
ASX ANNOUNCEMENT
(ASX: ANO)

11 MAY 2006

ADVANCED NANO TO INTRODUCE TWO NEW PRODUCTS

Advanced Nanotechnology Limited (Advanced Nano) is pleased to announce the addition of two new products to its personal care product range. The Company intends to introduce the products in mid-May at the New York Society of Cosmetic Chemists Suppliers Day, the major US personal care ingredient trade show.

The first product, ZinClear[®]-IM, is a new Index Matched zinc oxide particle that achieves superior transparency in larger submicron size zinc oxide particles. In addition to high transparency, ZinClear[®]-IM also provides excellent soft focus and low photoactivity, increasingly required for enhanced cosmetic acceptability. Advanced Nano's CEO, Paul McCormick said "the Company expects that the superior transparency and larger particle size of ZinClear[®]-IM will open up new markets in the \$500 million sun care actives market, particularly in North America". Mr McCormick also noted that in light of recent developments in the US market, it is expected that major manufacturers there will be seeking to incorporate higher UVA protection into their products, which should provide new opportunities for the Company's expanded ZinClear[®] product range. Patent protection for ZinClear[®]-IM has been applied for.

Advanced Nano's second new personal care product to be introduced is ZinClear[®] Dry, a highly dispersible form of zinc oxide nanopowder that manufacturers can incorporate directly into their sun care formulations. Trials by a major Japanese manufacturer have confirmed the excellent dispersion characteristics of the powder. Mr McCormick noted that there is a preference by major sun care manufacturers for powder ingredients, and ZinClear[®] Dry will enable Advanced Nano to enter this market.

SALES AND MARKETS

Sales to customers for the nine months to the end of March totalled approximately \$2.083 million (unaudited), as compared with \$1.057 million for the corresponding period of the 2005 fiscal year.

Personal Care

Sales of personal care products for the first nine months totalled approximately \$1.212 million (unaudited), exceeding the 2005 financial year total of \$0.719 million. Sales of the ZinClear[®] and Alusion[®] product lines softened in the third quarter due to the seasonal nature of the personal care market. Fourth quarter sales are also expected to show some impact of the traditional seasonality of these products as customers work towards the introduction of new products for the 2006/2007 season.

Advanced Nano completed the task of bringing all ZinClear[®] manufacturing processes in-house in the third quarter, leading to reduced costs, decreased lead times, and improved quality.

Industrial and Environmental

Advanced Nano's sales of industrial and environmental products for the first nine months totalled \$0.872 million (unaudited), exceeding the total 2005 financial year total of \$0.783 million. Sales of Envirox™⁽¹⁾ to Oxonica Materials Limited (a subsidiary of Oxonica plc) are the major contributor to industrial products sales, and more than doubled in the third quarter relative to the second quarter. However, as noted previously, industrial and environmental sales are expected to soften for the remainder of the fiscal year.

Oxonica Materials Limited and Advanced Nano have concluded a one-year take or pay supply agreement for the manufacture and supply of Envirox™⁽¹⁾ to 31 December 2006. Mr McCormick noted "This agreement provides Advanced Nano with the commitment required for Advanced Nano to continue R&D on the next generation of Envirox™⁽¹⁾".

MARKETING

As reported previously, Advanced Nano strengthened its distribution channels with the appointment of Cornelius Limited as its European distributor, with Cornelius and Advanced Nano working together in introducing NanoZ[®] to Cornelius's customer base. The Company is also finalising a distribution network throughout South East Asia.

In conjunction with our distributors, Advanced Nano products are being actively marketed in a number of major trade exhibitions in Australia and overseas. In the 2006 calendar year, Advanced Nano will be represented at the following trade exhibitions:

Nanotech Japan, Tokyo
 Personal Care Ingredients Asia, Seoul
 In-cosmetics, Barcelona
 NSTI Nanotechnology Conference and Trade Show, Boston
 NYSCC Suppliers Day, New Jersey
 Florida Sunscreen Symposium, Orlando
 IFSCC Congress, Osaka
 Personal Care & Household Ingredients, Mumbai
 Eurocoat 2006, Barcelona

RESEARCH AND DEVELOPMENT

Advanced Nano is targeting the \$1 billion nano additives markets in transparent coatings and food packaging as important growth areas for its MCP™ nanoparticles. The Company's R&D is focussed on industrial applications and products that make use of the high transparency provided by the small uniform size and quality of its MCP™ nanoparticles. 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, properties are under development. The Company expects to launch its newly developed NanoZ-AQ, a water-based, low VOC stable UV absorber for transparent coatings, early in the 2007 fiscal year. Trials are currently being undertaken by selected Australian and overseas companies. Advanced Nano's researchers are also working with potential customers to develop additives based on NanoZ[®] for UV blocking in transparent food packing films.

FURTHER INFORMATION

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Note

(1) Envirox™ is a trademark of the Oxonica group.