

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY STATEMENT

**Annual General Meeting to be held at
The Pilbara Room, Level C, Sheraton Perth Hotel,
207 Adelaide Terrace, Perth, Western Australia
on 28 November 2006 commencing at 10.00am (WST)**

This Notice of Annual General Meeting and Explanatory Statement should be read in its entirety.
If shareholders are in doubt as to how they should vote, they should seek advice from their
accountant, solicitor or other professional adviser without delay.

Corporate Directory

Directors	Christopher John Quirk Jeffrey David Edwards Glyn Gregory Horne Denison John Joseph Palermo
Secretary	John Joseph Palermo
Registered Office	Level 1 284 Oxford Street LEEDERVILLE WESTERN AUSTRALIA 6007 Telephone: +61 8 9242 1622 Facsimile: +61 8 9443 2859
Auditor	PKF Chartered Accountants & Business Advisers Level 10 1 Margaret Street SYDNEY NEW SOUTH WALES 2000 Telephone: +61 2 9251 4100
Solicitors	Pullinger Readhead Lucas Level 2, Fortescue House 50 Kings Park Road WEST PERTH WESTERN AUSTRALIA 6005 Telephone: +61 8 9320 4999
Share Registry	Security Transfer Registrars Pty Ltd 770 Canning Highway APPLECROSS WESTERN AUSTRALIA 6153
ASX Code	OBJ

Notice of Annual General Meeting

The Annual General Meeting of the Company will be held at The Pilbara Room, Level C, Sheraton Perth Hotel, 207 Adelaide Terrace, Perth, Western Australia on 28 November 2006 commencing at 10.00am WST.

Financial Statements and Reports

Period 1 July 2005 to 30 June 2006

To receive and consider the Annual Financial Report, together with the Directors' and Auditor's Reports for the year ending 30 June 2006.

1 Adoption of Remuneration Report

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That, for all purposes, Shareholders adopt the Remuneration Report set out in the Directors' Report for the year ending 30 June 2006."

Please note that the vote on this resolution is advisory only, and does not bind the Directors or the Company.

2 Election of Directors

2.1 C J Quirk

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That, for all purposes, Dr Christopher John Quirk, who retires and offers himself for re-election, is re-elected as a Director."

2.2 J J Palermo

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That, for all purposes, Mr John Joseph Palermo, who was appointed as a Director since the last Annual General Meeting, retires and offers himself for re-election, is re-elected as a Director."

2.3 G G H Denison

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That, for all purposes, Mr Glyn Gregory Horne Denison, who was appointed as a Director since the last Annual General Meeting, retires and offers himself for re-election, is re-elected as a Director."

3 Appointment of Auditor

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That, for all purposes, Shareholders approve the appointment of RSM Bird Cameron as Auditors of the Company.”

4 Extension of Milestone Periods

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That the period for meeting the second and third milestones for the conversion of the B and C Class Shares to Ordinary Shares be extended, for the purposes and on the terms set out in the Explanatory Statement.”

For all purposes, the Company will disregard any votes cast on the resolution by any person who is a holder of B and C Class Shares or any of their associates, unless its is cast by a person who is entitled to vote (in accordance with the directions on the proxy form) or the person chairing the meeting as a proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides).

5 Ratification of Previous Share Issues

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That, for all purposes, Shareholders approve and ratify the allotment and issue of 52,500,000 Shares for the price, for the purposes and on the terms set out in the Explanatory Statement.”

For the purposes of ASX Listing Rule 7.5, the Company will disregard any votes cast on the resolution by any person who received securities and any of his or her associates, unless it is cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides).

6 Approval for Options Issue

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 7.1, and for all other purposes, Shareholders approve the issue of 25,750,000 Options for the purposes and on the terms set out in the Explanatory Statement.”

For the purposes of Listing Rule 7.3, the Company will disregard any votes cast on the resolution by any person who received securities and any of his or her associates, unless it is cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides).

7 Approval of Securities Issues – General

7.1 Shares

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That, for all purposes, Shareholders approve the issue of up to 10,000,000 Shares, for the purposes and on the terms set out in the Explanatory Statement.”

For the purposes of ASX Listing Rule 7.3, the Company will disregard any votes cast on the resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, (except a benefit solely in the capacity of Shareholder) and any of their associates, unless it is cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides).

7.2 Options

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That, for all purposes, Shareholders approve the issue of up to 10,000,000 Options, for the purposes and on the terms set out in the Explanatory Statement.”

For the purposes of ASX Listing Rule 7.3, the Company will disregard any votes cast on the resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, (except a benefit solely in the capacity of Shareholder) and any of their associates, unless it is cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides).

8 Issue of Options – Directors

To consider and, if thought fit, pass the following resolutions as separate and independent ordinary resolutions:

“That, for all purposes, Shareholders approve the issue of:

- 8.1 2,000,000 Options to Mr Jeffrey Edwards or his nominee; and
- 8.2 2,000,000 Options to Dr Christopher Quirk or his nominee; and
- 8.3 2,000,000 Options to Mr Glyn Denison or his nominee; and
- 8.4 2,000,000 Options to Mr John Joseph Palermo or his nominee.

under the Company’s Employee Share Option Plan for the purposes and on the terms set out in the Explanatory Statement.

For the purposes of ASX Listing Rule 10.15 and section 224 of the Corporations Act, the Company will disregard any votes cast on the resolutions in each case by the Director who is the subject of the resolution and any of his associates, unless it is cast by a person as proxy for a person who is entitled

to vote (in accordance with the directions on the proxy form) or the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides).

Explanatory Statement

The Explanatory Statement accompanying this Notice of Annual General Meeting is incorporated in and comprises part of this Notice of Annual General Meeting.

Shareholders are specifically referred to the Glossary in the Explanatory Statement which contains definitions of capitalised terms used both in this Notice of Annual General Meeting and Explanatory Statement.

Proxies

Please note that:

- (a) a member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms.

“Snap-shot” Time

The Company may specify a time, not more than 48 hours before the meeting, at which a “snap-shot” of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the meeting.

The Company’s directors have determined that all shares of the Company that are quoted on ASX at 5.00pm (WST) on 26 November 2006 shall, for the purposes of determining voting entitlements at the Annual General Meeting, be taken to be held by the persons registered as holding the shares at that time.

By Order of the Board of Directors

Jeffrey Edwards
Managing Director

18 October 2006

Explanatory Statement

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Company's 2006 Annual General Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the resolutions in the accompanying Notice of Annual General Meeting.

This Explanatory Statement should be read in conjunction with the Notice of Annual General Meeting. Capitalised terms in this Explanatory Statement are defined in the Glossary.

FINANCIAL STATEMENTS AND REPORTS

The Annual Financial Report, Directors' Report and Auditor's Report for the Company for the year ending 2006 will be laid before the meeting.

There is no requirement for Shareholders to approve these reports. However, the Chairman will allow a reasonable opportunity for Shareholders to ask questions or make comments about those reports and the management of the Company. Shareholders will also be given a reasonable opportunity to ask the auditor questions about the conduct of the audit and the preparation and content of the auditor's report.

In addition to taking questions at the meeting, written questions to the Chairman about the management of the Company, or to the Company's auditor about:

- the preparation and content of the Auditor's Report;
- the conduct of the audit;
- accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit, may be submitted no later than 5 business days before the meeting date to:

John J Palermo
Company Secretary
OBJ Limited
Level 1, 284 Oxford Street
Leederville WA 6007

- or -

Fax: (08) 9443 2859

RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

The Remuneration Report of the Company for the financial year ending 30 June 2006 is set out in the Director's Report contained within the Company's Annual Report.

The Remuneration Report sets out the Company's remuneration arrangements for the executive and non-executive Directors and executive employees of the Company.

A reasonable opportunity will be given for the discussion of the Remuneration Report at the meeting. Shareholders should note that the vote on this resolution is advisory only and does not bind the Company or the Directors.

RESOLUTION 2 – ELECTION OF DIRECTORS

2.1 Christopher John Quirk

In accordance with ASX Listing Rule 14.4 and the Constitution, at every Annual General Meeting, one third of the Directors for the time being must retire from office and are eligible for re-election. The Directors to retire are to be those who have been in office for 3 years since their appointment or last re-appointment or who have been longest in office since their appointment or last re-appointment or, if the Directors have been in office for an equal length of time, by agreement. For this reason, approval is sought for the re-election of Dr Quirk.

2.2 John Joseph Palermo

ASX Listing Rule 14.4 and the Constitution require that any Director appointed by the Board, either to fill a casual vacancy or as an addition to the Board, must retire at the next Annual General Meeting following his or her appointment, but is eligible for re-election at that Annual General Meeting. For this reason, approval is sought for the re-election of Mr Palermo who was appointed to the Board on 4 November 2005.

2.3 Glyn Gregory Horne Denison

ASX Listing Rule 14.4 and the Constitution require that any Director appointed by the Board, either to fill a casual vacancy or as an addition to the Board, must retire at the next Annual General Meeting following his or her appointment, but is eligible for re-election at that Annual General Meeting. For this reason, approval is sought for the re-election of Mr Denison who was appointed to the Board on 22 February 2006.

RESOLUTION 3 – APPOINTMENT OF AUDITOR

The Company's current Auditors, PKF Chartered Accountants and Business Advisors, have resigned effective from the Annual General Meeting, and RSM Bird Cameron, having been duly nominated and given their consent to act, are prepared to be appointed as Auditors.

A copy of the letter of nomination is included in this Explanatory Memorandum as Annexure A.

RESOLUTION 4 – EXTENSION OF MILESTONE PERIODS

During the pre-acquisition negotiations for the acquisition of the shares in International Scientific Pty Ltd ACN 058 135 676, the Company selected milestones and periods that it considered appropriate at that time for the issue of A, B and C class shares in the Company to the vendors upon the achievements of certain milestones. The first milestone, involving the verification by independent body that Dermaportation was successful at the mobilisation of a commercially significant compound through excised human epidermis was achieved within the specified time period.

The second milestone required a successful human clinical trial as verified by the Curtin University of Technology or another similarly reputable third party involving an important compound. The second milestone was required to have been achieved within 18 months of the issue of the B class shares. This was considered an important milestone as it required Dermaportation to prove its efficacy in delivering drugs in a real clinical environment. In April 2006 the Company announced a successful human pilot study using the local anaesthetic Lidocaine. The Board took the view that while the pilot study did achieve the objective of proving the validity of the Dermaportation as a drug delivery technology, the number of patients involved in the pilot study were insufficient to meet the numeric requirements for a human clinical trial.

Due to the high costs and resources needed to conduct a clinical trials in accordance with EMEA and IND international requirements, the Company has considered a major pharmaceutical partner to conduct such trails. As the time required to negotiate such a collaborative clinical development trial is beyond the control of the initial inventors, the Company seeks shareholder approval to extend the period of this and the subsequent third milestones.

The third milestone required the Company entering into a heads of agreement to license the Company's intellectual property rights for commercial exploitation with a company having a market capitalisation of at least \$500,000,000 by a date no later than 2 years from the date of issue of the C class shares.

The Company now seeks approval to extend the milestone periods for a further two years, that is the new milestone period for the B Class shares is 3.5 years from the date of issue and the new milestone period for the C Class Shares is 4 years from the date of issue. If the second and third milestones are not achieved the Company will seek to redeem the class B and C shares in accordance with the law.

The Directors (excluding Messrs Edwards and Quirk) passed a resolution to extend the second and third milestones and recommend that Shareholders vote in favor of Resolution 4 as it provides the Company with the flexibility required to achieve the maximum commercial benefit from the milestone outcomes.

RESOLUTION 5 – RATIFICATION OF PREVIOUS SHARE ISSUE

ASX Listing Rule 7.1 provides that a company must not, without prior approval of Shareholders, issue securities if the securities will in themselves or when aggregated with the securities issued by

a Company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 states that an issue by a company of securities made without approval under Listing Rule 7.1 is treated as having been made with approval for the purpose of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 and the company's members subsequently approve it.

Under this resolution, the Company seeks from Shareholders approval for, and ratification of, the issues of securities set out below so as to limit the restrictive effect of ASX Listing Rule 7.1 on any further issues of securities in the next 12 months.

Details of the shares issued are set out in the table below. They comprise approximately 8.89% of the Company's fully-diluted issued capital (based on the number of Shares on issue as at the date of the Notice of Annual General Meeting and assuming the other Shares and Options for which approval is sought under the Notice of Annual General Meeting are issued).

No Director, or associate of a Director, participated in the Issue.

ASX Listing Rule 7.5 requires the following information to be given to Shareholders:

Date of Issue	Allottee	Issue Price	Number of Fully Paid Ordinary Shares	Purpose of Issue
27/09/2006	Echelon Pty Ltd	\$0.05	2,000,000	Working capital
27/09/2006	Mr Robert Alexander Douglas <Douglas Investment A/c>	\$0.05	36,000,000	Working capital
27/09/2006	Sontel Pty Ltd <Sontel Discretionary A/c>	\$0.05	1,000,000	Working capital
27/09/2006	Flinders Property Investments Pty Ltd	\$0.05	6,000,000	Working capital
27/09/2006	Mr Gilbert Shearer and Mrs Elizabeth Shearer <Shearer Super Fund A/C>	\$0.05	4,000,000	Working capital
27/09/2006	Mr Rick Stafford-Smith and Mrs Susan Stafford-Smith	\$0.05	1,000,000	Working capital
27/09/2006	Dolphin Technology Pty Ltd <The Dolphin A/c>	\$0.05	1,109,020	Working capital
27/09/2006	Jomima Pty Ltd <The Internal Equity A/c>	\$0.05	390,980	Working capital
27/09/2006	Dr Heather Ann Elizabeth Wright <Thomas Joseph Wright A/c>	\$0.05	340,000	Debt conversion
27/09/2006	Dr Heather Ann Elizabeth Wright <Samuel Richard Wright A/c>	\$0.05	330,000	Debt conversion
27/09/2006	Dr Heather Ann Elizabeth Wright <Victoria A E Wright A/c>	\$0.05	330,000	Debt conversion

The Shares were issued on the terms set out in Annexure B. Funds raised were used to provide the Company with additional working capital for the research and development of the Company's technology and the conversion of debt for consultancy fees owed.

