



## 1. Company details

Name of entity:	Bod Science Limited
ABN:	89 601 225 441
Reporting period:	For the year ended 30 June 2023
Previous period:	For the year ended 30 June 2022

## 2. Results for announcement to the market

					\$
Revenues from ordinary activities	down	34.6%	to	3,321,091	
Loss from ordinary activities after tax attributable to the owners of Bod Science Limited	up	47.1%	to	(7,953,136)	
Loss for the year attributable to the owners of Bod Science Limited	up	47.1%	to	(7,953,136)	

### 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 \$7,953,136 (30 June 2022: \$5,406,544).

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

	Consolidated 2023 \$	2022 \$
Net assets	(703,364)	3,466,740
Less: Intangibles	(130,681)	(415,426)
Net tangible assets	<u>(834,045)</u>	<u>3,051,314</u>
Number of ordinary shares on issue	153,212,493	105,914,920
	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(0.54)</u>	<u>2.88</u>

## 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.

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**6. Dividend reinvestment plans**

Not applicable.

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**7. Details of associates and joint venture entities**

Not applicable.

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**8. Foreign entities**

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

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

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**9. Audit qualification or review**

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

The financial statements have been audited and an unqualified opinion has been issued, including an emphasis of matter regarding going concern.

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**10. Attachments**

*Details of attachments (if any):*

The Directors' report and annual financial statements of Bod Science Limited for the year ended 30 June 2023 is attached.

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**11. Signed**

Signed  \_\_\_\_\_

Joanne Patterson  
Director and Chief Executive Officer  
Sydney

Date: 30 August 2023

# **Bod Science Limited**

**(Formerly known as Bod Australia Limited)**

**ABN 89 601 225 441**

## **Directors' report and annual financial statements**

**30 June 2023**



The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') 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 year ended 30 June 2023.

### **Directors**

The names of the directors during the year are:

Joanne (Jo) Patterson, Chief Executive Officer  
David Baker, Non-Executive 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 year and to the date of this report unless otherwise stated.

### **Principal activities**

The principal activities of the consolidated entity during the 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 financial year.

### **Review of operations**

The loss for the consolidated entity after providing for income tax amounted to \$7,953,136 (30 June 2022: \$5,406,544). The increased loss is mainly due to an increase in research and development expenses from \$1,680,575 to \$3,462,142 (an increase of \$1,781,567 or 106%), due to the progress of the Schedule 3 Phase IIB insomnia study and research and development associated with the Aqua Phase pharmacokinetic studies.

Total revenue for the year was \$3,321,091, a 35% decrease on the prior corresponding period ('PCP') (FY2022: \$5,080,466).

Sales revenue from the consolidated entity's MediCabilis® medicinal cannabis products range in Australia and the UK was \$933,287, a 43% decrease on the PCP (FY2022: \$1,648,981). During the year, the medicinal cannabis division shipped 3,419 units to customers, a 52% decrease on the PCP (FY2022: 7,182 units). While sales are down on the prior year, reflecting the market's continued move to THC flower products, the consolidated entity continues to hold its market share in the CBD market. The medical business has also been impacted by supply chain issues in the UK market.

Sales of CBD and hemp products to Health and Happiness Group Limited ('H&H', HKSE: 1112) contributed \$294,565 in revenue which is a 77% decrease on the PCP (FY2022: \$1,281,098). The reduction in sales followed the expiry of the exclusive relationship with H&H and the consolidated entity is now exploring other global distribution agreements.

Total revenue generated for the year included \$1,356,576 in R&D tax incentives (FY2022: \$1,337,583).

Excluding the one-off manufacturing cost in the prior year, the consolidated entity's gross profit margin was 41% compared to 33% in FY2022. This improved margin is primarily due to a more favourable customer mix in the current year with sales to H&H falling from 37% of sales to 18% of sales.

The consolidated entity's loss from ordinary activities was \$7,953,136, a 47% increase on the PCP (FY2022: \$5,406,544). The increased loss is mainly due to an increase in research and development expenses from \$1,680,575 to \$3,462,142 (an increase of \$1,781,567 or 106%), due to the progress of the Schedule 3 Phase IIB insomnia study and research and development associated with the Aqua Phase pharmacokinetic studies. Other significant increased expenses on the prior year were an increase in share-based payments of \$357,705 mainly due to shares issued for the provision of marketing services, the impairment of H&H capitalised product development costs of \$152,596 following the reduction in sales to H&H and an increase in other expenses of \$941,927 driven by increases in legal fees, consulting costs and recruitment costs.



During the year, the consolidated entity raised capital of \$3,201,890 (net of fees) and borrowings of \$935,951 (net of fees) and held \$2,031,040 in cash and cash equivalents at the end of the year. This balance, along with a capital raise in August 2023, a planned further capital raise and further proceeds from borrowings, provides the consolidated entity with significant financial flexibility to progress its clinical trial initiatives, new product opportunities and international expansion opportunities across its medicinal cannabis product suite.

#### **Significant changes in the state of affairs**

During the current financial year ended 30 June 2023, 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.

In 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 year.

#### **Matters subsequent to the end of the financial year**

On 3 August 2023, the consolidated entity announced that it had received firm commitments for a \$1.9 million equity placement at an offer price of \$0.08 per share to be used to fund research and development activities and working capital. In addition, placement participants will be offered one attaching option for every two new shares issued, exercisable at \$0.10 on or before 30 June 2024.

On 10 August 2023, the consolidated entity completed the acquisition of an invention known as "Aqua Phase" and related assets (Invention) following payment of £1,000,000 to the vendors. The consolidated entity now holds the rights to use the Invention, together with all intellectual property (including a patent application), confidential information, records, goodwill and the right to use the name "Aqua Phase" going forward.

Aqua Phase is a process technology which has the potential to substantially increase the bioavailability of lipophilic (non-soluble) cannabis compounds in humans allowing more rapid onset, better efficacy and lower dosage rates. Cannabidiol (CBD) and cannabinoids intrinsically have poor biological absorption – oral CBD compounds in oil are estimated to have only 6-8% bioavailability. Aqua Phase uses a common compound combined with CBD under specific mechanical and heating conditions to deliver a stable, highly bioavailable compound.

The consolidated entity intends to use the Invention as a delivery mechanism for its current and future portfolio of CBD and medicinal cannabis products, as well as having the potential to generate revenue from licensing the Invention in the future.

On 10 July 2023, the consolidated entity entered into a lease agreement for its new office premises. The lease term is six years, commencing 14 August 2023, with a four-year option to be exercised no later than 1 January 2029.

On 3 August 2023, Bod Healthcare Ltd (an existing UK-registered subsidiary of Bod Science Limited) acquired a dormant shelf company to establish a new UK-registered subsidiary which it has named Aqua Phase Ltd. At the current time, Aqua Phase Ltd has nominal capital of £1 and may be used in the future for relevant operations by the consolidated entity out of the UK.

No other matter or circumstance has arisen since 30 June 2023 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.

#### **Likely developments and expected results of operations**

The consolidated entity will continue to advance opportunities through its medical cannabis division and its research and development function.

The Schedule 3 Phase IIB clinical trial, in partnership with The Woolcock Institute of Medical Research, to investigate the efficacy of its uniquely developed CBD formulation on symptoms associated with insomnia has completed and topline results are expected in the next two weeks. Upon successful completion of the trial, the consolidated entity will be able to bring a new product to market through the existing SAS-B market and distributed through other major markets. On receipt of the ARTG registration from the TGA for its unique CBD product, the product will be sold throughout Australian pharmacies through its exclusive distribution agreement with Arrotex Pharmaceuticals.

The consolidated entity intends to commercialise the Aqua Phase solution as a drug delivery mechanism for its current and future portfolio of medicinal cannabis products, as well as having the potential to generate revenue from use outside of cannabinoids through licensing the technology in the future.

The consolidated entity, following the signing of a Letter of Intent with the Antah Group in Malaysia, will collaborate to identify, develop and commercialise medical cannabis products in Malaysia. This will begin a gold standard clinical trial followed by commercialisation based on an unmet need state within the local market.

### **Material business risks**

The operating and financial performance of the consolidated entity is influenced by a variety of general economic and business conditions that affect all industries, some of which are beyond the consolidated entity's reasonable control. These conditions include, but are not limited to: general economic conditions in jurisdictions in which the business operates; changes to Government and Regulatory Agencies' fiscal, monetary, regulatory and taxation policies in jurisdictions where it operates; the strength of equity and share markets in Australia and internationally, and in particular investor sentiment towards the bio-pharmaceuticals sector; fluctuations and outlook on interest rates and inflation rates in jurisdictions where the business operates; and global geo-political events, natural disasters, social disruption or war in jurisdictions in which the consolidated entity operates.

The business risks assessed as having the potential to have a material impact on the business, operating and/or financial results and performance of the consolidated entity include:

#### ***(a) Competition and new technologies***

The bio-pharmaceuticals industry and more specifically the medicinal cannabis sector is highly competitive. Should any of the consolidated entity's competitors participate more aggressively on price, product, innovation or other means, this could adversely impact the financial and operating performance of the business.

The consolidated entity seeks to mitigate this risk by closely monitoring the competitive landscape, forming commercial relationships with highly regarded counterparties and developing innovative and unique product formulations.

#### ***(b) Reputational risks***

The consolidated entity takes pride in its values and mission, ensuring that its strategy (supported by policies, standards and procedures) remains consistent with these core values.

The consolidated entity operates in a fast-changing environment and negative publicity can spread quickly, whether true or false. Negative comments by disgruntled customers or a failure to meet the expectations of health care professionals may have a disproportionate effect on the reputation of the business and its ability to earn revenues and profits.

The consolidated entity conducts regular audits of its manufacturing partners to ensure that they meet appropriate standards of GMP.

The business has established brand and intellectual property protection strategies which protect its brands and products.

#### ***(c) People and culture***

The consolidated entity's success is reliant on attracting and retaining experienced, skilled and motivated talent, including Directors and management. Loss of key personnel could have an adverse impact on business performance.

The consolidated entity has in place employment arrangements designed to create an environment to attract and retain talent consistent with and aligned to its stated values and mission. Performance-based incentives exist for every staff member to drive business performance and are aligned to business strategy and vision. The culture is driven by a consistent tone from the top and aligned incentives.

The consolidated entity has established flexible workplace and work from home policies and procedures.

#### ***(d) Outsourcing***

The consolidated entity outsources to consultants and professional services firms for expert advice and contract organisations for research, clinical and manufacturing services and there is no guarantee that such experts or organisations will be available as required or will meet expectations.

The consolidated entity manages this risk through engaging with reputable and well-established counterparties, monitoring of counterparty performance against agreed standards and ensuring that appropriate contractual arrangements are in place to protect the interests of the business.

