OBJ LIMITED

ABN 72 056 482 636

Annual Report **2008**

Corporate Directory

AUSTRALIAN COMPANY NUMBER:
056 482 636

DIRECTORS:
Jeffrey David Edwards
Christopher John Quirk
Glyn Gregory Horne Denison

SECRETARY:
John Joseph Palermo
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LEEDERVILLE WESTERN AUSTRALIA 6007

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AUDITORS:
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ASX CODE:
OBJ

HOME EXCHANGE:
Australian Securities Exchange Limited
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PERTH WESTERN AUSTRALIA 6000

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Review Of Operations

The 2008 financial year focused on advancing the Company's drug delivery technology and expanding business relationships with initiation of the technology proof-of-concept program, strengthening of the intellectual property portfolio and achievement of a new research collaboration with a global healthcare company.

BUSINESS STRATEGY

OBJ is a drug delivery company focused on the development and commercialisation of transdermal drug delivery technology for use in the pharmaceutical and cosmetic industries. The Company is developing two early-stage drug delivery technologies for the transdermal delivery of pharmaceutical and cosmetic compounds through or into the skin without the need for injections.

The Company's business strategy is to leverage its platform delivery technologies to develop effective transdermal solutions for existing molecules and commercialise products through early-stage licensing deals with pharmaceutical and cosmetic partners. This strategy aims to minimise OBJ's development risk by collaborating with partners that have the clinical development, regulatory and marketing capabilities to successfully develop and commercialise transdermal products. It also has the potential to provide the Company with early revenues from contract research fees and lead to future licensing fees or royalty income.

TECHNOLOGY PLATFORMS

OBJ's proprietary technology portfolio includes two magnetic transdermal drug delivery platforms, Dermaportation and Enhanced Transdermal Polymer that use magnetic fields to control drug movement and skin permeability to enhance transdermal delivery of small molecules and potentially peptides.

Dermaportation (DP) is a *powered electromagnetic transdermal drug delivery platform* that uses time-varying electromagnetic fields to enable transdermal delivery of susceptible molecules. The Dermaportation platform is designed to be integrated into a battery-operated transdermal patch or a separate hand-held applicator that is combined with a commercial drug patch to provide fast onset, controlled delivery and patient monitoring benefits for prescription drug applications.

Enhanced Transdermal Polymer (ETP) is an *unpowered magnetic transdermal drug delivery platform* that uses stationary magnetic fields to deliver susceptible molecules into or through the skin. The ETP platform may be integrated into existing drug-in-adhesive and matrix patch technologies to provide a painless, cost-effective and continuous active patch delivery solution for cosmetic and pharmaceutical "over the counter" applications.

The **transdermal drug delivery market** was valued at US$13.7B globally in 2006 and is forecast to reach US$21.5B by 2010 with an annual growth rate of 12%.[1] The key factors driving demand for transdermal delivery technology and products in the pharmaceutical market are improving the therapeutic index of drugs, improving patient compliance, extending patent life and product life-cycle management.

Subject to successful proof-of-concept, the OBJ delivery platforms provide the Company with opportunities to create value by licensing the technology to pharmaceutical partners for potential licensing revenues or by using them to develop an early-stage OBJ transdermal pipeline for future product out-licensing.

Transdermal delivery is a safe, convenient and painless method of drug delivery through-the-skin that avoids the complications associated with long-term oral or injectable delivery. The magnetic delivery platforms have some unique features that have the potential to increase the transdermal delivery rate of susceptible drugs and provide *cost and therapeutic effectiveness* advantages over existing transdermal technologies.

[1] *Jain PharmaBiotech. Transdermal Drug Delivery – Technologies, Companies & Markets. Basel 2007; Jun.*

Review Of Operations
(continued)

INTELLECTUAL PROPERTY

During the period, the Company strengthened its intellectual property portfolio with the filing of an international PCT patent application for its ETP technology covering the transdermal delivery method and apparatus.

OBJ currently has exclusive access to 4 patent families with 2 International Patent Applications and 2 Australian Provisional Patent Applications (APPA) filed and owned by International Scientific Pty Ltd (wholly owned subsidiary of OBJ Limited). OBJ's transdermal technology filings, once granted, will provide protection over the magnetic delivery method and apparatus of both its Dermaportation and ETP technologies until beyond 2024. A summary of OBJ's patent portfolio is provided below:

Figure 1: OBJ Patent Status

Coverage	Patent / Application No	Filing/Priority Date	Status
Patent family 1:	**Apparatus for Facilitating Transdermal Delivery of Therapeutic Substances and Method of Transdermally Delivering Therapeutic Substances (PCT AU2004001599)**		
Australia	AU2004290459	18 November 2004	Pending
Europe	EP04797047	18 November 2004	Pending
USA	US10/595,964	18 November 2004	Pending
Patent family 2:	**Method and Apparatus for Enhanced Transdermal Diffusion (biphasic ETP)**		
PCT	AU2008/000636	7 May 2008	Filed
Patent family 3:	**Dermaportation Method**		
APPA	AU2007905494	5 October 2007	Provisional

RESEARCH & DEVELOPMENT

During the period, the Company was primarily engaged in research activities to develop, optimise and validate its transdermal drug delivery platforms, broaden its scientific data package and strengthen its IP portfolio.

Early in vitro skin diffusion studies at Curtin University of Technology using human skin and at OBJ using porcine skin showed preliminary evidence that magnetic delivery increased the transdermal delivery rate and amount of hydrophilic small molecules and peptides.

In January 2008, the Company commenced an in vitro proof-of-concept (POC) program at the University of Queensland to validate its DP and ETP delivery platforms for pharmaceutical applications. The technology POC aims to demonstrate positive *in vitro skin penetration* and *in vivo validation* results for susceptible small molecules, peptides and vaccines. The program is being supervised by OBJ Scientific Adviser, Dr Michael Roberts, and has been focused on in vitro evaluation of a range of small molecules to develop and optimise the magnetic fields before progressing to in vivo validation. The vaccine project has been put on hold until completion of the small molecule evaluation.

The Company also executed a research collaboration with the University of Queensland in January 2008 for a $250K ARC Linkage Grant titled "Topical peptide delivery for cosmetic and therapeutic benefits", and plans to investigate the mechanism and feasibility of using the ETP platform for delivery of cosmetic peptides under this collaboration.