The Board believes that the ratification of the issue of the securities is beneficial for the Company and the Board recommends Shareholders vote in favour of the resolution. It will allow the

Company to ratify the issue of the securities and retain the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months.

RESOLUTION 6 – APPROVAL FOR OPTIONS ISSUE

The Company also proposes to issue 25,750,000 Options to parties who subscribed for the Shares which are the subject of Resolution 5. The Company has agreed to issue the Options subject to Shareholders approving such issue.

As described above, under Chapter 7 of the Listing Rules, there are limitations on the capacity of the Company to enlarge its capital by the issue of equity securities, including securities convertible into shares and options.

ASX Listing Rule 7.1 provides generally that a company may not issue shares or options to subscribe for shares or options equal to more than 15% of the company's issued share capital in any 12 months without obtaining shareholder approval.

ASX Listing Rule 7.3 requires certain information to be given to Shareholders in relation to the issue. Such information not already set out above follows:

- (a) The maximum number of Options to be issued by the Company is 25,750,000 Options.
- (b) The Options will be allotted to those parties described as the allottees for working capital purposes in the explanatory statement accompanying resolution 5.
- (c) The Options will be issued no later than 3 months after the date of the general meeting (or such later date as permitted by ASX) and it is anticipated that allotment will occur on one date.
- (d) The Options will be issued for nil consideration. They are free attaching to the Shares issued for working capital purposes that are the subject of resolution 5. No funds will be raised from the issue of the Options. Funds may be raised upon exercise of the Options, however there is no guarantee that they will be exercised.
- (e) The Options are issued on the terms described in Annexure C. The Company will not apply to ASX for Official Quotation of the Options.

The issue of these Options will be equal to approximately 4.36% of the Company's fully-diluted issued capital (based on the number of Shares on issue as at the date of the Notice of Annual General Meeting and assuming the other Shares and Options for which approval is sought under the Notice of Annual General Meeting are issued).

The Board believes that the issue of these Options is beneficial for the Company.

The Board recommends Shareholders vote in favour of the resolution as it allows the Company to approve the above issue of securities and retain the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months.

RESOLUTION 7 – APPROVAL OF SECURITIES ISSUE

Under Chapter 7 of the ASX Listing Rules, there are limitations on the capacity of the Company to enlarge its capital by the issue of equity securities.

ASX Listing Rule 7.1 provides generally that a company may not issue shares or options to subscribe for shares equal to more than 15% of the Company's issued share capital in any 12 months without obtaining shareholder approval. Resolutions 7.1 and 7.2 seek this approval for the proposed issue of securities in order to retain the Company's 15% capacity to issue further securities. All funds raised will be used to provide the Company with additional working capital for product development and trialling hardware.

The Board believes that the approval of this issue of Shares is beneficial for the Company and the Board recommends Shareholders vote in favour of both resolution 7.1 and 7.2. It will allow the Company to retain the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months.

7.1 Shares

The Company proposes to issue up to an additional 10,000,000 Shares on the terms set out below in order to raise funds to expand the existing operations and to generate higher returns to the Company from its investments. The Company continues to evaluate its operations and shareholders are being asked to approve an issue in anticipation that the Company may wish to apply additional funds to its operations. As the operations are expanded the Company's working capital requirements are also expanded.

The Shares will be issued at a price equal to at least 80% of the average market price of Shares, calculated over the last 5 days on which sales of Shares were recorded before the date upon which the issue is made or, if the Shares are issued under a prospectus, the date of signing of the prospectus.

The issue of these Shares will be equal to approximately 1.69% of the Company's fully-diluted issued capital (based on the number of Shares on issue as at the date of the Notice of Annual General Meeting and assuming the other Shares and Options for which approval is sought under the Notice of Annual General Meeting are issued).

The Shares will be allotted and issued as soon as possible but, in any case, not later than 3 months after the date of Shareholder approval to those parties determined by the Company having regard to the level of demand for the Shares, the identification of investors with a long term commitment to the Company and other factors the Company may consider appropriate. The identity of the investors is unknown at this stage.

It is anticipated that the Shares will be allotted progressively. However, the exact dates of allotment are unknown at this stage. The Shares will be issued on terms and conditions set out in Annexure B. The Company will apply to ASX for Official Quotation of the Shares.

7.2 Options

In conjunction with the proposed issue of Shares pursuant to resolution 8.1, the Company intends to undertake an issue of 10,000,000 Options, exercisable at 5 cents each on or before the date which is 3 years from their issue, and otherwise on the terms and conditions set out below, which will be free-attaching to the Shares the subject of resolution 8.1.

No funds will be raised through the issue of these Options. Further funds may be raised on the eventual exercise of the Options, however, there is no guarantee that the Options will be exercised at any future time. Such funds will be used for the purpose of providing working capital to the Company.

The issue of these Options will be equal to approximately 1.69% of the Company's fully-diluted issued capital (based on the number of Shares on issue as at the date of the Notice of Annual General Meeting and assuming the other Shares and Options for which approval is sought under the Notice of Annual General Meeting are issued).

The Options will be allotted and issued as soon as possible but, in any case, not later than 3 months after the date of Shareholder approval to those parties to whom Shares are issued (as identified in section 8.1 above).

It is anticipated that the Options, like the Shares, will be allotted progressively. However, the exact dates of allotment are unknown at this stage.

The Options will be issued on terms and conditions set out in Annexure C. The Company will not apply to ASX for Official Quotation of the Options.

RESOLUTION 8 – ISSUE OF OPTIONS – DIRECTORS

The issue of Options to Messrs Edwards, Quirk, Denison and Palermo (or their nominees) is designed to recognise and reward the services and contributions provided by these individuals to the Company and as an incentive for future performance.

The Options to be issued are in addition to their fee and remuneration packages payable by the Company. The Directors consider that the incentive to be provided is cost effective to the Company as opposed to alternative incentives in the form of a monetary bonus or increased Directors' fees.

Corporate Governance Council recommendation 9.3 recommends that companies clearly distinguish the structure of non-executive directors remuneration from that of executives and that non-executive directors should normally be remunerated by way of fees and not by way of non-cash schemes designed for remuneration of executives. Dr Quirk, Mr Denison and Mr Palermo are not executive directors. Given the size and operations of the Company and in order to conserve Shareholder funds, the issue of Options in this manner is considered appropriate.

The issuing of securities to a related party (or their eligible associate) as contemplated by Resolution 8 may constitute the giving of a financial benefit to a related party and the resolution is put to Shareholders for that reason.

The Resolution is also put pursuant to section 195 of the Corporations Act. This section permits the Directors to seek Shareholder approval to a given matter where a majority of Directors have a material personal interest in a matter being considered by the Board and there are not sufficient remaining independent Directors to consider the resolution. Since two of the three current Directors are materially interested in the resolution, Shareholder approval is also sought for the purposes of section 195 of the Corporations Act and the Directors have not, as a Board, considered this resolution except for the purposes of convening the meeting of Shareholders.

Corporations Act

Section 208 of the Corporations Act prohibits a company from giving a financial benefit to a related party without prior shareholder approval.

A “related party” for the purposes of the Corporations Act is defined widely. It includes a director of a public company and specified members of the director’s family. It also includes an entity over which a director maintains control or a person who may be seen as acting in concert with the Company on the understanding that a financial benefit will be received. And, furthermore, it includes a person who is likely to become a related party in the next six months.

A “financial benefit” for the purposes of the Corporations Act is also defined widely. It includes a public company issuing securities or granting options to a related party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and the effect of the transaction (rather than just the legal form) and any consideration which has been given is to be disregarded, even if it is full or adequate.

The following information is provided to shareholders in accordance with section 219 of the Corporations Act to enable them to assess the merits of the resolution:

(a) The related party to whom the proposed resolution would permit the financial benefit to be given

Messrs Edwards, Quirk, Denison and Palermo who are Directors.

(b) The nature of the financial benefit

The proposed financial benefit to be given is the grant to each of Messrs Edwards, Quirk, Denison and Palermo of 2,000,000 Options each, with an exercise price of 10 cents on or before 31 December 2008.

In the 12 months before the date of the Notice of Annual General Meeting of which this Explanatory Statement forms part, the total benefits in the form of consultant’s and director’s fees for Mr Edwards was \$134,000, for Dr Quirk was \$20,062, for Mr Denison was \$6,250 and for Mr Palermo was \$38,314.

Unless otherwise resolved by the Board, the Company will not apply to ASX for the granting of official quotation of these Options on ASX.

The Options will be issued and exercisable on the terms and conditions set out in Annexure C.

It is a requirement of ASIC that a dollar value be placed on the Options to be issued.

ASIC has indicated that the Black-Scholes option price calculation method is acceptable where the Options cannot be readily valued by some other means. A range of values for the Options has been estimated using the Black-Scholes method.

In determining these values, the following assumptions have been made:

- the Options will be exercisable at 10 cents (as identified above);
- the Options are expected to mature within 2 years of their date of issue, assumed at 1 December 2006 (issue date);
- the underlying security spot price is based on a share price as at 17 October 2006 of 6.9 cents;
- the average current risk-free interest rate is 6.05%
- the annualised standard deviation of returns is 95% and
- a discount of 30% for non-negotiability as the Options will not be listed on ASX.

If the Share price on ASX on the date of issue is 6.9 cents, then the calculation results in a value for the 10 cent exercisable Options of 3 cents.

Therefore, the implied "value" being received by each of Messrs Edwards, Quirk, Denison and Palermo for the 10 cent exercisable Options is \$60,000.

(c) Directors' recommendations

The Directors decline to make a recommendation in regards to the proposed resolution as they have a material interest in its outcome.

(d) Directors' interests in outcome of proposed resolution

The Directors' interest in the outcome of the proposed resolution is set out above and elsewhere in this Explanatory Statement.

(e) Any other information that is reasonably required by the members to make a decision and that is known to the Company or any of its Directors

The Options shall be granted free to each of Messrs Edwards, Quirk, Denison and Palermo (or their eligible associates).

If the Options proposed to be granted to them (or their eligible associates) under the resolutions are exercised and no other Shares are issued in the meantime, the number of issued Shares would increase by 8,000,000 to a total of 523,675,000 Shares, representing 1.52% of the total Shares (post-exercise) at that time.

The following table sets out their current entitlement to Shares, and each entitlement if they exercised all Options referred to in the resolution, and no other Shares were issued by the Company.

Allottee	Number of Ordinary Shares	Number of B Class Shares	Number of C Class Shares	Total Number of Shares (post-exercise)	Percentage of Total Shares (post-exercise)
Mr Edwards	20,725,000	29,400,000	29,400,000	81,525,000	15.57%
Dr Quirk	8,200,000	9,800,000	9,800,000	29,800,000	5.69%
Mr Denison	150,000	Nil	Nil	2,150,000	0.41%
Mr Palermo	Nil	Nil	Nil	2,000,000	0.38%

The highest and lowest price of Shares in the past 12 months on ASX was 10.5cents on 22 December 2005 and 2.9 cents on 18, 20, 21, 24 and 27 October 2005 and also on 1, 2 and 3 November 2005, respectively. The closing price of Shares on 17 October 2006, the date before the Notice of Annual General Meeting, was 6.9 cents.

ASX Listing Rules

Listing Rule 10.11 provides that a company must not issue equity securities (including options to acquire shares) to a director of the company unless the issue has been approved by shareholders by ordinary resolution.

The Options will be granted for nil consideration, exercisable at \$0.10 each on or before 31 December 2008. A total of 8,000,000 Options may be issued if Resolution 8 is approved. The Options will provide an incentive to Messrs Edwards, Quirk, Denison and Palermo to enhance the future value of the Shares, for the benefit of all Shareholders. The Company will issue the Options under Resolution 8 within one month after Shareholder approval.

The Company will raise a total of \$800,000 if all the Options are exercised and Shares are subscribed for during the exercise period to 31 December 2008. These funds will be used for general working capital requirements. There is no guarantee that the Options will be exercised at any time.

The Options will be issued on the terms and conditions set out in Annexure C to this Explanatory Statement. The Company will not apply to ASX for Official Quotation of the Options.

GLOSSARY

In these meeting papers, the following terms have the following unless the context otherwise requires:

Annexure	annexure to this Explanatory Statement.
ASIC	Australian Securities and Investments Commission.
ASX	Australian Stock Exchange.
Board	board of Directors.
Company	OBJ Limited ABN 98 006 640 553.
Constitution	constitution of the Company.
Corporations Act	Corporations Act 2001 (Cth).
Director	Director of the Company.
Option	Option to subscribe for a Share.
Optionholder	Holder of an Option
Plan	employee share option plan of the Company.
Share	fully paid ordinary share in the capital of the Company
Shareholder	shareholder of the Company.
WST	Western Standard Time.

