

1. Company details

Name of entity:	Bod Science Limited
ABN:	89 601 225 441
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

				\$
Revenues from ordinary activities	down	27.7%	to	2,488,729
Loss from ordinary activities after tax attributable to the owners of Bod Science Limited	up	46.2%	to	(3,171,678)
Loss for the half-year attributable to the owners of Bod Science Limited	up	46.2%	to	(3,171,678)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the consolidated entity after providing for income tax amounted to \$3,171,678 (31 December 2021: \$2,169,856).

Refer to the 'Review of operations' section of the Directors' report for further commentary on the results of the consolidated entity.

3. Net tangible assets

	31 Dec 2022 \$	30 Jun 22 \$
Net assets	4,056,453	3,466,740
Less: Intangibles	(398,014)	(415,426)
Net tangible assets	3,658,439	3,051,314
	Number	Number
Total shares issued	153,212,493	105,914,920
	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	2.39	2.88

4. Loss of control over entities

Not applicable.

5. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

6. Dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entity

Details of origin of accounting standards used in compiling the report:

The foreign entities are presented in compliance with International Financial Reporting Standards (IFRS).

9. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim report.

10. Attachments

Details of attachments (if any):

The Interim report of Bod Science Limited for the half-year ended 31 December 2022 is attached.

11. Signed

Signed 

Date: 24 February 2023

Joanne Patterson
Director and Chief Executive Officer
Sydney

Half Year Activities Report

For the half year ended
31 December 2022

Corporate Directory

Board of Directors

Jo Patterson, Chief Executive Officer

David Baker, Chairman

George Livery, Non-Executive Director

Akash Bedi, Non-Executive Director

Hanno Cappon, Non-Executive Director (resigned 9 November 2022)

Company Secretary

Carlie Hodges

Principal Place of Business

Level 1, 377 New South Head Road

Double Bay NSW 2028

Auditors

Nexia Sydney Audit Pty Ltd.

Share Register

Link Market Services Limited

Level 12, 680 George Street

SYDNEY NSW 2000

ASX Listing

Australian Securities Exchange Code: BOD

Website

www.bodscience.com

Contents

Directors' Report	7
Statement of profit or loss and other comprehensive income for the half year ended 31 December 2022	15
Statement of financial position as at 31 December 2022	16
Statement of changes in equity for the half year ended 31 December 2022	17
Statement of cash flows for the half year ended 31 December 2022	18
Notes to the financial statements	19
Directors' Declaration	29
Independent Auditor's Review Report	30

Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'Bod') consisting of Bod Science Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

Directors

The names of the directors of the Company during the year are:

Jo Patterson, Chief Executive Officer

David Baker, Chairman

George Livery, Non-Executive Director

Akash Bedi, Non-Executive Director

Hanno Cappon, Non-Executive Director (resigned 9 November 2022)

Directors have been in office since the start of the half year to the date of this report unless otherwise stated.

Principal Activities

The principal activities of the consolidated entity during the half-year were the development and distribution of therapeutic medicinal cannabis products based on Good Manufacturing Practice ('GMP') certified cannabis extracts for medical markets in Australia and the United Kingdom, as well as the development of premium cannabidiol ('CBD') and hemp products for consumer markets in Australia, the United Kingdom, Europe and United States.

Dividends

There were no dividends paid, recommended, or declared during the current or previous half year.

Review of Operations

Bod receives \$1.512 million R&D Tax Rebate:

Operational activities prioritised strategic investment in rigorous scientific research and development - reflected in the \$1.512 million Research and Development (R&D) Tax Incentive Rebate received in cash for the 2022 financial year¹. 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 for the Australian market.

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

Underpinning its growing revenue profile, Bod 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) market². The LSA includes a five-year supply agreement term.

Formed following the merger of Arrow Pharmaceuticals and Apotex Australia 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.

Bod granted Arrotex exclusivity for one of the unique product formulations and delivery methods of its Schedule 3 (pharmacist only) CBD product. Under the agreement Bod received 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"). 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. If the Schedule 3 trial is successful leading to a grant of regulatory approval, it will provide Bod with another consistent revenue stream over the coming years.

