

31 October 2016

Company Announcements Office
Australian Stock Exchange
Level 6, 20 Bridges Street
SYDNEY NSW 2000

Anteo Diagnostics Limited (ASX: ADO) attaches its Appendix 4C for the quarter ended 30 September 2016.

ACTIVITIES REPORT – QUARTER ENDED 30 SEPTEMBER 2016

HIGHLIGHTS FROM THE SEPTEMBER QUARTER - ANTEO

- Continuing to deliver strong value proposition in Point of Care
- Medical Device Patent progresses to PCT
- Continued internal development of battery technology to better position discussion with R&D partners

Medical Device: Point of Care

The September quarter continues to highlight the strong value proposition Anteo products deliver in the PoC sector, we are continuing to see significant market interest and need in the area of highly sensitive novel PoC product development. Anteo is progressing negotiations with several parties regarding a near term funded collaborative project to develop a new generation PoC device employing Anteo nano tech solutions.

Additionally, negotiations were underway for the license and supply of Anteo's technology in a novel PoC test undergoing clinical trial stage validation. Further to these near-term opportunities, Anteo and DIAsource development group are also working together to identify areas within the PoC space where novel tests may be collaboratively developed and commercialised.

Anteo currently has projects with companies developing POC products testing for heart attacks, tropical diseases, infectious diseases and bone metabolism across a variety of lateral flow platforms. In all cases Anteo products are delivering greater sensitivity and reliability to users.

Anteo has been working with Atomo to finalise the project scope required to develop a clinical prototype of a cost effective and accurate point of care test for the diagnosis of heart attacks. Since the announcement of the Advance Queensland Johnson & Johnson Innovation QuickFire Challenge award, both parties have established the test requirements and negotiated the details of the Collaborative Agreement ready for commencement of technical work in the December Quarter 2016.

Medical Device

Improving the performance and utility of Medical Devices where there are challenges in surface chemistries continues to be an area of focus. As part of an overarching strategy review, Anteo has been assessing the various options with respect to aligning technological capabilities with existing competitive landscape and a strong unmet market need. In August, the first of Anteo's patent applications with a specific emphasis on creating surfaces with anti-thrombogenic properties and other functionalities progressed to PCT stage. This is one anchoring point to establish a solid IP strategy in medical devices and further patent filings are planned in the near future.

Anteo continues to work with Cook across several projects. A Feasibility Study announced in 2015 has concluded and discussions are underway to determine appropriate next steps.

During the quarter, a research partnership with the Australian Institute for Bioengineering and Nanotechnology (AIBN) at The University of Queensland, assessed Anteo's technology for the purposes of developing in vivo imaging agents was concluded. The 12-month project demonstrated two key outcomes including:

- i) surface functionalization of nanoparticles using Anteo's technology is not toxic to cells in an in vitro setting; and
- ii) in vitro cells successfully internalise these particles carrying multi-functional agents.

Demonstrating these objectives is central to furthering the investigation of Anteo's technology in the field of clinical imaging and guided delivery of therapeutic agents and will provide guidance as to the strategic application of this technology.

Life Sciences

Anteo launched three new Application Kits for IVD and Life Sciences markets at AACC, these new products are moving through the final stages of distributor availability, the new kits include 'lateral flow coupling kit', 'antibody coupling kit' and the 'magnetic separation coupling kit' and are intended to make Anteo's nanochemistry technology more accessible through targeting marketing of products to the life-sciences research community. In addition to the new product offering, Anteo is expanding its service offering in response to market need for rapid custom conjugation services to provide simpler access to the technology.

Energy

As Anteo's core capabilities are in the development and application of nano binders and coatings, we recognize the need to collaborate with research and development partners with in-depth capability and industrial experience in Li-ion batteries to assist in data generation for full commercialization. However, for Anteo to effectively drive external technical and business activities, certain capabilities and knowhow relating our coating technology to higher battery performance is being further developed internally.

Over the September quarter Anteo has been continuing to build understanding of the specific conditions under which battery performance is enhanced with Anteo's in-house slurry, electrode and coin cell assembly capabilities, and with support from certain contract R&D providers and expert consultants. We are progressing discussions with several large potential research and development partners with significant industrial capabilities in Li-ion batteries to rapidly mobilize towards the immediate commercialization opportunity is addressing the cycling stability of silicon based anodes.

