

NewH² makes strategic investment in Bod Australia

- Bod and NewH², the innovation arm of Health & Happiness Group Ltd (H&H Group, HKSE:1112) have signed an agreement that will see NewH² acquire a minority stake in Bod Australia (ASX: BDA).
- NewH² will commit \$5.5m investment at \$0.37 per share, and \$1.5m upfront payment, for an exclusive worldwide licence to commercialise Bod's CBD (extract from cannabis and hemp) products, which are non-addictive and non-psychoactive, and comply with all local laws and regulations across all relevant markets.
- H&H Group is a global leader in premium quality adult and baby nutrition and care products – H&H Group is listed on the Hong Kong Stock Exchange. The Group will leverage its global footprint to market and distribute products. From this agreement Bod will support H&H Group from an innovation and product development perspective for nutraceutical CBD products including skincare.
- Bod will retain full rights to commercialise its pharmaceutical grade medicinal CBD, which it will progress globally – Bod will also retain rights to its existing non-CBD based products, underpinning additional revenue.
- This partnership leverages the expertise of both organisations and follows Bod's superior Phase I clinical trial results of CBD extract ECs315 validating Bod's investment in R&D initiatives and its strategy.
- Bod will receive a royalty on net product sales and a 'cost plus margin' for the supply of its CBD extract and formulas. The parties have agreed to focus on products specifically for the UK, USA, France, Italy and the Netherlands in the near term.

Sydney, Australia – 19 July 2019: Medicinal cannabis healthcare products company, Bod Australia Limited ("Bod", the "Company") (ASX: BDA), and NewH², the innovation arm of Health & Happiness Group Ltd (H&H Group, HKSE:1112) are pleased to advise the two organisations have signed an exclusive global agreement, with H&H Group to further commercialise Bod's CBD products.

As part of the agreement, NewH² will make a strategic investment in the Company, under which it will subscribe for 14,864,865 new shares in Bod Australia at a price of \$0.37 per share for a total of \$5.5m. Bod will also receive an upfront cash payment of \$1.5m to be used to transition into H&H Group's R&D and innovator of cannabidiol and hemp products. Following the transaction, NewH² will hold 17.64% of Bod's issued capital and two Board seats.

Key Terms:

H&H Group will have the exclusive right to commercialise Bod's nutraceuticals, skincare, tinctures, hemp seed oil and lifestyle products. H&H Group will sell, promote, market and distribute these products under a new brand with first sales expected H1 FY2020. Bod will benefit from H&H Group's global network and established product suite and will drive a more rapid scale-up alongside H&H's internationally marketed products. Bod will receive a royalty on net sales as part of the transaction, as well as a cost plus margin for the supply of its finished formulas and extracts¹. Bod and H&H Group have also entered into a joint development agreement for future product development initiatives as part of the transaction.

Bod will retain full rights to commercialise its medicinal cannabidiol extracts for pharmaceutical purposes and will continue to build out that business in Australia and internationally. Further, the Company will continue to commercialise its over the counter (OTC) herbals (excluding cannabidiol and hemp) and pharmaceutical based cannabidiol business for prescription products including MediCabilis™. Sales from prescription products remain strong in Australia and Bod is confident that this growth will continue domestically and internationally.

¹ Bod Australia is not able to disclose the royalty rates or cost plus margin percentage due to the commercial in confidence nature of this information and the potential negative competitive impacts if this information is disclosed.

For personal use only

Completion of the transaction is expected to occur no later than 25 July 2019, and is not subject to any material conditions precedent. Upon completion and under the terms of the Agreement NewH² has the right to appoint two Directors to the Company's Board of Directors.

The agreement has no fixed term and is ongoing until terminated by H&H for Bod's material breach of the agreement that is unable to be remedied and by Bod in certain circumstances of H&H's non-payment.

Superiority of Bod's extracts provide strategic advantages:

H&H Group will work with Bod as an innovation and research and development partner to further commercialise the superiority of the Company's CBD extracts and product formulas. Bod's proprietary CBD extract is a unique standardised and reproducible cannabidiol (CBD) extract, which has been clinically validated for safety and tolerability (refer ASX announcement: 26 March 2019). The results of Bod's clinical trial have helped the Company focus on the further development of CBD and other novel cannabinoids.

Bod's extracts have high levels of CBD, which is seen as an incredibly versatile compound and has been shown to have positive effects on a number of conditions. As such, CBD has a broad range of applications for the consumer market. Bod and H&H Group will leverage these benefits to capitalise on this opportunity in the near term. H&H Group will be investing only in CBD - one of the two main cannabinoids, the other being THC. Whilst they are both from the CBD plant their differing molecular structures lead to differing impacts in humans. CBD, which is non-addictive, does not cause any psychoactive effect while THC, which can be addictive, does.

Bod is currently developing a range of cannabinoid products utilising its extract. In addition, both parties are researching and evaluating other novel cannabinoids including Cannabigerol (CBG), Cannabinol (CBN) and Cannabidiol (CBD). These compounds are showing distinct promise and both parties will work together to progress product development initiatives. Bod is working closely with its exclusive partner Linnea Natural Pharma Solutions to develop plant clones and specific extracts to provide other high-quality reproducible extracts.

Operating divisions and next steps:

Post transaction, Bod will emerge with three defined operating business units. The CBD division will focus on cannabidiol and hemp products, exclusively licenced to H&H Group globally. This will involve all R&D associated and product development initiatives. Bod expects the first products will be ready for market in H1 FY2020, with sales to begin shortly after.

The Company's Pharmaceutical division will be focused on progressing and commercialising additional cannabidiol research initiatives similar to the recent Phase I Clinical Trial and collaborations with top tier medical research organisations such as the Lambert Initiative and Nucleus Network. These collaborations will assist Bod in developing a comprehensive pipeline of medicinal CBD products available via prescription from physicians both locally and internationally. Bod will continue to focus on growing medicinal CBD prescription volumes of prescriptions in Australia and more broadly.