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

The novel soft gel delivery format that has been exclusively licenced to Arrotex is the BOD ECS BioAbsorb softgel capsule. Bod's Phase 1 Clinical Trial evaluating safety, tolerability and pharmacokinetic (PK) profile of this delivery format against Epidyolex and CBD Oil showed very positive results. 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).

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 Capsule³;
2. Epidyolex Oil (a TGA & FDA-approved, plant-derived, purified prescription cannabidiol); and
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

¹ ASX Announcement - 20 December 2022: Bod Science receives \$1.512 million R&D tax rebate

² ASX Announcement - 2 December 2022: Bod secures licensing and supply agreement with Arrotex

³ ASX Announcement – 22 November 2022: Bod Softgel offers outstanding bioavailability

benchmark delivery format for the OTC CBD market⁴. The outcomes reported in relation to the trial's primary and secondary endpoints were:

- 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 in MCT 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 the CBD isolate;
- 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:

Bod has lodged an international patent application with the 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")⁵. 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 effects⁶. 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. Bod 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.

Acquisition of innovative processing technology, Aqua Phase:

The half-year's operations were highlighted early in H1 by a strategic acquisition, 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). The API facilitates 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.

This invention relates to water-soluble product technology which makes lipophilic chemicals, including but not limited to cannabis compounds soluble in aqueous liquids (for example, water). Bod intends to use the invention as a delivery mechanism for its current and future portfolio of CBD beverages and medicinal cannabis products, as well as having the potential to generate revenue from licensing the technology in the future.

⁴ ASX Announcement – 22 November 2022: Bod Softgel offers outstanding bioavailability

⁵ ASX announcement - 14 August 2019: Novel delivery system to combat skin aging process

⁶ ASX Announcement – 20 October 2022: International patent application filed by Bod

Aqua Phase is expected to provide Bod with a considerable competitive advantage via the application of its API delivery technology across Bod'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, creams, fast dissolves and concentrates. The soluble, odourless, 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 oil⁷.

Strategic capital raise:

The acquisition of Aqua Phase was accompanied by firm commitments from new and existing sophisticated and professional investors (including Directors) to raise \$1.5m (before costs) through the issue of 18.750m new fully paid ordinary shares (Shares) at a price of \$0.08 per share. In addition, \$2.0m was also raised via a 4-for-17 pro rata Entitlement Offer (including the Entitlement Offer Underwriting Agreement and Shortfall Offer). The funds raised provided 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 its exclusive CBD extract and CBD products licenced to Health and Happiness Group Limited ('H&H', HKSE: 1112):

Early in the half-year, Bod was awarded US Hemp Authority Certification for its exclusive CBD extract and CBD products sold in the US market and licenced to H&H. 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 quality and purity in order to underpin consumer and retailer confidence in 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.

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. It 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 Bod's unique CBD formulation on symptoms associated with insomnia⁸. Bod has secured ethics approval for the initiative, allowing for participant recruitment⁹ which is now well underway with the trial currently in progress through the Woolcock Institute.

Board & Management:

During the half-year, Mr Hanno Cappon resigned as Non-Executive Director¹⁰. 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.

Financial Overview:

The loss after providing for income tax amounted to \$3,171,678 (31 December 2021: \$2,169,856).

Total revenue for the half-year was \$2,488,729, a 28% decrease on the prior corresponding period ('PCP') (H1 FY2022: \$3,443,634).

⁷ ASX Announcement – 30 August 2022: Bod to acquire Aqua Phase

⁸ ASX announcement - 22 September 2021: BOD to conduct Schedule 3 clinical trial of new CBD product

⁹ ASX announcement - 24 January 2022: Ethics approval received for Schedule 3 clinical trial

¹⁰ ASX Announcement – 9 November 2022: Resignation of Director

Sales revenue from Bod's MediCabilis® medicinal cannabis products range in Australia and the UK was \$576,950, a 29% decrease on the PCP (H1 FY2022: \$817,589). During the half-year, the medicinal cannabis division shipped 2,027 units to customers, a 37% decrease on the PCP (H1 FY2022: 3,219 units). Whilst sales are down on the prior year, reflecting the market's move to THC flower, Bod continues to hold its market share in the CBD market and management are reviewing opportunities to grow the total addressable market. This includes the launch late in H1 FY2023 of its CBG product as well as the imminent launch of its Schedule 3 fixed dose product through the Special Access Scheme. Both products are unique in the Australian market.

