

corporatefile.com.au

What has become of Advanced Nano Technologies Pty Ltd (ANT) – bought back and now a wholly owned subsidiary of Advanced Nanotechnology Limited?

CEO Paul McCormick

ANT was our previous joint venture with Samsung Corning and was undertaking development and scale-up of the MCP™ manufacturing process technology. When the buyback took place, ANT's key researchers were reabsorbed into Advanced Nano, and today ANT is the holder of the MCP™ process technology, 50/50 co-owned with Samsung Corning.

corporatefile.com.au

What is the market potential for your products?

CEO Paul McCormick

It is difficult to put a firm number for each product due to the evolutionary nature of our technology. Our products are entering multi-million dollar markets, either displacing existing conventional technologies or opening up new markets previously unreachable with existing technology. For example, in the global market for sunscreen UV absorber additives, the market targeted by ZinClear®, is conservatively estimated at US\$400 million per year and is growing at 8 percent per year. Likewise, the global market for UV additives for paint and industrial coatings, the market targeted by NanoZ®, is about US\$180 million per year, and showing similar rates of growth.

We're currently developing a UV protective agent for incorporation in transparent food packaging to increase shelf life and respond to the need to replace existing chemical additives. Globally, the market for transparent food packaging is greater than US\$10 billion, of which the additives component is probably US\$400 million.

Overall, we estimate the specialist additives markets that our products target are in aggregate well over US\$1 billion. Since we believe our products are capable of being amongst the best performers in their category, we feel we are looking at a very bright future.

corporatefile.com.au

Advanced Nano recently announced a variant of ZinClear® based on technology you called Index Matching. What are the advantages of the Index Match or IM™ series of products?

CEO Paul McCormick

Our new Index Match technology makes larger particles, greater than one micron, transparent. This is achieved through a clever design of the particles whereby they are nanostructured but have a much larger size. The IM™ technology allows us to respond to new markets where larger particle sizes are preferred, for example because of the improved handling characteristics. Additionally, the lower manufacturing cost of IM™ particles will also allow us to enter higher volume segments of the sun care market with a competitively priced product.

corporatefile.com.au

Advanced Nanotechnology continues to invest heavily in R&D with \$1.7 million allocated last year. What is your pipeline of development products and how close are they to becoming commercial?

CEO Paul McCormick

We're targeting the development of nano additives for coatings and films that provide stable UV protection or UV protection combined with other properties such as abrasion resistance, low gas permeability or antimicrobial. The high transparency of our nanoparticles provides us with a significant advantage in the billion dollar nano additives market for transparent coatings and food packaging. Our first new product in this category, NanoZ® AQ, a water based dispersion for paint is currently undergoing scale-up trials. We expect to introduce the product in early October at Eurocoat 2006 in Barcelona. This product provides long lasting protection to clear outdoor paints for treatment to wood.

Our second new product, an additive to provide UV and antimicrobial protection in transparent food packaging is in a late stage of development and we're carrying out development and testing with five companies. If successful, this product will provide a significant improvement on existing products that rely on chemical additives. This represents a very significant market opportunity.

The second area we're working on is net shaped nano ceramics. Industrial ceramics is a huge specialist market worth billions of dollars a year. We're developing a new, net shape forming technology that potentially reduces the cost of manufacturing final products such as fuel cells and various electronic products by half. With the ANO technology, small ceramic components can be formed very accurately, so that minimal machining is required. Ceramics, being hard, are notoriously difficult to machine, so a net shape forming technology is enormously significant.

We've been working on ceramics with a major Japanese ceramic supplier. Recent stage one forming trials in Japan were successful and we are progressing to the next stage.

corporatefile.com.au

Advanced Nanotechnology supplies Oxonica in the UK with Envirox™, a fuel additive, which they in turn supply customers including Petrol Ofisi A.S. the leading national oil company in Turkey. How can ANO based in Perth, Western Australia competitively supply this additive given the distances involved?