*(e) Liability claims and litigation*

As with all pharmaceutical products, even after the granting of regulatory approval, there is no assurance that unforeseen adverse events or development defects will not arise. The consolidated entity may be exposed to liability claims, disputes and litigation in relation to its operations and customers. Proceedings may result in reputational damage and cause the business to expend significant financial and managerial resources to defend against such claims. If a successful claim is made against the consolidated entity, its reputation and brand may be negatively impacted or it may be subject to regulatory fines or penalties resulting in adverse effects on business prospects, financial performance and financial position.

The business has developed detailed processes to ensure the safety of its products.

*(f) Research and development*

An important aspect of the consolidated entity's business is to continue to invest in innovation and related product development opportunities. The business believes that it must continue to dedicate resources to innovation efforts and expand its product offering to maintain its competitive position. Developing new products is expensive and often involves an extended period of time to achieve a return on investment. The business may not, however, receive benefits from this investment for several years or may not receive benefits at all.

The consolidated entity has established a highly experienced Medical Advisory Board and engages highly reputable research partners to assist with the design and management of its research and development activities.

*(g) Clinical testing*

Clinical trials may be required for the consolidated entity's products to receive government and regulatory approval. There is no guarantee that the clinical trials will produce a positive result demonstrating safety and efficacy, that they will be conducted and completed quickly or cost effectively or that regulatory agencies will allow the business to undertake such trials. Any of these events will impact the timeline for commercialising a product and the financial performance of the business.

The consolidated entity engages highly reputable research partners to assist with the design and management of its clinical studies.

*(h) Intellectual property protection*

The future commercial success of the consolidated entity's products relies upon its ability to obtain and maintain legal protection for its intellectual property. Failure to do so may erode the competitive position of the business and adversely impact its operations, financial position and financial performance.

*(i) Regulatory environment*

The sale of the consolidated entity's medicinal cannabis products is highly regulated. The business now has products in a number of jurisdictions including Australia, United Kingdom, Europe and the United States and it must comply with changes in government legislation and regulatory requirements across a number of jurisdictions. Changes in regulations may expose the business to increased compliance costs and resources, licensing and reporting obligations, breaches of law, criminal or civil claim and increased product requirements.

The consolidated entity employs specialised and experienced resources and teams (Quality, Regulatory, etc) to oversee and educate stakeholders of relevant regulatory requirements and monitor potential changes. Where required, the business also engages specialist advisors to support legal and regulatory oversight for new and emerging markets.

The business actively engages with key government, industry and regulatory bodies to stay abreast of regulatory and policy changes.

*(j) Future profitability*

The consolidated entity is still in the early stages of commercialising its market portfolio of CBD products. To date, it has funded operations principally through issuing equity securities, revenue derived from contracts with its customers and marketing arrangements with third parties, research and development tax incentives and government grants. If the business is unable to continue to grow sales of its existing products, or successfully develop and commercialise new products, it may not achieve profitability in the future.



**(k) Future capital needs**

Further funding may be required by the consolidated entity to support its ongoing activities and operations. The business may seek to raise further capital through equity or debt financing, sub-licensing arrangements or other means to secure additional funds. There is no guarantee that such funding will be available on satisfactory terms or at all. Failure to obtain future funding may adversely impact the operations, financial performance and financial position of the business.

A major focus of the consolidated entity's Board and management is on ongoing cash flow forecasting and management of cash flows to ensure that the business has sufficient funds to cover its planned activities and any ongoing obligations.

**(l) Financial and insurance**

Fluctuations in foreign currencies and interest rates and major events (eg, COVID-19) can significantly impact the profitability, cash flow and results of the consolidated entity.

An annual budget and cashflow is prepared by the consolidated entity and approved by the Board. The business prepares monthly results and cashflow forecasts to measure progress against the annual budget and these forecasts are communicated to the Board each month. This enables the business to proactively manage risks and pursue opportunities. Full-year and half-year results are subject to external audit and the auditor reports to the Audit and Risk Committee.

The consolidated entity maintains comprehensive insurance coverage across a number of parts of the business (including for clinical trials) to minimise the financial impact of unforeseen events and enable timely recovery to business as usual operations if required.

**Environmental regulation**

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law, or other countries in which it operates.

**Information on directors**

Name:	David Baker
Title:	Non-Executive Chairman
Qualifications:	BA, LLB(Hons)
Experience and expertise:	David is a commercial advisor and company director with over 40 years' experience in law, investment banking, public company leadership and corporate governance. He has deep industry knowledge across a range of sectors and a sophisticated understanding of financial markets. David is also a co-founder of Baker Cook Advisory which is a boutique provider of outsourced legal, commercial and governance advice and mediation services for corporations and government agencies.
Other current directorships:	None
Former directorships (last 3 years):	Mineral Commodities Limited (ASX:MRC)
Special responsibilities:	Chair of the Audit and Risk Committee and Member of the Remuneration and Nominations Committee
Interests in shares:	4,500,000 ordinary shares
Interests in options:	750,000 options over ordinary shares



**Name:** George Livery  
**Title:** Non-Executive Director  
**Qualifications:** Fellow of the Australian Marketing Institute  
**Experience and expertise:** George has enjoyed senior executive roles across numerous industries for the last 30 years, both domestically and internationally as an expat. A C-level executive for the last 25 years, George's career has included CEO of Village Cinemas Australia, COO of Village International, Commercial Director at Hoyts Ltd, Director of Operations (Non-Academic Services) at University of Sydney's USU, both Commercial Director at Swisse Vitamins and Director of Strategy & Corporate at Swisse Wellness Group. Most recently George has enjoyed Chairperson, Non-executive Director and CoSec roles on ASX listed and private companies. George also led the corporate integration of Swisse Wellness into the Hong Kong listed H&H Group of companies and enjoyed a dual role during that time as Group Senior VP Legal and Risk. George has held numerous board positions across a number of industries including the NFP sector.

**Other current directorships:** Non-Executive Chair - The Hydration Pharmaceutical Company Limited (ASX:HPC)  
**Former directorships (last 3 years):** None  
**Special responsibilities:** Chair of the Remuneration and Nominations Committee and Member of the Audit and Risk Committee

**Interests in shares:** 395,295 ordinary shares  
**Interests in options:** 2,250,000 options over ordinary shares

**Name:** Joanne (Jo) Patterson  
**Title:** Chief Executive Officer  
**Qualifications:** MBus. Marketing  
**Experience and expertise:** Jo has over 20 years' experience in business and corporate strategy with exposure in Australia and international markets. She has developed a number of businesses from start-up as well as driving established organisations towards growth and merger trajectories. She has been officially recognised as a successful business executive by winning a number of key business awards and her acumen is evidenced in the success of previous companies in the technology, advertising and beauty sectors. Jo has held multiple CEO and Managing Director roles over her career.

These wide and diverse experiences led her to establish Bod in 2014 and subsequently list the business on the ASX in 2016.

**Other current directorships:** None  
**Former directorships (last 3 years):** None  
**Interests in shares:** 7,175,000 ordinary shares  
**Interests in options:** 1,665,737 options over ordinary shares

Name:	Akash Bedi
Title:	Non-Executive Director
Qualifications:	Bachelor of Engineering (Mechanical) MBA Cardiff Business School
Experience and expertise:	Akash is the Chief Strategy and Operations Officer of Health & Happiness International Holdings Limited from December 2019. He joined the Group in July 2018 as Senior Director of Strategy and Corporate Affairs. As part of his role at the Group, Akash is responsible for overall procurement, logistics, production and supply chain for all H&H Group brands and is also responsible for developing business strategies and roadmaps, identifying growth opportunities and strengthening the Group's industry and market insight capabilities. In the last three years, he has been successfully leading and managing the Swisse business for India and the Middle Eastern market. Akash also leads mergers and acquisitions for the Group and strategic investments for NewH2 Fund (the corporate venture subsidiary of the Group), which focuses on investing in global startups and high-growth companies with technologies and businesses of strategic importance. Prior to joining the Company, Akash held the position of Director, Global Consumer & Retail at HSBC for over 10 years from May 2008 where he worked on highly complex mergers and acquisition transactions from its global offices in New York, London and Hong Kong. Akash obtained a Bachelor degree of Engineering (Mechanical) from Manipal Institute of Technology, India in 2005 and an MBA degree from the Cardiff Business School in the UK in 2006.
Other current directorships:	Else Nutrition Holdings, Inc
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in shares:	None
Interests in options:	1,000,000 options over ordinary shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

### Company secretary

Carlie Hodges was appointed company secretary on 23 January 2023 and Stephen Kelly resigned on the same date.

Carlie is a practising corporate and commercial lawyer, holds a Graduate Diploma in Applied Corporate Governance and is a Fellow Member of the Governance Institute of Australia.

### Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2023 and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee		Remuneration and Nominations Committee	
	Attended	Held	Attended	Held	Attended	Held
Jo Patterson	10	10	-	-	-	-
David Baker	10	10	3	3	1	1
George Livery	10	10	3	3	1	1
Akash Bedi	6	10	1	3	-	-
Hanno Cappon	4	4	-	-	1	1

Held represents the number of meetings held during the time the director held office or was a member of the relevant committee. For the year ended 30 June 2023, Hanno Cappon was a director from 1 July 2022 to 8 November 2022.

### Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

#### ***Principles used to determine the nature and amount of remuneration***

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparent.

The Remuneration and Nominations Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Remuneration and Nominations Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align executive reward to shareholders' interests. The Remuneration and Nominations Committee has considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

#### ***Non-executive directors' remuneration***

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Remuneration and Nominations Committee. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The maximum remuneration for non-executive directors' remains at \$300,000 per annum unless specifically approved by shareholders. All directors are entitled to be paid all travelling and other expenses properly incurred by them in attending, participating in and returning from meetings of the directors or any committee of directors or general meetings of the company or otherwise in connection with the business of the company.

#### ***Executive remuneration***

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and employee leave entitlements.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration and Nominations Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include the consolidated entity achieving targeted net profits for each financial year.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders' value relative to the entire market and the increase compared to the consolidated entity's direct competitors. The Remuneration and Nominations Committee reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2023.

#### *Consolidated entity performance and link to remuneration*

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined profit targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Remuneration and Nominations Committee. Refer to the section 'Additional information' below for details of the earnings and total shareholders return since listing on the ASX.

#### *Use of remuneration consultants*

During the financial year ended 30 June 2023, the consolidated entity did not engage remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve both the STI and LTI programs.