Review Of Operations
(continued)

Also, in January 2008, the Company commenced a feasibility program with a global healthcare company to evaluate the use of both the DP and ETP platforms for up to 2 compounds for over-the-counter (OTC) healthcare applications. The first stage of this project was successfully completed in March 2008.

An internal cosmetic program was initiated during the period to evaluate the efficacy of ETP delivery for a range of active cosmetic ingredients and products using in vivo techniques. Preliminary results suggest that the ETP platform may improve wrinkle depth and hydration when used as a daily patch treatment compared to topical treatment.

BUSINESS DEVELOPMENT AND PARTNERING

In December 2007, the Company executed a new research collaboration agreement with a global healthcare company to evaluate its magnetic delivery platforms for OTC applications. The terms of the agreement and details of the feasibility project are subject to confidentiality; however the Company will receive payment for completion of the project. The agreement also deals with future collaboration and potential licensing rights that may arise following a successful feasibility. Should the technology achieve its success milestones, this project will provide significant industry validation of the OBJ delivery platforms.

The Company is also at various stages of discussion and assessment with other pharmaceutical and drug delivery companies to evaluate the OBJ technology for transdermal delivery. OBJ aims to take advantage of the current interest in active delivery platforms that can provide a transdermal solution for existing drugs going off-patent within the next 4-5 years. The objective is to negotiate development and licensing agreements with interested parties for the OBJ technology upon demonstration of successful feasibility/POC.

The Company has also evaluated and selected a GLP/GMP accredited contract research organisation in the USA with the in vitro transdermal, preclinical and clinical capabilities as a suitable partner to conduct future OBJ and partner-funded product development activities.

The Company is exploring opportunities for collaboration with cosmetic companies to develop a cosmetic patch based on the ETP platform. Cosmetic companies are actively seeking novel technologies that can enhance the penetration of active ingredients into the skin and significant interest has been expressed in the ETP cosmetic patch. The Company's strategy is to advance development of the ETP cosmetic patch prototype and demonstrate effectiveness through independent consumer efficacy trials before seeking a cosmetic partner to develop and commercialise specific cosmetic patch products. The cosmetic patch market is an attractive market for the OBJ technology platforms with high market potential and lower regulatory hurdles, development costs and time to market than pharmaceutical applications.

Business development efforts remain focused on advancing existing business relationships with collaborators and potential partners, and will also seek to identify and evaluate other business opportunities to expand and or strengthen the OBJ technology and/or product portfolio.

The Company continues to promote its technology and achievements to potential investors, collaborators and partners, and attended several key international biotechnology and scientific conferences during the period.

OTHER EVENTS

In May 2008, the Company announced that it had appointed Dr Ken Donald and Dr Gilbert Shearer to its Board of Directors. Drs Donald and Shearer have strong scientific and medical networks that may provide potential benefits to the Company's research and development programs.

Review Of Operations
(continued)

FINANCIAL

The net loss for the financial year ended 30 June 2008 was $926K (2007:-$1.397M). Total revenues for the year were $896K (2007: $228K) and included receipts from contract research fees, R&D tax offset, Export Market Development Grant and interest.

Operating expenses were $1.821M (2007: $1.625M), reflecting increased employee costs and expenditure on research for the OBJ technology platforms. The balance sheet showed cash reserves of $1.423M at 30 June 2008.

SUBSEQUENT EVENTS

In September 2008, the Company released a shareholder update advising that the technology POC program had found initial evidence supporting enhanced transdermal delivery of Naltrexone by the Dermaportation platform. The initial results have been used to broaden the POC program to identify and optimise the key factors influencing magnetic transdermal delivery. The Company has engaged several transdermal and magnetic experts to assist with the planning and implementation of this project.

The Company is committed to focusing on its science, people and partnerships in 2009. OBJ plans to strengthen its scientific team and advance its technology proof-of-concept program with a focus on increasing its scientific data package and progressing successful molecules through to in vivo validation. Additionally, the Company plans to progress its existing business relationships and seek further business opportunities to strengthen its technology and/ or product portfolio with the objective of enhancing shareholder value.

On 10 September 2008, the Company issued 68,000,000 ordinary shares at $0.005 per share being placement to raise additional working capital of $75,000 and consideration for the debt conversion of 265 convertible notes for $265,000.

On 26 September 2008, Gilbert Shearer and Kenneth Donald resigned as directors.

OUTLOOK

The Company is committed to focusing on its science, people and partnerships in 2009. OBJ plans to strengthen its scientific team and advance its technology proof-of-concept program with a focus on increasing its scientific data package and progressing successful molecules through to in vivo validation. Additionally, the Company plans to progress its existing business relationships and seek further business opportunities to strengthen its technology and/ or product portfolio with the objective of enhancing shareholder value.

Directors' Report

The directors present their report on the results of OBJ Limited and its controlled entities for the year ended 30 June 2008.

DIRECTORS

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

Mr. Jeffrey David Edwards	
Dr. Christopher John Quirk	
Mr. Glyn Gregory Horne Denison	
Mr. John Joseph Palermo	(resigned: 7 May 2008)
Dr. Gilbert Shearer	(appointed: 7 May 2008 / resigned: 26 September 2008)
Dr. Kenneth Donald	(appointed: 7 May 2008 / resigned: 26 September 2008)

PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year ended 30 June 2008 were research and development for its Dermaportation and ETP transdermal drug delivery technologies.

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 $925,519 (2007: $1,396,511).

DIVIDENDS PAID OR RECOMMENDED

No dividends were paid during the year ended 30 June 2008.

The Board has not made a recommendation to pay dividends for the period to 30 June 2008.

REVIEW OF OPERATIONS

The Company continues to pursue development of its Dermaportation and ETP technologies, review its intellectual property assets and evaluate new business opportunities to strengthen its technology and/or product portfolio with the objective of enhancing shareholder value.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the year, the following shares and options were issued:

Date	Details	No. of Options	Exercise Price	Exercisable By
03/09/2007	Incentive to consultants	8,000,000	$0.07	30/06/2010
07/01/2008	Incentive to consultants and chief operations officer	6,000,000	$0.07	30/06/2010

SIGNIFICANT AFTER BALANCE DATE EVENTS

Details of subsequent events are set out in note 23.