ANNEXURE A

Copy Of Letter Of Nomination Of Auditor

JEB HOLDINGS PTY LTD
AS TRUSTEE FOR THE EDWARDS FAMILY TRUST
(ACN 009 950 730)

10 Koepe Road
CLAREMONT WA 6010

16 October 2006

The Directors
OBJ Limited
Ground Floor
284 Oxford Street
LEEDERVILLE WA 6007

Dear Sirs

We, JEB Holdings Pty Ltd as Trustee for The Edwards Family Trust, being a shareholder holding 5.07% of ordinary fully paid shares in OBJ Limited, nominate RSM Bird Cameron Partners to be appointed as Auditor of OBJ Limited.

Yours faithfully



JEFFREY EDWARDS
Director

ANNEXURE B

Terms of Shares

The following is a broad summary (though not necessarily an exhaustive or definitive statement) of the rights attaching to the shares of the Company. Full details are contained in the Constitution, available for inspection at the Company's registered office.

(a) Share Capital

All issued ordinary shares rank equally in all respects.

(b) Voting Rights

At a general meeting of the Company, every holder of shares present in person, by an attorney, representative or proxy has one vote on a show of hands and on a poll, one vote for every fully paid share held, and for every contributing share held, a fraction of a vote equal to the proportion which the amount paid up bears to the total issue price of the contributing share.

(c) Dividend Rights

Subject to the rights of holders of shares issued with any special or preferential rights (at present there are none), the profits of the Company which the Directors may from time to time determine to distribute by way of dividend are divisible among the shareholders in proportion to the shares held by them respectively, according to the amount paid up or credited as paid up on the shares.

(d) Rights on Winding-Up

Subject to the rights of holders with shares with special rights in a winding-up (at present there are none), on a winding-up of the Company all assets which may be legally distributed amongst the members will be distributed in proportion to the shares held by them respectively, according to the amount paid up or credited as paid up on the share.

(e) Transfer of Shares

Shares in the Company may be transferred by instrument in any form which complies with the Constitution, the Corporations Act, ASX Listing Rules and SCH Business Rules.

Shares may be transferred by such means in accordance with ASX Listing Rules and the SCH Business Rules. The Directors may refuse to register a transfer of shares only in those circumstances permitted by Listing Rules and SCH Business Rules.

(f) Calls on Shares

Shares issued as fully paid are not subject to any calls for payment by the Company and will not therefore become liable for forfeiture.

(g) Further Increases in Capital

The allotment and issue of any new shares is under the control of the Directors and, subject to any restrictions on the allotment of shares imposed by the Constitution, ASX

Listing Rules or the Corporations Act, the Directors may allot, issue or grant options over or otherwise dispose of those shares to such persons, with such rights or restrictions as they may from time to time determine.

(h) Variation of Rights Attaching to Shares

Where shares of different classes are issued, the rights attaching to the shares of a class can thereafter only be varied by a special resolution passed at a separate general meeting of the holders of those shares of that class, or with the written consent of the holders of at least three quarters of the issued shares of that class.

(i) General Meeting

Each shareholder will be entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive notices, accounts and other documents required to be furnished to shareholders under the Constitution, the Corporations Act and ASX Listing Rules.

ANNEXURE C
Terms of Options

(a) Exercise Date

The options are exercisable wholly or in part at any time before 5.00pm (WST) on the stipulated exercise date. Options not exercised by that date shall lapse.

(b) Exercise Price

Each option shall entitle the optionholder to acquire one fully paid ordinary share upon payment of the stipulated exercise price per option to the Company.

(c) Notice of Exercise

Each option may be exercised by notice in writing to the Company at any time before their date of expiry. Any notice of exercise of an option received by the Company with payment in full of the exercise price will be deemed to be a notice of the exercise of that option as at the date of receipt.

(d) Quotation of Options and Shares on Exercise

Unless otherwise stated under their terms of issue, application will not be made to ASX for official quotation of the options. Application will be made for official quotation of the shares issued upon exercise of options. The options are transferable as the optionholder thinks fit.

(e) Participation Rights or Entitlements

There are no participating rights or entitlements inherent in the options and optionholders will not be entitled to participate in new issues of securities offered to shareholders during the currency of the options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 9 business days after the issue is announced so as to give optionholders the opportunity to exercise their options before the date for determining entitlements to participate in any issue.

(f) Shares Allotted on Exercise

Shares allotted pursuant to the exercise of options will be allotted following receipt of all the relevant documents and payments and will rank equally with the issued shares.

(g) Reconstruction of Share Capital

In the event of a reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, all rights of the optionholder shall be reconstructed in accordance with the ASX Listing Rules.

(h) Bonus Issues

If, from time to time, before the expiry of the options the Company makes a pro rata issue of shares to shareholders for no consideration, the number of shares over which an option is exercisable will be increased by the number of shares which the optionholder would have received if the option had been exercised before the date for calculating entitlements to the pro rata issue.

ANNEXURE D

Terms of B Class Shares

The terms and conditions of the B Class Shares are:

1. Definitions

“Conversion” means the conversion of a B Class Share to a Purchaser Share, and the expressions “Convert”, “Converting” and “Converted” shall have corresponding meanings.

“Milestone” means the completion (by a date that is no later than 18 months from the date of issue of the B Class Shares), of a successful human clinical trial as verified by the Curtin University of Technology or another similarly reputable third party involving an important compound selected from the list of compounds set out in Appendix B or such other compound as may be agreed by the board of directors of the Company.

2. Rights

The B Class Shares shall confer on the holder the right to receive notices of general meeting and financial reports and accounts of the Purchaser that are circulated to shareholders. Holders have the right to attend general meetings of shareholders of the Purchaser.

2.01 The B Class Shares do not entitled the holder to vote on any resolutions proposed at a general meeting of the shareholders of the Purchaser.

2.02 The B Class Shares do not confer on the holder any right to participate in the surplus profits or assets of the Purchaser on winding up of the Purchaser.

2.03 The B Class Shares are not transferable.

2.04 If at any time the issued capital of the Purchaser is reconstructed, all rights of the holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.

2.05 The B Class Shares will not be quoted on ASX.

2.06 Except to such extent as may be provided in this Schedule 3, or as may be inconsistent with any rights of the B Class Shares in this Schedule, the B Class Shares will have no other rights except as set out in this Schedule and those provided at law where such rights at law cannot be exclude by the terms set out in this Schedule.

3. Conversion of B Class Shares

B Class Shares will be Converted to Purchaser's Shares on the basis of one (1) Purchaser Share for every one (1) B Class Share held by the Vendors on achievement by the Company of the Milestone.

4. Listing of Converted Shares

The Purchaser will apply for and use its best endeavours to obtain, as soon as possible, the listing of the Purchaser's Shares issued as a result of the Conversion of the B Class Shares on the ASX. The Purchasers Shares into which the B Class Shares will convert will rank pari passu in all respects with existing Purchaser Shares.

5. Redeemable by the Company

All B Class Shares will be automatically redeemed by the Purchaser, for the sum of \$1 if the Milestone is not achieved within 18 months from the date of issue of the B Class Shares.

ANNEXURE E

Terms of C Class Shares

The terms and conditions of the C Class Shares are:

1. Definitions

“Conversion” means the conversion of a C Class Share to a Purchaser Share, and the expressions “Convert”, “Converting” and “Converted” shall have corresponding meanings.

“Milestone” means the Company entering a heads of agreement to licence the Company’s Intellectual Property Rights for commercial exploitation with a company having a market capitalisation of at least \$500,000,000 by a date that is no later than 2 years from the date of issue of the C Class Shares.

2. Rights

The C Class Shares shall confer on the holder the right to receive notices of general meeting and financial reports and accounts of the Purchaser that are circulated to shareholders. Holders have the right to attend general meetings of shareholders of the Purchaser.

2.01 The C Class Shares do not entitled the holder to vote on any resolutions proposed at a general meeting of the shareholders of the Purchaser.

2.02 The C Class Shares do not confer on the holder any right to participate in the surplus profits or assets of the Purchaser on winding up of the Purchaser.

2.03 The C Class Shares are not transferable.

2.04 If at any time the issued capital of the Purchaser is reconstructed, all rights of the holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.

2.05 The C Class Shares will not be quoted on ASX.

2.06 Except to such extent as may be provided in this Schedule 3, or as may be inconsistent with any rights of the C Class Shares in this Schedule, the C Class Shares will have no other rights except as set out in this Schedule and those provided at law where such rights at law cannot be exclude by the terms set out in this Schedule.

3. Conversion of A Class Shares

C Class Shares will be Converted to Purchaser’s Shares on the basis of one (1) Purchaser Share for every one (1) C Class Share held by the Vendors on achievement by the Company of the Milestone.

4. Listing of Converted Shares

The Purchaser will apply for and use its best endeavours to obtain, as soon as possible, the listing of the Purchaser's Shares issued as a result of the Conversion of the C Class Shares on the ASX. The Purchaser's Shares into which the C Class Shares will convert will rank pari passu in all respects with existing Purchaser Shares.

5. Redeemable by the Company

All C Class Shares will be automatically redeemed by the Purchaser, for the sum of \$1 if the Milestone is not achieved within 2 years from the date of issue of the C Class Shares

Shareholder Details

Name:
 Address:
 Contact Telephone No:
 Contact Name (if different from above):

Appointment of Proxy

I/We being a shareholder/s of OBJ Limited and entitled to attend and vote hereby appoint

The Chairman
 of the meeting
 (mark with an 'X')

OR

Write here the name of the person you are appointing if this person is **someone other than** the Chairman of the Meeting.

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to attend and act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of OBJ Limited to be held on 28 November, 2006 at 10.00am WST and at any adjournment of that meeting.

IMPORTANT

If the Chairman of the Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote, please place a mark in this box with an 'X'. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of the resolutions and that votes cast by him, other than as a proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on the resolutions and your votes will not be counted in computing the required majority if a poll is called. The Chairman of the Meeting intends to vote undirected proxies in favour of each resolution.



Voting directions to your proxy – please mark to indicate your directions

		For	Against	Abstain*
Ordinary Business				
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2.1	Re-election of Director – CJ Quirk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2.2	Re-election of Director – JJ Palermo	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2.3	Re-election of Director – G D H Denison	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Special Business				
Resolution 3	Appointment of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Extension of Milestone Periods	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Ratification of Previous Share Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval for Options Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7.1	Approval of Securities Issue – Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7.2	Approval of Securities Issue – Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8.1	Issue of Options – JD Edwards	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8.2	Issue of Options – CJ Quirk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8.3	Issue of Options – GGH Denison	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8.4	Issue of Options – JJ Palermo	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Appointment of a second proxy (see instructions overleaf)

If you wish to appoint a second proxy, state the % of your voting rights applicable to the proxy appointed by this form

 %

PLEASE SIGN HERE This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

How to complete this Proxy Form

1 Your Name and Address

Please print your name and address as it appears on your holding statement and the Company's share register. If shares are jointly held, please ensure the name and address of each joint shareholder is indicated. Shareholders should advise the Company of any changes. Shareholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the Company.

3 Votes on Resolutions

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each Resolution. All your shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any Resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given Resolution, your proxy may vote as he or she chooses. If you mark more than one box on a Resolution your vote on that Resolution will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning John Palermo on (08) 9242 2999 or you may photocopy this form. To appoint a second proxy you must on each Proxy Form state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If both Proxy Forms do not specify that percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

5 Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the shareholders should sign.

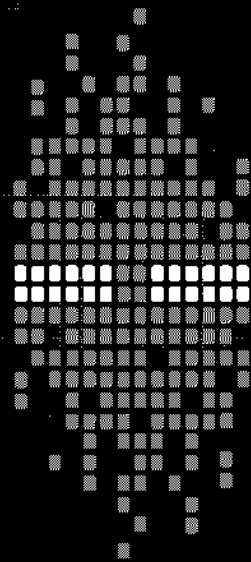
Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

6 Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below not later than 48 hours before the commencement of the meeting. I.e. no later than 10.00am WST on 26 November 2006. Any Proxy Form received after that time will not be valid for the scheduled meeting.

This Proxy Form (and any Power of Attorney and/or second Proxy Form) may be sent or delivered to the Company's registered office at Level 1, 284 Oxford Street, Leederville, WA, 6007 or sent by facsimile to the registered office on (08) 9443 2859.



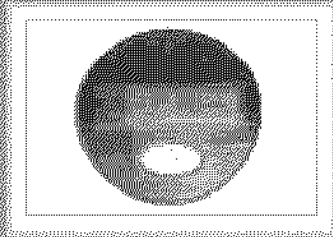
OBJ LIMITED

ABN 72 056 482 636

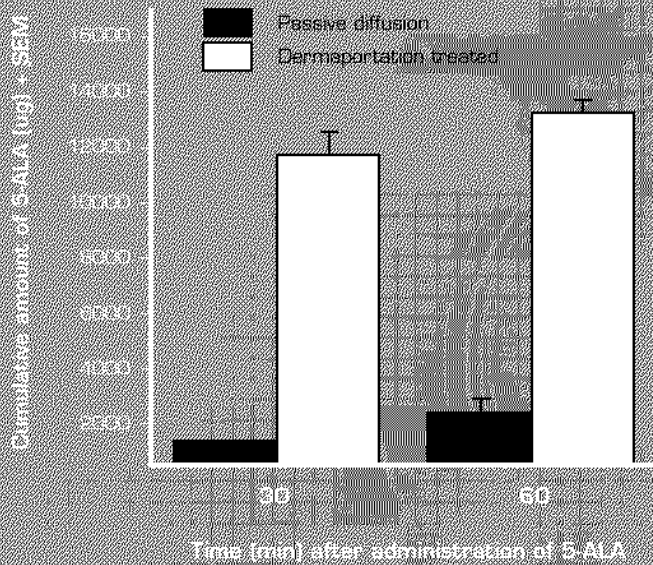
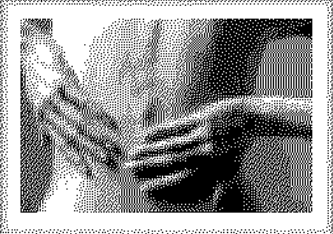
Annual Report 2006



OBJ accelerates skin cancer drug absorption by 900%



OBJ limited (OBJ) is pleased to announce that the Company's propriety 'smart' drug patch technology had succeeded in increasing the rate of transdermal diffusion of the anti-cancer drug 5-aminolevulinic acid or 5-ALA by almost 900%.