#### *Voting and comments made at the company's 2022 Annual General Meeting ('AGM')*

At the 2022 AGM, 97.4% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

#### **Details of remuneration**

##### *Amounts of remuneration*

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following:

- Jo Patterson - Chief Executive Officer
- David Baker - Non-Executive Chairman
- George Livery - Non-Executive Director
- Akash Bedi - Non-Executive Director
- Craig Weller - Chief Technology Officer
- Adrian Sturrock - Chief Financial Officer
- Hanno Cappon - Non-Executive Director (resigned on 9 November 2022)

The amount of remuneration of directors and key management personnel is set out below:

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Employee benefits *	Equity-settled	Total
	\$	\$	\$	\$	\$	\$	\$
<b>2023</b>							
<i>Non-Executive Directors:</i>							
David Baker	70,020	-	-	-	-	19,348	89,368
George Livery	48,224	-	-	5,063	-	12,899	66,186
Akash Bedi	53,287	-	-	-	-	12,899	66,186
Hanno Cappon	19,095	-	-	-	-	-	19,095
<i>Executive Director:</i>							
Jo Patterson	372,766	72,526	(1,503)	22,948	10,280	47,448	524,465
<i>Other Key Management Personnel:</i>							
Craig Weller	308,636	61,014	(18,222)	24,267	8,649	48,466	432,810
Adrian Sturrock	288,952	57,481	5,252	24,672	1,273	36,711	414,341
	<u>1,160,980</u>	<u>191,021</u>	<u>(14,473)</u>	<u>76,950</u>	<u>20,202</u>	<u>177,771</u>	<u>1,612,451</u>

\* Employee benefits includes long service leave provisions for Jo Patterson, Craig Weller and Adrian Sturrock.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Employee benefits *	Equity-settled	Total
	\$	\$	\$	\$	\$	\$	\$
<b>2022</b>							
<i>Non-Executive Directors:</i>							
David Baker	14,216	-	-	-	-	-	14,216
George Livery	47,032	-	-	4,703	-	596	52,331
Akash Bedi	59,863	-	-	-	-	51,272	111,135
Hanno Cappon	48,954	-	-	-	-	-	48,954
Mark Masterson	56,650	-	-	5,665	-	-	62,315
Simon O'Loughlin	35,797	-	-	3,580	-	-	39,377
Patrice Malard	11,049	-	-	-	-	-	11,049
<i>Executive Director:</i>							
Jo Patterson	340,673	38,397	13,065	38,099	26,770	63,383	520,387
<i>Other Key Management Personnel:</i>							
Craig Weller	286,597	26,602	(3,878)	31,453	22,521	70,909	434,204
Adrian Sturrock	246,774	22,869	14,775	27,078	379	-	311,875
	<u>1,147,605</u>	<u>87,868</u>	<u>23,962</u>	<u>110,578</u>	<u>49,670</u>	<u>186,160</u>	<u>1,605,843</u>

\* Employee benefits represents the initial recognition of a long service leave provision for Jo Patterson, Craig Weller and Adrian Sturrock.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2023	2022	2023	2022	2023	2022
<b>Non-Executive Directors:</b>						
David Baker	78%	100%	-	-	22%	-
George Livery	81%	99%	-	-	19%	1%
Akash Bedi	81%	54%	-	-	19%	46%
Hanno Cappon	100%	100%	-	-	-	-
Mark Masterson	-	100%	-	-	-	-
Simon O'Loughlin	-	100%	-	-	-	-
Patrice Malard	-	100%	-	-	-	-
<b>Executive Director:</b>						
Jo Patterson	77%	81%	14%	7%	9%	12%
<b>Other Key Management Personnel:</b>						
Craig Weller	75%	78%	14%	6%	11%	16%
Adrian Sturrock	77%	93%	14%	7%	9%	-

### Service agreements

Remuneration and other terms of employment for executive key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Jo Patterson
Title:	Chief Executive Officer
Agreement commenced:	5 September 2016
Term of agreement:	Period of three years commencing on the date on which the company was admitted to the Official Listing of the ASX. After the initial period the agreement remains in full force and effect unless terminated. The Board has agreed to continue on the same terms and conditions other than an extension of Jo's notice period to six months.

**Details:** During the year ended 30 June 2023, Jo was paid an annual salary of \$372,766 exclusive of statutory superannuation payments. Her total remuneration package is reviewed annually by the Board, with any changes to be effective from 1 July each year. Jo may become entitled to an annual cash bonus and issue of options, subject to satisfying key performance indicators ('KPIs') set by the Board annually.

The amount and terms of any such cash bonus and issue of options is determined by the Board with reference to the extent, if any, that the Board is of the view that the applicable KPIs have been exceeded and the degree to which Jo is responsible for that outcome. On satisfying KPIs and business performance up to 20% short term bonus may be paid. Long term incentive in the form of shares is fixed to certain share price targets. This could result in a further 20% incentive.

The company may terminate Jo's employment summarily because of, among other things, misconduct or failure to perform duties specified in the Agreement and involvement in any illegal business practices. The company can also terminate Jo's employment by giving six months' notice in writing (or payment in lieu of notice).



Name: Craig Weller  
Title: Chief Technology Officer  
Agreement commenced: 5 September 2016  
Term of agreement: Period of three years commencing on the date on which the company was admitted to the Official Listing of the ASX. After the initial period the agreement remains in full force and effect unless terminated. The Board has agreed to continue on the same terms and conditions other than an extension of Craig's notice period to six months subsequent to 30 June 2023.

Details: During the year ended 30 June 2023, Craig was paid an annual salary of \$308,636 exclusive of statutory superannuation payments. His total remuneration package is reviewed annually by the Board, with any changes to be effective from 1 July each year. Craig may become entitled to an annual cash bonus and issue of options, subject to satisfying KPIs set by the Board annually.

The amount and terms of any such cash bonus and issue of options is determined by the Board with reference to the extent, if any, that the Board is of the view that the applicable KPIs have been exceeded and the degree to which Craig is responsible for that outcome. On satisfying KPIs and business performance up to 20% short term bonus may be paid. Long term incentive in the form of shares is fixed to certain share price targets. This could result in a further 20% incentive.

The company may terminate Craig's employment summarily because of, among other things, misconduct or failure to perform duties specified in the Agreement and involvement in any illegal business practices. The company can also terminate Craig's employment by giving three months' notice in writing (or payment in lieu of notice). Subsequent to 30 June 2023, the parties have entered into a variation to the executive services agreement and the notice period is now six months.

Name: Adrian Sturrock  
Title: Chief Financial Officer  
Agreement commenced: 2 August 2021

Details: During the year ended 30 June 2023, Adrian was paid a salary of \$288,952 exclusive of statutory superannuation payments. His total remuneration package is reviewed annually by the Board, with any changes to be effective from 1 July each year. Adrian may become entitled to an annual cash bonus, subject to satisfying KPIs set by the Board annually.

The amount and terms of any such cash bonus is determined by the Board with reference to the extent, if any, that the Board is of the view that the applicable KPIs have been exceeded and the degree to which Adrian is responsible for that outcome. On satisfying KPIs and business performance up to 20% short term bonus may be paid. Long term incentive in the form of shares is fixed to certain share price targets. This could result in a further 20% incentive.

The company may terminate Adrian's employment summarily because of, among other things, misconduct or failure to perform duties specified in the Agreement and involvement in any illegal business practices. The company can also terminate Adrian's employment by giving three months' notice in writing (or payment in lieu of notice). Subsequent to 30 June 2023, the parties have entered into a variation to the executive services agreement and the notice period is now six months.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.



## Share-based compensation

### Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2023.

### Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
24 July 2018	1 July 2020	1 July 2023	\$0.50	\$0.3031
24 July 2018	1 July 2021	30 June 2024	\$0.50	\$0.3231
26 November 2018	26 November 2021	26 November 2024	\$0.50	\$0.2700
9 December 2019	9 December 2020	9 December 2022	\$0.47	\$0.1662
18 December 2020	18 December 2021	18 December 2023	\$0.75	\$0.2736
18 December 2020	30 June 2021	18 December 2025	\$0.00	\$0.3969
18 December 2020	30 June 2022	18 December 2025	\$0.00	\$0.3952
1 July 2021	30 June 2022	21 December 2026	\$0.00	\$0.2059
1 July 2021	30 June 2023	21 December 2026	\$0.00	\$0.2088
1 July 2021	30 June 2024	21 December 2026	\$0.00	\$0.2072
22 November 2021	30 June 2022	21 December 2026	\$0.00	\$0.0639
22 November 2021	30 June 2023	21 December 2026	\$0.00	\$0.1026
22 November 2021	30 June 2024	21 December 2026	\$0.00	\$0.1146
1 July 2022	30 June 2023	30 November 2027	\$0.00	\$0.0737
1 July 2022	30 June 2024	30 November 2027	\$0.00	\$0.0721
1 July 2022	30 June 2025	30 November 2027	\$0.00	\$0.0704
14 October 2022	14 October 2022	14 October 2024	\$0.12	\$0.0397
28 November 2022	28 November 2023	28 November 2025	\$0.16	\$0.0440
28 November 2022	30 June 2023	30 November 2027	\$0.00	\$0.0737
28 November 2022	30 June 2024	30 November 2027	\$0.00	\$0.0720
28 November 2022	30 June 2025	30 November 2027	\$0.00	\$0.0700

