
ASX ANNOUNCEMENT
(ASX: ANO)

11 APRIL 2007

MARCH 2007 QUARTERLY REPORT



Sales to customers for the first three quarters of the 2007 financial year were \$2,313,000 (unaudited), up 11% from \$2,083,000 for the first three quarters of the 2006 financial year.

Sales to customers for the March 2007 quarter were \$595,000 (unaudited) compared with \$563,000 for the corresponding quarter ended March 2006 and \$1,384,000 for the December 2006 quarter.

Advanced Nano's CEO Paul McCormick commented "The substantial revenue catch-up experienced in the December 2006 quarter did not continue in the March 2007 quarter. However, the recent restructuring of Advanced Nano's sales and marketing efforts is expected to have a positive impact on sales going forward. As part of this restructuring, the Company is establishing a US subsidiary in New Jersey in order to enable effective penetration of the vast and promising North American market. The first inventory shipments were made in March in anticipation of future North American Personal Care sales."

Mr. McCormick added "Advanced Nano's third quarter Industrial & Environmental sales were impacted by a reduction in sales to Oxonica. While the outlook for future sales to Oxonica remains uncertain, we are very pleased to have entered into a Letter of Intent with Energenics to create an integrated fuel-borne catalyst joint venture company to address the rapidly growing clean-burn fuel markets." (*Refer below*).

PERSONAL CARE

Year-to-date sales of Personal Care products to the end of March 2007 were \$967,000 (unaudited) compared to \$1,214,000 in the corresponding period in 2006.

Sales of Personal Care products for the March 2007 quarter were \$377,000 (unaudited) reflecting a decrease of 29% over the December 2006 quarter total of \$528,000 and an increase of 31% over the previous corresponding quarter ended March 2006 of \$288,000.

The Company continues to see growth in its existing ZinClear® product lines and is receiving a positive market response to the new ZinClear-IM™ product from small to large accounts in the US and Asia. In Europe, potential sales of zinc products are currently restricted by delays of its inclusion on the EU list of approved UV absorbers.

The Company made its first sale of ZinClear-IM™ in Asia during the March quarter and also appointed Elgin, a Taiwan-based cosmetics raw materials distributor, as a Personal Care distributor for Greater China.

Year-to-date sales of Alusion® were lower than expected as the Company's US distributor supplied customers from stock built in 2006 to support a major cosmetics product launch that was subsequently discontinued. On the positive side, sales of Alusion® in Asia are stronger

than the prior year, an increase of over 30% in the nine months to date. Advanced Nano's European distributor is also supplying its Alusion[®] customers from its own stock holdings.

Advanced Nano has continued to participate in several cosmetics tradeshows during this half in Australia, China, and the US and the Company continues to be encouraged by the positive feedback from potential customers and distributors.

INDUSTRIAL & ENVIRONMENTAL

Year-to-date sales of Industrial & Environmental products to the end of March 2007 were \$1,346,000 (unaudited) compared to \$869,000 in the corresponding period in 2006.

Sales of Industrial & Environmental products for the March 2007 quarter were \$218,000 (unaudited) reflecting a decrease of 75% over the December 2006 quarter total of \$856,000 and a decrease of 21% over the previous corresponding quarter ended March 2006 of \$275,000.

Advanced Nano's European coating distributor, Cornelius, is continuing to strongly market the NanoZ[™] range in Europe with evaluations currently performed by over 30 potential customers. As with all industrial products, testing and development periods are generally longer than in the Personal Care sector.

Industrial & Environmental sales, and therefore a substantial portion of the Company's revenue for the 2007 financial year, will continue to be driven by the timing and magnitude of sales to Oxonica in support of Oxonica's supply of their Envirox[™] product to Petrol Ofisi, Turkey. Petrol Ofisi is continuing a trial in Turkey to evaluate fuel efficiency as well as monitoring the product performance in the market. In these circumstances, Advanced Nano is not in a position to assess the likely impact on the Company's 2007 and future revenue.

STRATEGIC PARTNERSHIP WITH ENERGENICS

As part of Advanced Nano's strategic review of opportunities to increase its penetration of the fuel-borne catalyst market, the Company has executed a Letter of Intent with Energenics Holdings Pte Ltd, a Singapore-based supplier of alternative energy solutions and technologies, to create an integrated fuel-borne catalyst joint venture company. The joint venture company will be based in Singapore, and is intended to combine Advanced Nano's nanomaterials research and production skills with Energenics fuel additive formulation, marketing and fuel application expertise and is expected to formally commence within 10 weeks.

Upon execution of the formal agreements, Energenics will, subject to certain conditions precedent, subscribe for A\$6 million of new Advanced Nano shares at a price of A\$0.22 per share in two equal tranches. The first tranche of A\$3 million will be subscribed upon closing and the second tranche will take place upon the joint venture reaching certain sales targets or within two years from closing, whichever comes first. Advanced Nano will also provide Energenics with 4,545,455 free options for each share tranche at an exercise price of A\$0.308 per share expiring on 30 June 2012.

Further information regarding the proposed joint venture and the terms of the Letter of Intent are set out in a separate ASX announcement dated 11 April 2007.

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