Quarterly Activities Report for the Period Ended 31 December 2022

Operational Highlights

- **$1.513 million Research and Development (R&D) Tax Incentive Rebate received for 2022 financial year**
- **Exclusive licensing and five-year supply agreement secured with Australia's largest generic pharmaceutical and private label OTC medicines company - Arrotex Pharmaceuticals**
- **Positive results achieved from Bod's Phase 1 Clinical Trial evaluating safety, tolerability and pharmacokinetic (PK) profile of Bod ECS BioAbsorb Softgel Capsule against Epidyolex and CBD Oil**
- **International patent application filed for novel delivery device to combat skin ageing process**

Corporate Highlights

- **Change of company name to Bod Science Limited**
- **$2.0 million equity raised from a non-renounceable entitlement offer to existing shareholders**
- **The company held $3.9 million in cash as at 31 December 2022**
- **The company reported $509k in sales revenue and $1.900 million in total revenue for the 31 December 2022 quarter**

Sydney, Australia – 31 January 2023: Cannabis focused drug development and product innovation company Bod Science Limited ("Bod" or "the Company") (ASX: BOD) is pleased to provide the following update on activities for the three-month period ending 31 December 2022 (Q2 FY2023).

Financial Overview:

Receipts from customers for the quarter were $489k, which marks a 9% rise on the last quarter (Q1 FY2023: $450k) and down 61% on the previous corresponding period ("PCP") (Q2 FY2021: $1,260k) with receipts from H&H down $651k (88%) on last year. Net cash used in operating activities was down 33% on Q1 FY2023 ($1,763k) to $1,189k and also represented a 2% decline on the PCP (Q2 FY2022: $1,216k). The Company received its FY22 R&D tax incentive during the quarter, while the FY21 incentive was received in the March 2022 quarter (Q3 FY2022). Partially offsetting the phasing impact of the R&D tax incentive being collected earlier this year was an increase in R&D payments of $812k on the prior quarter as work progressed on the Schedule 3 clinical trial and Aqua Phase. Management remains focussed on ongoing cost management.

Total sales for the quarter were $509k, which is a 15% decrease ($89k) on the prior quarter, with H&H sales down $227k (90%), likely in part due to the slower than anticipated acceleration of European cannabis reform. The Company remains cognisant that the exclusive relationship with H&H has now expired which allows the Company to explore supplementary global distribution arrangements in the upcoming period. The acquisition of Aqua Phase process technology also provides additional potential to secure further global distribution partnerships in broader food and beverage market segments given exclusive limitations are no longer applicable.

Medical business sales grew by $67k on the prior quarter, while the legacy Herbals business also grew by $81k on the prior quarter due to strong Black Friday online sales. Medical sales were cycling against a weak prior quarter and were 17% down on the comparative quarter last year due to the ongoing shift in the market from CBD products to THC products.

During the quarter, Bod raised $2.0 million (before costs) of equity through a pro rata non-renounceable entitlement offer of four new shares for every 17 shares currently held by eligible shareholders. All of the shares offered under

the Entitlement Offer were subscribed for and the Company raised the full amount sought under the Entitlement Offer. This equity raise was in addition to the funding of $1.5 million raised under a Placement during the previous quarter, for total proceeds raised during FY23 of $3.5 million (before costs).

The Company made payments totalling $155k to related parties during the quarter representing remuneration paid to directors ($147k) and $8k paid to Baker Cook Advisory Pty Ltd, an associate of the Chairman, David Baker, for legal advice provided on an arm's length basis in relation to a commercial matter. Bod also held $3.879 million in cash at bank at the end of the quarter, providing the Company with the financial flexibility to further progress its ongoing clinical trials and product commercialisation initiatives.

Bod Science Limited receives $1.513 million R&D Tax Rebate:

Quarterly operational activities continued to prioritise strategic investment in rigorous scientific research and development, reflected in the $1.513 million Research and Development (R&D) Tax Incentive Rebate received for 2022 financial year[i]. The rebate relates to applicable R&D activities conducted by Bod during the 2022 financial year, including 11 R&D Programs – 3 in phase I and II trials, and 8 in pre-clinical. The rebate underscores Bod's commitment to drug development and product innovation including its ongoing clinical trial of a unique Schedule 3 (Pharmacist Only) CBD medicine[ii].

Exclusive licensing and five-year supply agreement secured with Arrotex Pharmaceuticals:

Underpinning Bod's growing revenue profile, the Company entered into an exclusive Licence and Supply Agreement ("LSA") with Australia's largest generic pharmaceutical and private label over the counter (OTC) medicines company Arrotex Pharmaceuticals ("Arrotex") to licence and supply a unique CBD medicine designed for Australia's Schedule 3 (pharmacist only) market[iii]. The LSA includes a five-year supply agreement term.

