

27 January 2016

Quarterly report for the period ending 31 December 2015

The period has been a very expansive one for the Company with substantial progress with new partner-driven products and business opportunities in Asia, USA and Europe.

OBJ is structured as two operating divisions, the licensing sector where partnering companies incorporate OBJ technologies into their products, and the product development sector where OBJ will undertake end-user product developments with a view to third party distribution. Both divisions rely on OBJ's comprehensive in-house laboratory to test and validate product performance using different formulations, technologies and designs.

Highlights of the period include:

1. Cash and capital raising

The Company retained cash of \$8.188M as at 31 December 2015 following successful capital raising activities totaling \$6.73m spanning the end of the previous quarter and beginning of the present reporting period. The Company also expects to receive shortly the significant annual R&D tax rebate.

The raising consisted of a successful placement to institutions and sophisticated investors of approximately \$6.25 million, followed by an SPP to existing shareholders that raised approximately \$0.48 million. This capital will enable the Company to ramp up its development programs with two additional senior personnel recruited since the raising to manage the growing number of projects underway.

2. Licensing activities

2.1 Procter & Gamble

The design for the next SK-II product to be based on OBJ technology, code-named Wave-II, has now been clinically and consumer tested with tooling commenced in preparation for manufacture. This is a significant commitment by SK-II for new products that will incorporate OBJ technology.

Final negotiations are underway for the licensing terms covering the introduction of the new multi-product Wave-II device and the upgraded and expanded terms for the continuing Eye Wand device license. The agreements under negotiation will span a number of years, covering the licensing rates, volumes, wholesale pricing, payment terms and intellectual property rights and obligations.

The Company hopes to update the market on the finalisation of these negotiations and license agreements in the near term. Concluding these

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licensing terms will establish the long term basis for the sales of the Eye Wand and Wave-II-based products across SK-II's major markets.

Other P&G projects and work plans including colour cosmetics, skin tone enhancement, skin luminosity and shaving have continued their progression. As well as further development of these technologies at the OBJ laboratory, management has been in ongoing discussions with the SK-II team based in South-East Asia and Singapore on these programs and looks forward to updating the market accordingly in the months ahead.

2.2 Programmable array device platforms

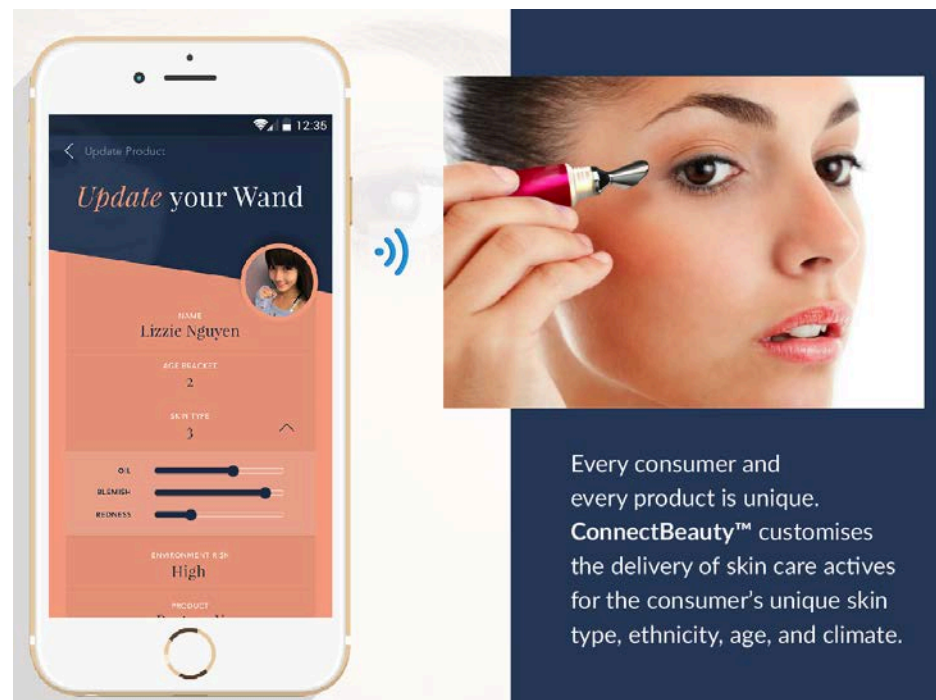
Forty pre-production prototypes were provided to Coty Inc. during the period (in addition to the units provided last quarter) to provide an opportunity to expedite consumer usage validation prior to expected final acceptance. Consumer usage research on these pre-production units is expected to be completed during the first quarter of calendar 2016.

The return of this consumer research is a major step towards negotiating the licensing terms and commercialisation of this technology with Coty.

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Every consumer and every product is unique. **ConnectBeauty™** customises the delivery of skin care actives for the consumer's unique skin type, ethnicity, age, and climate.

During the period, the new ConnectBeauty and e-Skin professional technology platforms were introduced to the Company's partner networks in the USA, Europe and Asia with excellent responses. Given the outstanding reaction to these platforms the Company is holding discussions with a number of parties about potential markets and consumer evaluation programs. The two applications cover the very large personalised cosmetic skin care market as well

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as the high-margin, lower-volume professional aesthetics and corrective markets.

