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## Quarterly Report for the Period Ended 30 June 2017

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### 1. Financial

The Company's cash management remains strictly controlled with a balance of approximately \$5.366 million at the end of the period.

Revenues of \$171,000 were received by OBJ for the June quarter with these starting to build in response to more products licensed by Procter & Gamble (P&G) being launched into Asian markets. An additional deposit of royalty fees of USD \$90,000 due to the Company prior to 30 June relating to the January to March 2017 period, were not received due to an administrative delay outside the control of the Company. These funds are expected in the near future.

P&G has also advised OBJ that it expects to launch the second licensed product (Wave II) into Asian markets in the September quarter such that revenues will accrue for two product streams. P&G has also advised OBJ that the third licensed product is expected to be launched over the fourth quarter of 2017.

It is also very pleasing that P&G expects to commence sales into North America over the first quarter of the 2018 calendar year which is a significant step forward as these will be the first sales containing OBJ's technology outside Asia.

Work is also progressing well on the second licensed technology to P&G with the first part of the licensing agreement expected to be completed during the fourth quarter of 2017.

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

The Company has announced the appointment in August of a new Non-Executive Director, Mr Steven Schapera who is an industry veteran in the Fast Moving Consumer Goods (FMCG) market and will provide invaluable advice in the direction of the OBJ business. Mr Schapera built the very successful BECCA range of cosmetic products that was recently sold to Estee Lauder for \$US234m.

### 2. Licensing

#### 2.1 Procter & Gamble (P&G)

The Procter & Gamble relationship moves from strength to strength and underwrites the development of OBJ's revenue business at this time. Key features are:

#### Directors

Mr Glyn Denison  
Mr Jeffrey Edwards  
Dr Chris Quirk

#### Company Secretary

Mr John Palermo

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- The launching of the second and third products by P&G over the next two quarters will be a major achievement for OBJ and demonstrates user satisfaction with the higher performance of products incorporating OBJ's micro array technology. The Company has now reached agreement with P&G for financial support of one full time OBJ employee to help maintain the technology innovation and to support the development of new products. OBJ and P&G are presently working on the fifth and sixth products incorporating micro arrays.
- The commencement of work on the first phase of the second licensed technology is proceeding well with in-house testing of several active ingredients at OBJ's skin laboratory. This work is expected to be completed by the end of 2017. During this period, OBJ will be in detailed negotiations with P&G on the licensing terms that cover the second stage of the program and the eventual rollout of products and systems. The second technology is an endorsement of the success of the micro array technology that has led to increased sales of P&G's products and the benefits to consumers with diamagnetic technologies. The new technology will provide P&G and consumers with new market opportunities for market expansion.
- Testing of key active ingredients across several P&G's other product lines in the under arm deodorant and oral healthcare are also taking place at the OBJ laboratory. These additional opportunities again vindicate the broad market applications for the micro array enhancement of product performance.
- OBJ this quarter received the first payment for the second technology license (\$US125,000) with a further \$US125,000 due upon the delivery of initial devices to be used for various consumer trials.
- Work also continues for the preparation for the launch of the third product featuring OBJ's micro array technology. This is forecast to commence during the fourth quarter of 2017. The fourth licensed product is expected to be launched during 2018.

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- Two additional products are in the product development program by P&G and licensing negotiations for these are expected to take place over the second half of the calendar year.
- Further, clarification from the manufacturer on the Wave II production to the advice made in the Presentation of June 2017 shows that present purchase orders are currently 176,000, these will increase progressively over further quarters as launches are made across Asia. The manufacture of new Products 3 and 4 has commenced. Meetings with senior P&G people are taking place in Singapore in August to plan the forward opportunities for OBJ's technologies as this very successful relationship continues building. A great deal of work is also continuing with the licensing terms being negotiated for the second technology.

### **3. OBJ Product Innovations**

#### **3.1 BodyGuard**

BodyGuard has taken several significant steps forward over this period with:

- The operation of the Collaboration Agreement with a major supplier of adhesive products and materials has progressed well with the knives being manufactured to undertake preliminary prototype manufacturing of the KneeGuard. Once these have been tested, preliminary production line samples will be manufactured in sufficient quantities to undertake consumer testing work.
- Alternative formulations are also under development and stability testing is underway for long term shelf life definition.
- The overall program is on schedule to complete this critical manufacturing stage of the program by the end of calendar 2017.
- Further discussions have taken place during the quarter with two of the potential distributors of BodyGuard who remain keen to actively consider the distribution of the BodyGuard program following the product development phase.
- The trial of BodyGuard using Ibuprofen at Curtin University with the financial support of the Australian Federal Government is progressing according to plan with manufacturing of prototype KneeGuard products underway and ethics approval imminent. The trial will demonstrate the first use of the BodyGuard product for pain relief with the testing protocol incorporating advice from two manufacturers and distributors of products that contain Ibuprofen. It demonstrates the intention of the BodyGuard product range to deliver a wide range of active ingredients to service the raft of market sectors that exist for the BodyGuard program using multiple distribution channels.

This cornerstone study is expected to demonstrate the benefits of the BodyGuard technology over traditional drug-in-adhesive systems for the delivery of topical pharmaceutical agents.

The overall BodyGuard program seeks to develop a wide range of products to service multiple market sectors in the joint pain management and healthy ageing sectors. The clinical trial performed by University of Queensland in 2016 proved

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the efficacy and consumer acceptance of the first BodyGuard product against commonly available NSAIDs.

These developments are significant for the possible commercialisation of the BodyGuard technology using proven reputable manufacturers and distributors that are able to best penetrate each market sector with purpose-designed formulations.

Discussions continue with a number of other nominated potential distributors and interest remains strong.

### **3.2 Surface Hygiene**

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

OBJ is also intending to undertake a broad series of testing on multiple types of surfaces utilising a specialist international university in Singapore to conduct and report on the tests.

The Company is keen to broaden the potential of utilising micro array technology in the many potential applications of improved performance of our partners' existing products.

### **4. The Board**

The Company has retained the same Board for 12 years as the technologies were developed, partners attracted and royalty cash flows commenced. The time is right for the Board to now be expanded to better develop the right strategies for directing the Company's commitments to both product and licensing opportunities. The appointment of Steve Schapera on 1 August will be extremely important for the future direction of the Company.

Steven brings to the business an excellent track record of developing a whole range of products in the highly competitive cosmetics market and undertaking a trade sale on favourable terms once BECCA had succeeded across many key markets in Europe, the USA and Asia.

This experience will greatly assist the Company in developing the right strategies and implementing the most appropriate methods for future investment. The Company has embarked upon the task of increasing its patent protection for the micro array technology in several key markets including China. The new patents to be lodged will focus on the matching of various micro arrays with formulations and are aimed at providing greater protection to areas where products purporting to include micro array have been observed from non-licensed distributors.

### **5. Accelerators**

During the quarter, OBJ met with two Accelerators that have been introduced by P&G. Each of these offer alternative investments in commercialising OBJ's technologies and

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discussions continue in developing possible strategies where OBJ may be better positioned to participate in the distribution of products commercialised with OBJ technologies.

Similar discussions are also to be held in Europe with other potential Accelerator firms in coming months.

## About OBJ

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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

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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 powdered 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 micro-array 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

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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.

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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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