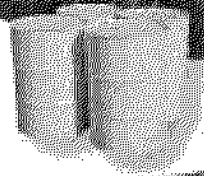


nanoZ
Transparent UV protection



Cercat
Powering Environments



alusion
A Natural anti-facet



zinClear

Transparent Zinc Oxide for
Broad Spectrum UV Protection



Advanced
Nanotechnology
Limited
(ASX:ANO)

INVESTOR
UPDATE

29 September 2006

Manufacturers of the Worlds
Finest Nanomaterials

FROST & SULLIVAN

2005 Technology of the Year Award

Contents

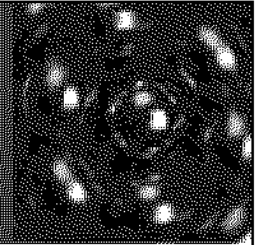
1. Review of 2006 results and financials
2. Product commercialisation initiatives
3. New product development
4. Priorities for 2007

Advanced Nano - Vision

Our vision is to become a world leader in innovative, advanced nanomaterials and nanomaterials solutions

- World ranking platform technology with broad applications
- Rapidly commercialising products into overseas markets
- New products being developed and launched in new market sectors

2006 Review - Highlights



- 🌟 October 2005 – recipient of prestigious 2005 Frost & Sullivan Award
- 🌟 February 2006 – appointment of Cornelius group as European distributor
- 🌟 April 2006 – all ZinClear® manufacturing processes brought in-house
 - Reducing costs and lead time
- 🌟 April 2006 – conclusion of supply agreement with Oxonica
- 🌟 May 2006 – ZinClear-IM™ and ZinClear®-Dry launched at New York Suppliers Day
- 🌟 July 2006 – completed deliveries to Oxonica under supply agreement (accelerated shipments in Oxonica's anticipation of Petrol Ofisi contract)
- 🌟 July 2006 - total revenue exceeded \$3.1m up from \$1.8m in 2005
- 🌟 August 2006 – purchase orders to the value of US\$650k from Oxonica to support deliveries to Petrol Ofisi (Turkish national oil company)
- 🌟 October 2006 - commencement of ZinClear-IM™ production scale-up trials

FROST & SULLIVAN

2005 Technology of the Year Award

2006 Financials – Sales

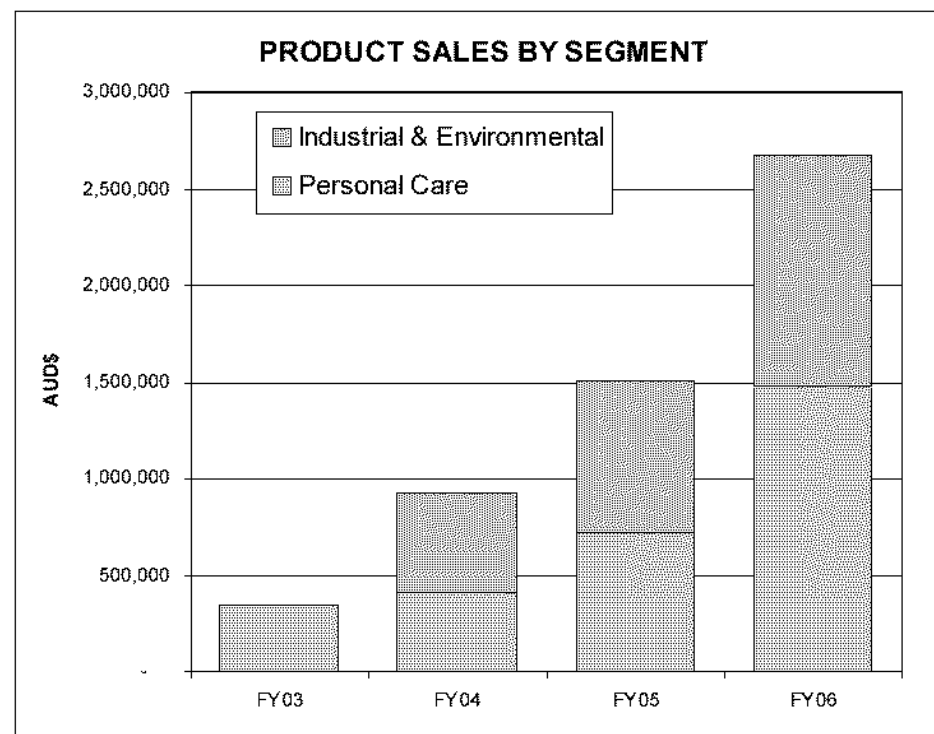
Sales have improved 78% over last year

Personal Care sales doubled in 2006

- o \$0.719 million to \$1.480 million
- o Increased sales overseas
- o Strong distribution networks established