These technologies will provide an entirely new approach to the online and professional skincare industries by providing a world first, direct-to-consumer, personalised treatment according to their individual characteristics such as skin type, ethnicity, the specific product being used and external factors such as climate. The prevalence of smart phones in all target markets for this technology is an excellent facilitator to reach out directly to consumers on a global basis.

3. OBJ product innovation

3.1 Bodyguard

The clinical trial at the University of Queensland (UQ) was completed as planned during the period. This is OBJ's single largest investment to date and the Company looks forward to the forthcoming analysis of the results from what is a new form of musculoskeletal treatment.

During the period the Company has made significant progress in the sourcing and testing of very advanced materials for the BodyGuard products from USA developers and manufacturers. This has resulted in updated shapes, materials and sizing of the KneeGuard product.

OBJ expects to receive results from the UQ clinical trial in the first quarter of calendar 2016. Following this, the Company intends to table to prospective distributors final prototypes of the KneeGuard applications.

Alongside the clinical trial an exit poll of the UQ clinical study participants took place with the assistance of a leading research company. The exit poll was designed to provide insight into user experiences and to highlight any areas where design improvements could be made. The consumer exit polling is in addition to the results of the clinical trial completed by UQ.

The Board has been very pleased with the results received thus far from this exit poll with approximately 50% of the participant results having now been analysed.

3.2 DCE and SuperTube platforms

Partner interest continues to grow in the area of high-performance packaging solutions, an innovation undertaken by the Company during 2015 to expand its technology offerings.



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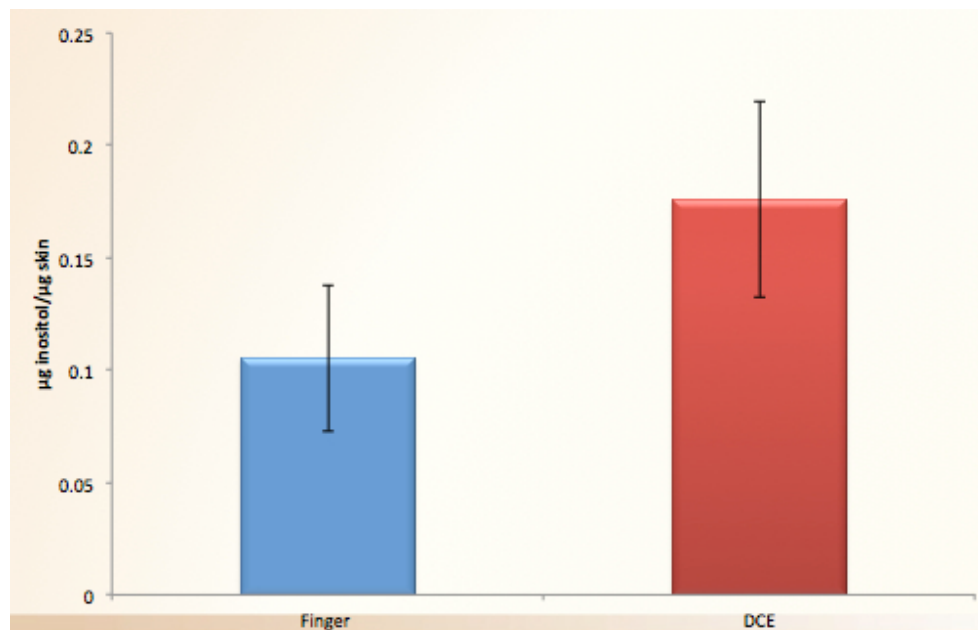
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The Company is currently working with selected partners in areas as diverse as pharmaceuticals, analgesics, multi-functional skin care products and musculoskeletal joint pain management.

During the period a program to evaluate OBJ's Dynamically Configurable Emulsions (DCE) technology's ability to create liquid patches was evaluated in the skin tone (skin whitening sector) with very positive results.

The DCE platform is now highly sought after by both existing and prospective partners of OBJ as a breakthrough technology.


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3.3 Surface hygiene

During the period the Company announced significant achievements in its surface hygiene program, highlighting the potential to broaden the commercial appeal and uses for OBJ's technology. As demand for household, hospital and industrial hygiene increases in global importance, the Company's role in leading the development of enhanced penetration science is a key one for future industry growth.

The recent results of an initial independent test using OBJ's micro array technology showed significantly improved performance of antiseptic penetration on hard surfaces. Undertaken by Professor Tom Riley at the University of Western Australia's Department of Microbiology & Immunology, the test showed at least a doubling of the bacteria kill as the same disinfectant agents using traditional application methods.

This opens an even broader application and industrial market for OBJ technology that has limited regulatory constraints. As announced previously, further development and testing programs are scheduled during the course of

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2016.

OBJ has recruited a senior project manager who will focus on the development of the overall business case, market definition, development and testing programs for this exciting new area.

As with OBJ's other end-user product development programs, it is intended to utilise partnering companies with existing global brands to distribute the products once development is completed. As there is limited regulatory compliance to satisfy, it is expected that the pathway to market will be much simpler and speedier than the biological end user products.

3.4 Intellectual property

The Company has received the Deed of Letters Patent from Japan's patent office for the delivery of oral care products. Oral applications for the OBJ technologies remain a significant opportunity for the future of the Company. Possible applications under consideration include toothbrushes and related end-use products.

4. Administration

4.1 Monarch

The case involving the convertible note that expired in June 2012 continues in the Supreme Court and the Company has retained legal counsel as appropriate.

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ABOUT OBJ

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.

For more information:

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