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
George Livery	750,000	24 Jul 2018	1 Jul 2020	1 Jul 2023	\$0.50	\$0.3031
George Livery	1,000,000	24 Jul 2018	1 Jul 2021	1 Jul 2024	\$0.50	\$0.3231
Akash Bedi	500,000	18 Dec 2020	18 Dec 2021	18 Dec 2023	\$0.75	\$0.2189
Jo Patterson *	213,119	18 Dec 2020	30 Jun 2021	18 Dec 2025	\$0.00	\$0.3969
Jo Patterson *	213,119	18 Dec 2020	30 Jun 2022	18 Dec 2025	\$0.00	\$0.3952
Craig Weller *	194,433	18 Dec 2020	30 Jun 2021	18 Dec 2025	\$0.00	\$0.3969
Craig Weller *	194,433	18 Dec 2020	30 Jun 2022	18 Dec 2025	\$0.00	\$0.3952
Craig Weller *	54,708	1 Jul 2021	30 Jun 2022	21 Dec 2026	\$0.00	\$0.2059
Craig Weller *	54,708	1 Jul 2021	30 Jun 2023	21 Dec 2026	\$0.00	\$0.2088
Craig Weller *	54,708	1 Jul 2021	30 Jun 2024	21 Dec 2026	\$0.00	\$0.2072
Jo Patterson *	65,030	22 Nov 2021	30 Jun 2022	21 Dec 2026	\$0.00	\$0.0639
Jo Patterson *	65,030	22 Nov 2021	30 Jun 2023	21 Dec 2026	\$0.00	\$0.1026
Jo Patterson *	65,030	22 Nov 2021	30 Jun 2024	21 Dec 2026	\$0.00	\$0.1146
Craig Weller	292,877	1 Jul 2022	30 Jun 2023	30 Nov 2027	\$0.00	\$0.0737
Craig Weller	292,877	1 Jul 2022	30 Jun 2024	30 Nov 2027	\$0.00	\$0.0721
Craig Weller	292,878	1 Jul 2022	30 Jun 2025	30 Nov 2027	\$0.00	\$0.0704
Adrian Sturrock	275,915	1 Jul 2022	30 Jun 2023	30 Nov 2027	\$0.00	\$0.0737
Adrian Sturrock	275,915	1 Jul 2022	30 Jun 2024	30 Nov 2027	\$0.00	\$0.0721
Adrian Sturrock	275,917	1 Jul 2022	30 Jun 2025	30 Nov 2027	\$0.00	\$0.0704
Jo Patterson	348,136	28 Nov 2022	30 Jun 2023	30 Nov 2027	\$0.00	\$0.0737
Jo Patterson	348,136	28 Nov 2022	30 Jun 2024	30 Nov 2027	\$0.00	\$0.0720
Jo Patterson	348,137	28 Nov 2022	30 Jun 2025	30 Nov 2027	\$0.00	\$0.0700
David Baker	750,000	28 Nov 2022	28 Nov 2023	28 Nov 2025	\$0.16	\$0.0440
George Livery	500,000	28 Nov 2022	28 Nov 2023	28 Nov 2025	\$0.16	\$0.0440
Akash Bedi	500,000	28 Nov 2022	28 Nov 2023	28 Nov 2025	\$0.16	\$0.0440

\* Ms Patterson, Mr Weller and Mr Sturrock were issued long term incentive rights granted with various barrier prices.

Options granted carry no dividend or voting rights.

All options were granted over unissued fully paid ordinary shares in the company. The number of options granted was determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Consolidated entity performance and link to remuneration'. Options vest based on the provision of service over the vesting period whereby the executive becomes beneficially entitled to the option on vesting date. Options are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2023 are set out below:

Name	Number of options granted during the year 2023	Number of options granted during the year 2022	Number of options vested during the year 2023	Number of options vested during the year 2022
David Baker	750,000	-	-	-
George Livery	500,000	-	-	1,000,000
Jo Patterson	1,044,409	195,090	413,166	278,149
Akash Bedi	500,000	-	-	500,000
Hanno Cappon	-	-	-	-
Craig Weller	878,632	164,124	347,585	241,141
Adrian Sturrock	827,744	-	275,915	-

### Additional information

The earnings of the consolidated entity for the five years to 30 June 2023 are summarised below:

	2023 \$	2022 \$	2021 \$	2020 \$	2019 \$
Revenue from contracts with customers and other revenue	3,321,091	5,080,466	7,419,562	5,925,272	1,273,391
Loss for the year	(7,953,136)	(5,406,544)	(4,226,105)	(4,819,140)	(7,623,571)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2023	2022	2021	2020	2019
Loss per share (cents) for the year ended 30 June	(5.63)	(5.10)	(4.26)	(5.40)	(11.59)
Share Price at 30 June (cents)	6.90	7.00	33.50	27.00	34.00
Share Price High for year ended 30 June (cents)	17.00	36.00	74.00	72.00	66.00
Share Price Low for the year ended 30 June (cents)	4.60	7.00	25.50	12.00	22.00

### Additional disclosures relating to key management personnel

#### Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<b>Ordinary shares</b>					
David Baker	1,000,000	-	3,500,000	-	4,500,000
George Livery	320,000	-	75,295	-	395,295
Jo Patterson	6,550,000	-	625,000	-	7,175,000
Akash Bedi	-	-	-	-	-
Hanno Cappon	-	-	-	-	-
Craig Weller	4,852,329	-	-	-	4,852,329
Adrian Sturrock	-	-	200,000	-	200,000
	12,722,329	-	4,400,295	-	17,122,624

#### Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<b>Options over ordinary shares</b>					
David Baker	-	750,000	-	-	750,000
George Livery	2,250,000	500,000	-	(500,000)	2,250,000
Jo Patterson	621,328	1,044,409	-	-	1,665,737
Akash Bedi	1,000,000	500,000	-	(500,000)	1,000,000
Hanno Cappon	-	-	-	-	-
Craig Weller	552,990	878,632	-	-	1,431,622
Adrian Sturrock	-	827,744	-	-	827,744
	4,424,318	4,500,785	-	(1,000,000)	7,925,103

As at 30 June 2023, there were no options over ordinary shares that had vested and are exercisable and there were 8,616,628 options that have vested and are unexercisable.

*Other transactions with key management personnel and their related parties*

There have been no other transactions with key management personnel and their related parties during the financial year.

***This concludes the remuneration report, which has been audited.***

**Shares under option**

Unissued ordinary shares of Bod Science Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
24 July 2018	1 July 2023	\$0.50	750,000
24 July 2018	1 July 2024	\$0.50	1,000,000
26 November 2018	26 November 2024	\$0.55	798,373
26 November 2018	26 November 2024	\$0.65	798,373
26 November 2018	26 November 2024	\$0.75	798,374
18 December 2020	18 December 2023	\$0.75	500,000
18 December 2020	18 December 2025	\$0.00	815,104
1 July 2021	21 December 2026	\$0.00	164,124
22 November 2021	21 December 2026	\$0.00	195,090
1 July 2022	30 November 2027	\$0.00	1,706,376
14 October 2022	14 October 2024	\$0.12	2,000,000
28 November 2022	28 November 2025	\$0.16	1,750,000
28 November 2022	30 November 2027	\$0.00	1,044,409
			<u>12,320,223</u>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

**Shares issued on the exercise of options**

There were no ordinary shares of Bod Science Limited issued on the exercise of options during the year ended 30 June 2023 and up to the date of this report.

**Indemnity and insurance of officers**

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

**Indemnity and insurance of auditor**

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

**Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

### **Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 23 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 23 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

### **Officers of the company who are former partners/directors of Nexia Sydney Audit Pty Ltd**

There are no officers of the company who are former partners/directors of Nexia Sydney Audit Pty Ltd.

### **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 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



\_\_\_\_\_  
Joanne Patterson  
Director and Chief Executive Officer

30 August 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 audit of the financial statements of Bod Science Limited for the financial year ended 30 June 2023, 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 audit; and
- (b) any applicable code of professional conduct in relation to the audit.

Yours sincerely



**Nexia Sydney Audit Pty Ltd**



**Tracey Driver**

Director

Date: 30 August 2023

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**Bod Science Limited**  
**(Formerly known as Bod Australia Limited)**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2023**



	Note	Consolidated 2023 \$	2022 \$
<b>Revenue from contracts with customers and other revenue</b>	5	3,321,091	5,080,466
Other income	6	316,949	130,202
<b>Expenses</b>			
Raw materials and consumables used	7	(1,021,789)	(2,926,493)
Distribution expense		(372,415)	(638,912)
Research and development expense		(3,462,142)	(1,680,575)
Employee/director benefits expense		(3,047,518)	(3,285,318)
Depreciation and amortisation expense	7	(171,932)	(153,962)
Impairment of inventories	7	(27,623)	(22,364)
Impairment of trade receivables		(31,901)	-
Impairment of intangibles	7	(220,292)	-
Marketing expense		(458,581)	(449,581)
Share-based payment expense	7	(552,771)	(195,066)
Other expenses		(2,212,006)	(1,270,079)
<b>Loss before interest and tax</b>		(7,940,930)	(5,411,682)
Interest revenue		15,145	5,138
Interest expense		(27,351)	-
Net interest (expense)/revenue		(12,206)	5,138
<b>Loss before income tax expense</b>		(7,953,136)	(5,406,544)
Income tax expense	8	-	-
<b>Loss after income tax expense for the year attributable to the owners of Bod Science Limited</b>		(7,953,136)	(5,406,544)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(96,629)	17,694
Other comprehensive income for the year, net of tax		(96,629)	17,694
<b>Total comprehensive income for the year attributable to the owners of Bod Science Limited</b>		<u>(8,049,765)</u>	<u>(5,388,850)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	32	(5.63)	(5.10)
Diluted earnings per share	32	(5.63)	(5.10)

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Bod Science Limited**  
**(Formerly known as Bod Australia Limited)**  
**Statement of financial position**  
**As at 30 June 2023**



**Assets**

**Current assets**

Cash and cash equivalents	9	2,031,040	3,665,738
Trade and other receivables	10	400,040	425,522
Inventories	11	288,513	556,194
Other assets	12	578,334	235,203
<b>Total current assets</b>		<b>3,297,927</b>	<b>4,882,657</b>

**Non-current assets**

Property, plant and equipment	13	75,112	15,252
Intangibles	14	130,681	415,426
<b>Total non-current assets</b>		<b>205,793</b>	<b>430,678</b>

**Total assets**

**3,503,720**      **5,313,335**

**Liabilities**

**Current liabilities**

Trade and other payables	15	1,653,665	1,341,465
Contract liabilities	16	7,880	11,181
Borrowings	17	963,132	-
Employee benefits		106,253	107,014
Accrued expenses	18	886,778	323,814
<b>Total current liabilities</b>		<b>3,617,708</b>	<b>1,783,474</b>

**Non-current liabilities**

Contract liabilities	16	500,000	-
Employee benefits		89,376	63,121
<b>Total non-current liabilities</b>		<b>589,376</b>	<b>63,121</b>

**Total liabilities**

**4,207,084**      **1,846,595**

**Net assets/(liabilities)**

**(703,364)**      **3,466,740**

**Equity**

Issued capital	19	33,017,675	29,395,185
Reserves	20	3,522,897	3,362,355
Accumulated losses		(37,243,936)	(29,290,800)

**Total equity/(deficiency)**

**(703,364)**      **3,466,740**



*The above statement of financial position should be read in conjunction with the accompanying notes*

**Bod Science Limited**  
**(Formerly known as Bod Australia Limited)**  
**Statement of changes in equity**  
**For the year ended 30 June 2023**



**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 year	-	-	(5,406,544)	(5,406,544)
Other comprehensive income for the year, net of tax	-	17,694	-	17,694
Total comprehensive income for the year	-	17,694	(5,406,544)	(5,388,850)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 20)	-	195,066	-	195,066
Balance at 30 June 2022	<u>29,395,185</u>	<u>3,362,355</u>	<u>(29,290,800)</u>	<u>3,466,740</u>