Directors' Report
(continued)

LIKELY FUTURE DEVELOPMENTS AND EXPECTED RESULTS

Certain information regarding future developments has been disclosed in this report under the heading "Review of Operations". 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 Pty Ltd (therapeutics) and CollTech Australia Limited (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 24 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 Dr Quirk has also served as a director of the following other listed companies:

- Pharmanet Group Limited *

(* denotes current directorship)

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)

INFORMATION ON DIRECTORS (continued)

Dr Gilbert Shearer

Dr Gil Shearer is a dental surgeon and has practiced dentistry in the United Kingdom and South Africa. He established a dental practice limited to endodontics in Brisbane, which he managed until his retirement from clinical practice. Dr Shearer currently lectures and tutors undergraduate and post-graduate students in endodontics at the University of Queensland dental school. He was also past President of the Australian Society of Endodontology and the Queensland branch of Endodontology. During the past three years Dr Shearer has not held a directorship in any other listed companies.

Dr Kenneth Donald

Dr Ken Donald is a Pathologist and has held appointments as an Academic Pathologist, Director of Pathology at Royal Brisbane Hospital and Hunter Area Pathology Services, and Professor of Anatomical Pathology at the University of Newcastle. This followed post-doctoral studies at Erasmus University Rotterdam and Edinburgh University Scotland. He has also been Deputy Director-General of Health in Queensland, Professor and Head of the Department of Social and Preventive Medicine at the University of Queensland (UQ), and Head of the School of Medicine at UQ. He has chaired a number of major national authorities and committees within NHMRC, AIDS Control, Cancer Control and Veterans' Compensation Systems. He has published extensively in the medical literature and textbooks. Currently he is Chair of the Repatriation Medical Authority and a member of the Queensland Commission for Quality and Safety in Health Care. During the past three years Dr Donald has not held a directorship in any other listed companies.

COMPANY SECRETARY

Mr John J Palermo B.Bus. CA, ACIS

Mr Palermo is a Chartered Accountant with twelve years experience in Public Practice. Currently a Director of Palermo Chartered Accountants he has experience in public company accounting and administration. John J Palermo has completed extensive work with the Institute of Chartered Accountants both in Australia and overseas with the delivery of their Chartered Accountants Program.

DIRECTORS' MEETINGS

During the financial year ended 30 June 2008, the Company held 23 director's meetings, including director's resolutions. The total number of meetings attended and circular resolutions executed by each director were:

	Board Meetings		Resolutions
	Number Eligible to Attend	Number Attended	Number Executed
Mr J D Edwards	4	4	19
Dr C J Quirk	4	4	19
Mr G G H Denison	4	4	19
Mr J J Palermo (resigned: 7 May 2008)	4	3	18
Dr G Shearer (appointed: 7 May 2008 / resigned 26 September 2008)	–	–	1
Dr K Donald (appointed: 7 May 2008 / resigned 26 September 2008)	–	–	1

Directors' Report
(continued)

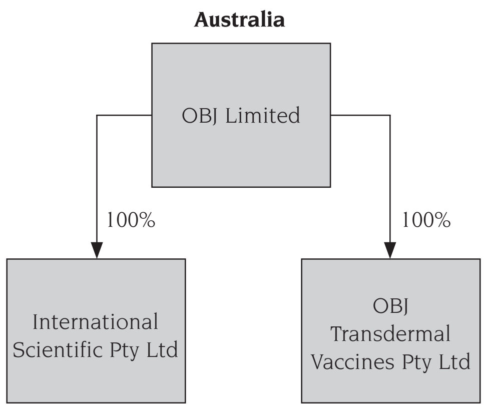
INDEMNIFICATION OF DIRECTORS AND OFFICERS

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 with its principal place of business at 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:



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
44,250,000	$0.10	31 December 2008
7,000,000	$0.15	31 December 2008
14,000,000	$0.07	30 June 2010

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

Directors' Report
(continued)

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and executives of the Company.

Remuneration policy (audited)

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 Company'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 broad 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.

Employment Agreements

The employment arrangements of the directors are not formalised in a contract of employment.

Remuneration for the Chief Operations Officer has been formalised in an employment agreement.

L M Hinch – Chief Operations Officer

– Base salary of $218,000, inclusive of superannuation of 9%, to be reviewed annually at June of each year.
– Bonus up to10% of base salary payable in cash or equity.

Directors' Report
(continued)

REMUNERATION REPORT (continued)

Remuneration of Directors and Executives (audited)

	Primary	Cash	Non-	Post Employment		Equity	Other	TOTAL
	Salary & Fees ($)	Bonus ($)	Monetary ($)	Superannuation ($)	Retirement Benefits ($)	Options ($)	Benefits ($)	($)
Parent Entity Directors and Executives								
Edwards, J D: Director (executive)								
2008	139,340	–	–	–	–	–	9,000	148,340
2007	120,000	–	–	–	–	33,880	9,750	163,630
Quirk, C J: Director (non-executive)								
2008	25,000	–	–	–	–	–	–	25,000
2007	18,750	–	–	6,250	–	33,880	–	58,880
Palermo, J J: Director (non-executive)								
2008	40,041	–	–	10,330	–	–	–	50,371
2007	46,250	–	–	13,700	–	33,880	–	93,830
Denison, G G H: Director (non-executive)								
2008	40,750	–	–	19,312	–	–	–	60,062
2007	–	–	–	25,000	–	33,880	–	58,880
Shearer, G: Director (non-executive)								
2008	–	–	–	1,717	–	35,700	–	37,417
2007	–	–	–	–	–	–	–	–
Donald, K: Director (non-executive)								
2008	–	–	–	1,717	–	35,700	–	37,417
2007	–	–	–	–	–	–	–	–
Hinch, L M: Chief Operations Officer								
2008	200,000	20,000	–	18,000	–	19,350	34	257,384
2007	61,025	–	–	5,492	–	–	–	66,517
Total								
2008	445,131	20,000	–	51,076	–	90,750	9,034	615,991
2007	246,025	–	–	50,442	–	135,520	9,750	441,737

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

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.

