
ASX ANNOUNCEMENT
(ASX: ANO)

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FURTHER INFORMATION

Paul McCormick, Chief Executive Officer
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QUARTERLY REPORT TO SHAREHOLDERS

Advanced Nanotechnology Limited (Advanced Nano) is pleased to provide an update on its operations for the fourth quarter of the 2005 financial year. Sales to customers for the 2005 financial year totalled approximately \$1.5 million (unaudited), an increase of approximately 74% over the 2004 financial year sales of \$0.86 million. Sales to customers over the second half of the 2005 financial year were 1.8 times that of the first half.

Advanced Nano's CEO Paul McCormick stated that the results are in line with Directors' expectations and reflect the increasing uptake of Advanced Nano's products in the marketplace as customers complete their own internal product development and testing and move to production. The full year's result was achieved in spite of a raw material supply interruption, now rectified, which adversely affected sales in the fourth quarter.

SALES AND MARKETS

Advanced Nano's major customer continues to be Oxonica Ltd (UK). Advanced Nano supplies its Cercat™ cerium oxide dispersion to Oxonica, which is used as the active catalyst material in their Envirox™ fuel catalyst. Advanced Nano and Oxonica are currently negotiating a supply agreement under which Advanced Nano will extend its current supply of Cercat™ to the full manufacture of Envirox™. Production equipment to implement the final processing step to convert Cercat™ to Envirox™ has been commissioned and is on route to Advanced Nano's manufacturing facility. Oxonica listed on the Alternative Investment Market of the London Stock Exchange on 20 July 2005 (LSE: OXN), raising £7.1 million (net) and with a market capitalisation at placement of £35.3 million (36,805,329 ordinary shares at a placing price of 95.8 pence per ordinary share).

Following the recent upturn in the northern hemisphere markets, Advanced Nano is experiencing increased level of customer demand for its Personal Care products. Shipments of its Alusion™ soft focus cosmetic powder increased in the second half and product demand from distributors is continuing to increase. Advanced Nano is also experiencing increased demand for its newly developed Zinclair®-S transparent dispersions for personal care products.

STRATEGIC ALLIANCES

The Company believes it is on track to conclude the aforementioned supply agreement with Oxonica within the current year. Advanced Nano and Bühler AG of Switzerland also continue to explore their proposed collaboration in the development, manufacture and marketing of nanoparticle dispersions for industrial coatings and plastics applications.

PRODUCTION

Advanced Nano's production output continues to increase, driven by the growth in customer orders across all four existing product families. The Company's Welshpool manufacturing plant now operates 24 hours a day, 5 days per week. Advanced Nano's planned expansion of the manufacturing plant is proceeding however, as noted in our April quarterly report to shareholders, progress has been slowed by shortages and delays due to the high levels of construction activity being experienced in Western Australia.

NEW PRODUCT DEVELOPMENT

The Company continues to focus on the development of new nanomaterials products. Advanced Nano sees industrial transparent functional coatings based on its MCP™ nanoparticles as an important market for future growth. Advanced Nano's NanoZ®, a transparent solvent based UV blocking zinc oxide dispersion for the protection of timber, is being extended to NanoZ®-AQ, water based transparent dispersions for the new generation of solvent free, low VOC (Volatile Organic Compounds) coatings. Product testing prior to release is underway. Advanced Nano also continues to develop its ceramic product lines with a new product used in the die casting industry currently in early stage testing.

OUTLOOK

With the positive revenue growth achieved over the 2005 financial year, increasing customer demand for existing products and new products under development, the Directors believe the Company is well placed for continued growth.

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