**Consolidated**

	Issued capital \$	Reserves \$	Accumulated losses \$	Total deficiency in 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 year	-	-	(7,953,136)	(7,953,136)
Other comprehensive income for the year, net of tax	-	(96,629)	-	(96,629)
Total comprehensive income for the year	-	(96,629)	(7,953,136)	(8,049,765)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 19)	3,201,890	-	-	3,201,890
Share-based payments (note 20)	500,000	177,771	-	677,771
Options issued for share transaction costs (note 19)	(79,400)	79,400	-	-
Balance at 30 June 2023	<u>33,017,675</u>	<u>3,522,897</u>	<u>(37,243,936)</u>	<u>(703,364)</u>

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**Bod Science Limited**  
**(Formerly known as Bod Australia Limited)**  
**Statement of cash flows**  
**For the year ended 30 June 2023**



	<b>Note</b>	<b>Consolidated 2023 \$</b>	<b>2022 \$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		2,174,856	4,113,024
Payments to suppliers and employees (inclusive of GST)		(9,380,414)	(9,642,131)
Interest received		15,145	5,138
Research and development incentive received		1,512,673	1,152,520
Government grants		-	195,094
Net cash used in operating activities	30	<u>(5,677,740)</u>	<u>(4,176,355)</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(69,474)	(19,377)
Payments for intangibles		(78,632)	(188,066)
Payments for security deposits		<u>(141,500)</u>	<u>-</u>
Net cash used in investing activities		<u>(289,606)</u>	<u>(207,443)</u>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of shares	19	3,201,890	-
Net proceeds from borrowings		<u>935,951</u>	<u>-</u>
Net cash from financing activities		<u>4,137,841</u>	<u>-</u>
Net decrease in cash and cash equivalents		(1,829,505)	(4,383,798)
Cash and cash equivalents at the beginning of the financial year		3,665,738	8,053,279
Effects of exchange rate changes on cash and cash equivalents		<u>194,807</u>	<u>(3,743)</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>2,031,040</u></u>	<u><u>3,665,738</u></u>

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

## **Note 1. 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 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. Its registered office and principal place of business are:

### **Registered office**

Suite 2, Level 10, 70 Phillip Street  
 Sydney NSW 2000

### **Principal place of business**

Level 2, 376 New South Head Road  
 Double Bay NSW 2028

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 30 August 2023. The directors have the power to amend and reissue the financial statements.

## **Note 2. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, 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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

#### ***AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments***

AASB 2020-3 was issued in June 2020 and is applicable to annual periods beginning on or after 1 January 2022. Early adoption is permitted.

This standard amends:

- AASB 1 'First-time Adoption of Australian Accounting Standards' to simplify the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences;
- AASB 3 'Business Combinations' to update a reference to the Conceptual Framework (see below) without changing the accounting requirements for business combinations;
- AASB 9 'Financial Instruments' to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability;
- AASB 116 'Property, Plant and Equipment' to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset;
- AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' to specify the costs that an entity includes when assessing whether a contract will be loss-making; and
- AASB 141 'Agriculture' to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other AAS.

## **Note 2. Significant accounting policies (continued)**

### **Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

### *Historical cost convention*

The financial statements have been prepared under the historical cost convention.

### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

### **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 has incurred a loss after tax of \$7,953,136 (2022: \$5,406,544) and incurred net operating cash outflows for the year of \$5,677,740 (2022: \$4,176,355) and has a net current liability of \$319,781 and net liabilities of \$703,364. Following successful capital raisings in September and October 2022 of \$3,201,890, proceeds from borrowings of \$935,951 and the receipt of \$500,000 from the initial commercialisation of the Schedule 3 (Pharmacist only) opportunity, the consolidated entity had cash and cash equivalents of \$2,031,040 (30 June 2022: \$3,665,738) as at 30 June 2023.

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 and borrowings within the next twelve months;
- Management of cash reserves to balance the execution of the growth strategy through potential new revenue streams and maintenance of adequate working capital reserves; and
- The successful achievement of milestones in relation to the acquisition of Aqua Phase process technology 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, along with its expected capital and debt raising activities, 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.

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the consolidated entity be unable to continue as a going concern.

### **Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 28.

### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of the subsidiaries of Bod Science Limited ('company' or 'parent entity') as at 30 June 2023 and the results of its subsidiaries for the year then ended. Bod Science Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

## **Note 2. Significant accounting policies (continued)**

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### **Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

### **Foreign currency translation**

The financial statements are presented in Australian dollars, which is Bod Science Limited's functional and presentation currency.

#### *Foreign currency transactions*

Foreign currency transactions are translated into the entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### *Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

### **Revenue recognition**

The consolidated entity recognises revenue as follows:

#### *Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.



## **Note 2. Significant accounting policies (continued)**

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

### *Sale of goods*

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

### *Research and development incentive*

Research and development incentive is recognised as income based on a percentage of the research and development costs incurred that qualify for the incentive and the right to receive payment has been established.

### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

### **Government grants**

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the consolidated entity will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

### **Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

An income tax benefit will arise for the financial year where an income tax loss is incurred and, where permitted to do so, is carried-back against a qualifying prior period's tax payable to generate a refundable tax offset.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

## **Note 2. Significant accounting policies (continued)**

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

### **Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

### **Inventories**

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Finished goods are stated at the lower of cost and net realisable value on a standard cost basis. Cost of inventory is determined using the standard cost and comprises purchase and delivery costs, net of rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### **Property, plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

## **Note 2. Significant accounting policies (continued)**

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Plant and equipment	1-6 years
---------------------	-----------

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### **Intangible assets**

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The amortisation method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

#### **Patents and trademarks**

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of 3 years for trademarks and 10 years for patents.

#### **Website development**

Costs incurred in the planning stage are expensed. Development costs relating to advertising and promoting the consolidated entity's own products are expensed as incurred. Development costs are capitalised when the expenditure can be directly attributed and is necessary to creating, producing or preparing the website for it to be capable of operating in the manner intended by management. Once development is complete and the website is operational, the capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

### **Research and development**

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when: it is probable that the project will be a success considering its commercial and technical feasibility; the entity is able to use or sell the asset; the entity has sufficient resources and intent to complete the development; and its costs can be measured reliably.

Expenditure on the development of new products to be sold to H&H Global as part of the exclusive licence agreement were capitalised in previous years. These costs are amortised from the date that the product development is completed and the products are ready for sale. These development costs are assessed for indicators of impairment at least annually or more frequently if there are significant events or changes in circumstances that occur.

### **Impairment of non-financial assets**

Non-financial assets (such as plant and equipment and patents and trademarks) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### **Leases**

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss on a straight-line basis.

## **Note 2. Significant accounting policies (continued)**

### **Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### **Contract liabilities**

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

### **Refund liabilities**

Refund liabilities are recognised where the consolidated entity receives consideration from a customer and expects to refund some, or all, of that consideration to the customer. A refund liability is measured at the amount of consideration received or receivable for which the consolidated entity does not expect to be entitled and is updated at the end of each reporting period for changes in circumstances. Historical data is used across product lines to estimate such returns at the time of sale based on an expected value methodology.

### **Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

### **Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### **Employee benefits**

#### ***Short-term employee benefits***

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

#### ***Other long-term employee benefits***

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### ***Defined contribution superannuation expense***

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

#### ***Share-based payments***

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the trinomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

## **Note 2. Significant accounting policies (continued)**

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

### **Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **Earnings per share**

#### ***Basic earnings per share***

Basic earnings per share is calculated by dividing the profit attributable to the owners of Bod Science Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

#### ***Diluted earnings per share***

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming conversion of all dilutive potential ordinary shares.

### **Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.



## **Note 2. Significant accounting policies (continued)**

### **Comparatives**

Certain comparatives have been reclassified for consistency with the current period presentation. There was no impact on the net profit or loss, net assets or equity.

### **New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2023. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations most relevant to the consolidated entity are set out below.

Other amending accounting standards issued are not considered to have a significant impact on the financial statements of the consolidated entity as their amendments provide either clarification of existing accounting treatment or editorial amendments.

#### *AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants*

AASB 2020-1 was issued in March 2020 and is applicable to annual periods beginning on or after 1 January 2024, as extended by AASB 2020-6. Early adoption is permitted. AASB 2022-6 was issued in December 2022 and is applicable to annual periods beginning on or after 1 January 2023. Early adoption is permitted where AASB 2020-1 is also early adopted.

These standards amend AASB 101 'Presentation of Financial Statements' to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. If the deferral right is subject to the entity complying with covenants in the loan arrangement based on information up to and including reporting date, the deferral right will exist where the entity is able to comply with the covenant on or before the end of the reporting date even if compliance is assessed after the reporting date. The deferral right will be deemed to exist at reporting date if the entity is required to comply with the covenant only after the reporting date based on post-reporting date information. Additional disclosure is required about loan arrangements classified as non-current liabilities in such circumstances which enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period. Classification of a liability as non-current is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least 12 months after the reporting date or even if the entity settles the liability prior to issue of the financial statements. The meaning of settlement of a liability is also clarified.

## **Note 3. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### **Share-based payment transactions**

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes and Barrier pricing valuation models taking into account the terms and conditions upon which the instruments were granted specific to the options issued including vesting period, exercise price and term to expiry. The volume weighted average price ('VWAP') performance conditions were incorporated into the valuation, where relevant, by means of probabilistic modelling techniques such as the barrier option pricing model. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

### **Note 3. Critical accounting judgements, estimates and assumptions (continued)**

#### *Revenue from contracts with customers involving sale of goods*

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the consolidated entity is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

#### *Determination of variable consideration*

Judgement is exercised in estimating variable consideration which is determined having regard to past experience with respect to the goods returned to the consolidated entity where the customer maintains a right of return pursuant to the customer contract or where goods or services have a variable component. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

#### *Provision for impairment of inventories*

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

#### *Estimation of useful lives of assets*

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

#### *Capitalisation of product development costs*

Product development costs were capitalised in a previous year on the basis that: the project would be a success considering its commercial and technical feasibility; the entity's ability to use or sell the asset; the entity has sufficient resources and intent to complete the development; and that the costs can be measured reliably. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

#### *Income tax*

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

### **Note 4. Operating segments**

#### *Identification of reportable operating segments*

The consolidated entity is organised into four operating segments: medical, over the counter cannabidiol/Hemp ('OTC CBD/Hemp'), OTC Herbals and Corporate (including research and development activities). These operating segments are based on the internal reports that are reviewed and used by the Chief Executive Officer (who is identified as the Chief Operating Decision Maker ('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.



**Note 4. Operating segments (continued)**

**Major customers**

There are 3 major customers (2022: 2 major customers) that account for 64% (2022: 65%) of the consolidated entity's revenue. The total amount of revenues from these customers was \$1,066,191 (2022: \$2,230,562) and were from the Medical and OTC CBD/Hemp segments.

