

Quarterly Report for the Period Ended 31 March 2018

Highlights

- Cash receipts of \$617,440 received during the March quarter.
- Main royalty contributors were the SK-II Power Booster (throughout Asia) and the Olay MagneMask Kit which is marketed in China and more recently the USA.
- Execution of an Addendum to the microarray Product Development Agreement (PDA) with Procter & Gamble (P&G) which provides flexibility to OBJ to market and license several sub-categories.
- Patent and Know How License Agreement executed with P&G, covering the use of OBJ's electro-magnetic platform technology for commercial use in skincare.
- Successful human clinical trial for OBJ's *BodyCare* Ibuprofen (IBU) patch which produced a significantly greater reduction in pain and improvement in function than the placebo device.
- This data suggests the *BodyCare* (IBU) product could potentially provide similar efficacy to oral-dosed NSAIDs (including oral ibuprofen) without the adverse gastrointestinal (GI) and cardiovascular (CV) events, and hence OBJ is accelerating its commercial development.

Financials

OBJ Limited banked cash receipts of \$617,440 during the March quarter. This includes \$296,120, being a delayed payment relating to September quarter product royalties. Royalties predominantly arose from the continued success of the SK-II Power Booster product sales through Asia, and the Olay MagneMask Kit which is marketed in China and more recently the USA.

The Company's cash balance at the end of the period was approximately \$4.677m.

Licensing

Procter & Gamble – Addendum to PDA

During the quarter, OBJ announced the execution of an Addendum to the microarray Product Development Agreement (PDA) with Procter & Gamble (P&G), releasing OBJ from certain exclusivity provisions relating to specific beauty subcategories of the magnetic array technology previously licensed to P&G.

The amended agreement allows OBJ to market the technology in several subcategories, including colour cosmetics, haircare and shaving (specifically the shaving of the hair rather than associated skincare), to other potential partners. For absolute clarity, the beauty sub-category of skincare remains within the scope of the PDA which is exclusive to P&G.

Both parties also agreed to the release of the Wave 1 Eye Wand device. Negotiations are near completion for access to P&G-owned production tooling and use of its design patents. Access to these existing assets will reduce production costs for OBJ.

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The negotiation of these changes form part of OBJ's strategy to develop its own (or co-develop) products for distribution into markets outside skincare. To this end, management have advanced discussions with potential partners in recent months.

Procter & Gamble – Patent and Know How License Agreement

OBJ executed a Patent and Know How License Agreement with P&G, covering the use of OBJ's electro-magnetic platform technology for commercial use in skincare. This follows the initial development agreement as announced on 27 April 2017.

The new agreement allows for the development of products and consumer propositions using this technology.

The parties will negotiate in good faith to agree and execute product license term sheets, which include royalties and/or subscription fees payable to OBJ, as and when these products become defined.

OBJ has delivered 40 prototypes to P&G under the original licensing agreement, enabling P&G to conduct initial consumer efficacy and acceptance testing, the results of which will be used to further define the consumer propositions. The devices and initial systems will soon be tested with consumers in the USA, Singapore and Japan.

OBJ Internal Product Innovations

BodyCare study results

OBJ's *BodyCare* product, being a drug delivery version of its *BodyGuard* technology platform, was recently tested in a double blinded, placebo controlled clinical efficacy study lead by Professor Tony Wright of Curtin University's School of Physiotherapy and Exercise Science.

The study explored the efficacy of the *BodyGuard* technology to topically deliver the non-steroidal anti-inflammatory drug ibuprofen (IBU).

The study looked at clinical outcomes following short term (48 hours) administration of a magnetophoresis enhanced transdermal ibuprofen (125mg dose) patch in comparison to placebo.

In the study, each participant completed two study periods in which they received magnetophoresis-enhanced transdermal ibuprofen patches or placebo patches in randomised order. The study sought to demonstrate that OBJ's array-back hydrogel technology could be used with third party therapeutic drugs such as ibuprofen.

There were 24 community-dwelling volunteers (6 male, 18 female / mean age 66, range 60-77) with medically diagnosed painful knee osteoarthritis. The primary outcome measures were:

- VAS rating of pain on movement,
- WOMAC pain score, and
- WOMAC function score.

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Secondary outcome measures included:

- VAS rating of pain at rest,
- WOMAC stiffness,
- ALF score,
- ALF pain rating, and
- PPT

Results

Prof Wright reported that the active *KneeGuard* device containing a [lower than usual] 125mg dose of IBU with magnetophoresis produced a significantly greater reduction in pain and improvement in function than the placebo device. 22 participants (92%) considered themselves either better or much better following the active patch treatment.

Ranking – how do these results compare with others

OBJ's US-based consultant Dr Stephen Meller has conducted analysis of the Curtin study results to provide important feedback on what the results could mean and what might be the paths forward to market.

What the results could mean?