Sales of CBD and hemp products to global partner H&H contributed \$278,796 to revenue. This is a 59% decrease on the PCP (H1 FY2022: \$687,667), likely in part due to the slower than anticipated acceleration of European cannabis reform. Bod remains cognisant that the exclusive relationship with H&H has now expired which allows it 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.

Non-CBD, over the counter, legacy health and beauty products generated \$242,266 in sales, which is a 26% reduction on the PCP (H1 FY2022: \$325,201) and reflects Bod's ongoing focus on its core medicinal cannabis division business.

Total revenue generated for the year included \$1,356,576 in R&D tax incentives (H1 FY2022: \$1,337,583), reflecting the continued significant investment by Bod in R&D activities.

Bod's gross profit margin was 39% compared to 8% in H1 FY2022. Excluding the one-off manufacturing cost in the prior half-year, the margin increased from 35% in H1 FY2022 to 39%. This improved margin is primarily due to changes in customer mix in the current half-year.

Bod's loss from ordinary activities was \$3,171,678, a 46% increase on the PCP (H1 FY2022: \$2,169,856). The increased loss is mainly due to a \$648,252 increase in R&D spend, primarily on Bod's clinical trial for its Schedule 3 (Pharmacist only) CBD product and the R&D spend on its acquired Aqua Phase technology. Bod expects the level of investment in R&D activities to significantly reduce once the Schedule 3 and Aqua Phase trials have been completed. There was also a decrease in government grants and other income of \$314,758 due to the recognition of some one-off items in H1 FY2022.

Bod held \$3,879,065 in cash and cash equivalents at the end of the half year. This balance, along with the receipt of an amount of \$550,000 during January 2023 from Arrotex for the exclusive supply of a unique Schedule 3 (Pharmacist only) CBD product, provides Bod with significant financial flexibility to progress its clinical trial initiatives and international expansion opportunities across its medicinal cannabis and CBD and wellness product suite.

Significant changes in the state of affairs

During the half-year ended 31 December 2022, the company raised a total of \$3.5 million (before costs) of equity. It raised \$1.5 million (before costs) from new and existing sophisticated and professional investors through the issue of 18.75 million new fully paid ordinary shares at a price of \$0.08 per share. The company also raised \$2.0 million from a non-renounceable entitlement offer to existing shareholders on a 4:17 basis at a price of \$0.08 per share.

During the half-year ended 31 December 2022, the company changed its name from Bod Australia Limited to Bod Science Limited following shareholder approval received at its Annual General Meeting held on 28 November 2022.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read "Joanne Patterson".

Joanne Patterson
Director and Chief Executive Officer

24 February 2023
Sydney

To the Board of Directors of Bod Science Limited

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

As lead audit director for the review of the interim financial statements of Bod Science Limited for the financial half year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) any applicable code of professional conduct in relation to the review.

Yours sincerely



Nexia Sydney Audit Pty Ltd



Tracey Driver

Director

Date: 24 February 2023

General information

The financial statements cover Bod Science Limited as a consolidated entity consisting of Bod Science Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Bod Science Limited's functional and presentation currency.

Bod Science Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 February 2023.

Bod Science Limited
(Formerly known as Bod Australia Limited)
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022



		Consolidated	
	Note	31 Dec 2022	31 Dec 2021
		\$	\$
Revenue from contracts with customers and other revenue	3	2,488,729	3,443,634
Other income	4	78,897	219,686
Interest revenue calculated using the effective interest method		4,583	4,765
Expenses			
Raw materials and consumables used	5	(691,964)	(1,799,275)
Distribution expense		(243,639)	(346,525)
Research and development expense		(1,578,553)	(930,301)
Employee/director benefits expense		(1,460,327)	(1,753,768)
Depreciation and amortisation expense	5	(89,407)	(72,761)
Impairment of inventories		(28,856)	(6,450)
Marketing expense		(289,331)	(242,589)
Share-based payment expense	5	(351,171)	(124,606)
Other expenses		(1,010,639)	(561,666)
Loss before income tax expense		(3,171,678)	(2,169,856)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Bod Science Limited		(3,171,678)	(2,169,856)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(20,005)	(31,016)
Other comprehensive income for the half-year, net of tax		(20,005)	(31,016)
Total comprehensive income for the half-year attributable to the owners of Bod Science Limited		(3,191,683)	(2,200,872)
		Cents	Cents
Basic earnings per share	14	(2.45)	(2.05)
Diluted earnings per share	14	(2.45)	(2.05)