Corporate Directory

AUSTRALIAN COMPANY NUMBER:

056 482 636

DIRECTORS:

Jeffrey David Edwards

Christopher John Quirk

John Joseph Palermo

Glyn Gregory Horne Denison

SECRETARY:

John Joseph Palermo

Level 1

284 Oxford Street

LEEDERVILLE WESTERN AUSTRALIA 6007

PRINCIPAL OFFICE:

Ground Floor

284 Oxford Street

LEEDERVILLE WESTERN AUSTRALIA 6007

Telephone: +61 8 9443 3011

Facsimile: +61 8 9443 2859

REGISTERED OFFICE:

Level 1

284 Oxford Street

LEEDERVILLE WESTERN AUSTRALIA 6007

Telephone: +61 8 9443 3011

Facsimile: +61 8 9443 2859

SHARE REGISTER:

Security Transfer Registrars Pty Ltd

770 Canning Highway

APPLECROSS WESTERN AUSTRALIA 6153

Telephone: +61 8 9315 0933

AUDITORS:

PKF Chartered Accountants & Business Advisers

Level 10

1 Margaret Street

SYDNEY NEW SOUTH WALES 2000

Telephone: +61 2 9251 4100

HOME EXCHANGE:

Australian Stock Exchange Limited

2 The Esplanade

PERTH WESTERN AUSTRALIA 6000

ASX CODE:

OBJ

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Letter to Shareholders

Dear Shareholder

During the financial year ended 30 June 2006, the Company has grown in stature, international reputation, size, infrastructure and capabilities.

The Company is now seen internationally as one of the major innovators of new transdermal drug delivery techniques and has presented its science, its accomplishments and its results at a number of international conferences both in Australia and in Europe.

The results commenced with the Company's first release for the period involving the skin cancer drug 5-ALA. This is a drug designed for scarless skin cancer treatment and is well known for its slow diffusion rate through the skin and long time to onset. The Company was able to demonstrate in in-vitro studies the ability to substantially increase the delivery rate of this important new anti-cancer drug.

This result was shortly followed by the release of the Company's first smart drug patch hardware, in which the entire drug delivery technology was able to be integrated into a small, self contained, coin-sized device.

These achievements were presented at the World Congress on Pain in Sydney and subsequently at the World Congress on Inflammation in Melbourne.

October 2005 saw the commencement of the Company's most ambitious drug delivery trial which involved the through-the-skin application of a commercially available vaccine. This was the Company's first live trial and involved the vaccination of sheep using an existing Pfizer vaccine at Murdoch University. This is covered in more detail in the Review of Operations.

Exciting scientific accomplishments continued during the period including new capabilities in the ultra-low concentration fields. Drug delivery systems traditionally require quite high concentrations in order to drive the diffusion process through the skin. The Company was able to demonstrate that it was able to work at concentrations of less than 2%, providing significant improvement over the limitations normally faced by the drug industry.

In November the Company released the results of its most significant success to date, which involved the drug Naltrexone. Naltrexone, a drug generally associated with drug and alcohol addiction, is becoming increasingly important in the treatment of a range of obsessive processes. The Company tackled Naltrexone transdermally due to the significant benefits that this delivery option would provide. The 100 fold increase in transdermal delivery for this drug was an important accomplishment.

Hydrocortisone was studied and the results announced in the same period. OBJ achieved a 75 fold increase in transdermal delivery. Hydrocortisone, a powerful anti-inflammatory drug, is often injected, which increases both the cost and risk to patients. The possibility of transdermal delivery of hydrocortisone has enormous commercial appeal and the Company remains committed to pursuing this opportunity.

Calendar year 2006 commenced with an announcement regarding a new series of intellectual property involving the ability to move molecules independently of their solvents. We believe this to be the first time a company has been able to achieve molecular movement in the absence of physical contact. Research is ongoing in this important new field.

On 22 February 2006, Mr Glyn Denison joined the Board of Directors. Mr Denison has international experience in business development and negotiation, and has been active in the Company's business roll-out strategies.

The Company's drug delivery research was presented at the prestigious international drug delivery conference, known as PPP, held in France during April. Board member, Dr Christopher Quirk, attended on behalf of the Company while Professor Heather Benson presented the data from our most recent discoveries.

Letter to Shareholders

(continued)

During the reporting period the Company conducted its first human clinical trial. This was the most significant event for the Company to date. It involved the integration of all the drug research and hardware developments into a program designed to confirm that Dermaportation and the active drug delivery systems translated effectively into clinical benefits in humans. The program will be expanded to a much larger and internationally based research program and news regarding the program will emerge in the future.

The Company's research team which now includes three full time scientific staff and an entirely commissioned transdermal drug delivery research lab at the Company's office in Western Australia. The expansion of the Company's in-house capabilities allow it to move into real-time monitoring of drug diffusion through the skin and has allowed the Company to focus on optimising the delivery potential of its technology, specific to a range of commercial drugs.

Mr Bill Hoeneveld joined the OBJ team as head of manufacture and production. Mr Hoeneveld has over 20 years experience in production engineering and will be in charge of programs running for the conversion of the Company's technology into commercial products.

I would like to take this opportunity to thank all the staff and consultants of OBJ and particularly the non-executive Directors for their contribution over the last 12 months. Dr Christopher Quirk has worked tirelessly on behalf of the Company both in Perth and overseas. Mr Glyn Denison has added to the strength of our market development program and Mr John J Palermo in the financial and management processes.

The OBJ team remains dedicated and committed to the goal of creating shareholder value through the commercial exploitation of its proprietary technologies and solutions.

I would like to thank you for your support and look forward to the year ahead.

Dated this 27th day of September, 2006.



Jeffrey David Edwards

Director

Review of Operations

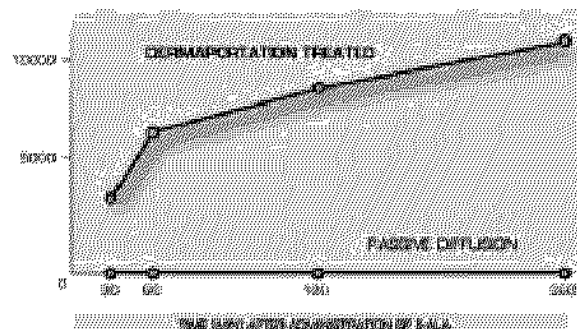
OBJ Ltd is an independent drug delivery research and development company specialising in non-invasive, non-contact drug delivery technology for the pharmaceutical, dermatology and cosmetic markets.

OBJ's technology is unique in drug delivery fields as it is non-invasive, non-contact, non-damaging and suitable for the delivery of a vast range of existing and new products without the need for reformulation. Finding better ways to deliver drugs and compounds to where they are needed is an increasingly important aspect of the medical, therapeutics, skin care and cosmetics industries.

Existing active drug delivery technologies are generally classified into systems that move drug molecules or systems to alter the skins behaviour. OBJ is quite different, in that it offers both directional motion in drug molecules and temporarily reverses alterations to the skin barrier properties in a single device. It is a non-contact transdermal system that succeeds in combing a simple and cost effective answer to develop a broad range of drugs, compounds, molecules and formulations.

ANTI-CANCER

The anti-skin cancer drug 5-ALA can take up to 5 hours to penetrate the skin. Such long waiting times can reduce a drug's commercial potential. Dermaportation can dramatically reduce this time without the costly need to reformulation and regulatory approval.



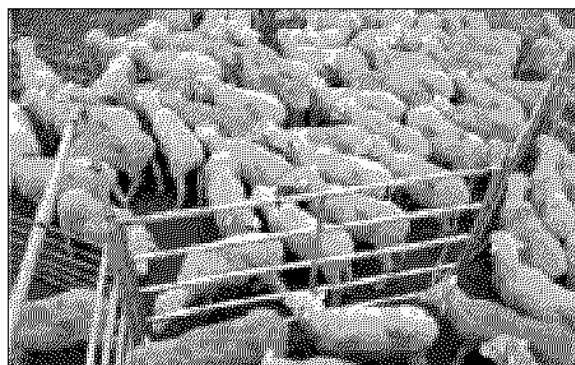
PROOF OF EFFICACY IN ANIMALS AND HUMANS

The most important step forward for the Company during the period has been the successful completion of the first animal and human trials, in with the Company's technology was used to improve the transdermal performance of existing and approved drugs in both animals and humans.

VACCINE TRIAL IN SHEEP

The first success came in November 2005, with the completion of a two part study which compared Dermaportation against traditional intramuscular injections in vaccinating young lambs.

The study, conducted by Murdoch University's School of Veterinary & Biomedical Sciences in Western Australia, showed that Dermaportation could deliver vaccines through the skin and achieve the same immunological result in sheep as could be achieved with injections. The vaccine used in this study was GLANVAC (™ Pfizer Australia), a commercially available 3-in-1 animal vaccine.



The Dermaportation system used for this trial had not been optimised to suit the character of Glanvac drug and the Company believes that even greater performance enhancement is possible with an optimisation program.

Review of Operations

(continued)

SUCCESSFUL TRIAL IN HUMANS

In April 2006, the Company announced that Curtin University has successfully conducted a human pilot study designed to investigate the skin penetration enhancement of the Company's Dermaportation technology in humans, using loss of sensation due to a local anaesthetic gel. The product used in this study was a commercially available Tetracaine based local anaesthetic drug commonly used world-wide.

This was the first time the Company used a non-contract drug delivery system that had been used successfully on human subjects to achieve a beneficial clinical result.

The University staff found that Dermaportation had succeeded in reducing the time to on-set of Tetracaine from 1 hour to 15 minutes, even though considerably less drug was used than traditionally required.

Reducing the waiting time for a drug to take effect can improve a product's marketability, while maintaining efficacy at reduced concentrations can have an equally important impact by lowering the potential for adverse side effects.

The Company is keen to expand this study into a larger international clinical trial and is actively seeking a commercial partner for this activity.



DRUG EXPANSION PROGRAM

At the commencement of the year the Company had already shown the ability to move quite difficult and different drugs such as lignocaine, prilocaine and caffeine through excised human epidermis in the laboratory. The challenge was to apply this knowledge and expertise to a broader range of drug types and in differing clinical environments.

Different types of drugs move through the skin in different ways depending on their size, polarity, solubility and atomic structure. These same drug characteristic have limited the commercial use of drug delivery technologies such as iontophoresis and sonophoretics for over 30 years. OBJ has been rapidly gaining a new level of understanding of these issues and the scientific team set out to develop solutions for a far wider group of drug types and structures.

To achieve this objective, the Company established two separate development arms. One group focused on how Dermaportation interacted with and affected various drug structures, sizes and characteristics and the other group focused on the development of products and system that could carry this new knowledge to the market.

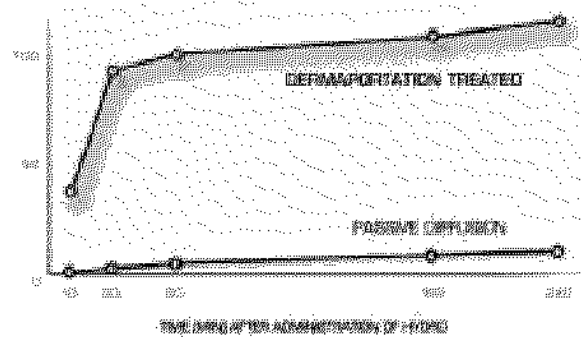
DRUG INTERACTION PROGRAM

In order to provide pharmaceutical and cosmetic companies with a through-the-skin delivery route, OBJ needed to expand the range of drugs and compounds being examined. Subtle differences in structures and characteristic changed the way some drugs responded to Dermaportation and the Company wanted to grow this knowledge into tools of commercial value.

Review of Operations (continued)

HYDROCORTISONE

Topical or injected synthetic hydrocortisone is used for treating a range of pathologies, such as inflammation, allergy, rheumatic diseases, and adrenocortical deficiency.

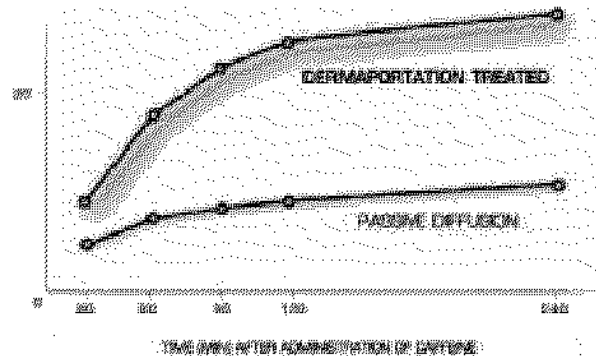


One of the most promising areas lay in determining the important components of a particular drug's molecular structure suited to the various aspects of the OBJ technology. The purpose of this program has been to develop the tools and knowledge to allow the Company to custom design delivery solutions for many drugs or products, irrespective of its physical limitations.

