

ACTIVITIES REPORT – QUARTER ENDED 31 MARCH 2017

HIGHLIGHTS FROM THE MARCH QUARTER – OPERATIONS

- Sales performance for DIAsource – in line with previous corresponding quarter. YTD up on prior year.
- Milestones achieved in PoC projects with Ellume, Planet Innovation and Atomo Diagnostics
- Anteo presents for the first time at the China Association of Clinical Laboratory Practice Expo
- DIAsource continuous improvement program – selection of new ERP system
- DIAsource receives €700k grant to develop a novel version of its 1,25(OH)₂ Vitamin D assays

Sales Performance

DIAsource recorded sales of €3,746k for Q1-2017, which is in line with the performance of Q1-2016 of €3,799k. This was slightly down on budget due to timing of orders from a couple DIAsource's major accounts. These major accounts place large orders at certain intervals, resulting in high or low quarters depending on whether several such orders coincide in a quarter or not. In this case, several large orders expected for Q1, such as the large tender for Egypt, are now expected to be placed in Q2. However, whereas Major Accounts sales were below target, Base-Sales (non-Major Accounts) grew by 7% vs the same period last year.

In the first three quarters of the Anteo financial year, DIAsource sales performance has increased by 12.6% over the previous corresponding period (PCP), with Gross Margin evolution also following the trend with an 11.9% increase over the PCP.

Point of Care (PoC)

Ellume Agreement

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Last year, Ellume entered into a five-year License and Supply Agreement to utilize Anteo's proprietary technology on QDots, some of the smallest semi-conductive nanocrystals available (2 to 10 nm in diameter) that are used as probes for in vitro rapid diagnostics. The first Mix&Go reagent order from Ellume under this agreement has been received and product has been dispatched.

Planet Innovation Project

Anteo recently formed a partnership with Planet Innovation, Deakin University and Defense Materials Technology Centre (DMTC) to further the technology readiness of Planet Innovation's (Nplex) low cost, high sensitivity point of care diagnostic system that uses breakthrough reader technology. During the March quarter Anteo completed Milestone 1 on the project.

In achieving Milestone 1, Anteo successfully functionalised nanoparticles requiring integration with Planet Innovation's Nplex fluorescent reader. Anteo has effectively established, optimised and verified a model lateral flow system for the nominated target assay using Mix&Go. Using this lateral flow system, it has already matched and possibly exceeded sensitivity benchmarks developed by a US-based assay development company. This benchmark has previously been reported to show equivalence to commercially available tests.

Every proprietary diagnostic platform that companies develop is different and these steps need to be undertaken for each platform. The fact that we have been able to achieve such positive results as these on so many different platforms underlines the broad applicability of our technology.

Anteo has commenced Milestone 2, which is focused on building further robustness and reproducibility of its conjugates while progressively driving for maximum achievable assay sensitivity. Anteo expects to provide the partnership with a robust technical and commercial solution that can be applied to many different assays and not just the target assay currently being investigated. Milestone 2 is scheduled to be completed by next quarter.

Atomo Diagnostics Project

Anteo has also completed Milestone 1 in the Atomo project demonstrating a good lower limit of detection of cardiac troponin on the Atomo PoC device. The observed lower limits of detection of cardiac troponin on the model "half-strip" platform not only surpassed the industrial benchmark in a PoC setting, but also gave good reproducibility, an important factor for downstream manufacturing. Anteo has started Milestone 2 that requires the assembly of a "full strip" working prototype that will be tested using serum and whole blood samples on the AtomoRapid platform.

The decision to form partnerships to improve the performance of PoC platforms through integration of our nanotechnologies with our partners' complementary capabilities/technologies is a mechanism to not just achieve better clinical diagnostic outcomes but also to spread the knowledge of Anteo technologies to other potential partners.

Medical Devices: *In Vivo* Prosthetic & Implantable

Anteo's nanotechnology based binders and coatings can be utilized in other applications and, it is important to identify and select opportunities that align with our existing capabilities. The Medical Devices sector is a very large opportunity for Anteo and, as with the PoC opportunities, the most effective approach is partnering where there is an important unmet need that Anteo can help address.