Bod's third business will focus on over the counter (OTC) herbal products, outside of cannabidiol and hemp including Flexofytol, Pinpoint and Sedistress along with Bod's others plant based herbals currently being sold across Australian Pharmacies. Neither H&H Group nor NewH² will be involved with this OTC business.

Management commentary:

Laetitia Garnier, Executive Director and CEO of H&H Group said: "We are excited for NewH² to take this step with Bod Australia and to be investing in this high-growth industry, particularly in Australia where there is a clear commitment and ambition to be world-leading in industry development and exporting. We have taken our time to advance a position in this niche industry, but we have always believed in its huge potential.

"Our new partner Bod is leading the way with clinical trials and innovation programs, and together we are well-positioned to grow and to further commercialise Bod's CBD products in different global markets. This

For personal use only

agreement marks the first time that H&H Group will utilise CBD and hemp ingredients in their products, which comply with all local and applicable laws and regulations across relevant markets.

“Additionally, this investment aligns with our sustainability journey and our desire to consider the environmental footprint of our business and operations. This unique industry is renewable, sustainable and clean which is important to us.”

Bod Australia CEO Jo Patterson said: “This development is game changing for Bod and we are delighted to welcome H&H Group as a strategic investor and new commercial partner. This agreement provides Bod with financial flexibility and considerable validation of our work to date and strategy of working with best in class operators and partners.

“H&H Group is undoubtedly the global leader in supplements and vitamins. The group boasts a broad distribution network and suite of established brands. We are thrilled that they have chosen our products and formulas to broaden its product suite.

“Bod now has the financial flexibility to capitalise on a number of value catalysts in the near term.”

Detailed use of funds:

Capital received from the placement will be utilised directly on core R&D activities, as well as for costs associated with R&D expenditure, including personnel costs and general working capital requirements.

Core R&D activities will include commercialisation of Bod’s sublingual wafer delivery method, development of new nutraceutical and skin care product ranges, developing new delivery methods, formulating bespoke combinations, supporting nutritional claims, as well market analysis and process optimisation.

Issue of Shares:

As part of the agreement, NewH² will make a strategic investment in the Company, under which it will subscribe for **14,864,865** new shares in Bod Australia at a price of \$0.37 per share for a total of \$5.5m. The shares will be issued pursuant to the Company’s placement capacity under the ASX Listing Rules as follows:

- 10,408,500 shares will be issued pursuant to the Company’s 15% placement capacity under ASX Listing Rule 7.1; and
- 4,456,365 shares will be issued pursuant to the Company’s 10% placement capacity under ASX Listing Rule 7.1A.

Pursuant to ASX Listing Rule 3.10.5A, the Company states that:

- A. The dilutive effect of the issue of the new shares on existing shareholders is approximately 17.64%, of which 12.35% is as a result of the shares issued pursuant to the Company’s placement capacity under ASX Listing Rule 7.1, and 5.29% as a result of the shares issued under ASX Listing Rule 7.1A. Following completion of the issue, existing security holders will hold approximately 82.36% of fully paid ordinary shares on issue;
- B. The Company considered the issue of shares to NewH² as the most strategic, efficient and expedient method for raising these funds;
- C. The Company will not incur any brokerage or other expenses in relation to the issue of shares.

About Bod Australia:

Bod Australia Limited (ASX:BDA) is a developer, distributor and marketer of health and skincare products. Bod works with plant-based extracts, with specific expertise in leveraging the health benefits associated with cannabidiol and hemp.

Bod is rapidly building an integrated cannabidiol business, underpinned by agreements with international counterparties Linnea SA, a leading Swiss botanicals extracts manufacturer and iX Biopharma Limited, a late stage Singapore-listed pharmaceutical company. Bod is actively developing a range of over-the-counter and prescription products based on its unique, standardised, pharmaceutical grade CBD extracts.

The Company has a large distribution footprint in Australia, selling prescription and OTC products to over 1,000 retail outlets, including pharmacies, retail stores and healthcare chains. The Company also has distribution agreements with two of Australia's largest pharmacy wholesalers providing it with access to over two thirds of the market. Bod is also actively building capability in key European markets that it witnesses near term growth prospects.

About H&H Group and NewH²

H&H Group launched NewH² (with initial funding of US\$60m) in 2018 as a corporate venture to support entrepreneurs who are using advances in technology and science to develop innovative advanced nutrition solutions. NewH² invests in early and growth-stage entrepreneurial businesses which are developing innovative brands, products, technologies or business models in the fields of health and wellness, thus aligning with H&H's ambition to become a global leader in premium family nutrition and wellness. The fund provides the overall H&H Group with a complementary alternative to R&D and M&A, by expanding the Group's innovation opportunities and allowing it to keep abreast of new, potentially disruptive products, science, trends and technologies.

H&H, which was founded in 1999 with a vision of contributing to healthier and better lives, has a proven track record in growing entrepreneurial and disruptive brands into powerful and more global offerings. Building its success on "premium, proven and aspirational" products, it has brought together six brands to date, all created by entrepreneurs with the same vision of providing infants or adults with health and wellness: Biostime, Swisse Wellness, Healthy Times, Dodie, Good Goût, and most recently, Aurelia Probiotic Skincare. Listed on the Hong Kong Stock Exchange (code 1112), and with revenues of over AUD\$2bn in 2018, H&H is a truly global business. It operates across 90 locations and has over 2,000 employees worldwide. H&H Group manages R&D from France, Australia, and the United States, with major R&D centres in Ireland and China.

For personal use only