In the case of Hydrocortisone (above) there is a clear and immediate response in drug mobility to the OBJ system. This can then be used to achieve rapid initial onset followed by a slower and more gentle delivery over time. This delivery profile capability is believed by the Company to be unique and many drugs and products could find this type of delivery profile highly beneficial.

CAFFEINE

Transdermal caffeine has a number of therapeutic uses including skin cancer, photoaging and cellulite reduction



In the case of Caffeine, an increasingly important drug in the cosmetic and skin cancer fields, a different drug delivery profile was desirable.

DRUG DELIVERY RATE PROGRAM

In addition to the ability to move drugs with specific desirable profiles, it was also commercially important for the Company to be able to control the rate of delivery over time.

Review of Operations (continued)

RATE OF DELIVERY

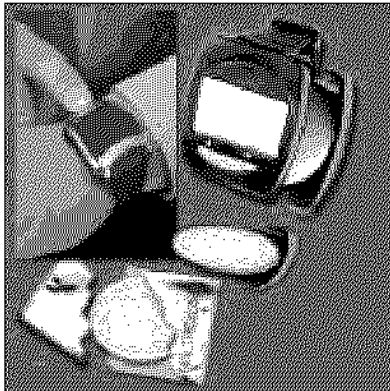
Dermaportation was developed during the period to a stage where various rates of delivery could be achieved, ranging from many time normal passive to much less than passive.



The ability to both "turn-on" and "turn-off" the movement of drug through the skin remains an important capability of the OBJ technology and one that will ultimately allow the Company to provide time-of-day delivery across a wide range of drug types and uses.

HARDWARE DEVELOPMENTS

The Company's hardware implementation program had two separate development programs running during the period.



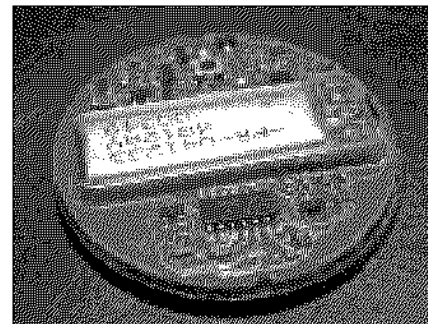
The first was the design and development of the Cosmetic/ Life Style Delivery Systems that would form the back-bone of the Company's push into the cosmetic and lifestyle sectors and the Drug Patch / Watch Patch device that would underpin the Company's collaboration and medicinal drug delivery activities.

Due to the commercial opportunities, low regulatory barriers and earliest market entry point, the Company made the cosmetic development the priority for the development team.

By the end of the reporting period, the product's design was completed, engineering tested, pre-market samples under productions and the first cosmetic formulations developed.

Manufacturers and fabricators with the necessary International Standard compliance have been selected. No images of the cosmetic device are provided for reasons of commercial confidentiality.

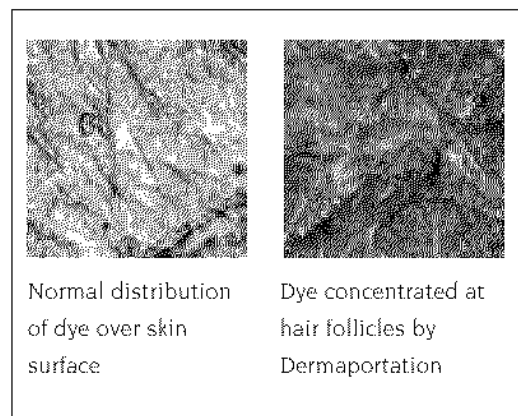
Much of the engineering effort in the development of the cosmetic device will form the basis of the new watch patch development, which is expected to reach functional testing phase by the time of publication of this report.



Review of Operations

(continued)

OTHER DRUG DELIVERY DEVELOPMENTS



The Company has also been researching the important field of Transfollicular drug delivery. This involves loading drugs into hair follicles and other apertures of the skin as a means of achieving controlled and slow release of drugs for systemic, dermatology and hair care applications.

Transfollicular delivery has frustrated scientists and drug companies for decades, so the Company's early and encouraging results in this potential important field is worthy of continued examination. Experimentation using the dye Rhodamine, (see images) demonstrate a distinctly different aggregation pattern of the dye at hair follicles under the influence of Dermaportation.

The precise mechanisms that cause this aggregation at the follicular pathway is not fully understood at this stage and the Company is working with Curtin University in Western Australia and the University of Queensland to better understand the potential of this route for commercial drug delivery purposes.

FACILITIES AND RESEARCH ACTIVITIES

The establishment of a dedicated transdermal drug delivery laboratory at the Company's West Australian facilities has greatly improved the ability of the Company to refine and expand its technology base. The Company's laboratory focuses on high through-put programs using non-human skin as a means of increasing the Company's knowledge of the interactions between Dermaportation and specific components of a drug's make-up.

The Company is also working with Professor Chris Anderson of Linköping University in Sweden where micro-dialysis techniques and technologies are being applied to track the movement of drugs through living skin under the influences of Dermaportation.

Additional in vitro studies and programs are on-going at Curtin University in Western Australia and at Queensland University and the Company intends maintaining and expand such relationships in the forthcoming period.

INTELLECTUAL PROPERTY

The Company has adopted an aggressive intellectual property expansion program which now includes both Australia, US and International patent applications over a number of implementation of the Company's technology and across a range of applications and specific drugs.

The ability to create new intellectual property opportunities through the exploitation of the Dermaportation technology in association with specific commercial drugs is seen as a powerful commercial asset that the Company will deploy during its 2007 manufacturing rollout program.

Directors' Report

The Directors present their report on the results of OBJ Limited and its controlled entity for the year ended 30 June 2006.

DIRECTORS

The names of Directors in office at any time during or since the end of the year are:

Mr. Jeffrey David Edwards	
Dr. Christopher John Quirk	
Mr. John Joseph Palermo	<i>(appointed 4 November 2005)</i>
Mr. Glyn Gregory Horne Denison	<i>(appointed 22 February 2006)</i>
Mr. Hugh David Warner	<i>(resigned 4 November 2005)</i>

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

PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year ended 30 June 2006 were the development of its dermaportation technology.

There were no significant changes in the nature of the Company's principal activities during the financial year other than those referred to in the review of operations.

OPERATING RESULT

The net consolidated loss of the Consolidated Entity after providing for income tax amounted to \$1,433,090 (2005: \$1,834,582).

DIVIDENDS PAID OR RECOMMENDED

No dividends were paid during the year ended 30 June 2006.

The Board has not made a recommendation to pay dividends for the period to 30 June 2006.

REVIEW OF OPERATIONS

The Company continues to pursue development of its Dermaportation technology, review its intellectual property assets and evaluate value enhancement opportunities from existing assets.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the year other than as described elsewhere in this Directors' Report.

SIGNIFICANT AFTER BALANCE DATE EVENTS

Since the end of the financial year the Company had made a placement of 51,500,000 ordinary fully paid shares at a placement price of \$0.05 per share together with a one for two, free attaching option exercisable at \$0.10 on or before 31 December 2008. The Company raised a total of \$2,575,000 which enhances the Company's cash reserves for the coming periods, thus enabling the Company to continue to operate as a going concern.

Directors' Report

(continued)

LIKELY FUTURE DEVELOPMENTS AND EXPECTED RESULTS

Certain information regarding future developments and announcements has been disclosed in this report under the heading "Significant after balance date events". The disclosure of expected results of likely future developments is likely, in the opinion of the Directors, to result in unreasonable prejudice to the interests of the Company and accordingly, this information has not been disclosed in this report.

ENVIRONMENTAL REGULATION

The Company is not affected by any specific environmental legislation.

INFORMATION ON DIRECTORS

Mr Jeffrey Edwards

Jeffrey Edwards has over twenty years experience in managing new technological innovations. He is experienced in production, intellectual property, regulatory affairs and quality systems. He is an award winning technology developer, and has worked with a number of leading international medical, and biomedical companies, including Salus Technologies Limited (tissue engineering), Global Energy Medicine (therapeutics) and CollTech Australia (biomaterials). During the past three years Mr Edwards has not held a directorship in any other listed companies.

Dr Christopher Quirk

Christopher Quirk is an Australian dermatologist who has been a teaching hospital consultant for 22 years and has conducted numerous trials for international pharmaceutical companies such as Roche, Novartis, 3M and Matrix and has served on advisory boards for Merck, Allergan and Roche. He has published 22 papers in international journals and recently has presented at the World Congress of Dermatology in Paris and the World Congress on Cancers of the Skin in Seville. During the past three years Mr Quirk has also served as a director of the following other listed companies:

- Pharmanet Group Limited *

(* denotes current directorship)

Mr John J Palermo

Mr Palermo is a Chartered Accountant with ten years experience in the Public Practice sector. Currently a Director of Palermo Chartered Accountants he has experience in public company accounting and administration. He is also Company Secretary of Salus Technologies Limited. John J. Palermo has completed extensive work for the Institute of Chartered Accountants both in Australia and overseas with the delivery of their CA Programme. During the past three years Mr Palermo has not held a directorship in any other listed companies.

Mr Glyn Denison

Glyn Denison is a qualified professional engineer and operates his own business consultancy advising companies in their development internationally. Mr Denison was one of the founders of the ERG Group and held several senior executive positions over the period from 1987 to 2003. These positions included President of the Americas for the ERG fare collection business and the New Business Development Director for ERG Transit. Prior to ERG, Mr Denison held several commercial positions with Bunnings Forest Products (now part of the Wesfarmers Group). During the past three years Mr Denison has also served as a director of the following other listed companies:

- Australian Renewable Fuels Limited *
- Medec Limited

(* denotes current directorship)

Directors' Report

(continued)

COMPANY SECRETARY

Mr John J Palermo B.Bus CA

Mr Palermo is a Chartered Accountant with ten years experience in the Public Practice sector. He has experience in public company accounting and administration. He is also Company Secretary of Salus Technologies Limited.

MEETINGS OF DIRECTORS

During the financial year ended 30 June 2006, the Company held fifteen (15) Director's Meetings including Director's Resolutions. The total number of meetings attended by each Director were:

	No. eligible to attend	No. attended
Mr. J D Edwards	15	15
Mr. C J Quirk	15	15
Mr. J J Palermo (appointed 4 November 2005)	7	7
Mr. G G H Denison (appointed 22 February 2006)	4	4
Mr. H D Warner (resigned 4 November 2005)	8	8

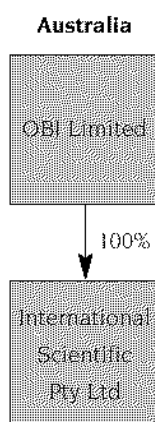
INDEMINIFICATION OF DIRECTORS AND OFFICERS

During or since the end of the financial year, the Company has indemnified and entered into agreements to indemnify its Directors and officers.

CORPORATE STRUCTURE

OBJ Limited is a company limited by shares that is incorporated and domiciled in Australia. Its registered office is located at Level 1, 284 Oxford Street, Leederville, Western Australia and its principal place of business is Ground floor, 284 Oxford Street, Leederville, Western Australia.

OBJ Limited has prepared this consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in the following illustration of the group's corporate structure:



Directors' Report

(continued)

SHARE OPTIONS

As at the date of this report the following unlisted options remained outstanding:

No.	Exercise Price	Due Date
7,000,000	\$0.05	31 December 2008
7,000,000	\$0.10	31 December 2008
7,000,000	\$0.15	31 December 2008

No person entitled to exercise an option had or has any right by virtue of the option to participate in any future share issues.

REMUNERATION REPORT

The Board receives independent advice on remuneration policies and practices generally, and also receives specific recommendations on remuneration packages and other terms of employment for senior executives.

Executive remuneration and other terms of employment are reviewed annually by the Board having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Consolidated Entity's operations.

Remuneration of non-executive Directors is determined by the Board within the maximum amount approved by the shareholders from time to time.

The Board undertakes an annual review of its performance against goals set at the start of the year.

Directors and Executives Remuneration:

The Board is responsible for making recommendations on remuneration packages and policies applicable to Board members and Senior Executives of the Company. The Board remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. Directors' remuneration is arrived at after consideration of the level of expertise each Director brings to the Company, the time and commitment required to efficiently and effectively perform the required tasks.

Details of the nature and amount of each major element of the emoluments of each Director of the Company and each of the named Executive Officers of the Company are set out in Note 15.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of the Court to bring proceedings on behalf of the Company or 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 any part of those proceedings. The Company was not a party to any such proceedings during the year.

ADOPTION OF AUSTRALIAN EQUIVALENTS TO IFRS

This financial report has been prepared under Australian equivalents to IFRS. A reconciliation of differences between previous GAAP and Australian equivalents to IFRS has been included in note 2 of this report.

Directors' Report

(continued)

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 on page 14.

NON-AUDIT SERVICES

There were no amounts paid or are payable to the external auditors for non-audit services during the year ended 30 June 2006.

Signed in accordance with a resolution of the Board of Directors:



Jeffrey Edwards

Director

Perth, Western Australia

27 September 2006

Auditor's Independence Declaration



LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the Directors of OBJ Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 30 June 2006, there have been:

- i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Grant F Saxon', with a horizontal line underneath.

PKF

A handwritten signature in black ink, appearing to read 'Grant F Saxon', with a horizontal line underneath.