One area of particular interest that Anteo is investigating relates to active implantable medical devices (AIMDs). Anteo's nanotechnology has the potential to produce more effective conductive interfaces that bridges Anteo's intellectual property and expertise in the Energy space to that in the Medical Device space. As discussed below in the Energy section, Anteo progressed its patent application, Conductive Composites, to the PCT stage on 29 March 2017. This application is the background IP to an earlier provisional filing, Conductive Fibers, that was filed late last year.

We considered neural prosthetic devices, i.e., medical devices that can substitute a motor, sensory or cognitive modality that might have been damaged, as an area of interest.

The previously disclosed feasibility study undertaken with Cook Medical Australia has been completed. The study outcomes were compelling and are now the subject of a fully funded verification study. Anteo welcomes the opportunity to continue to work with Cook Medical in applying our technologies to products that will ultimately lead to the improvement of health outcomes for patients.

In support of these activities, Anteo has embarked on an extensive internal program to re-formulate its chemistry with starting materials known to be safe for human use and compatible with in-vivo applications. One aspect is safety testing and a draft paper written by an Anteo collaborator has been prepared for peer-reviewed publication. The work relates to Mix&Go functionalised particles that have uses for clinical imaging or drug delivery, and part of this study confirms Mix&Go coatings have no observable toxicity to cells in vitro. These studies were using earlier versions of Anteo coatings and Anteo fully expects its re-formulation program will produce even safer and higher performing coatings/binders for in vivo and related applications.

Energy

The March quarter saw Anteo focus on further strengthening its in-house capabilities in half-coin battery fabrication with the objective of achieving robustness and reproducibility in our development activities sufficient to encourage partnering overtures from industry participants. Anteo is working to demonstrate in a systematic way, and according to industrial standards, the contributions of Anteo coatings to 1) providing a stronger coating on Si particles, 2) acting as an effective binder for electrode composites and 3) providing an improved conductive interface on the current collector, and how each of these combine to improve overall battery performance. These activities will enhance our engagement with battery suppliers and partners and allow us to access proprietary active electrode material for commercial feasibility studies.

On 29 March 2017, Anteo progressed to PCT stage Conductive Composites, a patent application describing methods to maintain good conductivity between different materials in situations where twisting, flexing and other distortions can lead to potential loss of conductivity. While this application is our second PCT patent focused on battery applications, it can also be considered to provide background intellectual property for other application areas such as conductive fibers.

Through sales of our Mix&Go kits and related products, there are already peer-reviewed publications

in which Anteo's binders and coatings are used on carbon nanotubes (*Biosensors and Bioelectronics* 74, 24–29) or graphene (*Sensors and Actuators B* 223, 89–94). These publications describe the enhanced specific signals generated in electrochemical immunoassays. It is already known that Anteo's binders and coatings allow not only good protein binding but also good conductivity on novel materials such as carbon nanotubes and graphene. Such materials are of interest in the development of new PoC immunoassay platforms but they also have relevance in other industrial applications such as energy storage. When Anteo undertakes research activities to demonstrate a capability in one segment, such as Energy and Batteries, we always consider the implications these findings may have in our other areas of activity or, indeed, markets in which we are not currently active. Our recent patent activity, that was initially targeting Energy and Battery applications has now been shown to have implications for Medical Devices, PoC and Life Sciences products.

On 13 March 2017, Anteo presented a technical seminar, in conjunction with Merck, at the China Association of Clinical Laboratory Practice Expo (CACLP) in China. This conference is the largest for the Chinese IVD industry, and represents over 90% of the local Chinese IVD manufacturers. In total, more than 600 companies exhibited. The technical presentation by Anteo attracted significant interest with more than 200 people attending. New and existing Chinese IVD companies are actively searching for new technologies that will help them fast track assay product development. Product orders and inquiries from major Chinese IVD companies after the CACLP conference have been highly encouraging and revealed a significant opportunity for Anteo's nanotechnology in China.