Directors' Report
(continued)

AUDITOR'S INDEPENDENDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 13.

NON-AUDIT SERVICES

Any non-audit services that may have been provided by the entity's auditor, RSM Bird Cameron Partners, is shown at Note 17. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act and the general principles relating to auditor independence set out in APES 110 Code of Ethics for Professional Accountants.. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Signed in accordance with a resolution of the board of directors.

Jeffrey Edwards
Director

Perth, Western Australia

26th September 2008

Auditor's Independence Declaration

TO THE DIRECTORS OF OBJ LIMITED

RSM! Bird Cameron Partners
Chartered Accountants

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AUDITOR INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of OBJ Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

S C CUBITT
Partner

Perth, WA
Dated: 26 September 2008

Corporate Governance Statement

The Company is committed to implementing the highest standards of corporate governance. In determining what those standards should involve, the Company has considered the ASX Corporate Governance Council recommendations. This statement outlines the main corporate governance practices, all of which have been in place throughout the financial year, unless otherwise stated. Where the Company has not followed one of the recommendations due to its size or the scale of its operations, that fact is stated.

1. Board of Directors

Role of the Board

The Company recognises the importance of the Board in providing a sound base for good corporate governance in the operations of the Company. The Board has primary responsibility to shareholders for the welfare of the Company by guiding and monitoring the business and the affairs of the Company and determining the vision and objectives of the Company.

The Board's key role is to govern the Company and to ensure the Company is properly managed. The key objective of the Board is to increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders. The role of senior management is to manage the Company in accordance with the direction and delegations of the Board. The Board oversees 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, whilst also ensuring that the Company complies with its contractual, statutory and any other legal obligations.

To assist the Board carry out its functions, it has developed a corporate Code of Conduct guide for directors and other key executives. This Code provides guidance which is designed to maintain confidence in the integrity of the Company and the responsibilities and accountability of individuals for reporting and investigating reports of unethical practices and is available from the Company's registered office.

Composition of the Board

Details of the members of the Board, their experience, expertise and qualifications are set out in the Directors' Report. The Board is comprised of five directors, four of whom are non-executive (including the Chairman). The Board believes that this is both appropriate and acceptable at this stage of the Company's development. The majority of Board members are independent, being the Chairman and two of the non-executive directors. In determining whether the directors are independent, the Board applies the criteria as set out in the ASX Corporate Governance Principles and Recommendations. Directors are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the director's ability to act in the best interests of the Company. In this context, 'materiality' is determined on both qualitative and quantitative bases. Under this definition of independence, Dr K Donald, Dr G Shearer and Mr G Denison are considered independent directors.

The role of Chairman, who is elected at each meeting by the directors, and executive director are held by separate persons.

Corporate Governance Statement
(continued)

Board Responsibilities

The Board is responsible for supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed. This includes ensuring the Company is properly managed, by appointing the Executive Director and Chief Operations Officer, and ratifying the appointment of the Company Secretary.

The Board is also responsible for formulating short term and long term strategies to enable the Company to achieve its objectives and ensuring that the Company has the resources to meet its strategic objectives. Further responsibilities include approval and monitoring of major capital expenditure, establishing, monitoring and determining the powers and duties of the Company's committees and monitoring financial and other reporting and appointing the external auditor.

The Board may not delegate its overall responsibility for the matters listed above however, it may delegate related day-to-day activities provided those matters do not exceed defined materiality thresholds.

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.

Board Policies

(i) Trading in Company Securities

In order to preserve the reputation and integrity of the Company, it is imperative that when people associated with the Company deal with the Company's securities those dealings are not only fair, but are seen to be fair. The Company has formulated a policy statement relating to securities trading. Under the policy, directors or employees who have price-sensitive information, relating to the Company, which has not been published or which is not otherwise generally available, are prohibited from trading in securities of the Company.

(ii) CEO and CFO Attestations

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

The Executive Director has made the following certifications to the Board:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and are in accordance with relevant accounting standards
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control is operating effectively and efficiently in all material respects.

Corporate Governance Statement
(continued)

(iii) ASX Listing Rule Disclosure Requirements

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. The Company has instigated internal procedures designed to provide reasonable assurance as to the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with relevant laws and regulations.

(iv) Communication with Shareholders

In line with adherence to the continuous disclosure requirements of the ASX, all shareholders are kept informed of major developments affecting the Company. This disclosure is through regular shareholder communications including the Annual Report, Quarterly Reports, the Company website and the distribution of specific releases covering major transactions or events. Shareholders are encouraged to exercise their right to vote, either by attending meetings, or by lodging a proxy.

(v) Attendance of Auditor at AGM

The Company's auditor attends all annual general meetings.

(vi) Risk Management Policy

Due to the size of the Company and the Board, a separate committee has not been set up to oversee risk management. The Company has, however, developed a risk management policy which sets out a framework for a system of risk management and internal compliance and control. The policy enables the Board to identify, assess, monitor and manage risk. This issue is regularly reviewed at Board meetings and risk management culture is encouraged amongst employees and contractors.

Determined areas of risk which are regularly considered include:

- performance and funding of research and development activities
- budget control and asset protection
- status of intellectual property
- compliance with government laws and regulations
- safety and the environment
- continuous disclosure obligations
- sovereign risk

Review of Board Performance

It is the policy of the Board to conduct an annual review of its performance. The Chairman is responsible for conducting this annual review of the Board, its committees and individual directors.

2. Nomination Committee

The Board does not have a formal nomination committee. Acting in its ordinary capacity from time to time as required, the Board carries out the process of determining the need for, screening and appointing new directors. In view of the size and resources available to the Company, it is not considered that a separate nomination committee would provide any benefits or efficiencies to this process.

Corporate Governance Statement
(continued)

Directors are appointed based on a number of factors which include, but are not limited to, their relevant experience and achievements, compatibility with the Company's scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities. Directors are initially appointed by the full Board, subject to election by shareholders at the next annual general meeting.