Grant F Saxon

Partner

Sydney, 27 September 2006

Corporate Governance Statement

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has considered the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

In line with the above the Board approved the adoption of a board charter on 30 June 2004. This charter sets out the way forward for the Company in its implementation of its Principles of Good Corporate Governance and Best Practice Recommendations. The approach taken by the Board was to set a blueprint for the Company to follow as it introduces elements of the governance process. Due to the current size of the Company and the scale of its operations it is neither practical nor economic for the adoption of all of the recommendations approved via the Board charter. Where the Company has not adhered to the recommendations it has stated that fact in the annual report however has set out a mandate for future compliance when the size of the Company and the scale of its operations warrants the introduction of those recommendations.

1. Board of Directors

1.1 Role of the Board

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board carry its functions, it has developed a Code of Conduct to guide the Directors.

1.2 Composition of the Board

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The names of the Directors and their qualifications and experience are stated in the Directors' Report on page 10 along with the term of office held by each of the Directors. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Dr C Quirk, Mr J J Palermo and Mr G Denison are Non-Executive Directors, however Dr C Quirk and Mr J J Palermo are not independent Directors as they do not meet the following criteria for independence adopted by the Company.

Corporate Governance Statement

(continued)

1.2 Composition of the Board (continued)

An Independent Director:

1. is a Non-Executive Director and:
2. is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
3. within the last three years, has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
4. within the last three years, has not been a principal of a material professional adviser or a material consultant to the Company or another group member. Or an employee materially associated with the service provided;
5. is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
6. has no material contractual relationship with the Company or other group member other than as a Director of the Company;
7. has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
8. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Mr J Edwards is an Executive Director of the Company. His experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

Dr C J Quirk is a Non-Executive Director of the Company. His experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

Mr J J Palermo is a Non-Executive Director of the Company. His experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

Mr G G H Denison is a Non-Executive Director of the Company. His experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

Corporate Governance Statement (continued)

1.3 Responsibilities of the Board (continued)

1. Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.
2. Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
3. Overseeing Planning Activities: the development of the Company's strategic plan.
4. Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
5. Monitoring, Compliance and Risk Management: the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
6. Company Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.
7. Human Resources: appointing, and, where appropriate, removing the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as well as reviewing the performance of the CEO and monitoring the performance of senior management in their implementation of the Company's strategy.
8. Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
9. Delegation of Authority: delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is available for inspection at the Company's registered office.

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

Corporate Governance Statement

(continued)

1.4 Board Policies (continued)

1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Continuous Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information:

1. concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
2. that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

1.4.5 Education and Induction

It is the policy of the Company that new Directors undergo an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors include:

- details of the roles and responsibilities of a Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- a copy of the Board Charter; and
- a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development.

1.4.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

1.4.7 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

Corporate Governance Statement (continued)

1.4 Board Policies (continued)

1.4.8 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

1. communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company;
2. giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
3. making it easy for shareholders to participate in general meetings of the Company; and
4. requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

1.4.9 Trading in Company Shares

- The Company has a Share Trading Policy which states that Directors, members of senior management, certain other employees and their associates likely to be in possession of unpublished price sensitive information may not trade in the Company's securities prior to that unpublished price sensitive information being released to the market via the ASX.

Unpublished price sensitive information is information regarding the Company, of which the market is not aware, that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

1.4.10 Performance Review / Evaluation

It is the policy of the Board to conduct evaluation of its performance. The evaluation process was introduced via the Board Charter adopted on 30 June 2004 and will be implemented for the financial year ended 30 June 2006. The objective of this evaluation will be to provide best practice corporate governance to the Company.

1.4.11 Attestations by CEO and CFO

It is the Board's policy, that the CEO and the CFO make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing the Annual Report. However, as at the date of this report the Company does not have a designated CEO or CFO. Due to the size and scale of operations of the Company these roles are performed by the Board.

Corporate Governance Statement

(continued)

2. Board Committees

2.1 Audit Committee

Due to the size and scale of operations of the Company, the Company does not have an Audit Committee.

2.2 Remuneration Committee

2.2.1 Role

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

As the whole Board only consists of four (4) members, the Company does not have a remuneration committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

2.2.2 Remuneration Policy

Director Remuneration was approved by resolution of the Board on 6 August 2004.

2.2.2.1 Non-Executive Director Remuneration Policy

Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in equity schemes of the Company.

Non-Executive Directors are entitled to but not necessarily paid statutory superannuation.

2.2.3 Current Director Remuneration

Full details regarding the remuneration of Directors, is set out in Note 15.

2.3 Nomination Committee

2.3.1 Role

The role of a Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times.

As the whole Board only consists of four (4) members, the Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

2.3.2 Criteria for selection of Directors

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience appropriate to the Company's target market. In addition, Directors should have the relevant blend of personal experience in:

- Accounting and financial management; and
- Director-level business experience.

Corporate Governance Statement

(continued)

3. Company Code of Conduct

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as whole. The Company Code of Conduct was adopted by resolution of the Board on 30 June 2004. This Code includes the following:

Responsibilities to Shareholders and the Financial Community Generally

The Company complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.

Responsibilities to Clients, Customers and Consumers

The Company has an obligation to use its best efforts to deal in a fair and responsible manner with each of the Company's clients, customers and consumers and is committed to providing clients, customers and consumers with fair value.

Employment Practices

The Company policy is to endeavour to provide a safe workplace in which there is equal opportunity for all employees at all levels of the Company. The Company does not tolerate the offering or acceptance of bribes or the misuse of Company assets or resources.

Obligations Relative to Fair Trading and Dealing

The Company aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws. The Company strives to deal fairly with the Company's customers, suppliers and competitors.

Responsibilities to the Community

As part of the community the Company:

- is committed to conducting its business in accordance with applicable environmental laws and regulations

Responsibility to the Individual

The Company is committed to keeping private information from employees, clients, customers, consumers and investors confidential and protected from uses other than those for which it was provided.

Conflicts of Interest

Directors and Employees must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the Company.

How the Company Complies with Legislation Affecting its Operations

Within Australia, the Company strives to comply with the spirit and the letter of all legislation affecting its operations. Outside Australia, the Company will abide by local laws in all countries in which it operates. Where those laws are not as stringent as the Company's operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of "gifts", Company policy will prevail.

How the Company Monitors and Ensures Compliance with its Code

The Board of the Company is committed to implementing this Code of Conduct and each individual is accountable for such compliance. Disciplinary measures may be imposed for violating the Code.

Income Statement

FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		Parent Entity	
		30 June	30 June	30 June	30 June
		2006	2005	2006	2005
		\$	\$	\$	\$
Revenue	3	44,087	51,964	44,087	43,564
Employee benefits expenses		(413,062)	(74,684)	(413,062)	(74,684)
Research and development					
consultants/corporate management		(740,322)	(434,954)	(729,397)	(434,954)
Administration expenses		(61,852)	(125,772)	(60,280)	(124,010)
Occupancy expenses		(14,364)	(71,015)	(14,364)	(66,224)
Depreciation expenses		(14,772)	(5,503)	(13,583)	(4,145)
Impairment of intangibles, investments and loans		–	(1,098,985)	(22,269)	(1,090,000)
Borrowing expenses		(25)	–	(25)	–
Share of joint venture expenses		(24)	(29,902)	(24)	(29,902)
Travel and accommodation		(69,709)	(24,261)	(69,709)	(24,261)
Other expenses		(163,047)	(21,470)	(160,022)	(20,743)
Loss before income tax		(1,433,090)	(1,834,582)	(1,438,648)	(1,825,359)
Income tax expenses	5(a)	–	–	–	–
Loss after income tax		(1,433,090)	(1,834,582)	(1,438,648)	(1,825,359)
Loss attributable to members of OBJ Limited		(1,433,090)	(1,834,582)	(1,438,648)	(1,825,359)
		Cents	Cents		
Basic loss per share	22	(0.4)	(0.7)		
Diluted loss per share	22	(0.4)	(0.7)		

The above income statement should be read in conjunction with the accompanying notes.

Balance Sheet

AS AT 30 JUNE 2006

	Note	Consolidated		Parent Entity	
		30 June 2006 \$	30 June 2005 \$	30 June 2006 \$	30 June 2005 \$
Current Assets					
Cash and cash equivalents	6	559,651	723,821	558,920	722,674
Trade and other receivables	9	38,407	15,205	38,397	21,240
Total Current Assets		598,058	739,026	597,317	743,914
Non-Current Assets					
Property, plant and equipment	7	47,568	25,435	45,586	22,264
Intangible assets	8	–	–	–	–
Other financial assets	10	–	–	–	–
Total Non-Current Assets		47,568	25,435	45,586	22,264
Total Assets		645,626	764,461	642,903	766,178
Current Liabilities					
Trade and other payables	11	69,293	134,386	62,905	127,998
Current tax liabilities	5(b)	–	1,118	–	–
Interest bearing liabilities	12	1,620	–	1,620	–
Total Current Liabilities		70,913	135,504	64,525	127,998
Total Liabilities		70,913	135,504	64,525	127,998
Net Assets		574,713	628,957	578,378	638,180
Equity					
Issued capital	18	11,005,115	10,191,429	11,005,115	10,191,429
Reserves	19	565,160	–	565,160	–
Accumulated losses		(10,995,562)	(9,562,472)	(10,991,897)	(9,553,249)
Total Equity		574,713	628,957	578,378	638,180

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2006

	Issued Capital \$	Option Reserves \$	Accumulated Losses \$	Total \$
Consolidated				
Balance at 1 July 2004	8,631,429	–	(7,727,890)	903,539
Shares issued during the year	1,560,000	–	–	1,560,000
Loss attributable to members of parent entity	–	–	(1,834,582)	(1,834,582)
Balance at 30 June 2005	10,191,429	–	(9,562,472)	628,957
Balance at 1 July 2005	10,191,429	–	(9,562,472)	628,957
Shares issued during the year	855,000	–	–	855,000
Transaction costs	(41,314)	–	–	(41,314)
Fair value of options issued during the year	–	565,160	–	565,160
Loss attributable to members of parent entity	–	–	(1,433,090)	(1,433,090)
Balance at 30 June 2006	11,005,115	565,160	(10,995,562)	574,713
Parent				
Balance at 1 July 2004	8,631,429	–	(7,727,890)	903,539
Shares issued during the year	1,560,000	–	–	1,560,000
Loss attributable to members of parent entity	–	–	(1,825,359)	(1,825,359)
Balance at 30 June 2005	10,191,429	–	(9,553,249)	638,180
Balance at 1 July 2005	10,191,429	–	(9,553,249)	638,180
Shares issued during the year	855,000	–	–	855,000
Transaction costs	(41,314)	–	–	(41,314)
Fair value of options issued during the year	–	565,160	–	565,160
Loss attributable to members of parent entity	–	–	(1,438,648)	(1,438,648)
Balance at 30 June 2006	11,005,115	565,160	(10,991,897)	578,378

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

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		Parent Entity	
		30 June	30 June	30 June	30 June
		2006	2005	2006	2005
		\$	\$	\$	\$
Cash flows from operating activities					
Payments to suppliers and employees		(983,731)	(666,175)	(983,315)	(657,789)
Interest received		43,923	41,796	43,923	41,796
Other income received		–	10,168	–	(5,232)
Borrowing costs		(25)	–	(25)	–
Income taxes paid		(1,118)	–	(1,118)	–
Net cash used in operating activities	14a	(940,951)	(614,211)	(940,535)	(621,225)
Cash flows from investing activities					
Payment for property, plant and equipment		(36,905)	(30,301)	(36,905)	(26,409)
Aggregate cashflows from acquisition of International Scientific Pty Ltd	14b	–	25,131	–	–
Net cash used in investing activities		(36,905)	(5,170)	(36,905)	(26,409)
Cash flows from financing activities					
Proceeds from issues of shares and options		855,000	470,000	855,000	470,000
Repayment of loans		–	(27,106)	–	–
Transaction costs from issue of shares and options		(41,314)	–	(41,314)	–
Net cash provided by financing activities		813,686	442,894	813,686	470,000
Net decrease in cash and cash equivalents held		(164,170)	(176,487)	(163,754)	(177,634)
Cash and cash equivalents at the beginning of the financial year		723,821	900,308	722,674	900,308
Cash and cash equivalents at the end of the financial year	6	559,651	723,821	558,920	722,674

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

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of OBJ Limited and its controlled entity, and OBJ Limited as an individual parent entity. OBJ Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of OBJ Limited and controlled entity, and OBJ Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

First-time Adoption of Australian Equivalents to International Financial Reporting Standards

OBJ Limited and controlled entity, and OBJ Limited as an individual parent entity have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (IFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the parent entity and consolidated entity accounts resulting from the introduction of IFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first financial statements of OBJ Limited to be prepared in accordance with Australian equivalents to IFRS.

The accounting policies set out below have been consistently applied to all years presented.

Reconciliations of the transition from previous Australian GAAP to IFRS have been included in Note 2 to this report.

New Accounting Standards and UIG Interpretations

As at the date of this report there are a number of new accounting standards and UIG Interpretations that have been issued but are not yet effective for 30 June 2006 reporting periods. The group has assessed the impact of these new standards and has concluded that they will have no impact on the accounting policies detailed below.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity OBJ Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

The controlled entity has a June financial year-end.

A list of controlled entity is contained in Note 21 to the financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Policies (continued)

(a) Principles of Consolidation (continued)

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(b) Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future profit will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Policies (continued)

(c) Property, Plant and Equipment (continued)

Plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a diminishing value method commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Plant and equipment	10-100%
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognised on the balance sheet when OBJ Limited becomes party to the contractual provisions of the financial instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the entity. A financial liability is removed from the balance sheet when the obligation specified in the contract is discharged or cancelled or expires.