Ibuprofen is a drug that is easy to compare against other studies given the very large database on the drug's in-market safety across various doses. The most universally accepted method for comparison of efficacy is the NNT scale (number needed to treat), which offers a unit of measurement regarding efficacy. This has been published as the Oxford League Table of Clinical Efficacy, by leading independent scientific journal Nature.com – <https://www.nature.com/articles/6400237.pdf?origin=ppub>

For the *BodyCare* ibuprofen patch the NNT to achieve the required 50% reduction in movement pain VAS was 2.2, and the NNT for resting pain VAS was 3.4.

This data suggests that the *BodyCare* IBU patch was superior to other topical products on the market, and the equal of orally-dosed NSAIDs (both over-the-counter and prescription) and potentially the equal of opioid treatments.

It also shows that the OBJ *BodyCare* technology is comparable to both Rx and OTC orally dosed ibuprofen even though it used a substantially lower dose (125 mg). The combination of lower drug concentration and topical delivery has a profound impact on safety by reducing adverse GI and CV side-effects, as well as addictive potential associated with oral opioids.

Directors

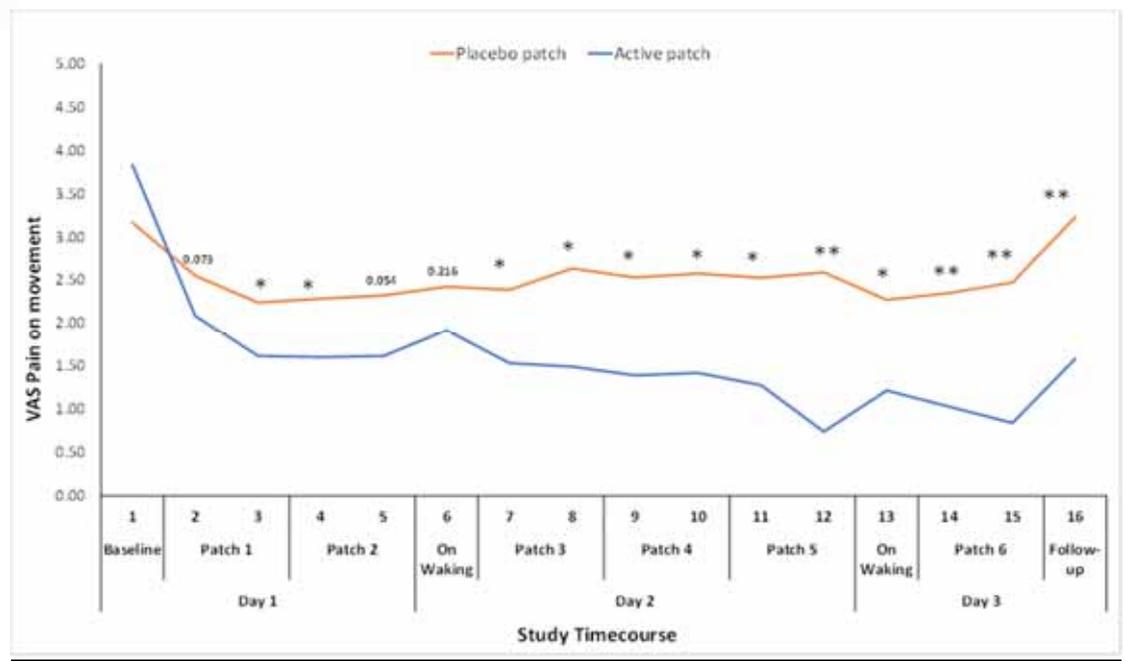
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Table 1. The Oxford League table of analgesic efficacy.