3. Audit Committee

The Company has not established an audit committee as, due to the size of the Company, it is not expected that it would be a more efficient mechanism than the full Board for focusing on issues relevant to the integrity of the Company's financial reporting. The Board addresses the governance aspects of the full scope of the Company's activities to ensure that it adheres to appropriate standards. Specific time is set aside at Board meetings to specifically address matters that would ordinarily fall to an Audit Committee. Although the Company has not established an audit committee, it has an audit committee charter which is complied with by the Board when it considers matters relating to financial reporting and the external auditor. This provides the Company with assurance as to the integrity of the financial statements of the Company and the independence of the external auditor.

4. Remuneration Committee

The Company has not established a remuneration committee as, due to the size of the Company, it is not expected that it would be a more efficient mechanism than the full Board for focusing on appropriate remuneration policies which are designed to meet the needs of the Company and to enhance corporate and individual performance.

Specific time is set aside at Board meetings to specifically address matters that would ordinarily fall to a remuneration committee. Although the Company has not established a remuneration committee, it has a remuneration committee charter which is complied with by the Board when it considers matters of remuneration.

Remuneration levels are determined by the Board on an individual basis, the size of the Company making individual assessment more appropriate than formal remuneration policies. In doing so, the Board seeks to retain professional services as it requires, at reasonable market rates, and seeks external advice and market comparisons where necessary.

In making decisions with respect to appropriate remuneration and incentive policies for executive directors and senior executives, the Board's objectives are to:

- motivate executive directors and senior executives to pursue the long term growth and success of the Company within an appropriate control framework;
- demonstrate a clear correlation between key performance and remuneration; and
- align the interests of key leadership with the long-term interests of the Company's shareholders.

Non-executive directors are remunerated by way of fees. They are not provided with retirement benefits other than statutory superannuation entitlements and are not entitled to participate in equity-based remuneration schemes of the Company.

Full details of the Company's framework and policies relating to remuneration and the remuneration received by directors and executives in the current period are disclosed in the Remuneration Report, which is contained in the Directors' Report.

Income Statement

FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated 30 June 2008 $	Consolidated 30 June 2007 $	Parent Entity 30 June 2008 $	Parent Entity 30 June 2007 $
Revenue	2	895,935	228,164	895,933	228,164
Directors and employees benefits expenses	3(b)	(730,975)	(582,012)	(381,788)	(582,012)
Consultants and consultants benefits expenses	3(b)	(546,269)	(575,111)	(394,743)	(570,548)
Administration expenses	3(b)	(109,534)	(91,698)	(94,649)	(87,553)
Occupancy expenses	3(b)	(42,624)	(27,673)	(42,624)	(27,673)
Depreciation expenses	3(a)	(14,207)	(15,493)	(12,541)	(14,750)
Diminution in value of loans	3(b)	–	–	(609,897)	(20,365)
Borrowing expenses	3(a)	(20,048)	–	(20,046)	–
Share of joint venture expenses	3(b)	(49)	(49)	(49)	(49)
Travel and accommodation	3(b)	(92,235)	(130,527)	(88,575)	(130,527)
Other expenses	3(b)	(265,513)	(202,112)	(154,538)	(195,407)
Loss before income tax		(925,519)	(1,396,511)	(903,517)	(1,400,720)
Income tax	4	–	–	–	–
Loss after income tax		(925,519)	(1,396,511)	(903,517)	(1,400,720)
Loss attributable to members of OBJ Limited		(925,519)	(1,396,511)	(903,517)	(1,400,720)
		Cents	**Cents**		
Basic and dilutive loss per share (cents per share)	21	(0.2)	(0.3)		

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

Balance Sheet
AS AT 30 JUNE 2008

	Note	Consolidated 30 June 2008 $	Consolidated 30 June 2007 $	Parent Entity 30 June 2008 $	Parent Entity 30 June 2007 $
Current Assets					
Cash and cash equivalents	5	1,422,613	2,042,745	1,379,072	2,038,105
Trade and other receivables	7	71,756	52,877	56,537	52,380
Other assets	8	4,072	1,427	4,072	1,427
Total Current Assets		1,498,441	2,097,049	1,439,681	2,091,912
Non-Current Assets					
Plant and equipment	6	40,168	49,950	37,717	48,711
Other financial assets	9	–	–	1,000	1,000
Total Non-Current Assets		40,168	49,950	38,717	49,711
Total Assets		1,538,609	2,146,999	1,478,398	2,141,623
Current Liabilities					
Trade and other payables	10	141,618	290,339	59,949	285,347
Interest bearing liabilities	11	265,000	–	265,000	–
Other liabilities	12	–	–	–	160
Total Current Liabilities		406,618	290,339	324,949	285,507
Total Liabilities		406,618	290,339	324,949	285,507
Net Assets		1,131,991	1,856,660	1,153,449	1,856,116
Equity					
Contributed equity	18	13,488,763	13,488,763	13,488,763	13,488,763
Reserves	19	960,820	759,970	960,820	759,970
Accumulated losses		(13,317,592)	(12,392,073)	(13,296,134)	(12,392,617)
Total Equity		1,131,991	1,856,660	1,153,449	1,856,116

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

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2008

	Issued Capital $	Option Reserves $	Accumulated Losses $	Total $
Consolidated				
Balance at 1 July 2006	11,005,115	565,160	(10,995,562)	574,713
Shares issued during the year	2,625,000	–	–	2,625,000
Transaction costs	(141,352)	–	–	(141,352)
Fair value of options issued during the year	–	194,810	–	194,810
Loss attributable to members of parent entity	–	–	(1,396,511)	(1,396,511)
Balance at 30 June 2007	13,488,763	759,970	(12,392,073)	1,856,660
Balance at 1 July 2007	13,488,763	759,970	(12,392,073)	1,856,660
Fair value of options issued during the year	–	200,850	–	200,850
Loss attributable to members of parent entity	–	–	(925,519)	(925,519)
Balance at 30 June 2008	13,488,763	960,820	(13,317,592)	1,131,991
Parent				
Balance at 1 July 2006	11,005,115	565,160	(10,991,897)	578,378
Shares issued during the year	2,625,000	–	–	2,625,000
Transaction costs	(141,352)	–	–	(141,352)
Fair value of options issued during the year	–	194,810	–	194,810
Loss attributable to members of parent entity	–	–	(1,400,720)	(1,400,720)
Balance at 30 June 2007	13,488,763	759,970	(12,392,617)	1,856,116
Balance at 1 July 2007	13,488,763	759,970	(12,392,617)	1,856,116
Fair value of options issued during the year	–	200,850	–	200,850
Loss attributable to members of parent entity	–	–	(903,517)	(903,517)
Balance at 30 June 2008	13,488,763	960,820	(13,296,134)	1,153,449