Upon initial recognition a financial asset or financial liability is designated as at fair value through profit or loss except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

A gain or loss arising from a change in the fair value of a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Policies (continued)

(d) Financial Assets and Financial Liabilities (continued)

Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts, investments in money market instruments and cash in transit

Loans and receivables

Financial assets not measured at fair value comprise loans and receivables being non derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using the effective interest method.

Trade and other payables

Financial liabilities comprise of trade and other payables, provisions and borrowings are measured at amortised cost using the effective interest method.

Amortised cost

The amortised cost of financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and maturity amount and minus any write down for impairment or uncollectibility.

(e) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(f) Interests in Joint Ventures

The economic entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated income statement and balance sheet.

The economic entity's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in joint venture entities are brought to account using the cost method.

(g) Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting where significant influence is exercised over an investee. Significant influence exists where the investor has the power to participate in the financial and operating policy decisions of the investees but does not have control or joint control over those policies. The equity method of accounting recognises the group's share of past acquisition reserves of its associates.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Policies (continued)

(h) Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life ranging from 15 to 20 years.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(i) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The Company contributes to retirement funds that provide benefits to employees. The level of contributions is determined by Superannuation Guarantee legislation. The Company has no responsibility for the administration or performance of the funds.

(j) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and service tax (GST).

(k) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Policies (continued)

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(m) Share-Based Payment Transactions

OBJ Limited provides benefits to employees (including directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

There is currently one plan in place to provide these benefits:

- (i) the Employee Share Option Plan (ESOP), which provides benefits to full-time or part time employees and consultants of the Company.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes option pricing model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of OBJ Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Policies (continued)

(m) Share-Based Payment Transactions (continued)

Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share-based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity-settled share-based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(n) Comparative figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current year.

(o) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS)

The following reconciliations explain how the transition from previous GAAP to AIFRS affected reported financial position, financial performance and cash flows:

Reconciliation of total equity as presented under AGAAP to that under AIFRS

	Note	Consolidated		Parent Entity	
		30 June 2005	1 July 2004	30 June 2005	1 July 2004
		\$	\$	\$	\$
Total equity under AGAAP		1,229,033	903,539	1,248,180	903,539
<i>Adjustments to equity:</i>					
Impairment of goodwill	(i)	(618,985)	–	–	–
Write-back of goodwill amortisation	(ii)	18,909	–	–	–
Impairment of investment in controlled entity	(iii)	–	–	(610,000)	–
Total equity under AIFRS		628,957	903,539	638,180	903,539

Reconciliation of loss after tax under AGAAP to that under AIFRS

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS) (continued)

	Note	Consolidated Year ended 30 June 2005 \$	Parent Year ended 30 June 2005 \$
Loss after tax as previously reported		1,234,506	1,215,359
Impairment of goodwill	(i)	618,985	-
Write-back of goodwill amortisation	(ii)	(18,909)	-
Impairment of investment in controlled entity	(iii)	-	610,000
Loss after tax under AIFRS		1,834,582	1,825,359

(i) Due to the fact that the Consolidated Entity's technology was in the development and testing phase, as at 30 June 2006, no reliable cash flow forecasts were available. The impairment testing undertaken as at 30 June 2005 indicated impairment of the goodwill. Therefore goodwill was written off resulting in a decrease of \$618,985 in retained earnings as at 30 June 2005 and an increase in loss amounting to \$618,985 for the year ended 30 June 2005.

(ii) Under AASB3 "Business Combinations", amortisation of goodwill is no longer permitted. At the date of adoption of AIFRS goodwill is allocated to cash generating units of the entity and is impairment tested on initial adoption of AIFRS and annually thereafter.

Goodwill amortised during the year ended 30 June 2005 of \$18,909 was, therefore, reversed resulting in a decrease in accumulated losses as at 30 June 2005 of \$18,909 and an decrease in loss amounting to \$18,909 for the year ended 30 June 2005.

(iii) Due to the fact that the Consolidated Entity's technology was in the development and testing phase, as at 30 June 2005, no reliable cash flow forecasts are available. The impairment testing undertaken as at 30 June 2005 indicated impairment of the investment in controlled entity. Therefore the investment was written off resulting in a decrease of \$610,000 in retained earnings as at 30 June 2005 and an increase in loss amounting to \$610,000 for the year ended 30 June 2005.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

	Consolidated		Parent Entity	
	30 June 2006 \$	30 June 2005 \$	30 June 2006 \$	30 June 2005 \$
NOTE 3: REVENUE				
<i>Revenue:</i>				
Interest received	43,923	41,796	43,923	41,796
Share of joint venture revenue	164	-	164	-
Other income	-	10,168	-	1,768
Total revenues	44,087	51,964	44,087	43,564

NOTE 4: ITEMS INCLUDED IN LOSS

Loss before income tax includes:

Depreciation of property, plant and equipment	14,772	5,503	13,583	4,145
Impairment of intangibles	-	1,098,985	-	-
Impairment of loans and investments in controlled entities	-	-	22,269	1,090,000

NOTE 5: INCOME TAX

(a) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:

Loss before income tax	1,433,090	1,834,582	1,438,648	1,825,359
Income tax calculated at 30%	429,927	550,375	431,594	547,608
Tax effect of non deductible expenses				
- Impairment of intangibles, investments and loans	(6,681)	(329,696)	(6,681)	(327,000)
- Other	(179)	(2,327)	(179)	(2,327)
Tax effect of current period losses not recognised as deferred tax assets	(423,067)	(218,352)	(424,734)	(218,281)
Income tax expenses	-	-	-	-

The following deferred tax assets have not been brought to account as assets:

Tax losses brought forward	2,579,574	1,169,350	2,555,985	1,140,203
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Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

NOTE 5: INCOME TAX (continued)

As a result of the recapitalisation of the Company on 30 April 2004, the Company will not be able to deduct any tax losses incurred by the Company prior to that date. At 30 June 2006, the Company had accumulated tax losses of \$2,579,574 relating to the period subsequent to the recapitalisation of the Company on 30 April 2004. Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Deferred tax asset in relation to tax loss are not brought to account unless it is probable that future taxable amounts within the entity will be available against which the unused tax loss can be utilised. The amount of these benefits is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

(b) Current tax liabilities

	Consolidated		Parent Entity	
	30 June 2006 \$	30 June 2005 \$	30 June 2006 \$	30 June 2005 \$
Provision for income tax	-	1,118	-	-

NOTE 6: CASH AND CASH EQUIVALENTS

Cash at bank and on hand	559,651	723,821	558,920	722,674
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NOTE 7: PROPERTY, PLANT AND EQUIPMENT

Plant and equipment at cost	67,843	30,938	63,314	26,409
Accumulated depreciation	(20,275)	(5,503)	(17,728)	(4,145)
Total plant and equipment – net book value	47,568	25,435	45,586	22,264

Reconciliation of the carrying amount of plant and equipment is set out below:

Carrying amount at the beginning of the year	25,434	-	22,264	-
Additions	36,906	30,302	36,905	26,409
Acquisitions through the acquisition of International Scientific Pty Ltd	-	636	-	-
Depreciation expense	(14,772)	(5,503)	(13,583)	(4,145)
Carrying amount at the end of the year	47,568	25,435	45,586	22,264

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

	Consolidated		Parent Entity	
	30 June 2006 \$	30 June 2005 \$	30 June 2006 \$	30 June 2005 \$
NOTE 8: INTANGIBLE ASSETS				
Goodwill – at cost	1,098,985	1,098,985	–	–
Less: accumulated amortisation and impairment	(1,098,985)	(1,098,985)	–	–
Total intangible assets	–	–	–	–
NOTE 9: TRADE AND OTHER RECEIVABLES				
Trade receivable	2,200	11,295	2,200	11,240
Amounts receivable from controlled entities	–	–	22,269	7,000
Prepayments	20,237	3,000	20,237	3,000
Other	15,970	910	15,960	–
	38,407	15,205	60,666	21,240
Less: impairment loss of amounts receivable from controlled entities	–	–	(22,269)	–
	38,407	15,205	38,397	21,240
NOTE 10: OTHER FINANCIAL ASSETS				
Shares in controlled entities – at cost	–	–	1,090,000	1,090,000
Less: impairment	–	–	(1,090,000)	(1,090,000)
	–	–	–	–
NOTE 11: TRADE AND OTHER PAYABLES				
Other creditors and accruals	69,293	134,386	62,905	127,998
NOTE 12: INTEREST BEARING LIABILITIES				
Credit cards	1,620	–	1,620	–

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

NOTE 13: CAPITAL AND LEASE COMMITMENTS

(a) Capital Expenditure commitments

There were no capital expenditure commitments as at 30 June 2006.

(b) Finance lease and hire purchase commitments

There were no finance lease and hire purchase commitments as at 30 June 2006.

(c) Operating lease commitments

	Consolidated		Parent Entity	
	30 June 2006	30 June 2005	30 June 2006	30 June 2005
	\$	\$	\$	\$
Total non-cancellable lease expenditure contracted for at balance date but not provided in the financial statement, payable:				
Payable – Minimum lease commitment				
Not later than 12 months	12,000	–	12,000	–
Between 12 months and 5 years	37,000	–	37,000	–
Greater than 5 years	–	–	–	–
	49,000	–	49,000	–

NOTE 14: CASH FLOW INFORMATION

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments with terms of less than 90 days, net of outstanding bank overdrafts.

	Consolidated		Parent Entity	
	30 June 2006	30 June 2005	30 June 2006	30 June 2005
	\$	\$	\$	\$
(a) Reconciliation of net cash used in operating activities to loss after income tax				
Loss after income tax	(1,433,090)	(1,834,582)	(1,438,648)	(1,825,359)
Depreciation and amortisation	14,772	5,503	13,583	4,145
Impairment of intangibles, investments and loans	–	1,098,985	22,269	1,090,000
Equity settled share based payment	565,160	–	565,160	–
Movements in assets and liabilities:				
(Increase)/decrease in trade and other receivables	(23,203)	9,276	(39,425)	(6,565)
(Decrease)/increase in trade and other payables	(64,590)	106,607	(63,473)	116,554
Net cash used in operating activities	(940,951)	(614,211)	(940,534)	(621,225)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

Consolidated		Parent Entity	
30 June	30 June	30 June	30 June
2006	2005	2006	2005
\$	\$	\$	\$

NOTE 14: CASH FLOW INFORMATION
(continued)**(b) Acquisition of businesses**

On 19 November 2004, the Company acquired 100% of the issued ordinary shares of International Scientific Pty Ltd.

Details of the transaction are as follows:

Consideration:

34,000,000 ordinary shares of OBJ Limited	–	340,000	–	340,000
24,000,000 A Class shares of OBJ Limited (converted to ordinary shares on 9 March 2005)	–	720,000	–	720,000
49,000,000 B Class shares of OBJ Limited	–	–	–	–
49,000,000 C Class shares of OBJ Limited	–	–	–	–
Acquisition costs:	–	–	–	–
3,000,000 ordinary shares of OBJ Limited	–	30,000	–	30,000
	–	1,090,000	–	1,090,000

Fair value of net assets acquired

Cash	–	25,131	–	25,131
Property, plant and equipment	–	636	–	636
Other assets	–	910	–	910
Payables	–	(35,662)	–	(35,662)
	–	(8,985)	–	(8,985)
Goodwill	–	1,098,985	–	1,098,985

Inflows of cash from acquisition of International Scientific Pty Ltd:

Cash balance acquired	–	25,131	–	–
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Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

NOTE 15: DIRECTORS' AND EXECUTIVES' REMUNERATION

Names and positions of Directors and specified executives in office at any time during or since the financial year are:

Directors

Mr. Jeffrey David Edwards	Director – Executive	
Dr. Christopher John Quirk	Director – Non-Executive	
Mr. John Joseph Palermo	Director – Non-Executive	Appointed 4 November 2005
Mr. Glyn Gregory Horne Denison	Director – Non-Executive	Appointed 22 February 2006
Mr. Hugh David Warner	Director – Non-Executive	Resigned 4 November 2005

Specified Executives

Other than Directors, there were no executive officers employed by the Company during the period.

(a) Remuneration of Directors and Executives

	Primary Salary & Fees (\$)	Cash Bonus (\$)	Non- Monetary (\$)	Post Employment Superann- uation (\$)	Retirement Benefits (\$)	Equity Options (\$)	Other Benefits (\$)	TOTAL (\$)
Parent Entity Directors								
Edwards, J D: Director (executive)								
2006	133,000	–	–	–	–	75,060	–	208,060
2005	81,800	–	–	–	–	–	–	81,800
Quirk, C J: Director (non-executive)								
2006	18,750	–	–	7,938	–	75,060	–	101,748
2005	15,417	–	–	1,388	–	–	–	16,805
Palermo, J J: Director (non-executive)								
2006	46,389	–	–	4,175	–	–	–	50,564
2005	–	–	–	–	–	–	–	–
Denison, G G H: Director (non-executive)								
2006	–	–	–	8,854	–	–	–	8,854
2005	–	–	–	–	–	–	–	–
Warner, H D: Director (non-executive)								
2006	–	–	–	–	–	–	–	–
2005	33,773	–	–	3,040	–	–	–	36,813
Total Directors								
2006	198,139	–	–	20,967	–	150,120	–	369,226
2005	130,990	–	–	4,428	–	–	–	135,418

There are no other specified executives in positions of control or exercising management authority.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

NOTE 15: DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

(b) Remuneration Options

	Grant No.	Grant Date	Terms & Conditions for Each Grant		
			Exercise Price	First Exercise Date	Last Exercise Date
			\$		
J D Edwards	4,500,000	22/12/2005	\$0.05, \$0.10 and \$0.15	22/12/2005	31/12/2008
C J Quirk	4,500,000	22/12/2005	\$0.05, \$0.10 and \$0.15	22/12/2005	31/12/2008
J J Palermo	-	-	-	-	-
G G H Denison	-	-	-	-	-

The grant of options is to provide an incentive to each of the Directors for future services they will provide to the Company and an acknowledgement of past services. The Directors consider that the incentive provided is cost effective to the Company as opposed to alternative incentives in the form of a monetary bonus or director's fees. The options have been valued using the Black-Scholes valuation method.