**Operating segment information**

	<b>Medical</b>	<b>OTC</b>	<b>OTC</b>		
	<b>\$</b>	<b>CBD/Hemp</b>	<b>Herbals</b>	<b>Corporate</b>	<b>Total</b>
<b>Consolidated - 2023</b>		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>					
Sale of goods	933,287	294,565	440,201	-	1,668,053
Royalty	-	50,137	-	-	50,137
Other revenue	-	244,498	-	1,358,403	1,602,901
Interest revenue	-	-	-	15,145	15,145
Other income	-	-	-	316,949	316,949
<b>Total revenue</b>	<b>933,287</b>	<b>589,200</b>	<b>440,201</b>	<b>1,690,497</b>	<b>3,653,185</b>
<b>Segment result</b>	<b>(1,417,638)</b>	<b>(8,533)</b>	<b>(399,848)</b>	<b>(5,095,247)</b>	<b>(6,921,266)</b>
Depreciation and amortisation	-	(76,706)	-	(95,226)	(171,932)
Impairment of assets	-	(184,497)	(27,623)	(67,696)	(279,816)
Share based payments	-	-	-	(552,771)	(552,771)
Interest expense	-	-	-	(27,351)	(27,351)
<b>Loss before income tax expense</b>	<b>(1,417,638)</b>	<b>(269,736)</b>	<b>(427,471)</b>	<b>(5,838,291)</b>	<b>(7,953,136)</b>
Income tax expense					-
<b>Loss after income tax expense</b>					<b>(7,953,136)</b>
<b>Assets</b>					
Segment assets	415,905	119,593	52,526	2,915,696	3,503,720
<b>Total assets</b>					<b>3,503,720</b>
<b>Liabilities</b>					
Segment liabilities	922,142	139,756	167,235	2,977,951	4,207,084
<b>Total liabilities</b>					<b>4,207,084</b>

**Note 4. Operating segments (continued)**

<b>Consolidated - 2022</b>	<b>Medical \$</b>	<b>OTC CBD/Hemp \$</b>	<b>OTC Herbals \$</b>	<b>Corporate \$</b>	<b>Total \$</b>
<b>Revenue</b>					
Sale of goods	1,648,981	1,281,098	494,564	-	3,424,643
Royalty	-	176,259	-	-	176,259
Other revenue	141,180	-	-	1,338,384	1,479,564
Interest revenue	-	-	-	5,138	5,138
Other income	-	-	-	195,094	195,094
<b>Total revenue</b>	<b>1,790,161</b>	<b>1,457,357</b>	<b>494,564</b>	<b>1,538,616</b>	<b>5,280,698</b>
<b>Segment result</b>	<b>(912,525)</b>	<b>(1,077,924)</b>	<b>(345,949)</b>	<b>(2,698,754)</b>	<b>(5,035,152)</b>
Depreciation and amortisation	-	(83,575)	-	(70,387)	(153,962)
Impairment of assets	-	-	(22,364)	-	(22,364)
Share based payments	-	-	-	(195,066)	(195,066)
<b>Loss before income tax expense</b>	<b>(912,525)</b>	<b>(1,161,499)</b>	<b>(368,313)</b>	<b>(2,964,207)</b>	<b>(5,406,544)</b>
Income tax expense					-
<b>Loss after income tax expense</b>					<b>(5,406,544)</b>
<b>Assets</b>					
Segment assets	578,555	427,270	131,027	4,176,483	5,313,335
<b>Total assets</b>					<b>5,313,335</b>
<b>Liabilities</b>					
Segment liabilities	571,733	280,502	202,945	791,415	1,846,595
<b>Total liabilities</b>					<b>1,846,595</b>

*Geographical information*

	<b>Sales to external customers</b>		<b>Geographical non-current assets</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Australia	1,313,605	1,998,075	205,793	430,678
United Kingdom	309,040	881,597	-	-
European Union	4,258	390,103	-	-
United States of America	41,150	154,868	-	-
	<b>1,668,053</b>	<b>3,424,643</b>	<b>205,793</b>	<b>430,678</b>

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 5. Revenue from contracts with customers and other revenue**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<i>Revenue from contracts with customers</i>		
Sale of goods	1,668,053	3,424,643
Royalty	50,137	176,259
	<u>1,718,190</u>	<u>3,600,902</u>
<i>Other revenue</i>		
Other income	246,325	141,981
Research and development tax incentive	1,356,576	1,337,583
	<u>1,602,901</u>	<u>1,479,564</u>
Revenue from contracts with customers and other revenue	<u><u>3,321,091</u></u>	<u><u>5,080,466</u></u>

*Disaggregation of revenue*

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

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	<u>1,718,190</u>	<u>3,600,902</u>

The disaggregation of revenue by major product lines and the geographical regions is presented in note 4 'Operating segments'.

**Note 6. Other income**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Net foreign exchange gain/(loss)	316,949	(64,892)
Government grants	-	195,094
Other income	<u>316,949</u>	<u>130,202</u>

*Government Grants*

During the year ended 30 June 2022 the consolidated entity received payments from the New South Wales Government in response to the Coronavirus ('COVID-19') pandemic. An amount of \$15,000 was received as part of its 'Small Business Hardship Grant' and \$158,094 for the 'JobSaver' scheme. These non-taxable 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. During the year ended 30 June 2022 the consolidated entity also received a grant of \$22,000 relating to marketing spend for entrepreneurial organisations.

**Note 7. Expenses**

	Consolidated 2023 \$	2022 \$
Loss before income tax includes the following specific expenses:		
<i>Cost of sales</i>		
Cost of sales	1,021,789	2,926,493
<i>Depreciation</i>		
Plant and equipment	15,865	23,199
<i>Amortisation</i>		
Patents and trademarks	38,787	33,738
Product development	76,706	83,575
Website development costs	40,574	13,450
Total amortisation	156,067	130,763
Total depreciation and amortisation	171,932	153,962
<i>Impairment of intangibles</i>		
Product development	152,596	-
Website development	67,696	-
Total impairment	220,292	-
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	27,351	-
<i>Leases</i>		
Short-term lease payments	109,066	113,719
<i>Superannuation expense</i>		
Defined contribution superannuation expense	145,878	239,857
<i>Share-based payments expense</i>		
Share-based payments expense (note 20)	552,771	195,066
<i>Write off of assets</i>		
Inventories	27,623	22,364

**Note 8. Income tax expense**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(7,953,136)	(5,406,544)
Tax at the statutory tax rate of 25%	(1,988,284)	(1,351,636)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	9,697	8,435
Non-deductible entertainment expenses	5,457	1,426
Share-based payments	138,193	48,767
Research and development incentive	(339,144)	(334,396)
Research and development expenses	887,502	420,144
Government grants	-	(48,774)
	(1,286,579)	(1,256,034)
Current year tax losses not recognised	1,286,579	1,256,034
Income tax expense	-	-

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	21,769,617	16,623,301
Potential tax benefit @ 25%	5,442,404	4,155,825

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

The corporate tax rate applicable to base rate entities is 25%. The Company qualifies as a base rate entity as it has a turnover of less than \$50 million and less than 80% of its assessable income is derived from base rate entity passive income. The Company has measured its deferred tax balances, and any unrecognised potential tax benefits arising from carried forward tax losses, based on this effective tax rate of 25%.

**Note 9. Cash and cash equivalents**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<i>Current assets</i>		
Cash at bank and cash on hand	880,626	3,665,738
Cash on deposit	1,150,414	-
	2,031,040	3,665,738

**Note 10. Trade and other receivables**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<i>Current assets</i>		
Trade receivables	302,947	193,243
Other receivables	60,451	216,044
GST receivable	36,642	16,235
	<u>400,040</u>	<u>425,522</u>

The consolidated entity has recognised a loss of \$31,901 (2022: \$nil) in profit or loss in respect of the expected credit losses for the year ended 30 June 2023.

The ageing of the trade receivables are as follows:

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Not overdue	196,258	184,842
1 to 3 months overdue	16,009	8,401
Over 3 months overdue	90,680	-
	<u>302,947</u>	<u>193,243</u>

**Note 11. Inventories**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<i>Current assets</i>		
Work in progress - at cost	44,619	-
Finished goods - at cost	288,966	545,673
Less: Provision for impairment	(49,777)	(27,171)
	<u>239,189</u>	<u>518,502</u>
Stock in transit - at cost	4,705	37,692
	<u>288,513</u>	<u>556,194</u>

**Note 12. Other assets**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<i>Current assets</i>		
Prepayments - contract manufacturers	125,902	143,130
Prepayments - other	271,780	66,747
Security deposits	180,652	25,326
	<u>578,334</u>	<u>235,203</u>

Prepayments have increased due to a rental bond of \$141,500 paid for the consolidated entity's new offices premises and also due to a prepaid amount of \$125,000 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 13. Property, plant and equipment**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<i>Non-current assets</i>		
Plant and equipment - at cost	120,061	59,946
Less: Accumulated depreciation	<u>(44,949)</u>	<u>(44,694)</u>
	<u>75,112</u>	<u>15,252</u>

**Reconciliations**

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

<b>Consolidated</b>	<b>Plant and equipment</b>
	<b>\$</b>
Balance at 1 July 2021	30,465
Additions	18,015
Disposals	(10,051)
Exchange differences	22
Depreciation expense	<u>(23,199)</u>
Balance at 30 June 2022	15,252
Additions	75,725
Depreciation expense	<u>(15,865)</u>
Balance at 30 June 2023	<u>75,112</u>



## Note 14. Intangibles

	Consolidated 2023 \$	2022 \$
<i>Non-current assets</i>		
Patents and trademarks - at cost	204,394	112,778
Less: Accumulated amortisation	(73,713)	(34,924)
	<u>130,681</u>	<u>77,854</u>
Product development	417,875	417,875
Less: Accumulated amortisation	(265,279)	(188,573)
Less: Impairment	(152,596)	-
	<u>-</u>	<u>229,302</u>
Website development - at cost	121,720	121,720
Less: Accumulated amortisation	(54,024)	(13,450)
Less: Impairment	(67,696)	-
	<u>-</u>	<u>108,270</u>
	<u>130,681</u>	<u>415,426</u>

### Reconciliations

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

Consolidated	Patents and trademarks \$	Product development * \$	Website development \$	Total \$
Balance at 1 July 2021	25,029	312,877	-	337,906
Additions	86,563	-	121,720	208,283
Amortisation expense	(33,738)	(83,575)	(13,450)	(130,763)
Balance at 30 June 2022	77,854	229,302	108,270	415,426
Additions	91,614	-	-	91,614
Amortisation expense	(38,787)	(76,706)	(40,574)	(156,067)
Impairment of assets	-	(152,596)	(67,696)	(220,292)
Balance at 30 June 2023	<u>130,681</u>	<u>-</u>	<u>-</u>	<u>130,681</u>

\* Expenditure on the development of new products to be sold to H&H Global as part of the exclusive licence agreement were capitalised in a previous year. As per the accounting policy in note 2 these costs are amortised from the date that the product development is completed and the products are ready for sale. The development costs are assessed for indicators of impairment at least annually or more frequently if there are significant events or changes in circumstances that occur.

