

Quarterly Activities Report: Strategic capital raise and marquee acquisition underpin strong momentum in global R&D pipeline

- **Strategic acquisition of Aqua Phase puts Bod at the forefront of improved delivery technology for medical cannabis products**
- **Aqua Phase is an innovative technology process that has the potential to deliver significantly enhanced CBD bioavailability in water soluble form**
- **Aqua Phase provides a tasteless, odourless and colourless Active Pharmaceutical Ingredient which could potentially unlock multiple near-term opportunities for Bod on an international scale**
- **Bod to utilise Aqua Phase to accelerate US market entry through the FDA pathway – unlocking new product innovation and revenue streams**
- **Entitlement Offer and strategic placement completed with strong demand from new and existing sophisticated and institutional investors to raise \$3.5m at \$0.08 per share**
- **US Hemp Authority Certification awarded for Bod’s exclusive range of CBD extracts and CBD products sold in the US market**
- **Multiple near-term value catalysts pending, including pharmacokinetic studies to test Aqua Phase technology and other clinical trial work streams into treatments for insomnia and long-COVID**
- **Cash balance of \$3.24m at 30 September with further \$1.9m in proceeds from the Entitlement Offer being received in early October provides considerable financing for growth objectives**

Sydney, Australia – 27 October 2022: Cannabis focused drug development and product innovation Group Bod Australia Limited (“Bod” or “the Group”) (ASX: BOD) is pleased to provide the following update on activities for the three month period ended 30 September 2022 (Q1 FY2023).

Operational overview:

Acquisition of innovative processing technology, Aqua Phase:

Quarterly operations were highlighted by strategic M&A, where Bod entered into a binding agreement to acquire Aqua Phase.

Established by a team of UK scientists, Aqua Phase incorporates a technology process which has the potential to deliver an Active Pharmaceutical Ingredient (API) for cannabis products with greater bioavailability. The API facilitates a more rapid onset, better efficacy and lower dosage rates. This is also expected to result in raw material cost savings and fewer side effects for consumers.

Aqua Phase is expected to provide Bod with a considerable competitive advantage via the application of its API delivery technology across the Group’s two commercial divisions – CBD healthcare and clinically-backed medical cannabis solutions – while also establishing a platform to enter significant new markets including the US and Europe.

If commercialised, the finished product is expected to be able to be presented in multiple formats including bulk powders, capsules, tablets, fast dissolves and concentrates. The soluble, odourless,

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colourless and tasteless complex may also unlock a number of new market segments for Bod, including entry into the rapidly growing functional beverage and supplement sectors, as well as the pharmaceutical industry.

The transaction is conditional on the achievement of specific milestones as stipulated in the acquisition agreement, including the successful proof in a human (PK) study that the Milestone Product has a 30% or greater improved bioavailability compared with cannabidiol (CBD) dissolved in MCT oil (refer ASX Announcement: 30 August 2022).

Strategic capital raise:

The acquisition of Aqua Phase was accompanied by firm commitments from new and existing sophisticated and professional investors to raise \$1.35m (before costs) through the issue of 16.875m new fully paid ordinary shares (Shares) at a price of \$0.08 per share. A further 1.875m Shares to raise \$0.15 million will be issued to Directors subject to shareholder approval at the Company's Annual General Meeting to be held on 28 November, 2022.

In addition, \$2m was also raised via a 4-for-17 pro rata Entitlement Offer (including the Entitlement Offer Underwriting Agreement and Shortfall Offer).

The funds raised leave Bod with a strengthened balance sheet to fund the initial cash consideration for the Aqua Phase acquisition, along with R&D and working capital purposes.

Bod awarded US Hemp Authority certificate for CBD extract and CBD product:

During the quarter, Bod was awarded US Hemp Authority Certification for its exclusive range of CBD extracts and CBD products sold in the US market.

The process marked the culmination of a 12-month verification period where Bod's CBD extract underwent stringent lab testing in accordance with the US Hemp Authority Certification Program, which aims to establish the highest standards of purity in order to underpin consumer and retailer confidence in hemp and CBD products.

Along with third-party endorsement of Bod's products in the lucrative US market, the USHA certification also adds to Bod's strong track record with global industry regulators, including the acceptance of its Novel Food Application by the UK Food Service Agency (FSA) and Generally Recognised as Safe ('GRAS') status in accordance with US Food and Drug Administration ('FDA') safety guidelines.

Financial Overview:

Receipts from customers totaled \$450,000, a decrease on the previous quarter and the prior year comparative period (PCP). Compared to the PCP, cash receipts for nutritional product sales to Health and Happiness Group Limited (H&H) were down, alongside receipts from Bod's Medicinal cannabis ("Medical") product sales. The reduction in receipts from the Medical business is primarily due to the collection of significant overdue balances during Q1 FY2022. The Group typically collects ~\$150,000 from medicinal cannabis sales each quarter but collected \$483,000 in Q1 FY2022.

Sales revenue for the quarter was \$598,000, down from \$943,608 in Q4 FY2022 with the shortfall split evenly between H&H and Medical sales. H&H had a large sale in Q4 FY2022 which was not repeated in Q1 FY2023, while medicinal cannabis sales were impacted by a one-off sale of \$98,000 in Q4 FY2022. Further, the largest customer of the Medical division rebottled some of its own inventory during Q1 FY2023 which temporarily impacted sales.