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

Cash Flow Statement
FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated 30 June 2008 $	Consolidated 30 June 2007 $	Parent Entity 30 June 2008 $	Parent Entity 30 June 2007 $
Cash flows from operating activities					
Receipts from customers and others		750,396	119,492	750,396	119,492
Payments to suppliers and employees		(1,478,179)	(1,154,455)	(1,519,798)	(1,163,912)
Interest received		134,058	108,672	134,056	108,672
Borrowing costs		(20,048)	–	(20,046)	–
Net cash used in operating activities	14	(613,773)	(926,291)	(655,392)	(935,748)
Cash flows from investing activities					
Proceeds from sale of plant and equipment		1,000	–	1,000	–
Payment for plant and equipment		(7,359)	(17,875)	(4,481)	(17,875)
Payment for the purchase of subsidiary		–	–	–	(1,000)
(Repayments)/proceeds from borrowings		–	(6,388)	(160)	160
Net cash used in investing activities		(6,359)	(24,263)	(3,641)	(18,715)
Cash flows from financing activities					
Proceeds from issues of shares and options		–	2,575,000	–	2,575,000
Transaction costs from issue of shares and options		–	(141,352)	–	(141,352)
Net cash provided by financing activities		–	2,433,648	–	2,433,648
Net (decrease)/increase in cash and cash equivalents held		(620,132)	1,483,094	(659,033)	1,479,185
Cash and cash equivalents at the beginning of the financial year		2,042,745	559,651	2,038,105	558,920
Cash and cash equivalents at the end of the financial year	5	1,422,613	2,042,745	1,379,072	2,038,105

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

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001.

The financial report was authorised for issue by the Board on 26 September 2008.

The financial report of OBJ Limited complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS), in their entirety. Compliance with AIFRS ensures that the financial report also complies with International Financial Reporting Standards (IFRS) in their entirety.

The financial report has been prepared on an accruals basis and is based on historical costs. Cost is based on the fair values of the consideration given in exchange for assets.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the entities controlled by OBJ Limited (parent entity) as at 30 June 2008 and the results of the controlled entities for the year then ended. The effects of all transactions between OBJ Limited and its controlled entities are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated income statement from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for the part of the year for which control exists.

(b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the rates that have been enacted or are substantively enacted by the 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 Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008 (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Plant and Equipment

Each class of 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.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value method commencing from the time the asset is held ready for use.

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

Plant and equipment	10-100%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date and where adjusted, shall be accounted for as a change in accounting estimate. Where depreciation rates or method are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method.

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.

(d) Impairment of Assets

At each reporting date, the Company 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.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008 (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition, these instruments are measured as set out below.

Controlled Entities

Investments in controlled entities are recognised at cost less provision for impairment.

Impairment

At each reporting date, the directors assess whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

(f) Interests in Joint Ventures

The Company'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.

(g) Intangibles

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.

(h) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the consolidated entity, are classified as finance leases. All other leases are classified as operating leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property of the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(i) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts.

(j) 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008 (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Employee Benefits (continued)

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.

(k) 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).

(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.

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 Company, 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.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008 (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Share-Based Payment Transactions (continued)

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.

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) Earnings per share

(i) *Basic Earnings per share*

Basic earnings per share is determined by dividing the operating profit/(loss) after income tax attributable to members of OBJ Limited by the weighted average number of ordinary shares outstanding during the financial year.

(ii) *Diluted Earnings per share*

Diluted earnings per share adjusts the amounts used in the determination of basic earnings per share by taking into account unpaid amounts on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

(o) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(p) Australian accounting standards and amendments issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The directors' assessment of the impact of new standards and interpretations that may affect the Company is set out below.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008 (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Australian accounting standards and amendments issued but not yet effective (continued)

(i) AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from* AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Company has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from* AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Company, as the Company does not have any borrowings (or already capitalises borrowing costs relating to qualifying assets).

(iii) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from* AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Company intends to apply the revised standard from 1 July 2009.

(q) Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the critical judgements and estimates that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Share-based payment transactions

The cost of 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 using the Black and Scholes valuation, further details of which are disclosed at Note 19.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008 (continued)

	Consolidated		Parent Entity	
	30 June 2008 $	30 June 2007 $	30 June 2008 $	30 June 2007 $
NOTE 2: REVENUE				
Export market development grant	87,657	–	87,657	–
Research and development collaboration revenue and tax offsets	662,739	119,492	662,739	119,492
Interest received	145,539	108,672	145,537	108,672
Total revenues	895,935	228,164	895,933	228,164

NOTE 3: EXPENSES

	Consolidated		Parent Entity	
	30 June 2008 $	30 June 2007 $	30 June 2008 $	30 June 2007 $
(a) Expenses				
Depreciation of plant and equipment	14,207	15,493	12,541	14,750
Borrowing costs expense				
– Interest expense	20,048	–	20,046	–
(b) Significant items				
Loss before income tax includes the following expenses whose disclosure is relevant in explaining the financial performance:				
Administration expenses	109,534	91,698	94,649	87,553
Auditor's remuneration	18,900	18,150	18,900	18,150
Consultants and consultants benefits expenses	546,269	575,111	394,743	570,548
Diminution in value of loans	–	–	609,897	20,365
Directors and employees benefits expenses	730,975	582,012	381,788	582,012
Insurances	20,676	25,214	20,676	25,214
Legal costs	15,814	20,641	6,314	20,641
Occupancy expenses	42,624	27,673	42,624	27,673
Share of joint venture expenses	49	49	49	49
Travel and accommodation	92,235	130,527	88,575	130,527
Other	210,123	138,107	108,648	131,402
	1,787,199	1,609,182	1,766,863	1,614,134

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008 (continued)