**Note 15. Trade and other payables**

	Consolidated 2023 \$	2022 \$
<i>Current liabilities</i>		
Trade payables	1,432,669	1,149,425
Other payables	220,996	192,040
	<u>1,653,665</u>	<u>1,341,465</u>

Refer to note 22 for further information on financial instruments.

**Note 16. Contract liabilities**

	Consolidated 2023 \$	2022 \$
<i>Current liabilities</i>		
Refund liabilities	<u>7,880</u>	<u>11,181</u>
<i>Non-current liabilities</i>		
Customer deposits	<u>500,000</u>	<u>-</u>

Non-current 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 17. Borrowings**

	Consolidated 2023 \$	2022 \$
<i>Current liabilities</i>		
Loan – Radium Capital	<u>963,132</u>	<u>-</u>

Refer to note 22 for further information on financial instruments.

The loans from Radium Capital are secured over the FY2023 R&D tax rebate of the consolidated entity, incur interest at 16% pa and 15% pa and are repayable on 31 December 2023.

**Note 18. Accrued expenses**

	Consolidated 2023 \$	2022 \$
<i>Current liabilities</i>		
Accrued expenses	<u>886,778</u>	<u>323,814</u>

Accrued expenses at 30 June 2023 includes a significantly higher accrual for short-term incentives for employees of the consolidated entity based on the achievement of annual performance targets as well as various accruals related to research and development activities before year-end.

## Note 19. Issued capital

	2023 Shares	Consolidated 2022 Shares	2023 \$	2022 \$
Ordinary shares - fully paid	<u>153,212,493</u>	<u>105,914,920</u>	<u>33,017,675</u>	<u>29,395,185</u>

### Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2021	<u>105,914,920</u>		<u>29,395,185</u>
Balance	30 June 2022	105,914,920		29,395,185
Issue of shares - equity placement	7-Sep-22	16,875,000	\$0.08	1,350,000
Issue of shares - marketing services *	30-Sep-22	500,000	\$0.50	250,000
Issue of shares - entitlement offer	6-Oct-22	6,822,970	\$0.08	545,838
Issue of shares - shortfall offer	11-Oct-22	16,849,603	\$0.08	1,347,968
Issue of shares - underwriting offer	13-Oct-22	1,250,000	\$0.08	100,000
Issue of shares - marketing services *	14-Oct-22	3,125,000	\$0.08	250,000
Issue of shares - equity placement to directors	5-Dec-22	1,875,000	\$0.08	150,000
Less: Options issued for transaction costs		-	\$0.00	(79,400)
Less: Share issue costs		-	\$0.00	(291,916)
Balance	30 June 2023	<u>153,212,493</u>		<u>33,017,675</u>

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

### Ordinary shares

Ordinary shares entitle the holder to participate in dividends declared and any proceeds attributable to shareholders should the company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### Share buy-back

There is no current on-market share buy-back.

### Unissued shares

The Australian Securities Exchange ("ASX") granted the Company a waiver from ASX Listing Rule 7.3.4. The waiver, which is at the option of the Company, permits the Company to issue Deferred Consideration Securities under a binding acquisition agreement between the Company and the vendors of Aqua Phase later than 3 months from the date of the shareholder meeting which approved the issue of the Deferred Consideration Securities. In accordance with that waiver, the Company is required to disclose the following information in relation to the deferred consideration shares for the Aqua Phase acquisition. The deferred consideration shares will be issued on the following conditions:

- The shares are issued immediately upon satisfaction of the relevant milestones and in any event no later than 31 March 2024 in respect of the Milestone 1 tranche and no later than 31 March 2025 in respect of the Milestone 2 tranche. Milestone 1 requires successful manufacture to pharmaceutical GMP standards of two batches of the milestone product to specified criteria no later than 24 months after the completion date. Milestone 2 requires successful production of the first commercial pharmaceutical GMP (100,000-500,000 capsule run) batch of milestone product, where "successful production" means the milestone product has been manufactured in accordance with necessary specifications and regulations and will be able to be offered for commercial use no later than 36 months after the completion date.
- The maximum number of shares to be issued is capped at 70 million.

## **Note 19. Issued capital (continued)**

### *Capital risk management*

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital risk management policy remains unchanged from the 2022 Annual Report.

## **Note 20. Reserves**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Foreign currency reserve	(115,015)	(18,386)
Share-based payments reserve	3,637,912	3,380,741
	<u>3,522,897</u>	<u>3,362,355</u>

### *Foreign currency reserve*

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

### *Share-based payments reserve*

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration and to other parties as part of their compensation for services.

### *Movements in reserves*

Movements in each class of reserve during the current and previous financial year are set out below:

<b>Consolidated</b>	<b>Foreign currency \$</b>	<b>Share-based payments \$</b>	<b>Total \$</b>
Balance at 1 July 2021	(36,080)	3,185,675	3,149,595
Foreign currency translation	17,694	-	17,694
Share-based payment expense	-	195,066	195,066
Balance at 30 June 2022	(18,386)	3,380,741	3,362,355
Foreign currency translation	(96,629)	-	(96,629)
Share-based payment expense	-	177,771	177,771
Options issued for share transaction costs	-	79,400	79,400
Balance at 30 June 2023	<u>(115,015)</u>	<u>3,637,912</u>	<u>3,522,897</u>

## **Note 21. Dividends**

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

## **Note 22. Financial instruments**

### **Financial risk management objectives**

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

### **Market risk**

#### **Foreign currency risk**

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency.

The consolidated entity operates in Australia, United Kingdom, the European Union and the United States of America and is exposed to foreign currency exchange rate risk arising from foreign currency exposures to the British Pound, Euro, Swiss Franc, US dollar and Swedish Krona.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	<b>Assets</b>		<b>Liabilities</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Consolidated</b>				
US dollars	67,169	273,483	77,244	-
Euros	-	238,702	65,311	356,958
Pound Sterling	1,759,335	1,081,758	131,589	327,420
Swiss francs	4,610	21,380	20,249	60,104
Swedish Krona	-	-	3,535	-
	<u>1,831,114</u>	<u>1,615,323</u>	<u>297,928</u>	<u>744,482</u>

The consolidated entity had net assets denominated in foreign currencies of \$1,533,186 (assets of \$1,831,114 less liabilities of \$297,928) as at 30 June 2023 (2022: \$870,841 (assets of \$1,615,323 less liabilities of \$744,482)). Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 10% against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been \$153,319 higher/\$153,319 lower and equity would have been \$153,319 higher/\$153,319 lower (2022: \$87,084 higher/\$87,084 lower). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date. The actual foreign exchange gain for the year ended 30 June 2023 was \$316,949 (2022: loss of \$64,892).

#### **Price risk**

The consolidated entity is not exposed to any significant price risk.

## **Note 22. Financial instruments (continued)**

### **Interest rate risk**

The consolidated entity's borrowings are all due in less than one year and are at fixed interest rates. The loan outstanding requires repayment of the principal and accrual interest in full once the consolidated entity's research and development tax incentive has been received.

### **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

### **Liquidity risk**

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

### **Remaining contractual maturities**

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Consolidated - 2023</b>						
<b>Non-derivatives</b>						
<b>Non-interest bearing</b>						
Trade payables	-	1,432,669	-	-	-	1,432,669
Other payables	-	220,996	-	-	-	220,996
<b>Interest-bearing - fixed rate</b>						
Other loans	15.50%	963,132	-	-	-	963,132
Total non-derivatives		2,616,797	-	-	-	2,616,797

**Note 22. Financial instruments (continued)**

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Consolidated - 2022</b>						
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	1,149,425	-	-	-	1,149,425
Other payables	-	192,040	-	-	-	192,040
Total non-derivatives		1,341,465	-	-	-	1,341,465

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

**Fair value of financial instruments**

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

**Note 23. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by Nexia Sydney Audit Pty Ltd, the auditor of the company:

	Consolidated 2023 \$	2022 \$
<i>Audit services - Nexia Sydney Audit Pty Ltd</i>		
Audit or review of the financial statements	79,180	77,000
<i>Other services - Nexia Sydney Tax Advisory Pty Ltd</i>		
Other non-assurance services	47,146	22,360
	<u>126,326</u>	<u>99,360</u>

**Note 24. 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 commenced steps to resolve this issue with its contract manufacturer during the year ended 30 June 2022. This matter has now been settled during the year ended 30 June 2023.

The Company's dormant Swiss subsidiary (Bod Sagl) is in the process of being wound up. The Swiss tax authority has lodged a claim for withholding tax of CHF 147,418 as it has deemed the Swiss subsidiary to be a service company providing services to other companies in the Bod Group and to therefore be subject to Swiss withholding tax. The Company has lodged a "complaint letter" with the tax authority contesting its assessment and has been advised that the tax authority has not reviewed its response as at 30th June 2023. Management believes that it will not be required to pay any withholding tax as the Swiss subsidiary operated as a standalone entity to set up Bod's operations in Europe.

Other than the above contingent liability as at 30 June 2023 and contingent asset as at 30 June 2022, there were no contingent assets or contingent liabilities as at 30 June 2023 and 30 June 2022.



## **Note 25. Commitments**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	\$	\$
<b>Research and development contracts:</b>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,292,276	2,782,097
One to five years	431,181	172,510
	<u>1,723,457</u>	<u>2,954,607</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.

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	\$	\$
<b>Short-term lease commitments</b>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	<u>9,729</u>	<u>72,971</u>

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

## **Note 26. Key management personnel disclosures**

### **Compensation**

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	\$	\$
Short-term employee benefits	1,337,528	1,259,435
Post-employment benefits	76,950	110,578
Long-term benefits	20,202	49,670
Share-based payments	177,771	186,160
	<u>1,612,451</u>	<u>1,605,843</u>

## **Note 27. Related party transactions**

### **Parent entity**

Bod Science Limited is the parent entity.

### **Subsidiaries**

Interests in subsidiaries are set out in note 29.

### **Key management personnel**

Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the directors' report.