Bod Science Limited
(Formerly known as Bod Australia Limited)
Statement of financial position
As at 31 December 2022



		Consolidated	
	Note	31 Dec 2022	30 Jun 2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	6	3,879,065	3,665,738
Trade and other receivables		925,455	425,522
Inventories		406,381	556,194
Other assets	7	440,158	235,203
Total current assets		<u>5,651,059</u>	<u>4,882,657</u>
Non-current assets			
Property, plant and equipment		12,130	15,252
Intangibles	8	<u>398,014</u>	<u>415,426</u>
Total non-current assets		<u>410,144</u>	<u>430,678</u>
Total assets		<u>6,061,203</u>	<u>5,313,335</u>
Liabilities			
Current liabilities			
Trade and other payables		934,994	1,341,465
Contract liabilities		16,264	11,181
Employee benefits		98,321	107,014
Accrued expenses		<u>385,554</u>	<u>323,814</u>
Total current liabilities		<u>1,435,133</u>	<u>1,783,474</u>
Non-current liabilities			
Contract liabilities	9	500,000	-
Employee benefits		<u>69,617</u>	<u>63,121</u>
Total non-current liabilities		<u>569,617</u>	<u>63,121</u>
Total liabilities		<u>2,004,750</u>	<u>1,846,595</u>
Net assets		<u>4,056,453</u>	<u>3,466,740</u>
Equity			
Issued capital	10	33,037,677	29,395,185
Reserves		3,481,254	3,362,355
Accumulated losses		<u>(32,462,478)</u>	<u>(29,290,800)</u>
Total equity		<u>4,056,453</u>	<u>3,466,740</u>

Bod Science Limited
(Formerly known as Bod Australia Limited)
Statement of changes in equity
For the half-year ended 31 December 2022



Consolidated

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	29,395,185	3,149,595	(23,884,256)	8,660,524
Loss after income tax expense for the half-year	-	-	(2,169,856)	(2,169,856)
Other comprehensive income for the half-year, net of tax	-	(31,016)	-	(31,016)
Total comprehensive income for the half-year	-	(31,016)	(2,169,856)	(2,200,872)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	124,606	-	124,606
Balance at 31 December 2021	<u>29,395,185</u>	<u>3,243,185</u>	<u>(26,054,112)</u>	<u>6,584,258</u>

Consolidated

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2022	29,395,185	3,362,355	(29,290,800)	3,466,740
Loss after income tax expense for the half-year	-	-	(3,171,678)	(3,171,678)
Other comprehensive income for the half-year, net of tax	-	(20,005)	-	(20,005)
Total comprehensive income for the half-year	-	(20,005)	(3,171,678)	(3,191,683)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 10)	3,430,225	-	-	3,430,225
Share-based payments	291,667	59,504	-	351,171
Options issued for share transaction costs (note 10)	(79,400)	79,400	-	-
Balance at 31 December 2022	<u>33,037,677</u>	<u>3,481,254</u>	<u>(32,462,478)</u>	<u>4,056,453</u>

Bod Science Limited
(Formerly known as Bod Australia Limited)
Statement of cash flows
For the half-year ended 31 December 2022