Commercial Activities

Anteo

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To respond to this interest, we are currently in discussion with potential distributors for China. We expect that these discussions will be completed through next quarter. Anteo sees these opportunities to further popularize the use of Mix&Go coupling products in China. Currently, we are supplying protein-coupled magnetic particles to major IVD and Life Science suppliers via third party arrangements in the fast-growing Chinese market.

DIAsource

The commercial team was very active with visits to Major Account business partners in Asia, and several new customers and leads in Middle East. Business development meetings and training sessions with several new distributors took place for the RIA, ELISA and Ab business segments.

The company was present at main events such as Medlab in Dubai, the Vitamin D conference in Abu Dhabi, and the Vitamin D Workshop in Orlando, US.

Business Projects

Central to the DIAsource continuous improvement program, and in preparation for forecast future growth, a decision has been made on a new Enterprise Resource Planning (ERP) system. This strategic project is linked to the adoption of the new ISO standards. Implementation is now well underway and we are expected to go-live early 2018. We have high expectations that improved efficiencies will result from this decision.

R&D Update

DIAsource receives grant to develop a novel version of its 1,25(OH)₂ Vitamin D assays.

DIAsource was successful in having its Walloon Region project application for the modernization of its 1,25(OH)₂ Vitamin D assays accepted and that the project will receive €700k in funding. The funding for the project retrospectively commenced on 1 February 2017 and the project is anticipated to be completed within 24 months.

The goal of the project is to develop a novel separation method to be used for the quantification of 1,25(OH)₂ Vitamin D to assist in the reliable monitoring of kidney diseased patient Vitamin D status. The upgraded method will be implemented in the existing DIAsource 1,25(OH)₂ Vitamin D RIA and ELISA assays and will suppress the use of toxic organic solvents, reduce the turnaround time (tat) of the assays, and allow the laboratories to run the assays on fully automated instruments. Moreover, the foreseen method will be usable by LC-MS laboratories, as a separation step prior to the LC-MS analysis. LC-MS is the reference methodology for the quantification of small molecules such as the Vitamin D metabolites, and is gaining more and more market shares in developed countries.

DIAsource currently sells a 1,25(OH)₂ Vitamin D RIA assay and a 1,25(OH)₂ Vitamin D ELISA assay to the IVD market for the monitoring of kidney diseased patient Vitamin D status.

Strategic collaboration with Future Diagnostic on Free Vitamin D

Q1-2017 also saw the start of the strategic collaboration with Future Diagnostic on Free Vitamin D. This project, subsidized with European funding, intends to increase clinical and market knowledge on clinical value to move Free Vitamin D from current research use towards clinical IVD use.

Corporate Update

At the end of the quarter Anteo had €1.07m on hand.

During the quarter, no shares were issued by the Company. Anteo issued a further 2,000,000 unlisted options under its ESOP and cancelled 5,000,000 that had lapsed, being the total number of options on hand at the end of the quarter to 37.3m unlisted options.

ABOUT ANTEO GROUP – Anteo Diagnostics Limited (ADO:ASX) & Subsidiaries

Anteo Group is a global nanochemistry technology and medical supply group, developing, commercialising, manufacturing and distributing products for the life sciences, clinical diagnostics and bioseparations markets, and creating new applications in the energy and medical devices sectors.

Through Anteo Technology, the Anteo Group owns a patented nanochemistry surface engineering technology which unites the strength and stability of covalent binding with the gentleness of passive binding through multi-point chelation. Through the use of its reagents binders, coatings or primers, Anteo provides materials and services for high- value commercial applications. Markets include protein binding and antibody coupling (e.g. point of care devices), primers for in-vivo medical devices and medical drug delivery, and coatings with commercial applications across a broad range of industry sectors, including life sciences, in vitro diagnostics, medical devices and energy.

Through its wholly owned subsidiary, DIASource Immunoassays SA, Anteo Group manufactures and distributes a complete catalogue of ELISA and RIA products for clinical diagnostics via established distribution channels in 75 countries across the world, including antibodies and laboratory automation instrumentation.

For more information, please visit www.anteodx.com