R&D payments were \$413,000 during the quarter, up from \$198,000 in Q4 FY2022. R&D activity has increased in Q1 FY2023 due to the group's increased focus on clinical trials associated with the Schedule 3 CBD clinical trial for the Australian market and long-COVID and development initiatives for Project Aqua in connection with the Group's acquisition. The ongoing commitment to R&D reflects Bod's strategic focus on the development of its unique product pipeline, which is intended to establish a long-term competitive advantage for the business amid the broader adoption of cannabis-focused medical solutions.

Proceeds from the issue of equity was \$1.450m (less fees of ~\$91,000), resulting in net cash inflow from financing activities of \$1.359m. The Group's closing cash position as at 30 September 2022 was \$3.243m with a further \$1.9m in proceeds from the Entitlement Offer being received in early October.

Outlook:

Bod remains committed to its strategy of building a world-class R&D pipeline, complemented by revenue-generating activities from its in-market product suite. Near-term R&D initiatives include:

- Targeted manufacture of a Milestone Product by Aqua Phase, as part of a pharmacokinetic (PK) study to be undertaken by Bod – expected by December 2022;
- Successful completion of non-pharmaceutical GMP stability for one-month real time and one-month accelerated time (which later provides for 3 months of real time stability) on the Milestone Product;
- Advancement of phase IIB clinical trial in connection with Bod's development plan to introduce a clinically backed low-dose schedule 3 CBD product into the Australian market;
- Advancement of six-month clinical trial partnership with the UK's leading independent scientific body on drugs, Drug Science UK, to test the efficacy of Bods' proprietary MediCabilis® treatment for patients experiencing symptoms of long-COVID; and
- Ongoing dialogue and collaboration with health regulators to ensure Bod's product pipeline is developed to the highest standards across global jurisdictions and designed to achieve successful registration.

Management commentary:

CEO Ms Jo Patterson said: *The September quarter marked a major period of development with respect to Bod's strategic initiatives, highlighted by its binding agreement to acquire Aqua Phase.*

"This transformational acquisition places Bod at the forefront of medical cannabis technology, with an opportunity to develop in-house IP for improved delivery that, if successful, will provide the Group with a unique competitive advantage across its product range.

"Combined with Bod's ongoing commitment to the development of clinically-backed medical cannabis solutions, the Group is well positioned to capitalise on long-term industry tailwinds through its targeted R&D strategy.

"The successful capital raise during the period also provided Bod with a stronger cash position to pursue its multi-channel development pathway, complemented by cash flow and revenue generation from its existing operations."

-ENDS-

About Bod Australia:

Bod Australia Limited (ASX:BOD) is a cannabis focused drug development and product innovation Group.

Bod is focused on progressing R&D and a defined clinical trial pathway to commercialise and deliver premium, scientifically proven and trusted products for the consumer and medical markets.

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

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Appendix 4C

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

Name of entity

Bod Australia Limited

ABN

89 601 225 441

Quarter ended ("current quarter")

30 September 2022

Consolidated statement of cash flows	Current quarter	Year to date (3 months)
	\$A'000	\$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	450	450
1.2 Payments for		
(a) research and development	(413)	(413)
(b) product manufacturing and operating costs	(542)	(542)
(c) advertising and marketing	(112)	(112)
(d) leased assets	-	-
(e) staff costs	(775)	(775)
(f) administration and corporate costs	(389)	(389)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (royalties)	17	17
1.9 Net cash from / (used in) operating activities	(1,763)	(1,763)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	(9)	(9)

Consolidated statement of cash flows		Current quarter	Year to date (3 months)
		\$A'000	\$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	(9)	(9)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,450	1,450
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	(91)	(91)
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	1,359	1,359

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,666	3,666
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,763)	(1,763)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(9)	(9)

Consolidated statement of cash flows		Current quarter	Year to date (3 months)
		\$A'000	\$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,359	1,359
4.5	Effect of movement in exchange rates on cash held	(10)	(10)
4.6	Cash and cash equivalents at end of period	3,243	3,243

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	3,243	3,666
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)	3,243	3,666

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	161
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	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)	(1,763)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,243
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	3,243
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.84
<i>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.</i>	
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?	
Answer: The company expects to receive its research and development tax incentive of ~\$1.4m during the December 2022 quarter and it is also currently investigating potential new revenue opportunities which, if successful, will reduce the level of net operating outflows.	
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?	
Answer: The Company announced a pro rata non-renounceable entitlement offer of 4 fully paid ordinary shares for every 17 shares to the ASX on 1 September 2022 and the offer closed on 29 September 2022. The offer raised \$2.0m before fees, of which \$1.9m was received by the Company in early October 2022. Subject to receiving shareholder approval at the Company's Annual General Meeting to be held on 28 November 2022, the Company will receive an additional \$0.150m from the issue of 1,875,000 shares to Directors.	

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?

Answer: Yes, on the basis of additional funding secured through the entitlement offer and the expected receipt of its research and development tax incentive in the December 2022 quarter.

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: 27 October 2022

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.