CEO Paul McCormick

The distance separating us from most of our customers is an additional complexity to manage, not only with regard to Envirox™, but also our other exported products. We see this situation as a shorter term issue. Already over 85 percent of our products are sold overseas, and we will continue to grow internationally. Strong growth will enable us to fund regional offices to better serve our customers. In time we expect our products will be manufactured closer to our customers to shorten the supply chain and save on transport costs and further increase our business in those regions.

corporatefile.com.au

What manufacturing capacity does Advanced Nanotechnology own and operate, and at what point will you be operating at 100 percent capacity utilisation?

CEO Paul McCormick

Our manufacturing capacity varies according to the particular mix of products being manufactured at any given time. For some products we've been able to significantly improve capacity through process improvements put in place over the last one and a half years and, as a result, we don't expect to reach full capacity for another year. The process improvements currently being implemented enable production to be increased incrementally, in concert with forecasts and sales.

corporatefile.com.au

How successful has the transfer in-house of previously outsourced manufacturing been?

CEO Paul McCormick

This has been very successful, albeit not without installation delays associated with the extreme level of engineering activity in Western Australia. By bringing these processes in-house, we've seen benefits in reduced costs, reduced lead-times and therefore increased throughput.

corporatefile.com.au

Where are you seeking overseas production capacity closer to your customer base, and how will you fund this expansion?

CEO Paul McCormick

We're currently examining options for manufacturing close to key customers in the US and Europe to effectively access markets and reduce transportation costs. At this stage we expect to service the Asian market from Australia. We need to take advantage of the window of opportunity that currently exists for our products. A number of funding routes are being examined, including self funding, long term contracts with major customers, a strategic manufacturing partnership, or future capital injection.

corporatefile.com.au

What are the advantages of your multiple distributor approach to commercialising your products?

CEO Paul McCormick

Our distribution strategy is to appoint solid market-focused specialists in each country, and to support their marketing with our technical and commercial support. Our products find use in a wide range of markets and countries, and the multiple distributor approach is the best approach to cover the broad potential of our technologies. We are establishing larger, key marketing and product development associations which we believe will accelerate our penetration in key markets.

corporatefile.com.au

In the year ending June 2006 ANO reported a loss of \$3.2 million on revenue that rose 78 percent to \$2.7 million. When do you anticipate turning profitable?

CEO Paul McCormick

Our early financial performance reflects the overall growth strategy of the company. We commit significant resources to R&D, product development and commercialisation of new products for future growth to position the company as a major player in the advanced materials sector. Since we floated we've increased from four original products to seven and we expect to introduce a further two products later this year.

In FY06 we invested over \$1.7 million in future growth activities, and substantially improved our results. We intend to continue this trend and move towards a profitable result from operations. We're now closer to a positive result; however, it is not our intention to achieve early profitability at the cost of limiting significant future growth opportunities that we anticipate in our markets. We intend to continue our high R&D spend level as long as we can see that this expenditure can deliver value adding opportunities for our shareholders.

corporatefile.com.au

The balance sheet as at 30 June 2006 indicated \$5.7 million in cash on hand which represents two years of "cash burn" at current rates of investment. What are your immediate investment plans?

CEO Paul McCormick

Our immediate investment plans are focused on rapidly expanding our sales and marketing activities, and adding capital investment for the next stage of production expansion and automation. We've grown sufficiently to start establishing a direct marketing presence in North America and Europe to take advantage of the vast business opportunities for our existing and new products. Capital expenditure for production will focus on further process improvements to increase product throughput in the existing plant and decrease production costs.

corporatefile.com.au

Thank you Paul.

For more information about Advanced Nanotechnology Limited, visit www.advancednanotechnology.com. or call Dr Paul McCormick on +61 8 9458 0800

To receive future Open Briefings by e-mail, visit www.corporatefile.com.au

DISCLAIMER: Corporate File Pty Ltd has taken reasonable care in publishing the information contained in this Open Briefing®. It is information given in a summary form and does not purport to be complete. The information contained is not intended to be used as the basis for making any investment decision and you are solely responsible for any use you choose to make of the information. We strongly advise that you seek independent professional advice before making any investment decisions. Corporate File Pty Ltd is not responsible for any consequences of the use you make of the information, including any loss or damage you or a third party might suffer as a result of that use.