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ASX ANNOUNCEMENT  
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FURTHER INFORMATION

Paul McCormick, Chief Executive Officer  
Tel: (08) 9458 0800

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## **QUARTERLY REPORT TO SHAREHOLDERS**

Advanced Nanotechnology Limited (Advanced Nano) is pleased to provide an update on its operations over the last three months. Advanced Nano CEO Paul McCormick stated that the March 2005 quarter was highlighted by increased revenues as products were shipped to meet new orders. Overall, total sales to customers for the first three quarters of the 2005 financial year were approximately \$1.06 million (unaudited), compared to \$0.86 million for the full 2004 financial year.

### **SALES AND MARKETS**

Whilst the March quarter is typically our lowest quarter due to the seasonality of the Personal Care market, revenues for Personal Care products for the first nine months of the 2005 financial year were up compared to revenue from our Personal Care customers for the 2004 financial year.

The major contributor to our March quarter sales to customers were increased revenues from our Industrial and Environmental division associated with the Company's cerium oxide dispersion sales to Oxonica for use in their Envirox™ fuel catalyst. Following Oxonica's December 2004 confirmation of Stagecoach's plans to introduce Envirox™, Advanced Nano recommenced shipments and has seen a positive impact on the March quarter.

Advanced Nano supplies the Oxonica group with a cerium dioxide dispersion used as the active catalyst material in their product, Envirox™. Envirox™ is a new fuel additive for diesel engines that increases engine efficiency and lowers emissions, and is now being rolled out in the UK and Asia.

Mr. McCormick stated that the increased sales have resulted from the positive outcomes of extensive trials of Envirox™ in the UK and Asia. The most significant of these trials was run by the UK bus company Stagecoach in 2004 in which Stagecoach reported showed a 5% cut in fuel consumption and an associated decrease in vehicle emissions. Stagecoach announced in December 2004 that it will utilise Envirox™ across its 7,000 strong bus fleet in the UK.

In March 2005 the Independent Philippine Petroleum Companies Association and DMX Technology Corporation announced the introduction of Diesel Premium Plus, containing Envirox™ into the Philippines market, with Eastern Petroleum Corporation being the first downstream oil company in the world to adopt the product. Diesel Premium Plus is already being sold in key Eastern Petroleum fuel stations in the Manila metropolitan area.

Oxonica initiated discussions with Advanced Nano several years ago after a worldwide search for individual and dispersible ceria nanoparticles which would deliver the required catalytic effect and remain transparent in diesel fuel.

## **STRATEGIC ALLIANCES**

Mr. McCormick said as a small Australian company it was important to form alliances in key international markets in order to enter these markets. The Company is on track to conclude a supply agreement with Oxonica within the current year. Discussions with Buhler AG concerning the formation of a manufacturing joint venture for nanomaterials dispersions worldwide are also ongoing.

## **PRODUCTION**

Production increased in the March quarter to meet the increase in customer orders across all four existing products. Expansion of the Welshpool manufacturing plant is proceeding. The high levels of construction activity being experienced in Western Australia, whilst having slowed progress in the March quarter, are not expected to significantly impact on future revenue growth.

## **INTELLECTUAL PROPERTY**

The Company continues to invest in and grow its intellectual property portfolio. Two provisional patent applications were filed in the March quarter, covering new product developments in personal care and advanced nano ceramics.

## **OUTLOOK**

With the positive revenue growth in the March quarter, the Directors believe the Company is on track to see continued revenue growth in the June quarter.

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