	Consolidated	
Note	31 Dec 2022	31 Dec 2021
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	939,165	2,228,586
Payments to suppliers and employees (inclusive of GST)	(5,451,979)	(5,501,283)
Interest received	4,585	4,765
Research and development incentive received	1,512,673	-
Government grants received	-	173,094
Royalties received	17,248	33,406
Net cash used in operating activities	(2,978,308)	(3,061,432)
Cash flows from investing activities		
Payments for property, plant and equipment	(5,262)	(14,229)
Payments for intangibles	(68,827)	(111,539)
Net cash used in investing activities	(74,089)	(125,768)
Cash flows from financing activities		
Net proceeds from issue of shares	10 3,221,892	-
Net cash from financing activities	3,221,892	-
Net increase/(decrease) in cash and cash equivalents	169,495	(3,187,200)
Cash and cash equivalents at the beginning of the financial half-year	3,665,738	8,053,279
Effects of exchange rate changes on cash and cash equivalents	43,832	20,687
Cash and cash equivalents at the end of the financial half-year	<u>3,879,065</u>	<u>4,886,766</u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss after tax of \$3,171,678 (31 December 2021: \$2,169,856) and incurred net operating cash outflows for the half-year of \$2,978,308 (31 December 2021: \$3,061,432). Following a successful capital raising in September and October 2022 of \$3,221,892 (net of costs) the consolidated entity had cash and cash equivalents of \$3,879,065 (30 June 2022: \$3,665,738) as at 31 December 2022.

As the consolidated entity is still in a growth phase including undertaking further research and development, entering into new alliances and expanding its product offerings, the ability of the consolidated entity to continue as a going concern is dependent on a number of factors, including:

- Anticipated further capital raising within the next twelve months;
- Management of cash reserves to balance the execution of the growth strategy and maintenance of adequate working capital reserves; and
- The successful achievement of milestones in relation to the acquisition of Aqua Phase process technology once the acquisition conditions precedent have been satisfied and the monetisation of this technology in current products and into new markets.

In the event that one or more of these factors is not achieved, a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. However, after carefully assessing the consolidated entity's forecasts and its ability to effectively manage expectations and cash flows from operations, the directors believe that the consolidated entity's existing cash reserves are adequate to pay its liabilities in the ordinary course of business for at least twelve months from the date of this report and that there is a reasonable basis to prepare the financial statements on a going concern basis.

Comparatives

Comparatives have been realigned where necessary, to be consistent with current year presentation. There was no impact on profit, net assets or equity.

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into three operating segments: Medical, over the counter cannabidiol/Hemp ('OTC CBD/Hemp') and OTC Herbals. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments. The consolidated entity's operations and assets are principally located in Australia, United Kingdom, European Union and the United States of America.

The CODM reviews the performance of the consolidated entity by reviewing the growth in sales revenue and the profit or loss for the period. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Operating segment information

Consolidated - 31 Dec 2022	Medical \$	OTC CBD/Hemp \$	OTC Herbals \$	Total \$
Revenue				
Sale of goods	576,950	278,796	242,266	1,098,012
Royalty	-	33,824	-	33,824
Other revenue	1,356,576	-	317	1,356,893
Interest revenue	1,528	1,528	1,527	4,583
Other income	26,299	26,299	26,299	78,897
Total revenue	1,961,353	340,447	270,409	2,572,209
Segment result	(1,438,273)	(721,522)	(542,449)	(2,702,244)
Depreciation and amortisation	(29,802)	(29,802)	(29,803)	(89,407)
Impairment of assets	-	-	(28,856)	(28,856)
Share based payments	(117,057)	(117,057)	(117,057)	(351,171)
Loss before income tax expense	(1,585,132)	(868,381)	(718,165)	(3,171,678)
Income tax expense				-
Loss after income tax expense				(3,171,678)
Assets				
Segment assets	2,553,020	1,892,782	1,615,401	6,061,203
Total assets				6,061,203
Liabilities				
Segment liabilities	1,337,905	338,637	328,208	2,004,750
Total liabilities				2,004,750

Note 2. Operating segments (continued)