Industrial & Environmental up 52%

- o \$0.783 million to \$1.191 million
- o Dominated by Envirox sales to Oxonica
- o Strengthened distribution network in Europe with appointment of Cornelius group



2006 Financials – Result from Operations

Advanced Nano's operating profit (before discretionary R&D and non-cash items) has improved substantially

	2005	2006
	\$ million	\$ million
Revenue from sale of goods		
Personal Care	0.719	1.480
Industrial & Environmental	0.783	1.191
	<u>1.502</u>	<u>2.671</u>
Finance revenue	0.248	0.401
Total revenue from continuing operations	1.750	3.072
Cost of goods sold	(1.405)	(2.206)
Gross profit	0.345	0.866
<i>Gross profit as a % of total revenue</i>	<i>19.7%</i>	<i>28.2%</i>
Operating expenses and general overheads	(2.043)	(1.599)
Result from Operations	(1.698)	(0.733)

Improvement in
gross margins

Result from
Operations improved
by \$1 million

2006 Financials – Net Result

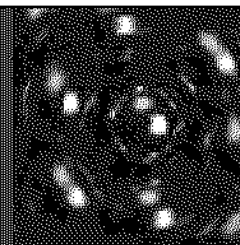
Despite an increase in R & D expenditure, Advanced Nano's net loss after non-cash items has improved

	2005	2006
	\$ million	\$ million
Result from Operations	(1.698)	(0.733)
Research, product and business development	(1.110)	(1.460)
Other income	0.070	0.096
Non-cash items not included in above		
Depreciation and amortisation	(0.708)	(0.862)
Share of loss of joint venture	(0.117)	-
Share-based payment expense (employee options)	(0.011)	(0.197)
	<u>(0.836)</u>	<u>(1.059)</u>
Net (loss) from continuing operations	<u>(3.574)</u>	<u>(3.156)</u>

2006 Financials – Cash Position

- Cash balance at 30 June 2006 was \$5.7 million
- Cash receipts from customers up \$1.0m to \$2.4m
- Net outflows from operating activities were \$1.9 million, down from \$3.4 million in 2005
- Net outflows from investing activities were \$744k
 - Investment in plant and equipment: \$470k
 - Patents, trademarks and development costs: \$274k
- Net cash outflows from financing activities were \$45k
 - Predominately chattel mortgages expiring in Jan 2008 and Feb 2009

Advanced Nano's Product Range



Four product families in two principal market categories

Personal Care



alumina
platelets for
soft-focus
cosmetic
applications



UV blocking
transparent zinc
oxide dispersions for
sunscreens and
cosmetics

New



Industrial and Environmental



UV blocking
transparent zinc
oxide for paints
and industrial
coatings and
other
applications

New



nanoparticulate
cerium oxide
dispersions for
fuel catalysts

Envirox™

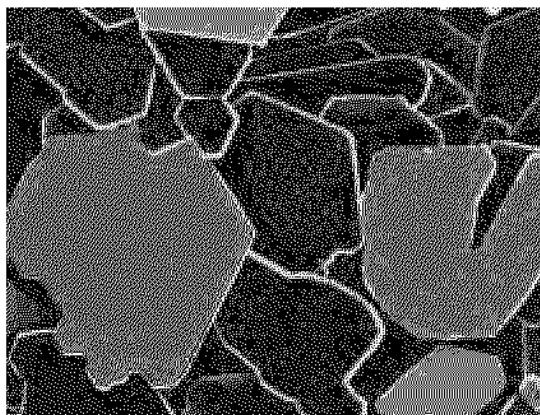
Product of the
Oxonica group -
fuel borne
nanocatalyst

