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Quarterly Report for the Period Ended 31 December 2017

1. Financial

Revenues of \$23,151 were received by OBJ Ltd for the December quarter. The balance of September quarter product royalties of \$296,120 due during the period were deposited by P&G in January making a total of \$319,271.

The Company's cash balance at the end of the period was approximately \$4.772 million.

2. Licensing

2.1 Proctor and Gamble

Microarray

Over the December quarter OBJ's Licensee continued selling the magnetic power booster applicator through its SK-II brand, as well as commenced preparations for the launch of the Magnemask product through its Olay brand, both initially into Asian markets.

Key points of the OBJ's Licensee relationship and activities include:

- The 40 products required to be developed under the existing licensing agreement for the second technology have been delivered for initial consumer efficacy testing. This fulfils the first important phase of the program and enables consumer feedback to define the next stage, including the development of final products and software.
- The detailed licensing agreement has been finalised and is awaiting execution, which OBJ understands is passing through the various approvals process. This new license will see the first application of the OBJ electronic micro magnetic technology be commercialised in a manner that will enable a broader range of distribution pathways to be deployed.
- Discussions continue to take place with the Singapore-based Product Accelerator regarding the development and distribution of products containing the second technology. The possible roles for OBJ in this venture remain to be negotiated.
- An Addendum is being negotiated that confines the areas of OBJ's Licensee's exclusivity to OBJ's microarray technology to a narrower range of skin care applications. The sectors previously considered exclusive included colour cosmetics, hair care and shaving, have now been released back to OBJ, enabling OBJ to offer products to the market containing microarray technology in these sectors.

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- This has been negotiated as part of the Company's strategy to develop its own products for Distributors to the market. This will provide for far greater potential revenues to the Company rather than a sole reliance on receiving license fees. OBJ has been heavily involved in the design and development of various products with its licensee and continues to do so. That experience is now being directed at OBJ's own products and a number of market sectors have already been identified for OBJ product development.
- OBJ will continue to support its key licensee for its technologies (two of which apply to skin care) in defined market places while pursuing its own products in parallel. OBJ is already working in one market sector that has been released by OBJ's Licensee. The experiences gained in working closely with OBJ's Licensee will be invaluable in this regard.
- It is pleasing to report that the Olay Magnemask has been now launched into North America through a number of America's largest chain of stores that include Walgreens, Target and Amazon. The US launch builds upon the present sales in certain Asian markets.

Other Activities

Over the period meetings were held in Japan with OBJ's Licensee to discuss the next two product developments, expected to be launched over the next 12 to 24 months to augment the existing products now in circulation.



While in Japan, OBJ's Managing Director Jeffrey Edwards received OBJ's Licensee's Partner of the Year award, from Mr Stanislav Vecera, President of Proctor and Gamble in Japan. The award recognising the creation of value from OBJ's innovation, as displayed by the success of the initial products containing the microarray in Asian markets.

3. OBJ Internal Product Innovations

3.1 BodyGuard / BodyCare

Further to internal discussion, OBJ's management has decided to distinguish between the two different applications for BodyGuard in all future communications. It will now be separately referencing applications for therapeutic and pharmaceutical use under the name BodyCare. This will enable the Company to continue the reference of BodyGuard for the iteration of the product containing the naturally occurring Lubricen formulation, separate to the BodyCare application containing formulations such as ibuprofen (IBU).

While BodyGuard seeks to guard against customers' loss of functionality, BodyCare aims to assist in the treatment of muscular skeletal and inflammatory pain. The hardware remains largely the same while the formulation within will vary for the

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different applications. It will also assist the Company in future negotiations with distributors across the market sectors.

BodyGuard and BodyCare have matured further over this period with:

- The Curtin University clinical trial for IBU delivery (BodyCare) continues following the approval of the ethics committee and is expected to be completed during the March quarter. A major US-based potential licensee of the technology is awaiting these results before deciding whether to take on the BodyCare application. The trial will demonstrate the first use of the BodyCare product for pain relief.
- A UK clinical trial has also been agreed with an international UK company to trial the BodyGuard product across a number of participants. The BodyGuard prototypes are being prepared by OBJ's manufacturing partner based in Melbourne using the latest hydrogel sourced from the US, with the trial expected to commence during the March quarter.

The above trials demonstrate the intention of the BodyGuard/BodyCare product range to deliver a wide range of active ingredients to service the raft of market sectors that exist for the overall program using multiple distribution channels.

In the coming period, meetings are expected to take place in Melbourne with OBJ's manufacturing partner with regard to intended next steps. The partner have first right of refusal to manufacture and a non-exclusive right to distribute BodyGuard products via the Collaboration Agreement executed in 2017.

3.2 Surface Hygiene

OBJ continues its work with a UK based multi-national which is a market leader in surface cleaning. The party is presently testing OBJ's microarray technology in its laboratory for potential use with its well-known hygiene brands. Testing is well progressed and the party is replicating previous testing that was undertaken with significant success in Perth. The two teams are expected to meet again during the March quarter to determine next steps.

OBJ continues to invest development time into this exciting opportunity for the Company outside biological markets, and it remains optimistic regarding its ability to secure a suitable distribution partner in the short term.

3.3 DCE

Caps containing the DCE technology are under evaluation in Singapore with a new potential multi-national partner that OBJ has been fostering for some time. The opportunity here is for OBJ to supply packaging for end-user products containing the Company's DCE layering technology. The potential partner will undertake consumer evaluation work before progressing discussions with OBJ in the coming months.

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4. The Board of Directors

The Directors have interviewed a number of potential candidates to join the Board as part of its proposed restructuring. The Directors are confident this will provide important additional skill sets as the company executes on its product strategies. It is expected that a suitably qualified candidate will be invited to join the Board in the March quarter.

About OBJ's Technologies

OBJ has developed a number of physical enhancement technologies based on the interactions between ingredient molecules and weak atomic forces. These influence the movement and penetration through the skin of drugs, active ingredients and formulations at the molecular level.

Complex 3-D magnetic fields produced by low cost microarrays or powered electromagnetic inductors have the ability to repulse certain molecules to enhance diffusion and to alter the permeability of biological and non-biological targets.

OBJ's low cost microarray film technology that utilise diamagnetic repulsion, induced permeation and energy redirection has already reached international markets to provide OBJ's Partners with a new way of managing the speed, depth of penetration and delivery of active ingredients in a wide range of pharmaceutical, healthcare 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 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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