HIGHLIGHTS FROM THE SEPTEMBER QUARTER - DIASOURCE

- Seasonal sales pattern, off-set by increase focus on margin
- Strong growth in new markets
- Continuous improvement project delivers ongoing benefits

Sales Performance

DIAsource continued its strong performance in 2016 with total revenues of 3,612 M Euro for the third quarter, which is 5% higher than the same period last year. Sales were especially strong in Asia with

quarterly revenue in Japan, Taiwan and China up 37% to 47% against the same quarter last year. These countries are growing with an average quarterly CAGR of 10%.

In Europe, the quarter brought strong sales in the UK, France, and Finland. Spain is now the top selling country for the last two quarters, replacing the home market Belgium. The strong performance in Spain, Belgium and France is directly attributed to DIAsource having a direct operational presence in these markets.

In the Americas, both US and Colombia showed 25% improvement over the same quarter last year.

Sales for the September quarter are traditionally lower due to the northern hemisphere summer vacation period in July – August. The performance for the quarter was lower than experienced in the June quarter, however it was an improvement to the equivalent period in 2015. A focus on the mix of products sold resulted in an improved margin for the quarter. The factors contributing to the improved margin were a large sales of antibodies to a single client (143 K€), and a couple of large Vitamin D orders, including an order of 1,500 kits and a first shipment of 5,000 kits.

Distribution

DIAsource sales representatives attended the IVD conferences in China (CMEF) and the USA (AACC) and in the Annual Congress of the American Association of Bone and Mineral Research to promote our Vitamin D product range with special focus on the exclusive Free 25OH Vitamin D.

Ten sales and distribution agreements are being progressed: three with new distributors in new countries, three new OEM-out partners for antibodies, and four specifically for Free Vitamin D. Several laboratories in South America are in the process of testing and evaluating the newly launched Zika virus assay. This is the first necessary step to sell this product in the South American market.

Two partners in China have initiated registration of the 25OH Vitamin D (additional to the existing DIAsource branded registration of the assay) and 1,25(OH)₂ Vitamin D ELISA kits with CFDA.

Business Improvements

The Supply Chain continuous improvement program is contributing to improved margins within the business. We have seen a positive impact from the lowering of waste and corrections to the yearly review of COGS. This quarter also saw the successful commissioning of new manufacturing infrastructure components for both RIA and ELISA coating lines.

From an operational point of view, there have been process improvements in various functional units within as Finance and Customer Service. We have also seen the roll-out of Qlikview Business Intelligence tool, which has enabled a deeper understanding of the business, especially in areas such as inventory analysis.

Finally, several open positions were filled in the last two quarters, with the business now stable at a total headcount of 80 people.

Financial Performance

A combination of sales mix and a focus on margins in both commercial and supply chain operations, saw the Gross Margin (GM) for the quarter exceed forecast, with actual GM at 53.6% versus 52.7% forecast. Normalized EBITDA and Net Income for the quarter were at forecast levels.

HIGHLIGHTS FROM THE SEPTEMBER QUARTER – CORPORATE UPDATE

The quarter saw several changes to the management structure of the Anteo group, specifically:

- Mr Peter Harding-Smith, B Bus, CA appointed Group Chief Financial Officer and Company Secretary;
- Ms Tamara Mills, MBA, BSc appointed Chief Operations Officer of the Australian operations;
- Ms Sam Andersen resigned from her role as a non-executive Director of the company and as the Chair of the Audit and Risk Committee;
- Mr Richard Martin, moves into a non-executive director position and is now the Chair of the Audit and Risk Committee.

Following the appointment of Mr Harding-Smith and Ms Mills, they are working with Dr Jef Vangenechten, Group CEO, to:

- review the existing Anteo and DIAsource technologies;
- obtain a deep understanding of the competitive landscape in the various application areas where we see opportunities; and
- conduct a thorough analysis of the unmet needs in each of the areas whilst continuing to develop compelling evidence and unique solutions to industry problems within the fields of Medical device, Life-sciences and Energy.

Anteo received a A\$2,061,301 cash refund under the Federal Government's R&D Tax Incentive Scheme.