Analgesic and dose	People in comparison (n)	Proportion with 50% pain relief (%)	NNT	Lower CI	Higher CI
Ibuprofen 800	76	100	1.6	1.3	2.2
Ketorolac 20	69	57	1.8	1.4	2.5
Ketorolac 60 (intramuscular)	116	56	1.8	1.5	2.3
Diclofenac 100	411	67	1.9	1.6	2.2
Piroxicam 40	30	80	1.9	1.2	4.3
Paracetamol 1000 + codeine 60	197	57	2.2	1.7	2.9
Oxycodone IR 5 + paracetamol 500	150	60	2.2	1.7	3.2
Bromfenac 25	370	51	2.2	1.9	2.6
Rofecoxib 50	675	54	2.3	2.0	2.6
Diclofenac 50	738	63	2.3	2.0	2.7
Naproxen 440	257	50	2.3	2.0	2.9
Oxycodone IR 15	60	73	2.3	1.5	4.9
Ibuprofen 600	203	79	2.4	2.0	4.2
Ibuprofen 400	4703	56	2.4	2.3	2.6
Aspirin 1200	279	61	2.4	1.9	3.2
Bromfenac 50	247	53	2.4	2.0	3.3
Bromfenac 100	95	62	2.6	1.8	4.9
Oxycodone IR 10 + paracetamol 650	315	66	2.6	2.0	3.5
Ketorolac 10	790	50	2.6	2.3	3.1
Ibuprofen 200	1414	45	2.7	2.5	3.1
Oxycodone IR 10 + paracetamol 1000	83	67	2.7	1.7	5.6
Piroxicam 20	280	63	2.7	2.1	3.8
Diclofenac 25	204	54	2.8	2.1	4.3
Dextropropoxyphene 130	50	40	2.8	1.8	6.5
Bromfenac 10	223	39	2.9	2.3	4.0
Pethidine 100 (intramuscular)	364	54	2.9	2.3	3.9
Tramadol 150	561	48	2.9	2.4	3.6
Morphine 10 (intramuscular)	946	50	2.9	2.6	3.6
Naproxen 550	169	46	3.0	2.2	4.8
Naproxen 220/250	183	58	3.1	2.2	5.2
Ketorolac 30 (intramuscular)	359	53	3.4	2.5	4.9
Paracetamol 500	561	61	3.5	2.2	13.3
Paracetamol 1500	138	65	3.7	2.3	9.5
Paracetamol 1000	2759	46	3.8	3.4	4.4
Oxycodone IR 5 + paracetamol 1000	78	55	3.8	2.1	20.0
Paracetamol 600/650 + codeine 60	1123	42	4.2	3.4	5.3
Ibuprofen 100	396	31	4.3	3.2	6.3
Paracetamol 650 + dextropropoxyphene (65 mg hydrochloride or 100 mg napsylate)	963	38	4.4	3.5	5.6
Aspirin 600/650	5061	38	4.4	4.0	4.9
Paracetamol 600/650	1886	38	4.6	3.9	5.5
Ibuprofen 50	316	31	4.7	3.3	7.9
Tramadol 100	882	30	4.8	3.8	6.1
Tramadol 75	563	32	5.3	3.9	8.2
Aspirin 650 + codeine 60	598	25	5.3	4.1	7.4
Oxycodone IR 5 + paracetamol 325	149	24	5.5	3.4	14.0
Ketorolac 10 (intramuscular)	142	48	5.7	3.0	53.0
Paracetamol 300 + codeine 30	379	26	5.7	4.0	9.8
Bromfenac 5	138	20	7.1	3.9	28.0
Tramadol 50	770	19	8.3	6.0	13.0
Codeine 60	1305	15	16.7	11.0	48.0
Placebo	> 10 000	18	NA	NA	NA

More information regarding the use of the table can be found at www.jr2.ox.ac.uk/brandolier/booth/painpag/Acutrev/Analgesics/LeagueTab.html. NNT, Number-needed-to-treat; CI, confidence interval.

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BodyCare's score of 2.2 for movement pain VAS and 3.4 for resting pain VAS places it in the upper region of all product efficacy set out in Oxford League Scale, including oral and opioid options.

What are the paths forward to the market?

Any potential partner will only engage with OBJ if there is a strong focus on getting the *BodyCare* product to the US market. This requires the product to be regulated by the FDA. In the case of *BodyCare* there is potential it could follow either an OTC or an Rx pathway depending on the type of pain and duration of treatment. This is likely to mean that a new drug application (NDA) for both paths must be filed.

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Less is known about topically-delivered ibuprofen than the orally administered variety, although the results of this trial suggest a favourable safety profile. Any NDA would likely require determination of the minimal effective dose, and overall there would be further analysis required to provide the necessary data around safety and efficacy at various doses. Strategic decisions regarding the target indications are also an important factor moving forward, with risk-reward scenarios to be factored in. These are decisions that would need to be made by OBJ prior to moving forward and electing to either 'go it alone' or collaborate with a strategic partner.

There is still significant work required in bringing this product to market, including finalisation of the product form, optimising formulation, completing safety studies and all required efficacy studies in the chosen indications. However, as noted by Dr Meller, whilst the time and cost is significant this is offset by the size of the prize, and the recent trial results put OBJ in good stead to pursue this.

The initial pilot data suggests this product could potentially provide similar efficacy to oral-dosed NSAIDs (including oral ibuprofen) without the adverse GI and CV side-effects, and be able to do so with a much lower dose. This would have significant implications for the product as an acute treatment for musculoskeletal pain in the OTC market. Alternatively, the product may also [needs to be evaluated] provide an alternative to opioids in treating long-term chronic musculoskeletal pain, again while having none of the CV and GI side-effects of NSAIDs and none of the addictive potential for opioids. While this is a much longer and costlier path to market, which includes long-term studies, there is potentially greater upside.

Partnering activities

Since the completion of the IBU study, OBJ has been engaged in discussions with potential partner companies as well as exploring a 'go it alone' strategy to develop Bodyguard as a new, stand-alone brand. The Board will consider all options before determining the best strategy for the company in this key business category.

Corporate

Board of directors

During the quarter, Mr Glyn Denison formally retired as a Director of the Company, effective 2 February 2018.

Mr Steven Schapera was appointed Interim Chairman of the Board on 15 February 2018.

As outlined on the recent investor conference call, the Company expects to make new additions to the Board of Directors in the coming weeks.

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About OBJ

OBJ develops proprietary magnetic microarray 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 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 utilises 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.

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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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