Product Range – Alusion®

Soft focus cosmetics powders - alumina plates grown from nanoparticles

Features

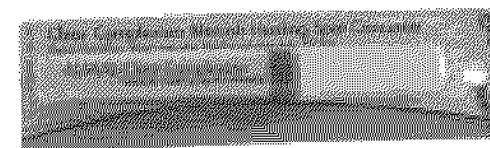
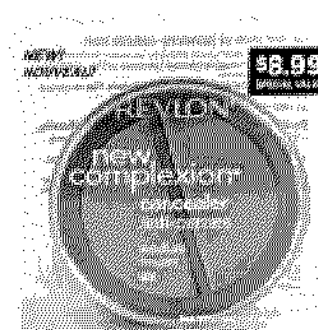
- Superior Soft Focus
- Hypo-allergenic
- Transparency
- Strong Adhesion
- Slip and Feel



Alusion taken through product coding requirements by over 15 companies worldwide

- Early Customers – Revlon, Avon, Prestige

alusion



Product Range – ZinClear®

Transparent zinc oxide for sunscreen applications

Features

- Highest transparency and lowest whiteness
- Excellent soft focus effects
- Lowest photocatalytic activity (minimal free radical generation)
- "All-natural" product

Enabling

- All-zinc sunscreens with SPF30+ that are clear when applied on the skin

Only two active ingredients are currently approved by the U.S. FDA for UVA protection...and zinc oxide is one of them. ZinClear® is the only commercial zinc oxide that is truly transparent in an SPF 30+ all-zinc formulation

Product Extension - ZinClear-IM™

We recently launched an important variant:
“Index Matched” ZinClear®

Features

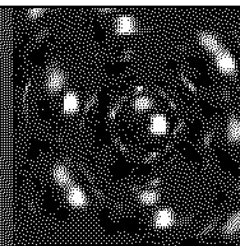
- All the ZinClear® attributes, *plus*
- Average particle size greater than 1 micron whilst maintaining transparency
- Improved manufacturing process, lending itself to lower-cost continuous production

Enabling

- Opens US market (40% of Global market)
- Allows development of “international” formulations
- Reduction in manufacturing cost enables entry into higher volume segments of the suncare market



Product Extension – ZinClear-IM™



The prospects for ZinClear-IM™ are looking very positive

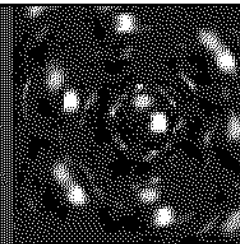
US and European markets are seeing important new drivers

- Increased attention on need for adequate UVA protection (as well as UVB)
- Increasing significance of cosmetic factors, such as soft-focus characteristics
- Demand for low-irritant “All Natural” products with pure mineral ingredients

We are laying the groundwork for production at scale

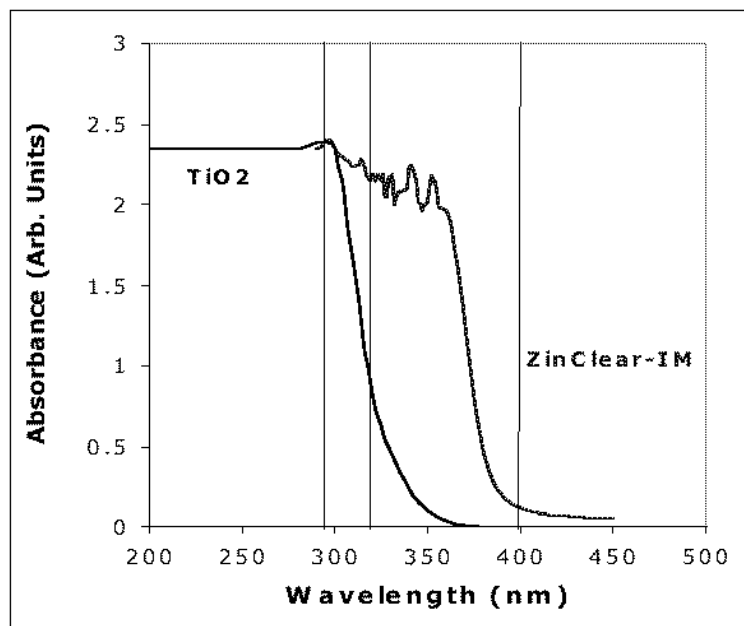
- Potential customers have begun formulation trials employing ZinClear-IM™ as the principal active ingredient
- Major potential partnership is under discussion
- Product scale-up tests expected to be complete by December 06
- On track for first production 3rd quarter of 2007 financial year