About Arrotex:

Formed following the merger of Arrow Pharmaceuticals ("Arrow") and Apotex Australia ("Apotex") in July 2019, Arrotex is currently the largest generic pharmaceutical and private label OTC medicines company in Australia.
Driven by a dedication to creating value through its people, brands, programs, and partnerships, Arrotex is committed to providing affordable access to quality brands and services to pharmacies and the Australian public to improve health outcomes.

Agreement terms:

Bod granted Arrotex exclusivity for one of the unique product formulations and delivery methods of its Schedule 3 (pharmacist only) CBD product. The agreement sees Bod receiving an upfront fee of $500,000 for exclusivity on the product formulation and delivery method, which was paid by Arrotex in January 2023. The fee is refundable if clinical trials are not satisfactorily completed by 30 June 2023 or a grant of regulatory approval for the medicine is not obtained by the end of August 2024 ("Conditions Subsequent")[iii].

The agreement contains a minimum five-year binding supply agreement under which Bod will receive revenue for supplying the product formulation and delivery method ("Supply Agreement"). The Supply Agreement is subject to satisfaction of the Conditions Subsequent and may be terminated by Arrotex for, among other customary circumstances, Bod's material breach of the agreement that is unable to be remedied. The five-year supply term demonstrates the Company's ability to commercialise its drug development pipeline and product innovation initiatives. It also provides Bod with another consistent revenue stream over the coming years.

Positive results achieved from Phase 1 Clinical Trial of Bod ECS BioAbsorb Softgel Capsule against Epidyolex and CBD Oil:

The Phase 1 cannabidiol (CBD) pharmacokinetic (PK) study, undertaken as part of a number of elements within Bod's Schedule 3 (pharmacist only) project, forms a critical and required step for the Company's dossier submission to the TGA (Therapeutic Goods Association). Bod's ongoing Phase IIb clinical trial underpins the Company's drive to develop a new Schedule 3 (pharmacist only) CBD product to be made available to the Australian market.

The PK study consisted of three (3) oral treatment arms delivered as a single dose in a crossover design in 14 healthy subjects between 18-50 years old, each equating to 100mg CBD per day:

1. Bod ECS BioAbsorb Soft Gel Capsule[ii]
2. Epidyolex Oil (a TGA & FDA-approved, plant-derived, purified prescription cannabidiol)
3. CBD isolate in MCT oil (a supplement made from a structure of fat termed medium-chain triglycerides)

Statistical analysis received on the study supports the potential for Bod's unique ECS BioAbsorb Soft Gel to be the benchmark delivery format for the OTC CBD market[iv]. The below outcomes were reported in relation to the trial's primary and secondary endpoints:

- Bod ECS BioAbsorb Softgel showed over 20% greater concentration of CBD in the blood than Epidyolex;
- Bod ECS BioAbsorb Softgel showed over 400% greater concentration of CBD in the blood than CBD Isolate Oil Solution;
- The maximum concentration of CBD after a single oral administration of Bod ECS BioAbsorb Softgel was over 60% greater than Epidyolex;
- The maximum concentration of CBD after a single oral administration of Bod ECS BioAbsorb Softgel was 600% more than CBD Oil solution;
- The time to reach the maximum concentration of CBD after single oral administration of Bod ECS BioAbsorb Softgel was twice as fast as Epidyolex and five times faster than CBD Oil solution; and
- All 14 subjects completed the trial with no safety or tolerability issues reported.

International patent application filed for novel delivery device to combat skin ageing process

The Company has lodged an international patent application with Australian Patent Office for a unique transdermal skin delivery device, which when applied to human skin cells can improve cell viability and serve as a UV protective barrier to help guard against the skin ageing process.

The product was discovered and developed through a collaboration commissioned by Bod alongside the University of Technology Sydney ("UTS")[v]. The research initiative with UTS led to the discovery that a novel family of proteins found in human cells provide antioxidant protective effects when applied to cells topically.

These proteins were found to take part in protecting cells and helping to increase both their tolerance ($P<0.0001$) and recovery ($P<0.01$) to UV light, along with other sources of oxidative damage when overexpressed in mammalian cells. Additional experiments have shown increased levels of antioxidant activity ($P<0.01$), cellular growth and metabolism ($P<0.5$, $P< 0.01$), furthering the proteins' cellular protective effects[vi]. Additional work showed that the delivery device, when applied prior to harsh antioxidants or UV light, improved the skin cells' ability to recover from such stressful events, with evidence that the cells remain healthier and more viable.

Bod has lodged the patent under the Patent Cooperation Treaty ("PCT"). The application covers the unique transdermal device, as well as outlining the processes for preparing it and use across various applications. The Company will own all rights associated with intellectual property and invention, including the patent application.

This allows Bod to continue to explore licencing opportunities for the unique delivery device, whilst also advancing a number of initiatives to combine the novel family of proteins with CBD, further bolstering Bod's product suite. The development provides Bod with another unique, patent protected delivery format offering commercial and revenue optionality.