On the 4 July 2016, Anteo issued a convertible note for US\$500,000 to Bergen Global Asset Management Inc, in accordance with the agreement with them. These funds and existing working capital within the business, was used to pay the first instalment of €1,108,969 under the DIAsource vendor financing agreement, on the 11 July 2016.

During August 2016, Bergen Global Asset Management Inc exercised their option under the convertible notes and Anteo issued 83,741,179 ordinary shares in full satisfaction of the convertible notes.

Cash at the end of the quarter was € 2,352,738

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

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

introduced 31/03/00 Amended 30/09/01, 21/10/05, 17/12/10, 01/09/16

Name of entity

Anteo Diagnostics Limited

Quarter ended
("current quarter")

ACN or ARBN

75-070-028-625

30-Sep-16

Consolidated statement of cash flows		Current quarter	Year to date (3 months)
		'000 €	'000 €
1	Cash flows related to operating activities		
1.1	Receipts from customers and government grants	4,118	4,118
1.2	Payments for		
	(a) research and development (excluding staff costs relating to R&D)	(193)	(193)
	(b) product manufacturing and operating costs	(1,346)	(1,346)
	(c) advertising and marketing	(76)	(76)
	(d) leased assets	(64)	(64)
	(e) staff costs	(1,444)	(1,444)
	(f) other working capital	(1,736)	(1,736)
1.3	Dividends received	-	-
1.4	Interest received	3	3
1.5	Interest and other costs of finance paid	(16)	(16)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	1,500	1,500
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	746	746

2	Cash flows related to investing activities		
2.1	Payment to acquire:		
	(a) property, plant and equipment	(28)	(28)
	(b) businesses	-	-
	(c) investments	-	-
	(c) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses	-	-
	(c) investments	-	-
	(c) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flow from loans to other entities	-	-
2.4	Dividends received	-	-

2.5	Other (provided details if material)	-	-
2.6	Net cash from / (used in) investing activities	(28)	(28)
Cash flows from financing activities			
3			
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	453	453
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	104	104
3.6	Repayment of borrowings	(1,445)	(1,445)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(889)	(889)
Net increase (decrease) in cash and cash equivalents for the period			
4			
4.1	Cash and cash equivalents at beginning of quarter/year to date	2,522	2,522
4.2	Net cash from / (used in) operative activities (item 1.9 above)	746	746
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(28)	(28)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(889)	(889)
4.5	Effect of movement in exchange rate on cash held	3	3
4.6	Cash and cash equivalents at end of quarter	2,353	2,353

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter	Previous quarter
		'000 €	'000 €
5			
5.1	Bank balances	2,272	2,119
5.2	Call deposits	80	403
5.3	Bank overdrafts		-
5.4	Other (provide details)		-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,353	2,522

6 Payments to directors of the entity and their associates		Current quarter
		'000 €
6.1	Aggregate amount of payments to these parties included in item 1.2	292
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7 Payments to related entities of the entity and their associates		Current quarter
		'000 €
7.1	Aggregate amount of payments to these parties included in item 1.2	
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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8	Financing facilities available	Amount available	Amount used
	<i>add notes as necessary for an understanding of the position</i>	'000 €	'000 €
8.1	Loan facilities -		
8.2	Credit standby arrangements		
8.3	Other (provide details)		
8.4	Include below a description of each facility above. Including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered or are proposed to be entered after quarter end, include details of those facilities as well.		

9	Estimate cash outflow for next quarter	'000 €
9.1	Research and development	(129)
9.2	Product manufacturing and operating costs	(1,410)
9.3	Advertising and marketing	(48)
9.4	Leased assets	(69)
9.5	Staff costs	(1,426)
9.6	Administration and corporate costs	(250)
9.7	Other (provide details if material)	(97)
9.8	Total estimated cash outflows	(3,429)

Acquisitions and disposals of business entities			
10	Acquisition and disposals of business entities (items 2.1 (b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity		
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and polices which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Print

name: **Peter Harding-Smith**

Date:

31-Oct-16

Company Secretary

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
- 2 If this quarterly report has been prepared in accordance with Australia Accounting Standard, the definitions in, and provisions of, AASB 107: Statements of Cash Flow apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
- 3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.