(c) Options and Rights Holdings by Directors

	Balance 01/07/05 (No. Options)	Granted as Remuneration (No. Options)	No. of Options Exercised	Net Change Other (No. Options)	Balance 30/06/06 (No. Options)	Total Vested 30/06/06 (No. Options)	Total Exercisable (No. Options)
Parent Entity Director							
J D Edwards	-	4,500,000	-	-	4,500,000	4,500,000	4,500,000
C J Quirk	-	4,500,000	-	-	4,500,000	4,500,000	4,500,000
J J Palermo	-	-	-	-	-	-	-
G G H Denison	-	-	-	4,500,000	4,500,000	4,500,000	4,500,000
Total	-	9,000,000	-	4,500,000	13,500,000	13,500,000	13,500,000

* 4,500,000 options were issued to G G H Denison pursuant to the consultant contract dated 21 December 2005 between OBJ Limited and International Business Development Consultants Pty Limited. The fair value of the options issued was \$155,640. The options have been valued using the Black-Scholes valuation method.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

NOTE 15: DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

(d) Share Holdings by Directors

	Balance 01/07/05 (No. of Shares)	Received Remuneration (No. of Shares)	No. of Options Exercised	Net Other Change (No. of Shares)	Balance 30/06/06 (No. of Shares)
Parent Entity Director					
J D Edwards	93,525,000	–	–	(14,000,000)	79,525,000
C J Quirk	31,200,000	–	–	(3,400,000)	27,800,000
J J Palermo	–	–	–	–	–
G G H Denison	–	–	–	150,000	150,000
Total Directors	124,725,000	–	–	(17,250,000)	107,475,000

NOTE 16: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Consolidated		Parent Entity	
30 June 2006	30 June 2005	30 June 2006	30 June 2005
\$	\$	\$	\$

Transactions with director-related parties:

- (i) International Business Development
Consultants Pty Ltd

–	–	–	–
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NOTE 17: AUDITORS' REMUNERATION

Amounts received or due and receivable by the auditor

of the Parent entity for:

– Audit and review of the accounts	58,272	16,500	58,272	16,500
– Other services	–	–	–	–
	58,272	16,500	58,272	16,500

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

Consolidated		Parent Entity	
30 June 2006	30 June 2005	30 June 2006	30 June 2005
\$	\$	\$	\$

NOTE 18: ISSUED CAPITAL

356,175,000 fully paid ordinary shares

(2005: 331,000,000)

	11,005,115	10,191,429	11,005,115	10,191,429
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Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Movement in ordinary share capital of the Company during the year was as follows:

Date	Details	Number of Shares	Issue Price	\$
01/07/2005	Opening balance	331,000,000	–	10,191,429
25/08/2005	Shares issued as part of raising of working capital	23,875,000	\$0.032	764,000
25/08/2005	Less: transaction costs arising on share issues	–	–	(41,314)
22/12/2005	Shares issued as part of debt conversion	1,300,000	\$0.07	91,000
30/06/2006	Closing balance	356,175,000		11,005,115

NOTE 19: RESERVES

Consolidated		Parent Entity	
30 June 2006	30 June 2005	30 June 2006	30 June 2005
\$	\$	\$	\$

Option reserve	565,160	–	565,160	–
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The option reserve records items recognised as expenses on valuation of employee/consultant share options.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

NOTE 19: RESERVES (continued)

Movements in Options	Number of options	Exercise price	Fair value of options issued	Expiry date
Unlisted options issued to Directors on 22/12/2005	3,000,000	\$0.05	\$61,440	31/12/2008
Unlisted options issued to Directors on 22/12/2005	3,000,000	\$0.10	\$48,300	31/12/2008
Unlisted options issued to Directors on 22/12/2005	3,000,000	\$0.15	\$40,380	31/12/2008
Unlisted options issued to Employee/ Consultants on 22/12/2005	4,000,000	\$0.05	\$240,720	31/12/2008
Unlisted options issued to Employee/ Consultants on 22/12/2005	4,000,000	\$0.10	\$105,200	31/12/2008
Unlisted options issued to Employee/ Consultants on 22/12/2005	4,000,000	\$0.15	\$69,120	31/12/2008
	<u>21,000,000</u>		<u>\$565,160</u>	

NOTE 20: JOINT VENTURES

Consolidated		Parent Entity	
30 June 2006	30 June 2005	30 June 2006	30 June 2005
\$	\$	\$	\$

The Company has a 50% interest in the Keystone Marketing Asia Joint Venture with respect to the Company's licence over the Australian region to market the Keystone suite of products.

The Company's share of assets employed in the joint venture is:

Current Assets	30 June 2006	30 June 2005	30 June 2006	30 June 2005
Cash	1,621	1,481	1,621	1,481
Share of total assets of joint venture	<u>1,621</u>	<u>1,481</u>	<u>1,621</u>	<u>1,481</u>
Net interest in joint venture	<u>1,621</u>	<u>1,481</u>	<u>1,621</u>	<u>1,481</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

NOTE 21: INVESTMENTS IN CONTROLLED ENTITIES

Name of the Parent Entity

OBJ Limited

Name of acquired entity	Country of incorporation	Class of shares	Percentage equity holding 2006	Percentage equity holding 2005
International Scientific Pty Ltd	Australia	Ordinary	100%	100%

NOTE 22: EARNINGS PER SHARE

Diluted loss per share is the same as basic loss per share.

The following reflects the income and data used in the calculations of basic and diluted loss per share:

	Consolidated	
	2006	2005
	\$	\$
Net loss after income tax	(1,433,090)	(1,834,582)
Loss used in calculating basic and diluted loss per share	<u>(1,433,090)</u>	<u>(1,834,582)</u>
Weighted average number of ordinary shares used in calculating basic loss per share:	<u>351,946,085</u>	<u>281,534,247</u>
Weighted average number of ordinary shares used in calculating diluted loss per share:	(a) <u>351,946,085</u>	<u>281,534,247</u>

(a) Options outstanding are considered non-diluted and therefore are excluded from the calculation of EPS.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

NOTE 23: FINANCIAL INSTRUMENTS

Interest Rate Risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is summarised as follows:

Consolidated Entity

2006

	Non- Interest Bearing (\$)	Fixed Interest Rate Maturing			Floating Interest Rate (\$)	Total (\$)	Weighted average interest rate
		1 Year or Less (\$)	Over 1 to 5 Years (\$)	More than 5 Years (\$)			
Financial assets:							
Cash and cash equivalents	-	-	-	-	559,651	559,651	5.56%
Trade and other receivables	18,170	-	-	-	-	18,170	-
	18,170	-	-	-	559,651	577,821	
Financial liabilities:							
Trade and other payables	40,868	-	-	-	-	40,868	-
Interest bearing liabilities	1,620	-	-	-	-	1,620	-
	42,488	-	-	-	-	42,488	
Net financial instruments	(24,318)	-	-	-	559,651	535,333	

2005

	Non- Interest Bearing (\$)	Fixed Interest Rate Maturing			Floating Interest Rate (\$)	Total (\$)	Weighted average interest rate
		1 Year or Less (\$)	Over 1 to 5 Years (\$)	More than 5 Years (\$)			
Financial assets:							
Cash and cash equivalents	-	-	-	-	723,821	723,821	3.5%
Trade and other receivables	12,205	-	-	-	-	12,205	-
	12,205	-	-	-	723,821	736,026	
Financial liabilities:							
Trade and other payables	39,504	-	-	-	-	39,504	-
	39,504	-	-	-	-	39,504	
Net financial instruments	(27,299)	-	-	-	723,821	696,522	

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008 (continued)

NOTE 23: FINANCIAL INSTRUMENTS (continued)

Credit Risk Exposure

The maximum credit risk exposure for each class of financial assets is represented by the carrying amounts of the class of asset.

The group had no significant concentrations of credit risk with any single counterparty or group of counterparties.

NOTE 24: EVENTS SUBSEQUENT TO REPORTING DATE

Since the end of the financial year the Company had made a placement of 51,500,000 ordinary fully paid shares at a placement price of \$0.05 per share together with a one for two, free attaching option exercisable at \$0.10 on or before 31 December 2008. The Company raised a total of \$2,575,000 which enhances the Company's cash reserves for the coming periods, thus enabling the Company to continue to operate as a going concern.

NOTE 25: ECONOMIC DEPENDENCY

The Company is not economically dependent upon any third parties.

NOTE 26: SEGMENT INFORMATION

Following the acquisition of International Scientific Pty Ltd in November 2004, the principal activity of the Company is the development of the dermaportation drug delivery technology. Previously the Company operated in the information technology and telecommunications industry.

The Company operates in one geographical segment being Australia.

NOTE 27: DEFERRED CONSIDERATION

On 19 November 2004, the Company acquired International Scientific Pty Limited. As part of the purchase consideration, the Company issued the following convertible shares:

49 million B Class shares, and
49 million C Class shares

These convertible shares have no voting rights and cannot be traded but are convertible to ordinary shares on the basis of one ordinary share for every one B or C Class Share subject to the achievement by the Company of certain performance milestones.

Under AASB 3 'Business Combinations' when a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the acquirer shall include the amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

At the date of this report, the Directors are unable to quantify the financial effect arising from the potential conversion of these shares. In accordance with AASB 3 the cost of acquisition will require to be adjusted when the variation can be reliably measured.

Directors' Declaration

- 1) In the opinion of the Directors:
 - (a) the financial statements and notes of the Company and of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
 - i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
 - ii) complying with Accounting Standards and Corporation Regulation 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

- 2) The Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.

Signed in accordance with a resolution of the Board of Directors:



Jeffrey Edwards

Director

Perth, Western Australia

27 September 2006

Independent Audit Report
TO THE MEMBERS OF OBJ LIMITED



Chartered Accountants
& Business Advisers

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, notes to the financial statements and the directors' declaration for both OBJ Limited (the Company) and the Consolidated Entity for the year ended 30 June 2006. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes the responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independent Audit Report
TO THE MEMBERS OF OBJ LIMITED (continued)

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of OBJ Limited is in accordance with:

- (a) The Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

PKF

Grant F. Saxon

Partner

Sydney, 27 September 2006.

ASX Additional Information

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report.

1. Shareholding

a. Distribution of Shareholders Number as at 7 September 2006

Category (size of Holding)	Holders
1 – 1,000	219
1,001 – 5,000	216
5,001 – 10,000	83
10,001 – 100,000	530
100,001 – and over	432
	1,480

b. There are 1,480 holders of fully paid ordinary shares.

c. The number of shareholdings held in less than marketable parcels is 458.

d. The names of the substantial shareholders listed in the holding Company's register as at 7 September 2006 are:

Shareholder	Ordinary	%
Robert Alexander Douglas	24,100,000	6.77
JEB Holdings Pty Ltd <Edwards Family A/c>	20,725,000	5.82

e. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

Each ordinary share is entitled to one vote when a poll is called otherwise each member present at a meeting or by proxy has one vote on a show of hands.

B Class shares

These securities have no voting rights.

C Class shares

These securities have no voting rights.

Options

These securities have no voting rights.

ASX Additional Information

(continued)

1. Shareholding (continued)

f. 20 Largest Shareholders as at 7 September 2006 — Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. Robert Alexander Douglas	24,100,000	6.77
2. JEB Holdings Pty Ltd <Edwards Family A/c>	20,725,000	5.82
3. Fongrad Pty Ltd	17,475,000	4.91
4. Fong Sum Meng	12,677,000	3.56
5. Peter Ernest Thrupp and Julie Ann Thrupp	9,150,000	2.57
6. Shemariah Pty Ltd	8,700,000	2.44
7. Peter Graham Wells	8,420,000	2.36
8. Peter Hills	7,885,000	2.21
9. Colin Kirkwood	6,000,000	1.68
10. Flinders Property Investments Pty Ltd	5,778,578	1.62
11. Gilbert James Shearer and Elizabeth Jean Shearer	4,850,000	1.36
12. Dolphin Technology Pty Ltd	4,833,334	1.36
13. John McKinnon Snowden & Pauline Snowden	4,800,000	1.35
14. Shemariah Pty Ltd <Kirkwood Family Super A/c>	4,622,533	1.30
15. Xiangqun Wu	4,600,000	1.29
16. Roderick Siller	4,500,000	1.26
17. Paul Gerard Hislop and Linda Jane Hislop	4,075,000	1.14
18. Zabdiel Pty Ltd	3,927,467	1.10
19. Christopher John Quirk and Sheryl Elizabeth Quirk	3,400,000	0.95
20. Heather Ann Wright	2,400,000	0.67
	162,918,912	45.72

g. Options

There are 21,000,000 options on issue as at the date of this report.

h. Restricted Securities

There are no restricted securities as at the date of this report

2. Directors' Interests

Interests of each Director in the share capital of the Company at 30 June 2006 are detailed in Note 15 of this report.

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OBJ Limited

284 Oxford Street

Leederville 6007

Perth, Western Australia