
Australian Stock Exchange Limited
2 The Esplanade
Perth WA 6000

22 February 2005

RIGHTS ATTACHING TO NON-EXECUTIVE DIRECTORS OPTIONS

The terms and conditions of the Options issued to non-executive directors are as follows:

1. Register

The Company will maintain a register of holders of Options in accordance with Section 168(1)(b) of the Corporations Act.

2. Non-transferable

An Option may be transferred or transmitted in any manner permitted by the Constitution or subject to the Listing Rules.

3. Exercise

An Option may be exercised by delivery to the Company of a duly completed Notice of Exercise of Options, signed by the registered holder of the Option, together with payment to the Company of \$0.308 per Option being exercised and the relevant Option certificate.

An Option may be exercised on any business day from the date of grant until 5 years after that date (inclusive) but not after that date.

A Notice of Exercise of Options is only effective when the Company has received the full amount of the exercise price in cash or cleared funds.

4. Dividend Entitlement

Options do not carry any dividend entitlement until they are exercised. Shares issued on exercise of Options rank equally with other issued Shares 7 Business Days after their date of issue and are entitled to dividends declared on and from that date.

5. Participating rights

- (a) The Optionholder may only participate in new issues of securities to holders of Shares if the Option has been exercised and Shares allotted in respect of the Option before the record date for determining entitlements to the issue.
- (b) The Company must give notice to Optionholders of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules.
- (c) If between the date of issue and the date of exercise of an Option the Company makes 1 or more rights issues (being a pro rata issue of Shares in the capital of the Company that is not a bonus issue), the exercise price of Options on issue will be reduced in respect of each rights issue according to the following formula:

$$NE = OE - \frac{E[P-(S+D)]}{(N+1)}$$

where:

NE is the new exercise price of the Option;

OE is the old exercise price of the Option;

E is the number of underlying Shares into which 1 Option is exercisable;

P is the average closing sale price per Share (weighted by reference to volume) during the 5 trading days ending on the day before the ex rights date or ex entitlements date (excluding special crossings and overnight sales);

S is the subscription price for a Share under the rights issue;

D is the dividend due but not yet paid on each Share at the relevant time; and

N is the number of Shares that must be held to entitle holders to receive a new Share in the rights issue.

If there is a bonus issue to the holders of Shares, the number of Shares over which the Option is exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.

6. Reconstructions and Alteration of Capital

Any adjustment to the number of outstanding Options and the Exercise Price under a re-organisation of the Company's share capital must be made in accordance with the Listing Rules.

7. ASX Listing

Subject to the Company being admitted to the official list of the ASX, the Company must make application for quotation of Shares issued on exercise of the Options on the ASX in accordance with the Listing Rules. Shares so issued will rank equally with other issued Shares of the Company.

8. Definitions

In these Rules, unless the context otherwise requires:

ASX means the Australian Stock Exchange Limited.

Board means the board of directors of the Company.

Business Day means those days other than a Saturday, Sunday or Western Australia public holiday and any day which the ASX has declared not to be a trading day.

Company means Advanced Nanotechnology Limited (ACN 079 845 855).

Constitution means the constitution of the Company from time to time.

Corporations Act means the Corporations Act 2001 (Cth).

Exercise Date means the date on which an Optionholder exercises some or all Options.

Exercise Notice means a notice from the Optionholder to the Company exercising a specified number of Options in substantially the form of the Schedule.

Exercise Period means a period during which an Option is exercisable.

Exercise Price means the price shown as the exercise price on the face of the Option Certificate.

Expiry Date means the date shown as the expiry date on the face of the Option Certificate.

Grant Date means the date the Options were allotted to Optionholders as shown on the face of the Allotment Advice.

Group means the Company and its Subsidiaries.

Listing Rules means the listing rules of the ASX.

Options means the options referred to in the Option Certificate.

Optionholder means the person registered in the Company's option register as the holder of the Options.

Shares means fully paid ordinary shares in the capital of the Company.

Outstanding Options means the Options not yet exercised from time to time.

Shareholder means a shareholder of the Company.

Subsidiary has the meaning given to it in the Corporations Act.

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