

6 December 2019

Dear Shareholder

RE: ADVANCE NANOTEK LIMITED NON-RENOUNCEABLE RIGHTS ISSUE

On 27 November 2019, Advance Nanotek Limited (ACN 079 845 855) ("**Company**") announced that it would undertake a non-renounceable entitlement rights issue on a 1 for 50 basis ("**Entitlement Offer**") to holders of ordinary shares ("**Shares**") in the Company ("**Shareholders**") held at 5:00pm (AEST) on 11 December 2019 ("**Record Date**").

The Entitlement Offer will be offered to those shareholders who are registered as a holder of ordinary shares in the Company as at the Record Date ("**Eligible Shareholders**") and are not in the United States.

Eligible Shareholders will receive an Entitlement Offer booklet including a personalised entitlement and acceptance form which will provide further details of how to participate in the Entitlement Offer. A copy of the Offer Booklet was lodged with the ASX on 6 December 2019 and is available on the ASX website.

The Entitlement Offer booklet will be dispatched to Eligible Shareholders in Australia and New Zealand.

Details of the Entitlement Offer

Pursuant to the Entitlement Offer the Company will issue up to 1,178,405 new ordinary shares ("**New Shares**") to raise up to A\$6,811,180 (before costs of the Entitlement Offer).

The New Shares will rank equally with existing ordinary shares in the Company.

Under the Entitlement Offer, Eligible Shareholders will be invited to subscribe for 1 New Share at \$5.78 ("**Issue Price**") for every 50 ordinary shares held at the Record Date. Fractional entitlements are being rounded up to the next whole New Share.

The Company will make application to the ASX for the official quotation of the New Shares.

The Entitlement Offer is being conducted under section 708AA of the *Corporations Act 2001* (Cth) as notionally modified by *ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84* and does not require a Prospectus.

Entitlements are non-renounceable and will not be tradeable on ASX or otherwise transferable. The Entitlement Offer is not underwritten.

Eligible Shareholders who do not take up their entitlements will not receive any value in respect of those entitlements that they do not take up (and their shareholding in the Company will be diluted). Shareholders who are not eligible to receive entitlements will not receive any value in respect of the entitlements they would have received had they been eligible.

No shareholder approval is required for the Entitlement Offer.



Capital structure implications

The principal effect of the Entitlement Offer will be to increase the total number of Shares.

The following table shows the capital structure of the Company on completion of the Entitlement Offer if all of the entitlements are taken up by Eligible Shareholders.

Shares	Number
Shares on issue at the date of the Offer Booklet	58,920,252
Maximum number of New Shares to be issued under the Entitlement Offer	1,178,405
Shares on issue following the close of the Entitlement Offer assuming the maximum number of New Shares are issued under the Entitlement Offer	60,098,657

Purpose of the Entitlement Offer and use of funds

The Company intends to invest the proceeds of the Entitlement Offer in production equipment, inventory and research and development as well as repay a short term loan from Ankla Pty Ltd, a related entity of Mr Lev Mizikovsky. Available funds from the Entitlement Offer will also be used by the Company to pay for the costs of the Entitlement Offer and provide working capital to support continued sales growth.

However, in the event of a change in circumstances or should other opportunities arise the Directors reserve the right to vary the proposed uses of funds in an effort to maximize the benefit to shareholders.

Indicative Timetable for Entitlement Offer

Announcement of Entitlement Offer	28 November 2019
Appendix 3B and Offer Booklet lodged with ASX	6 December 2019
Notice to Shareholders containing information required in Appendix 3B	6 December 2019
Trading on Ex basis	10 December 2019
Record Date for the Entitlement Offer (7:00pm AEST)	11 December 2019
Despatch of Offer Booklet	16 December 2019
Opening Date of Entitlement Offer (9:00am AEST)	16 December 2019
Last Day to extend the Offer Closing Date	14 January 2020
Closing Date of Entitlement Offer (5:00pm AEST)	17 January 2020
Securities quoted on a deferred settlement basis	20 January 2020
ASX notified of under subscriptions (no more than 3 business days after Closing Date)	22 January 2020
Allotment Date - expected date of allotment of the New Shares issued under the Entitlement Offer and the Shortfall Share Offer (if any)	24 January 2020
Normal trading begins	28 January 2020
Despatch Date - expected date of despatch of New Shares holding statements under the Entitlement Offer and the Shortfall Share Offer (if any)	3 February 2020

The timetable above is indicative only and may be subject to change. Subject to the *Corporations Act 2001* (Cth), the ASX Listing Rules and other applicable laws, the Directors reserve the right to vary the dates of the Entitlement Offer.

The Directors reserve the right not to proceed with the whole or part of the Entitlement Offer at any time prior to issue of the New Shares. In that event, any application monies (without interest) will be returned in full to the applicants.

Dealing with Entitlements

Before taking any action in relation to the Entitlement Offer, you should read the Offer Booklet in its entirety, and seek professional advice from your professional advisers. Eligible Shareholders have the following alternatives available in relation to the Entitlement Offer:

- take up all of your entitlement to New Shares;
- take up part of your entitlement to New Shares and allow the balance to lapse; or
- do nothing and allow all of your entitlement to New Shares to lapse.

Eligible Shareholders who do not participate in the Entitlement Offer, or participate for an amount less than their entitlement, will have their percentage holding in the Company reduced or diluted.

Full details of the terms and conditions of the Entitlement Offer are contained in the Offer Booklet lodged with the ASX and to be dispatched to Eligible Shareholders in accordance with the timetable set out above.

Geoff Acton (B.Com CA)
Managing Director