Schedule 3 Clinical trial and product background:

Bod is currently undertaking a phase IIb clinical trial for the development of a new schedule 3 CBD product referred to above. The Company will progress the development of the new product in line with Therapeutic Goods Administration ("TGA") requirements, so that it can be made available to Australian consumers over the counter as a Schedule 3 (Pharmacist Only) medicine, as well as other key international markets. The clinical trial will test the efficacy of the Company's unique CBD formulation on symptoms associated with insomnia[vii]. The Company has secured ethics approval for the initiative, allowing for participant recruitment[viii] which is now well underway with the trial currently in progress through the Woolcock Institute.

Board & Management:

During the quarter, Mr Hanno Cappon resigned as Non-Executive Director[ix]. The Company continues an ongoing assessment of additional director candidates to ensure it has adequate diversity and the necessary skill sets to advance its current clinical trial pipeline and product commercialisation initiatives.

Outlook:

Bod is focused on a number of value-accretive opportunities during H2 FY2023, including:

- Completion of the phase IIB clinical trial and additional steps to launch a low dose schedule 3 CBD product into the Australian market;
- Completion of the study investigating the efficacy of medicinal cannabis when used to alleviate symptoms of Long-COVID;
- Ongoing PK study and stability studies of recently acquired Aqua Phase; and
- Ongoing R&D initiatives to unlock further uses and benefits of Bod's CBD extract to broaden the Group's underlying asset base.

Management commentary:

CEO Ms Jo Patterson said:

"During the period, Bod continued to progress through a number of key milestones that underpin the Group's clinical trial pipeline. This includes the Phase 1 cannabidiol (CBD) pharmacokinetic (PK) study, undertaken as part of a number of elements within Bod's Schedule 3 (pharmacist only) project. Positive results returned from the study bolster potential for Bod's unique ECS BioAbsorb Soft Gel to be the benchmark delivery format for the over-the-counter CBD market in Australia. Strengthening this potential, and contributing to Bod's growing revenue profile, is the exclusive Licence and Supply Agreement with Australia's largest generic pharmaceutical company Arrotex Pharmaceuticals Bod secured in December.

"We look forward to providing further commentary as we progress through our ongoing clinical trial pipeline, and fulfil our contractual obligations to support the LSA with Arrotex, and the Aqua Phase acquisition agreement."

This announcement has been approved by the Board of Bod Science Limited.

-ENDS-

About Bod Science:

Bod Science (ASX:BOD) is a cannabis focused drug development and product innovation company.

Bod is focused on progressing research and development with a defined clinical trial pathway to commercialise and deliver premium, scientifically proven and trusted products for patients and consumers.

The company has a number of existing partnerships with large corporate companies and collaborations with leading research organisations to advance the use of Cannabis related medicines with therapeutic indications.

For more information please contact:

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[i] ASX Announcement - 20 December 2022: Bod Science receives $1.512 million R&D tax rebate
[ii] ASX Announcement – 23 June 2023: CBD Schedule 3 product to be launched via SAS-B channel
[iii] ASX Announcement - 2 December 2022: Bod secures licensing and supply agreement with Arrotex
[iv] ASX Announcement – 22 November 2022: Bod Softgel offers outstanding bioavailability
[v] ASX announcement - 14 August 2019: Novel delivery system to combat skin aging process
[vi] ASX Announcement – 20 October 2022: International patent application filed by Bod
[vii] ASX announcement - 22 September 2021: BOD to conduct Schedule 3 clinical trial of new CBD product
[viii] ASX announcement - 24 January 2022: Ethics approval received for Schedule 3 clinical trial
[ix] ASX Announcement – 9 November 2022: Resignation of Director

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity	
Bod Science Limited	
ABN	**Quarter ended ("current quarter")**
89 601 225 441	31 December 2022

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	489	939
1.2	Payments for		
	(a) research and development	(1,225)	(1,638)
	(b) product manufacturing and operating costs	(308)	(850)
	(c) advertising and marketing	(205)	(317)
	(d) leased assets	-	-
	(e) staff costs	(767)	(1,542)
	(f) administration and corporate costs	(689)	(1,078)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	4
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	1,513	1,513
1.8	Other (royalties)	-	17
1.9	**Net cash from / (used in) operating activities**	**(1,189)**	**(2,952)**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(6)	(6)
	(d) investments	-	-
	(e) intellectual property	(63)	(72)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(69)**	**(78)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,044	3,494
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(204)	(295)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**1,840**	**3,199**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	3,243	3,666
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,189)	(2,952)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(69)	(78)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,840	3,199
4.5	Effect of movement in exchange rates on cash held	54	44
4.6	**Cash and cash equivalents at end of period**	**3,879**	**3,879**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	3,879	3,243
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**3,879**	**3,243**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1 (salaries/fees paid to directors and legal fees in the amount of $8,316 paid to an associate of a director for legal advice in relation to a commercial matter)	155
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,189)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,879
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	3,879
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	3.26

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2023

Authorised by: **The Board of Directors of Bod Australia Limited**
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.