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Quarterly report for the period ending 31 December 2016

1. Financial

The Company's cash management remains strictly controlled with a balance of approximately \$5.55 million at the end of the period. The Company also expects that the R&D rebate payable to OBJ of approximately \$1.23 million, will be received in the March 2017 quarter.

Revenue for the period featured the first license fees for the general distribution of the Eye Wand product containing OBJ's technology into several Asian markets by Procter and Gamble (P&G).

The Company's outgoings remain very controlled with consistent staff costs.

2. Licensing

2.1 Procter and Gamble (P&G)

The relationship with our foremost partner P&G continues with a number of key initiatives confirmed. Activity continued to increase during the period across the following areas:

- Execution of the second Term Sheet for the licensing by P&G of the Wave II device, with the first launch expected in the first half of calendar 2017. This is a significant development for the Company as it greatly expands the use of OBJ's technology by volume. In addition, being a higher wholesale price, revenues per item sold will be greater than with the Eye Wand product. It is understood that first manufacturing of the initial batch of Wave II devices is now underway in Singapore.
- Continued development of additional products that are progressing toward licensing, with three in advanced stages of development and testing in preparation for deployment with various P&G brands.
- Definition work and laboratory testing on a number of new P&G product applications across the Homecare, Healthcare and Personal Hygiene categories is progressing and may result in new, funded Work Plans in the near future.



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If these are commercialised, this will give a much broader application base for OBJ's microarray technology for P&G's many product sectors.

- Specification development for the possible licensing by P&G of a second technology platform, as announced at the Company's AGM in October. The potential commercialisation of the new technology is a major disruptive approach to the beauty and grooming market. It is a complex process and the development and testing program must be carefully designed to support the product implementation and the consequent change in consumer behaviour in utilising the new technology. This is a very exciting and potentially game changing development, with both parties meeting at P&G's Cincinnati base during the quarter to progress the scope and testing program.

P&G has been target-marketing the Eye Wand with the Olay brand in China and will soon commence deployment in other Asian countries with the SK-II brand. It is particularly pleasing to see the licensing activity now gathering pace across multiple products and brands.

The P&G relationship continues to move from strength to strength and demonstrates the excellent innovative development being undertaken by both parties while providing OBJ with a growing base for multiple income streams.

2.2 Coty

OBJ is working with Coty to undertake testing of new formulations that have been developed by Coty. It is understood that once the laboratory testing is completed, Coty intend undertaking further consumer research using OBJ's proprietary Dermaportation technology, designed specifically for Coty's formulations.

3. OBJ Product Innovations

3.1 BodyGuard

The BodyGuard product development program has progressed well during the period with the use of the hydro gel formulation being retained as the principle receptor for various compounds, allowing their release from the device into the skin. The development program now covers the prototyping of a two way stretch skin for use of the BodyGuard in tennis elbow applications, ahead of an intended clinical trial commencing in 2017 at Curtin University in Perth.



Negotiations for distribution have continued with a number of prospective major pharmaceutical and consumer goods companies. Meetings took place early December in the USA with one potential licensee, with a program mapped out on the

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development and possible commercialisation of BodyGuard containing that party's active ingredients.

Discussions are also well advanced with a second multinational regarding the possible commercialisation of BodyGuard into another market sector. These discussions have now reached an outline of the development program and testing that will be required for various geographical and consumer markets.

The interest across major markets and applications for BodyGuard by all four prospective licensees is very encouraging and the Company is working hard to maximise the coverage of this product line across markets using multiple partners.

3.2 Surface Hygiene

OBJ is working with multiple potential partners for the first possible product development and distribution of OBJ's surface hygiene technology. These potential partners are presently evaluating the technology with their formulations in dedicated laboratory facilities.

OBJ also intends to undertake a broad series of testing on multiple types of surfaces, utilising a specialist international university to conduct and report on the tests. The Company is keen to broaden the potential of its microarray technology in the many possible applications of prospective partners' existing products.

3.3 New Technologies

OBJ has reported on the development and strong demand from several interested partners in its new DCE (Dynamically Configurable Emulsion) technology platform. It is hoped that DCE will be taken up in the near future, opening the door for a number of possible commercial opportunities for this technology.

DCE provides the ability to manage the oil and water phases of common emulsions separately. This has great appeal in the self-forming patch and mask sectors as well as the ability to create occlusive films during application to the skin.



The Company continues with research on the next generation of technologies that are intended to be offered to the consumer goods markets. **Skin Diagnostics** is a field that the Company has decided to explore, as it provides higher levels of consumer interactions in the beauty and grooming field. OBJ's technical team is developing a number of new technologies in this area that are designed to work seamlessly with the Company's existing delivery techniques. The goal is to develop a new range of actionable technologies that include skin diagnostics, product recommendations and delivery of key active ingredients to suit individual needs.

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4. Administration

The OBJ skin science laboratory is being completely renovated with additional equipment to test skin penetration characteristics with our partners' active ingredients. The new laboratory layout and additional capacity greatly increases the efficiency and capability of the OBJ research team. It is expected the new laboratory will be completed and fully functional during the quarter ending March 2017.

The case involving the convertible note that expired in June 2012 continues in the Supreme Court and the Company has retained legal counsel as appropriate.

About OBJ

OBJ develops proprietary magnetic micro-array drug delivery and product enhancement technologies for the pharmaceutical, healthcare and consumer goods sectors. OBJ partners companies in the design and development of next generation products using physical science rather than chemistry to provide new levels of product performance without the cost of reformulation or new ingredient approvals.

OBJ offers a portfolio of proprietary technologies and supports partners by providing IP-protected market exclusivity, expertise in magnetic array design, feasibility and efficacy and claims testing, engineering and production.

About OBJ's Technologies

OBJ has developed a platform of physical enhancement technologies based on low-cost magnetic micro-arrays that influence the movement and penetration through the skin of drugs, active ingredients and formulations at the molecular level.

Complex 3-D array and moving magnetic fields have the ability to repulse certain molecules to enhance diffusion and to alter the permeability of certain biological and non-biological targets.

OBJ develops low cost micro-array film technology that utilise diamagnetic repulsion, induced permeation and energy redirection to offer a new way of managing the speed, depth of penetration and delivery of active ingredients in a wide range of pharmaceutical and consumer products.

Forward-looking Statements

This announcement contains certain "forward-looking statements" concerning OBJ. Where OBJ expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis.

Forward-looking statements provided in this announcement are based on assumptions and contingencies which are subject to change without notice. Such forward-looking statements including statements regarding intentions, planned events and potential results are provided as

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a general guide only and should not be relied upon as an indication or guarantee of future performance.

There can be no assurance that actual outcomes will not differ materially from these forward-looking statements, and there are risks associated with OBJ and the industry which may affect the accuracy of the forward-looking statements. OBJ does not undertake any obligation to release publicly any revisions to any forward looking statement to reflect events or circumstances after the date of this announcement or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

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