## **Note 27. Related party transactions (continued)**

### *Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Sale of goods and services:		
Sale of goods to H&H Group	294,565	1,281,098
Royalty revenue:		
Royalties received from H&H Group	50,137	176,259
Payment for goods and services:		
Payment for legal fees from an associate of David Baker	47,070	-
Payment for printing materials from an associate of Jo Patterson	3,193	4,897

### *Receivable from and payable to related parties*

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Current receivables:		
Trade receivables from H&H Group	119,593	18,262
Current payables:		
Trade payables to H&H Group	-	70,137
Trade payable to associate of David Baker	35,448	-
Trade payable to associate of Jo Patterson	660	1,760

### *Loans to/from related parties*

There were no loans to or from related parties at the current and previous reporting date.

### *Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates.

## **Note 28. Parent entity information**

Set out below is the supplementary information about the parent entity.

### *Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(7,654,437)	(4,663,616)
Total comprehensive income	(7,654,437)	(4,663,616)

**Note 28. Parent entity information (continued)**

*Statement of financial position*

	<b>Parent</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Total current assets	2,278,817	3,259,782
Total assets	2,562,727	3,768,577
Total current liabilities	3,480,045	1,437,374
Total liabilities	4,069,421	1,500,495
Equity		
Issued capital	33,017,675	29,395,185
Share-based payments reserve	3,637,912	3,380,741
Accumulated losses	(38,162,281)	(30,507,844)
Total equity/(deficiency)	(1,506,694)	2,268,082

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023 and 30 June 2022.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

*Capital commitments - Property, plant and equipment*

The parent entity had capital commitments for property, plant and equipment of \$51,250 as at 30 June 2023 (30 June 2022: \$Nil).

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the investment in subsidiary that is accounted for at cost, less any impairment, in the parent entity.

**Note 29. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

<b>Name</b>	<b>Principal place of business / Country of incorporation</b>	<b>Ownership interest</b>	
		<b>2023</b>	<b>2022</b>
		<b>%</b>	<b>%</b>
BOD SAGL - Lugano	Switzerland	100%	100%
Bod Healthcare Ltd	United Kingdom	100%	100%
Bod Healthcare, Inc	United States of America	100%	100%

**Note 30. Reconciliation of loss after income tax to net cash used in operating activities**

	Consolidated 2023 \$	2022 \$
Loss after income tax expense for the year	(7,953,136)	(5,406,544)
Adjustments for:		
Depreciation and amortisation	171,932	153,962
Impairment of capitalised product development costs	152,596	-
Impairment of website development costs	67,696	-
Loss on disposal	-	10,051
Share-based payments	552,771	195,066
Effects of exchange rate changes on cash and cash equivalents	(194,807)	3,743
Accrued interest expense	27,181	-
Change in operating assets and liabilities:		
Decrease in trade and other receivables	155,315	304,276
Decrease/(increase) in inventories	267,681	(148,614)
Decrease/(increase) in prepayments	(76,631)	557,737
Increase in trade and other payables	629,469	202,349
Increase in contract liabilities	500,000	-
Increase in other provisions	25,494	46,751
(Decrease) in unearned income balances	(3,301)	(95,132)
Net cash used in operating activities	<u>(5,677,740)</u>	<u>(4,176,355)</u>

**Note 31. Non-cash investing and financing activities**

	Consolidated 2023 \$	2022 \$
Shares issued for the provision of services from a third party	<u>500,000</u>	<u>-</u>

**Note 32. Earnings per share**

	Consolidated 2023 \$	2022 \$
Loss after income tax attributable to the owners of Bod Science Limited	<u>(7,953,136)</u>	<u>(5,406,544)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>141,360,473</u>	<u>105,914,920</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>141,360,473</u>	<u>105,914,920</u>
	Cents	Cents
Basic earnings per share	(5.63)	(5.10)
Diluted earnings per share	(5.63)	(5.10)

## Note 32. Earnings per share (continued)

As at the reporting date, the consolidated entity had up to 70,000,000 contingently issuable shares (relating to the Aqua Phase acquisition, refer note 19) and 12,320,223 (2022: 8,569,438) options over 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 33. Share-based payments

A Long Term Incentive Plan has been established by the consolidated entity and approved by the shareholders of the company at a general meeting, whereby the company may, at the discretion of the Remuneration and Nominations Committee and the Board, grant performance rights or options over ordinary shares or loan funded shares in the company to certain key management personnel, employees, contractors and consultants of the consolidated entity. The securities are granted in accordance with the performance guidelines established by the Remuneration and Nominations Committee and Board from time to time.

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

2023

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
24/07/2018	01/07/2023	\$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	815,104	-	-	-	815,104
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
23/11/2022	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	\$0.27

2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
24/07/2018	30/06/2022	\$0.50	550,000	-	-	(550,000)	-
24/07/2018	01/07/2023	\$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	815,104	-	-	-	815,104
01/07/2021	21/12/2026	\$0.00	-	293,889	-	(129,765)	164,124
22/11/2021	21/12/2026	\$0.00	-	195,090	-	-	195,090
			9,310,224	488,979	-	(1,229,765)	8,569,438

**Note 33. Share-based payments (continued)**

Weighted average exercise price	\$0.46	\$0.00	\$0.00	\$0.45	\$0.44
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Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2023 Number	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>

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.18 years (2022: 1.86 years).

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
01/07/2022	30/11/2027	\$0.08	\$0.00	90.98%	-	2.42%	\$0.0737
01/07/2022	30/11/2027	\$0.08	\$0.00	90.98%	-	2.59%	\$0.0721
01/07/2022	30/11/2027	\$0.08	\$0.00	90.98%	-	3.01%	\$0.0704
14/10/2022	14/10/2024	\$0.09	\$0.12	94.69%	-	3.36%	\$0.0397
28/11/2022	30/11/2027	\$0.15	\$0.00	93.26%	-	3.08%	\$0.0737
28/11/2022	30/11/2027	\$0.15	\$0.00	93.26%	-	3.13%	\$0.0720
28/11/2022	30/11/2027	\$0.15	\$0.00	93.26%	-	3.20%	\$0.0700
28/11/2022	28/11/2025	\$0.15	\$0.16	-	-	3.08%	\$0.0440

**Note 34. Events after the reporting period**

On 3 August 2023, the consolidated entity announced that it had received firm commitments for a \$1.9 million equity placement at an offer price of \$0.08 per share to be used to fund research and development activities and working capital. In addition, placement participants will be offered one attaching option for every two new shares issued, exercisable at \$0.10 on or before 30 June 2024.

On 10 August 2023, the consolidated entity completed the acquisition of an invention known as “Aqua Phase” and related assets (Invention) following payment of £1,000,000 to the vendors. The consolidated entity now holds the rights to use the Invention, together with all intellectual property (including a patent application), confidential information, records, goodwill and the right to use the name “Aqua Phase” going forward.

Aqua Phase is a process technology which has the potential to substantially increase the bioavailability of lipophilic (non-soluble) cannabis compounds in humans allowing more rapid onset, better efficacy and lower dosage rates. Cannabidiol (CBD) and cannabinoids intrinsically have poor biological absorption – oral CBD compounds in oil are estimated to have only 6-8% bioavailability. Aqua Phase uses a common compound combined with CBD under specific mechanical and heating conditions to deliver a stable, highly bioavailable compound.

The consolidated entity intends to use the Invention as a delivery mechanism for its current and future portfolio of CBD and medicinal cannabis products, as well as having the potential to generate revenue from licensing the Invention in the future.

On 10 July 2023, the consolidated entity entered into a lease agreement for its new office premises. The lease term is six years, commencing 14 August 2023, with a four-year option to be exercised no later than 1 January 2029.

**Note 34. Events after the reporting period (continued)**

On 3 August 2023, Bod Healthcare Ltd (an existing UK-registered subsidiary of Bod Science Limited) acquired a dormant shelf company to establish a new UK-registered subsidiary which it has named Aqua Phase Ltd. At the current time, Aqua Phase Ltd has nominal capital of £1 and may be used in the future for relevant operations by the consolidated entity out of the UK.

No other matter or circumstance has arisen since 30 June 2023 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.

For personal use



In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(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

30 August 2023  
Sydney

## **Independent Auditor's Report to the Members of Bod Science Limited**

### **Report on the Audit of the Financial Report**

#### **Opinion**

We have audited the financial report of Bod Science Limited (the Company and its subsidiaries (the Consolidated entity)), which comprises the consolidated statement of financial position at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Consolidated entity is in accordance with the Corporations Act 2001, including:

- i) giving a true and fair view of the Consolidated entity's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### **Basis for opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the 'auditor's responsibilities for the audit of the financial report' section of our report. We are independent of the Consolidated entity in accordance with 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 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 report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Material uncertainty related to going concern**

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of \$7,953,136 during the year ended 30 June 2023 and had net current liabilities of \$319,781 and net liabilities of \$703,364. As stated in Note 2, these events or conditions, along with other matters as set forth in the note, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<b>Revenue Recognition</b>  Refer to Note 5  Revenue is an important measure by which the performance of the consolidated entity is assessed and it is a significant balance in the Consolidated entity's statement of comprehensive income and is a key driver of the consolidated entity's profitability.  There is a risk that revenue has not been recognised in accordance with AASB15: <i>Revenue from Contracts with Customers</i> .	Our procedures included, amongst others: <ul style="list-style-type: none"> <li>- Analysed the movement in revenue accounts to the prior year as well as performing detailed analysis on monthly sales and relationship with COGS.</li> <li>- Assessed the design and implementation of relevant internal controls in relation to revenue transactions by documenting the material revenue transactions cycles, identifying the related contractual performance obligations arising under AASB 15, and performing walkthroughs on a sample of revenue transactions.</li> <li>- Performed substantive testing on a sample of revenue transactions to their source, initiating and delivery documentation to verify their occurrence and accuracy and that the recognition of revenue is in accordance with AASB 15.</li> <li>- Tested revenue transactions in the period around the year-end (cut-off) to ensure revenue was recognised within the correct period.</li> <li>- Considered the impact of claims and sales returns during the year and subsequent to year end, to assess the accuracy of revenue recognised.</li> </ul>

### Other information

The Directors are responsible for the other information. The other information comprises the information in Bod Science Limited's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

### Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Consolidated entity or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibility for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: [www.auasb.gov.au/admin/file/content102/c3/ar2\\_2020.pdf](http://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf). This description forms part of our auditor's report.

### **Report on the Remuneration Report**

#### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 7 to 16 of the Directors' Report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Bod Science Limited for the year ended 30 June 2023, complies with section 300A of the Corporations Act 2001.

#### **Responsibilities**

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Nexia*

**Nexia Sydney Audit Pty Limited**

*Tracey Driver*

**Tracey Driver**  
Director

Dated: 30 August 2023

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