ADVANCED NANOTECHNOLOGY LIMITED

ASX RELEASE

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Advanced Nanotechnology Limited
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CONTACT
Paul McCormick
Chief Executive Officer

DIRECTORS
Harold Clough AO (Chairman)
Paul McCormick (CEO)
David Griffiths
Robert Mangioni

ISSUED CAPITAL
167,771,202 shares

ASX CODE
ANO

ANNUAL GENERAL MEETING
Thursday, 2 November 2006
3.00pm (WST)
University Club (Seminar Room 1)
University of Western Australia
Hackett Drive (Entrance 1)
Nedlands WA 6009

For the latest news see:
www.advancednanotechnology.com

REPORT FOR FY07 SEPTEMBER QUARTER

HIGHLIGHTS

- Sales to customers for September 2006 quarter were $333,000 (unaudited), down from $804,000 in the previous corresponding quarter ended September 2005.
- Decline in sales reflects the timing of individual shipments rather than a reduction in the underlying demand for the Company's products.
- Advanced Nano has a strong order book for the December 2006 quarter and has been increasing production to meet these shipments.
- Current expectations are that revenues for the December 2006 half-year will exceed those of the previous corresponding period.

RECENT EVENTS

- In October 2006, Advanced Nano was awarded a $1.948 million grant under the Australian Government's Commercial Ready Program.
- In October 2006, New York based Lux Research, the world's leading nanotechnology research and advisory firm, has named Advanced Nano in their Top 50 of "The Most Well Rounded Nanotechnology Start-Ups".

SALES FOR THE QUARTER ENDED 30 SEPTEMBER 2006

Advanced Nanotechnology Limited reports that sales to customers for quarter ended 30 September 2006 of $333,000 (unaudited) are down from $804,000 in the previous corresponding quarter ended 30 September 2005. Sales in Personal Care lines were $61,000 as against $316,000 for 2005, and Industrial & Environmental sales were $272,000, down from $488,000 in the previous corresponding period.

The Company believes that the reduction in sales in the first quarter of the 2007 financial year is due in part to the seasonality of personal care product sales and the reduction of inventories by some customers compared to 2005.

SALES PROSPECTS FOR FINANCIAL YEAR 2007

Advanced Nano's order book for delivery in the December quarter is currently extremely strong. As of mid October, orders in hand for delivery in the December quarter exceeds $1 million, of which approximately $870,000 is from Oxonica plc orders previously announced. There are no production constraints being experienced or apparent that would prevent Advanced Nano from meeting these deliveries.

With the orders to hand for delivery in the December quarter, the Company believes that its sales for the half-year ended December will exceed the previous corresponding period ended December 2005.

Advanced Nano's initiatives to commercialise its products, build its distribution and introduce new product extensions continue. The Company is proceeding with the production scale-up trials of ZinClear-IM™ as previously announced and is on-track for production to commence in the third quarter of its 2007 financial year.

Advanced Nano recently participated at Eurocoat 2006 in Barcelona with the Cornelius Group, the Company's European distribution partner. There the Company introduced its newly developed NanoZ®-AQ water based, low VOC (volatile organic compounds) stable UV absorber for transparent coatings. This product can help paint and coatings companies conform to the increasingly stringent European VOC regulations that are limiting the development and sales of solvent-based paints and coatings.

NanoZ®-AQ created significant interest at Eurocoat 2006. Trials of NanoZ®-AQ are currently being undertaken by Australian and overseas companies.

Advanced Nano Directors confirm their belief that the revenue outlook for the 2007 financial year is encouraging. Demand for products is expected to continue to grow, and the effect of new product launches and process refinements are expected to further increase operating margins over time.

LUX RESEARCH RANKING - TOP 50 OF "THE MOST WELL ROUNDED NANOTECHNOLOGY START-UPS"

Lux Research, the world's leading nanotechnology research and advisory firm, has named Advanced Nano in their Top 50 of "The Most Well Rounded Nanotechnology Start-Ups".

New York based Lux Research presented their report entitled "Ranking Nanotech Start-ups for Partnership Value" at the Lux Executive Summit – Profiting from Nanotechnology Now, on October 16-17 in Cambridge, Massachusetts.

To assess nanotechnology start-ups on their suitability for corporate partnerships, the Lux Research analyst team, who evaluated all 136 venture capital-backed, independently-operating nanotech start-ups worldwide, developed a robust evaluation tool with 20 objective criteria spanning four success factors: (i) scientific pipeline; (ii) commercial viability; (iii) legal and regulatory position, and (iv) operational and financial performance. The evaluation incorporated both quantitative criteria like the number of U.S. patents issued as well as qualitative criteria like the strength of companies' management teams.

Advanced Nano's CEO, Dr. Paul McCormick, was invited to present an overview of the Company's activities at the Summit, focussing on the issues faced by emerging nanotechnology companies through the full cycle of commercialisation.

COMMERCIAL READY GRANT

On 11 October 2006, Advanced Nano announced that it has been awarded a grant of $1.948 million under the Australian Government's Commercial Ready Program.

The grant will fund, on a dollar-for-dollar basis for two and half years, the development of a range of advanced coatings and films, known as transparent functional coatings, which incorporate nanopowders to show enhanced properties. Products that will be developed include transparent coatings and films that exhibit long life UV protection, combined UV and abrasion resistance, high conductivity/anti-static properties, tuneable refractive index, enhanced pearlescence, and films with UV and antimicrobial properties. Nanopowders of zinc oxide, alumina, zirconium oxide and ceria manufactured by Advanced Nano using its proprietary platform technologies will provide the key ingredients for these products.

ABOUT ADVANCED NANOTECHNOLOGY LIMITED

Advanced Nano develops, manufactures and sells advanced nanomaterials products worldwide that deliver significant performance and value improvements to its customers' products and is the only Australian public company to successfully operate in the rapidly expanding global nanomaterials sector. Advanced Nano's MCP™ nanopowder manufacturing technology is a patented, platform technology that enables the production of a broad range of high quality nanopowders and nanomaterials. The Company has achieved early revenues and strong growth through high value, short time to market products where the high quality of its nanomaterials provides a clear competitive edge.

The Company's first products are in personal care, coatings, plastics and environmental catalyst markets where product transparency and functionality are required attributes. The products are manufactured and marketed under three parent brands: ZinClear® – sunscreen dispersions that allow SPF 30+ sunscreens containing only zinc oxide as the UV absorber; Alusion® – soft focus effect pigments for masking ageing effects; and NanoZ® – nano zinc oxide additives that allow stable UV absorber performance for coatings and plastics. Advanced Nano also manufactures Envirox™[1], a fuel borne nanocatalyst for use in diesel fuel, for UK-based Oxonica plc.

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