	Medical \$	OTC CBD/Hemp \$	OTC Herbals \$	Total \$
Consolidated - 31 Dec 2021				
Revenue				
Sale of goods	817,589	687,667	325,201	1,830,457
Royalty	-	133,613	-	133,613
Other revenue	1,135,858	343,706	-	1,479,564
Interest revenue	1,589	1,588	1,588	4,765
Other income	123,740	27,793	68,153	219,686
Total revenue	2,078,776	1,194,367	394,942	3,668,085
Segment result	(816,201)	(703,718)	(446,120)	(1,966,039)
Depreciation and amortisation	(24,254)	(24,254)	(24,253)	(72,761)
Impairment of assets	-	-	(6,450)	(6,450)
Share based payments	(41,535)	(41,535)	(41,536)	(124,606)
Loss before income tax expense	(881,990)	(769,507)	(518,359)	(2,169,856)
Income tax expense				-
Loss after income tax expense				(2,169,856)
Consolidated - 30 Jun 2022				
Assets				
Segment assets	2,096,069	1,768,864	1,448,402	5,313,335
Total assets				5,313,335
Liabilities				
Segment liabilities	1,100,400	411,803	334,392	1,846,595
Total liabilities				1,846,595
Geographical information				
	Sales to external customers		Geographical non-current assets	
	31 Dec 2022 \$	31 Dec 2021 \$	31 Dec 2022 \$	30 Jun 2022 \$
Australia	801,678	1,101,251	410,144	430,678
United Kingdom	252,305	333,211	-	-
European Union	4,177	395,995	-	-
United States of America	39,852	-	-	-
	1,098,012	1,830,457	410,144	430,678

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

Note 3. Revenue from contracts with customers and other revenue

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
<i>Revenue from contracts with customers</i>		
Sale of goods	1,098,012	1,830,457
Royalty	33,824	133,613
	<u>1,131,836</u>	<u>1,964,070</u>
<i>Other revenue</i>		
Other income	317	141,981
Research and development tax incentive	1,356,576	1,337,583
	<u>1,356,893</u>	<u>1,479,564</u>
Revenue from contracts with customers and other revenue	<u><u>2,488,729</u></u>	<u><u>3,443,634</u></u>

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	<u>1,131,836</u>	<u>1,964,070</u>

The disaggregation of revenue by major product lines and geographical regions is presented in note 2 - operating segments.

Note 4. Other income

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Net foreign exchange gain	78,897	46,592
Government grants	-	173,094
Other income	<u>78,897</u>	<u>219,686</u>

Government grants

During the prior half-year the consolidated entity received payments from the New South Wales Government in response to the Coronavirus ('COVID-19') pandemic. An amount of \$nil (31 Dec 2021: \$15,000) was received as part of its 'Small Business Hardship Grant' and \$nil (31 Dec 2021: \$158,094) for the 'JobSaver' scheme. These non-tax amounts have been recognised as government grants and recognised as income once there is reasonable assurance that the consolidated entity will comply with any conditions attached.

Note 5. Expenses

Consolidated
31 Dec 2022 31 Dec 2021
\$ \$

Loss before income tax includes the following specific expenses:

Cost of sales

Cost of sales

691,964 1,799,275

Depreciation

Plant and equipment

8,384 11,516

Amortisation

Patents and trademarks

18,438 19,114

Product development

42,131 42,131

Website

20,454 -

Total amortisation

81,023 61,245

Total depreciation and amortisation

89,407 72,761

Leases

Short-term lease payments

54,685 57,933

Superannuation expense

Defined contribution superannuation expense

72,877 140,058

Share-based payments expense

Share-based payments expense

351,171 124,606

Note 6. Current assets - cash and cash equivalents

Consolidated
31 Dec 2022 30 Jun 2022
\$ \$

Cash at bank and cash on hand

3,879,065 3,665,738

Note 7. Current assets - other assets

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Prepayments - contract manufacturers	-	143,130
Prepayments	414,832	66,747
Security deposits	25,326	25,326
	<u>440,158</u>	<u>235,203</u>

Prepayments have increased due to the timing of the consolidated entity's insurance policies which run from 1st December to 30th November each year and also due to a prepaid amount of \$208,333 for future marketing services which has been settled through the issue of shares and is being recognised as a share-based payment expense over the contract period.

