

Quarterly report for the period ending 30 June 2016

1. Financial

The Company's cash management remains strictly controlled with a balance of \$7.33m at 30 June 2016.

2. Licensing

2.1 Procter & Gamble (P&G)

During the period, the Product Development Agreement initially executed in 2014, was renewed for a further five years with some amendments negotiated. This agreement remains foremost in the Company's activity for this period and OBJ greatly values its very fruitful and growing relationship with P&G.



The new Product Development Agreement (PDA) with Procter and Gamble (P&G) now extends out to 2021. Replacing the PDA originally executed in 2014, it has now been expanded to accommodate P&G's evaluation of new OBJ innovations.

The PDA includes the over-arching multi-product and multi-category terms of license agreements that have emerged from development programs undertaken by OBJ while being funded by P&G.

Under the PDA, P&G retains a worldwide exclusive right to commercialise OBJ's non-powered magnetic micro-array technology within specifically defined product categories. The agreement acts as the cornerstone to the relationship between OBJ and the world's largest fast-moving consumer goods company, designed to streamline the way in which P&G brand managers can explore the benefits of OBJ's technologies.

The first PDA created an excellent working relationship for OBJ with a range of P&G brands, predominantly in the beauty and grooming categories which has now moved to a full license.

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The Wave I Eye Wand was the first product to be developed and licensed under the initial PDA, since proceeding from a highly successful launch in Asia to become a mainstream product offering in SK-II's global business. OBJ also recently announced the agreement for the Term Sheet for the second licensed product for P&G that incorporates OBJ's technology.

Eleven Work Plans have been announced as part of the PDA with P&G to date, encompassing multiple P&G brands and categories. Additional Work Plans are currently in negotiation.

As well as extending the relationship between OBJ and P&G to 2021 the new PDA allows OBJ to provide additional technologies and product initiatives to the various P&G brand managers. As a result P&G is able to build innovative, high performance products based upon OBJ technology.

The new PDA also focuses on the partnership for strategic areas for P&G. This will allow OBJ to seek new partnering opportunities in several product categories not currently under active development with P&G.

OBJ also held discussions with P&G's brands for the next steps in shaving following the successful testing undertaken during 2015.

2.2 Coty Inc.

Further meetings took place during the quarter in New York with the Coty development group. Coty has been undertaking various consumer trials of OBJ's prototype dermaportation device, with a project team working on all aspects of the first phase of the dermaportation application.

OBJ has been informed that Coty will now compile their assessment of their test results and analyse these before reverting back to OBJ.

3. OBJ Product Innovations

3.1 BodyGuard

Over the period, the Company continued to invest considerable time and expenditure working with its US consultants in refining the complex manufacturing requirements for the first KneeGuard product and the forthcoming "hot dot" general BodyGuard product designs. This work is now particularly directed at the use of the key hydrogel formulation in the BodyGuard manufacturing process which will be an important IP consideration with prospective licensees.

Discussions with potential licensees continue as planned, in both Europe and the USA over the July period.

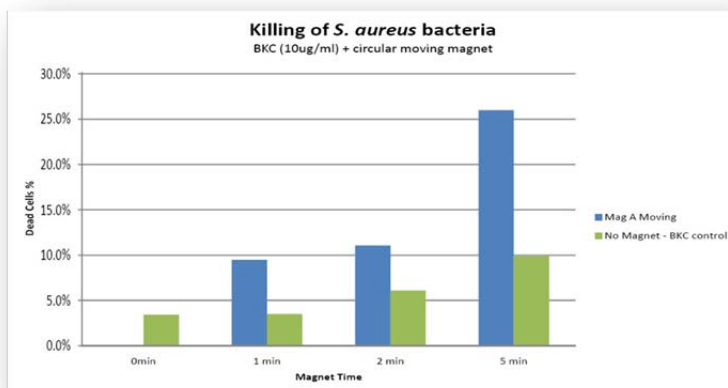


Discussions have moved a step closer with two potential Licensees for BodyGuard expressing strong interest in the entire product portfolio. The Board remains very pleased with progress in both the manufacturability of the product range as well as the potential distributor discussions.

3.2 Surface Hygiene

A great deal of activity was directed to the surface hygiene opportunity during the period with further discussions with multiple interested partners, the completion of testing that reconfirmed the bacteria kill rate using BKC on golden staph using OBJ's technology and the commencement of the first prototype development for the intended first application.

This opportunity has gained much traction over the period as it would appear the OBJ approach could be quite significant in dealing with growing resistance to various surface treatments using commonly available disinfectants as advised by potential partnering companies. The results of the recent testing at the University of Western Australia have reinforced the Company's commitment to investing in hardware development ahead of further meetings with targeted distribution companies.



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3.3 Personalised Skin Care

Over the period, Personalisation of skincare has moved forward. Advanced discussions are underway regarding the commencement of a consumer trial in Asia with a major FMCG company to evaluate consumer behaviour remotely using the OBJ dermaportation and skin personalising software and processing. This will be an important precursor for an expected formal development of the entire personalisation approach with a partnering company. Importantly, the discussions with the major FMCG company has vindicated the direction and investment made to date in approaching the commercialisation of the dermaportation technology and additional discussions continue to take place with other FMCG companies on the same application.

3.4 Advanced Packaging

The first potential application for incorporating OBJ's technologies (DCE) into existing packaging, thereby enhancing a product's performance, is under evaluation with several of our global FMCG partners. This opportunity has expanded across multiple applications and device configurations. Several meetings are planned with a major FMCG company during July on the possible next steps for one of the skin care applications.

These are very exciting opportunities for possible commercialisation of the micro array technology for the company. By creating an innovative means of higher performance in existing products, OBJ has the potential to access a whole new area of revenue opportunities with its own packaging solutions.

4. Administration

OBJ has reached agreement on a performance-linked consulting contract with Steve Meller, a US based expatriate Australian who has been instrumental in expanding OBJ's relationships with potential partnering companies.

OBJ has upgraded its skin laboratory with a commitment to expand its laboratory space and acquire an additional mass spectrometer to keep pace with increasing demands from intended partnering companies to conduct research on the skin penetration performance on various active ingredients plus OBJ's own internally developed products.

The case involving the convertible note from Monarch 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.

ABOUT OBJ'S TECHNOLOGIES

OBJ has developed a platform of physical enhancement technologies based on low-cost magnetic micro-arrays that influence the movement and penetration through the skin of drugs, active ingredients and formulations at the molecular level.

Complex 3-D array and moving magnetic fields have the ability to repulse certain molecules to enhance diffusion and to alter the permeability of certain biological and non-biological targets.

OBJ develops low cost micro-array film technology that utilise diamagnetic repulsion, induced permeation and energy redirection to offer a new way of managing the speed, depth of penetration and delivery of active ingredients in a wide range of pharmaceutical and consumer products.

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