	Consolidated		Parent Entity	
	30 June 2008 $	30 June 2007 $	30 June 2008 $	30 June 2007 $
NOTE 4: INCOME TAX				
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:				
Loss before income tax	(925,519)	(1,396,511)	(903,517)	(1,400,720)
Income tax calculated at 30%	(277,656)	(418,953)	(271,055)	(420,216)
Tax effect of non deductible expenses				
– Non allowable expenditure	244,656	85,801	223,236	91,811
Underprovision of tax for prior periods	(164,843)	–	(328,346)	–
Tax effect of current period losses not recognised as deferred tax assets	197,843	333,152	376,165	328,405
Income tax expenses	–	–	–	–
The following deferred tax assets have not been brought to account as assets:				
Tax losses available at 30% tax rate	936,569	644,491	590,482	630,156
Tax losses available	3,121,896	2,148,303	1,968,275	2,100,520

A deferred tax assets in relation to tax losses are not brought to account unless it is probable that future taxable amounts within the entity will be available against which the unused tax losses 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008 (continued)

	Consolidated		Parent Entity	
	30 June 2008 $	30 June 2007 $	30 June 2008 $	30 June 2007 $
NOTE 5: CASH AND CASH EQUIVALENTS				
Cash on hand	600	389	600	389
Cash at bank	122,013	42,356	78,472	37,716
Cash on deposit	1,300,000	2,000,000	1,300,000	2,000,000
	1,422,613	2,042,745	1,379,072	2,038,105
NOTE 6: PLANT AND EQUIPMENT				
Plant and equipment at cost	86,207	85,718	78,800	81,189
Accumulated depreciation	(46,039)	(35,768)	(41,083)	(32,478)
Total plant and equipment	40,168	49,950	37,717	48,711
Reconciliation of the carrying amount of plant and equipment is set out below:				
Carrying amount at the beginning of year	49,950	47,568	48,711	45,586
Additions	7,359	17,875	4,481	17,875
Disposals	(1,000)	–	(1,000)	–
Loss on disposal	(1,934)	–	(1,934)	–
Depreciation expense	(14,207)	(15,493)	(12,541)	(14,750)
Carrying amount at the end of year	40,168	49,950	37,717	48,711
NOTE 7: TRADE AND OTHER RECEIVABLES				
Amounts receivable from controlled entities	–	–	652,530	42,634
Prepayments	17,432	19,070	17,432	19,070
Accrued income	11,481	–	11,481	–
GST refundable	42,843	33,807	27,624	33,310
	71,756	52,877	709,067	95,014
Less: impairment loss of amounts receivable from controlled entities	–	–	(652,530)	(42,634)
	71,756	52,877	56,537	52,380

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008 (continued)

	Consolidated		Parent Entity	
	30 June 2008 $	30 June 2007 $	30 June 2008 $	30 June 2007 $
NOTE 8: OTHER ASSETS				
Credit card funds	4,072	1,427	4,072	1,427
NOTE 9: OTHER FINANCIAL ASSETS				
Shares in controlled entities – at cost	–	–	1,091,000	1,091,000
Less: impairment	–	–	(1,090,000)	(1,090,000)
	–	–	1,000	1,000
NOTE 10: TRADE AND OTHER PAYABLES				
Other creditors and accruals	141,618	290,339	59,949	285,347
NOTE 11: INTEREST BEARING LIABILITIES				
Convertible notes – unsecured	265,000	–	265,000	–

Convertible note terms:

Issue Date	Amount $	Interest Rate	Convertible On or Before
11 July 2007	120,000	12% per annum	18 September 2008
1 December 2007	50,000	12% per annum	1 January 2010
11 April 2008	95,000	12% per annum	11 May 2009
	265,000		

	Consolidated		Parent Entity	
	30 June 2008 $	30 June 2007 $	30 June 2008 $	30 June 2007 $
NOTE 12: OTHER LIABILITIES				
Amounts payable to controlled entity	–	–	–	160

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008 (continued)

NOTE 13: CAPITAL AND LEASE COMMITMENTS

(a) *Capital Expenditure commitments*

There were no capital expenditure commitments as at 30 June 2008.

(b) *Finance lease and hire purchase commitments*

There were no finance lease and hire purchase commitments as at 30 June 2008.

(c) *Operating lease commitments*

	Consolidated		Parent Entity	
	30 June 2008 $	30 June 2007 $	30 June 2008 $	30 June 2007 $
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	36,600	27,450	36,600	27,450
Between 12 months and 5 years	146,400	109,800	146,400	109,800
	183,000	137,250	183,000	137,250

NOTE 14: CASH FLOW INFORMATION

(a) Reconciliation of net cash and cash equivalents used in operating activities to loss after income tax:

Loss after income tax	(925,519)	(1,396,511)	(903,517)	(1,400,720)
Depreciation	14,207	15,493	12,541	14,750
Equity settled share based payment	200,850	194,810	200,850	194,810
Conversion of debt to equity	265,000	50,000	265,000	50,000
Loss on disposal of plant and equipment	1,934	–	1,934	–
Movements in assets and liabilities:				
Receivables	(18,879)	(14,470)	(4,157)	(13,983)
Payables	(151,366)	224,387	(228,043)	219,395
Net cash used in operating activities	(613,773)	(926,291)	(655,392)	(935,748)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008 (continued)

NOTE 14: CASH FLOW INFORMATION (continued)

	Consolidated		Parent Entity	
	30 June 2008 $	30 June 2007 $	30 June 2008 $	30 June 2007 $
(b) Acquisition of entity				
On 4 December 2006, the Company acquired 100% of the issued ordinary shares of OBJ Transdermal Vaccines Pty Ltd.				
Cash purchase consideration	–	–	–	1,000
Cash outflow	–	–	–	1,000
Assets and liabilities held at acquisition date:				
Cash	–	–	–	1,000

(c) Non-cash investing and financing activities

During the year, the parent entity issued 265 convertible notes as consideration of $265,000 for debt conversions on 11 July 2007, 1 December 2007 and 11 April 2008.