Note 8. Non-current assets - intangibles

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Patents and trademarks - at cost	176,389	112,778
Less: Accumulated amortisation	(53,362)	(34,924)
	<u>123,027</u>	<u>77,854</u>
Product development	417,875	417,875
Less: Accumulated amortisation	(230,704)	(188,573)
	<u>187,171</u>	<u>229,302</u>
Website development - at cost	121,720	121,720
Less: Accumulated amortisation	(33,904)	(13,450)
	<u>87,816</u>	<u>108,270</u>
	<u>398,014</u>	<u>415,426</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Patents and trademarks	Product development	Website development	Total
	\$	\$	\$	\$
Consolidated				
Balance at 1 July 2022	77,854	229,302	108,270	415,426
Additions	63,611	-	-	63,611
Disposals	-	-	-	-
Amortisation expense	(18,438)	(42,131)	(20,454)	(81,023)
Balance at 31 December 2022	<u>123,027</u>	<u>187,171</u>	<u>87,816</u>	<u>398,014</u>

Note 9. Non-current liabilities - contract liabilities

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Customer deposits	500,000	-

Customer deposits relate to an initial cash payment for exclusive supply of a unique Schedule 3 (Pharmacist only) CBD product to Arrotex Pharmaceuticals. The initial payment will be recognised as revenue over the term of the agreement.

Note 10. Equity - issued capital

	Consolidated			
	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
	Shares	Shares	\$	\$
Ordinary shares - fully paid	153,212,493	105,914,920	33,037,677	29,395,185

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2022	105,914,920		29,395,185
Issue of shares - equity placement	7 September 2022	16,875,000	\$0.08	1,350,000
Issue of shares - marketing services *	30 September 2022	500,000	\$0.50	250,000
Issue of shares - entitlement offer	6 October 2022	6,822,970	\$0.08	545,838
Issue of shares - shortfall offer	11 October 2022	16,849,603	\$0.08	1,347,968
Issue of shares - underwriting offer	13 October 2022	1,250,000	\$0.08	100,000
Issue of shares - marketing services *	14 October 2022	3,125,000	\$0.08	250,000
Issue of shares - equity placement to directors	5 December 2022	1,875,000	\$0.08	150,000
Less: Options issued for transaction costs		-	\$0.00	(79,400)
Less: Share issue costs		-	\$0.00	(271,914)
Balance	31 December 2022	153,212,493		33,037,677

* These share issues relate to non-cash transactions for the provision of services from a third party.

Note 11. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 12. Contingent assets and liabilities

During the financial year ended 30 June 2022, the consolidated entity incurred costs due to manufacturing issues associated with its wellness products for sale in the Italian market. The consolidated entity has commenced steps to resolve this issue with its contract manufacturer and at the date of this report has not settled. An inflow of economic benefits relating to the impending settlement of this claim is considered by management to be probable, but discussions and related documentation were not sufficiently advanced as at 31 December 2022 to meet the 'virtually certain' requirement of accounting standards.

Other than the above contingent asset, there were no contingent assets or contingent liabilities as at 31 December 2022 and 30 June 2022.

25

Note 13. Commitments

Research and development contracts:

Committed at the reporting date but not recognised as liabilities, payable:

	31 Dec 2022 \$	30 Jun 2022 \$
Within one year	1,554,632	2,782,097
One to five years	298,916	372,510
	<u>1,853,548</u>	<u>3,154,607</u>

The consolidated entity has a number of commitments arising from its research and development and clinical trial activities.

The amount and timing of these commitments will be managed by the consolidated entity.

	Consolidated 31 Dec 2022 \$	30 Jun 2022 \$
--	-----------------------------------	-------------------

Short-term lease commitments

Committed at the reporting date but not recognised as liabilities, payable:

Within one year	<u>19,745</u>	<u>72,971</u>
-----------------	---------------	---------------

The company leases premises on a month to month basis cancellable with 3 months' notice. The net monthly cost is \$8,871.

Note 14. Earnings per share

	Consolidated 31 Dec 2022 \$	31 Dec 2021 \$
Loss after income tax attributable to the owners of Bod Science Limited	<u>(3,171,678)</u>	<u>(2,169,856)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	129,701,690	105,914,920
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>129,701,690</u>	<u>105,914,920</u>
	Cents	Cents
Basic earnings per share	(2.45)	(2.05)
Diluted earnings per share	(2.45)	(2.05)

As at the reporting date, the consolidated entity had 12,320,223 (31 Dec 2021: 9,799,203) potential ordinary shares (including escrowed and future vesting) that could potentially dilute basic earnings per share in the future, but were excluded from the calculation of diluted earnings per share because they were anti-dilutive.