Product Extension - ZinClear-IM™

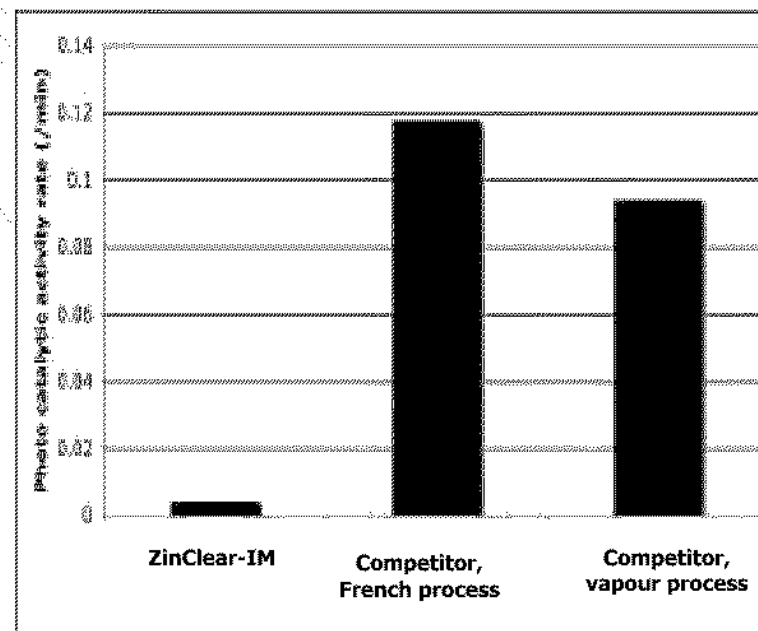


ZinClear-IM™ offers excellent performance characteristics

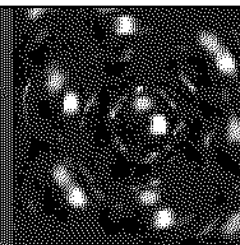
UVA and UVB Absorbing



Low free radical generation



New Product - ZinClear®-Dry



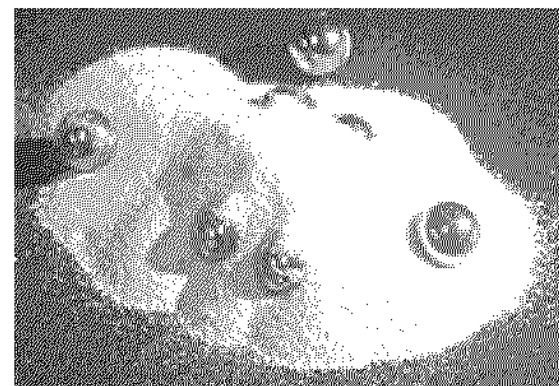
ZinClear®-Dry - a highly dispersible form of silicone coated zinc oxide nanopowder

Features

- All the ZinClear® attributes, *plus*
- Manufactured in a highly dispersible silicon coated form of zinc oxide nanopowder

Benefits

- Manufacturers can incorporate directly into sun care formulations
- Greater flexibility in tailoring formulations e.g. in cosmetic bases



Trials by a major Japanese manufacturer have confirmed the excellent dispersion characteristics of the powder

Product Range – NanoZ®

Long life, transparent, UV absorbing coatings

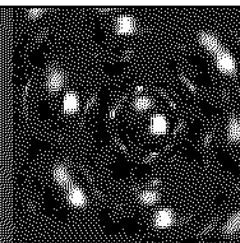
nanoZ

Features

- Nano particles of zinc oxide absorb damaging UV rays while remaining transparent to visible light
- Stable transparent UV absorbing coatings which protect high value timber and other products from UV degradation



Product Extension – NanoZ[®]-AQ



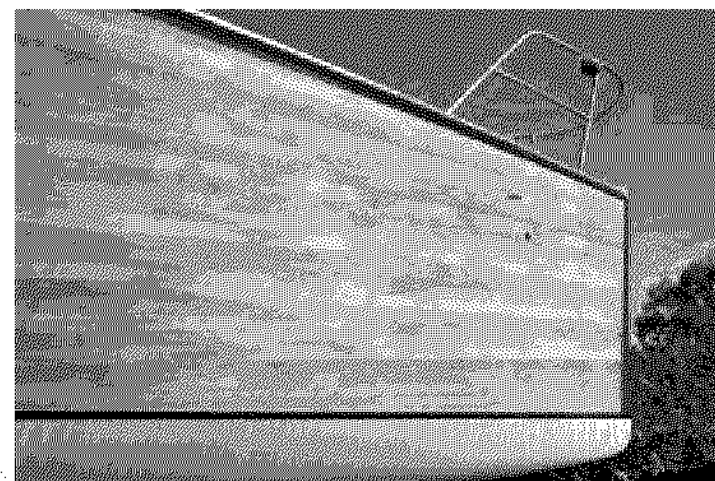
Versatile water-based zinc oxide additive for water-based transparent clear wood coatings

Features

- All the NanoZ[®] attributes: inert, long-lasting, transparent, *plus*
- Complies with latest EU regulations on Volatile Organic Compounds (VOCs)

Status

- Currently undergoing customer testing... looking positive
- Cornelius group appointed European distributor...initial feedback encouraging
- Being introduced to Europe at Eurocoat convention in October 06



NanoZ provides a unique set of features targeting the \$180 million transparent UV stabiliser market

Product Range - Envirox™

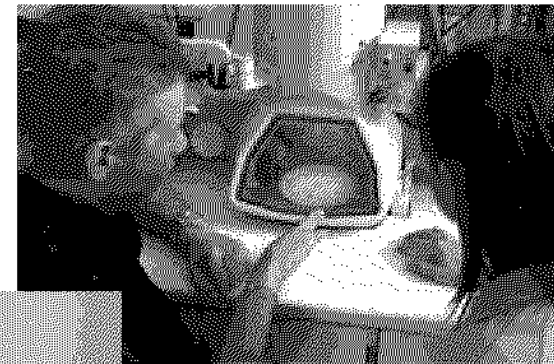
- Fuel borne nanocatalyst manufactured for UK-based Oxonica Ltd
- Transparent dispersion of cerium oxide nanoparticles in diesel
- Transparency is important requirement
- Cleans diesel emissions and increases fuel-burning efficiency in diesel engines by 5 - 10%
- Stagecoach group and Petrol Ofisi are early adopters



Develop and Launch New Products

We are doing significant R&D of new products for major new markets, for example:

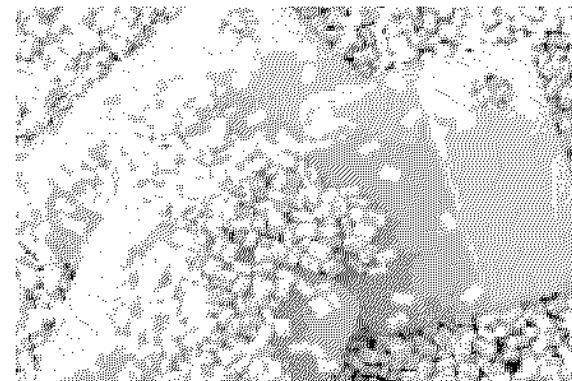
- NanoZ® for food packaging
- Advanced ceramics (zirconia) for precision components



New Product - NanoZ[®]-Dry

NanoZ[®]-Dry is an industrial grade of dry silicone coated zinc oxide nano particles developed for transparent UV protection in plastics

- Opens up a new dimension of applications requiring stable UV protection with high transparency
- Has an important potential market as a specialty ingredient to be sold to plastics masterbatching companies



One formulation based on NanoZ[®]-Dry is under development in collaboration with an Australian masterbatching company

New Markets – NanoZ®-Dry

NanoZ®-Dry is showing exceptional promise as a stable UV protective additive for transparent food packaging

Features

- Complies with new regulations limiting use of “chemical” additives
- Remains inert and bound within the plastic film and does not leach out
- Provides excellent UV protection whilst maintaining optical transparency
- Has a natural antimicrobial action
- Provides controlled gas permeability, limiting oxidation of foods



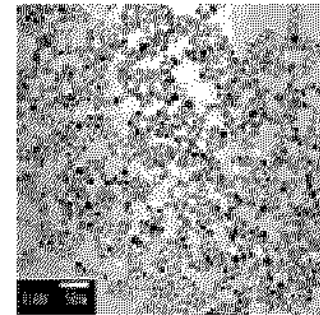
We are currently undertaking product development and testing with five plastics companies