Note 15. Share-based payments

The following share-based payment arrangements were outstanding during the period:

31 Dec 2022

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
24/07/2018	30/06/2023	\$0.50	750,000	-	-	-	750,000
24/07/2018	30/06/2024	\$0.50	1,000,000	-	-	-	1,000,000
26/11/2018	26/11/2024	\$0.50	798,373	-	-	-	798,373
26/11/2018	26/11/2024	\$0.50	798,373	-	-	-	798,373
26/11/2018	26/11/2024	\$0.50	798,374	-	-	-	798,374
09/12/2019	09/12/2022	\$0.47	2,750,000	-	-	(2,750,000)	-
18/12/2020	18/12/2023	\$0.75	500,000	-	-	-	500,000
18/12/2020	18/12/2025	\$0.00	407,552	-	-	-	407,552
18/12/2020	18/12/2025	\$0.00	407,552	-	-	-	407,552
01/07/2021	21/12/2026	\$0.00	164,124	-	-	-	164,124
22/11/2021	21/12/2026	\$0.00	195,090	-	-	-	195,090
01/07/2022	30/11/2027	\$0.00	-	1,706,376	-	-	1,706,376
28/11/2022	30/11/2027	\$0.00	-	1,044,409	-	-	1,044,409
14/10/2022	14/10/2024	\$0.12	-	2,000,000	-	-	2,000,000
28/11/2022	28/11/2025	\$0.16	-	1,750,000	-	-	1,750,000
			8,569,438	6,500,785	-	(2,750,000)	12,320,223
Weighted average exercise price			\$0.44	\$0.08	\$0.00	\$0.47	\$0.24

31 Dec 2021

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
24/07/2018	30/06/2022	\$0.50	550,000	-	-	-	550,000
24/07/2018	30/06/2023	\$0.50	750,000	-	-	-	750,000
24/07/2018	30/06/2024	\$0.50	1,000,000	-	-	-	1,000,000
26/11/2018	26/11/2021	\$0.50	550,000	-	-	-	550,000
26/11/2018	26/11/2024	\$0.50	798,373	-	-	-	798,373
26/11/2018	26/11/2024	\$0.50	798,373	-	-	-	798,373
26/11/2018	26/11/2024	\$0.50	798,374	-	-	-	798,374
09/12/2019	09/12/2022	\$0.47	2,750,000	-	-	-	2,750,000
18/12/2020	18/12/2023	\$0.75	500,000	-	-	-	500,000
18/12/2020	18/12/2025	\$0.00	407,552	-	-	-	407,552
18/12/2020	18/12/2025	\$0.00	407,552	-	-	-	407,552
01/07/2021	21/12/2026	\$0.00	-	293,889	-	-	293,889
22/11/2021	21/12/2026	\$0.00	-	195,090	-	-	195,090
			9,310,224	488,979	-	-	9,799,203
Weighted average exercise price			\$0.55	\$0.00	\$0.00	\$0.00	\$0.55

Note 15. Share-based payments (continued)

Set out below are the options exercisable at the end of the financial period:

Grant date	Expiry date	31 Dec 2022 Number	30 Jun 2022 Number
09/12/2019	09/12/2022	-	2,750,000
18/12/2020	18/12/2023	500,000	500,000
24/07/2018	01/07/2023	750,000	750,000
24/07/2018	01/07/2024	1,000,000	1,000,000
26/11/2018	26/11/2024	2,395,120	2,395,120
14/10/2022	14/10/2024	2,000,000	-
		<u>6,645,120</u>	<u>7,395,120</u>

Note 16. Events after the reporting period

No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Joanne Patterson
Director and Chief Executive Officer

24 February 2023
Sydney

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Bod Science Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Bod Science Limited (the Company and its subsidiaries ("the Group")), which comprises the Statement of Financial Position as at 31 December 2022, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- i) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- iii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which indicates that during the period ended 31 December 2022, the consolidated entity incurred a net loss after tax of \$3,171,678 and net operating cash outflows of \$2,978,308. The conditions disclosed indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Nexia Sydney Audit Pty Ltd



Tracey Driver

Director

Dated: 24 February 2023

Sydney