New Markets – Advanced Ceramics

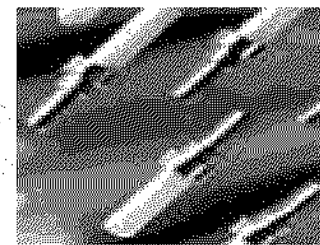
Zirconia nanopowder manufactured using Advanced Nano's proprietary processes

- Potential for major advances over current materials
 - Near net shape forming
 - Lower temperature sintering
 - Dramatically reduced manufacturing costs by eliminating most grinding
 - Exhibits outstanding properties
- Key initial manufacturing trials just completed in Japan
 - Comment from researcher "It was quite an experience to see zirconia ceramics produced so easily and quickly - easier and quicker than making a pizza!"
- Patent application lodged

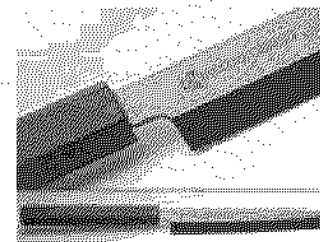
Targeting a potential US\$3 billion market



10 nm MCP Zirconia

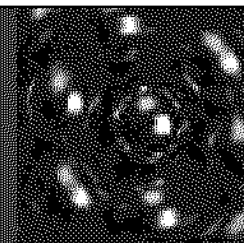


Fibre optics connectors



Zirconia knives

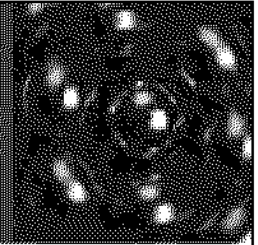
Growing Patent Portfolio



Patent Family	Purpose	Type	Stage
Process for Production of Metals, Alloy and Ceramic Materials	Core MCP *	Process	Granted
Process for the Production of Ultrafine Particles	Core MCP Particle I *	Process	Granted
Process for the Production of Ultrafine Powders	Core MCP Particle II *	Process	Granted
Substantially Visibly Transparent Topical Physical Sunscreen Formulation	Transparent Sunscreen	Process/ Product	Examination
Process for the Production of Ultrafine Plate-Like Alumina Particles	Platelet Alumina particles	Process	Examination
Silicone coated metal oxide particles, production and use thereof	ZinClear S	Process	Examination
A Zirconia Ceramic	Nano Ceramics	Process	PCT
Rare Earth Nanorods	Cerium Oxide Nanorods	Process	PCT
Nanostructured Zinc Oxide Formulations	ZinClear-IM	Process/ Product	Provisional

* Co-owned with Samsung Corning

Strategic Priorities – 2007 and beyond



Our priorities are focused on continued sales growth

- Building distribution for our products that are experiencing the beginning of strong commercial success
 - Alusion®
 - ZinClear-IM™, ZinClear®-Dry
 - NanoZ®-AQ, NanoZ®-Dry
- Ensuring our capacity and capabilities can rise to the occasion
 - Continuing scaling and refinement of processes
 - Expanded capacity as required
 - Exploring options for new manufacturing locations
 - Developing strategic product-related partnerships

Expanding Sales & Distribution Networks

- We are expanding sales and distribution networks overseas to better serve our international customers and develop our business
 - Over 85% of 2006 sales to overseas customers
 - Direct sales and marketing presence to support distributorships
- Appointment of Mr. Thibaut Mortier as VP - Global Business Development
 - Experienced in international sales and marketing, and developing strategic alliances
- Appointment of Cornelius group as European distributor for industrial products (NanoZ®)
- Pursuing distribution partner for industrial products in North America



Implement Process Improvements

- Enhancement of MCP™ process
- Simplified process
 - Increased production throughput
 - Enables automated, continuous processing
- Significant reduction in variable manufacturing costs
- Lower capital costs than existing process
- No change to product quality



Advanced Nano - Summary

Our vision is to become a world leader in innovative, advanced nanomaterials and nanomaterials solutions

- World ranking platform technology with broad applications
- Rapidly commercialising products into overseas markets
- New products being developed and launched in new market sectors