NOTE 15: KEY MANAGEMENT PERSONNEL

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

Directors

Mr Jeffrey David Edwards	Director – Executive	
Dr Christopher John Quirk	Director – Non-Executive	
Mr Glyn Gregory Horne Denison	Director – Non-Executive	
Mr John Joseph Palermo	Director – Non-Executive	(resigned: 7 May 2008)
Dr Gilbert Shearer	Director – Non-Executive	(appointed: 7 May 2008) (resigned: 26 September 2008)
Dr Kenneth Donald	Director – Non-Executive	(appointed: 7 May 2008) (resigned: 26 September 2008)

Specified Executives

Ms Leearne Maree Hinch	Chief Operations Officer

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008 (continued)

NOTE 15: KEY MANAGEMENT PERSONNEL (continued)

Transactions with Key Management Personnel

Either individually or through companies under his control, Mr John J Palermo has received payment for the provision of accounting, secretarial and administration under normal commercial terms and conditions up until the time of resigning as a director on 7 May 2008.

The aggregate amount of payments for the above mentioned services provided in the ordinary course of business are as follows:

	2008 $	2007 $
Accounting, secretarial and administrative	72,896	73,242

Remuneration Options

			Terms & Conditions for Each Grant		
	Grant No.	Grant Date	Exercise Price $	First Exercise Date	Last Exercise Date
J D Edwards	–	–	–	–	–
C J Quirk	–	–	–	–	–
G G H Denison	–	–	–	–	–
G Shearer	2,000,000	03/09/2007	$0.07	30/06/2010	30/06/2010
K Donald	2,000,000	03/09/2007	$0.07	30/06/2010	30/06/2010

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 directors' fees. The options have been valued using the Black-Scholes valuation method.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008 (continued)

NOTE 15: KEY MANAGEMENT PERSONNEL (continued)

Options and Rights Holdings by Directors

Parent Entity Director	Balance 01/07/07 (No. Options)	Granted as Remuneration (No. Options)	No. of Options Exercised	Net Change Other (No. Options)	Balance 30/06/08 (No. Options)	Total Vested 30/06/08 (No. Options)	Total Exercisable (No. Options)
J D Edwards	6,500,000	–	–	–	6,500,000	6,500,000	6,500,000
C J Quirk	6,500,000	–	–	–	6,500,000	6,500,000	6,500,000
G G H Denison	6,500,000	–	–	–	6,500,000	6,500,000	6,500,000
G Shearer	–	2,000,000	–	–	2,000,000	2,000,000	2,000,000
K Donald	–	2,000,000	–	–	2,000,000	2,000,000	2,000,000
Total	19,500,000	4,000,000	–	–	23,500,000	23,500,000	23,500,000

Share Holdings by Directors

Parent Entity Director	Balance 01/07/07 (No. of Shares)	Received Remuneration (No. of Shares)	No. of Options Exercised	Net Other Change (No. of Shares)	Balance 30/06/08 (No. of Shares)
J D Edwards	79,525,000	–	–	–	79,525,000
C J Quirk	27,800,000	–	–	–	27,800,000
G G H Denison	150,000	–	–	–	150,000
G Shearer	–	–	–	10,160,000	10,160,000
K Donald	–	–	–	300,000	300,000
Total Directors	107,475,000	–	–	10,460,000	117,935,000

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008 (continued)

NOTE 16: CONTROLLED ENTITIES

The consolidated financial statements include the financial statements of OBJ Limited and the subsidiaries listed in the following table.

	Country of Incorporation	% Equity Interest 2008 $	% Equity Interest 2007 $	Book Value of Shares held by Parent Entity 2008 $	Book Value of Shares held by Parent Entity 2007 $
International Scientific Pty Ltd	AUS	100%	100%	–	–
OBJ Transdermal Vaccines Pty Ltd	AUS	100%	100%	1,000	1,000
				1,000	1,000

	Consolidated 30 June 2008 $	Consolidated 30 June 2007 $	Parent Entity 30 June 2008 $	Parent Entity 30 June 2007 $
Related party receivables with controlled entities:				
International Scientific Pty Ltd	–	–	576,155	42,634
Less: provision for non recovery	–	–	(576,155)	(42,634)
	–	–	–	–
OBJ Transdermal Vaccines Pty Ltd	–	–	76,375	(160)
Less: provision for non recovery	–	–	(76,375)	–
	–	–	–	(160)

NOTE 17: AUDITORS' REMUNERATION

	Consolidated 30 June 2008 $	Consolidated 30 June 2007 $	Parent Entity 30 June 2008 $	Parent Entity 30 June 2007 $
Amounts paid or due and payable to the auditors for:				
Audit and review services –				
RSM Bird Cameron Partners	18,900	17,500	18,900	17,500
Audit and review services –				
BDO Kendalls Audit & Assurance (WA)	–	650	–	650
	18,900	18,150	18,900	18,150

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008 (continued)

NOTE 18: CONTRIBUTED EQUITY

	Consolidated 30 June 2008 $	Consolidated 30 June 2007 $	Parent Entity 30 June 2008 $	Parent Entity 30 June 2007 $
(a) Issued Capital				
457,675,000 fully paid ordinary shares (2007: 457,675,000)	13,488,763	13,488,763	13,488,763	13,488,763

(b) Movements in ordinary share capital of the Company during the year was as follows:

Date	Details	Number of Shares	Issue Price	$
01/07/2007	Opening balance	457,675,000	–	13,488,763
	Less: transaction costs arising on share issues	–		–
30/06/2008	Closing balance	457,675,000		13,488,763

(c) Capital Risk Management

When managing capital, management's objective is to ensure the Company continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the Company.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, enter into joint ventures or sell assets.

The Company does not have a defined share buy-back plan.

No dividends were paid in 2008 and no dividends are expected to be paid in 2009.

There is no current intention to incur debt funding on behalf of the Company as on-going expenditure will be funded via cash reserves or equity.

The Company is not subject to any externally imposed capital requirements.

NOTE 19: RESERVES

	Consolidated 30 June 2008 $	Consolidated 30 June 2007 $	Parent Entity 30 June 2008 $	Parent Entity 30 June 2007 $
Option reserve	960,820	759,970	960,820	759,970

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 2008 (continued)

NOTE 19: RESERVES (continued)

Movements in Options		Number of options	Exercise price	Fair value of options issued	Expiry date
01/07/2007	Opening balance	58,250,000	–	$759,970	–
03/09/2007	Unlisted options issued to directors and consultants	8,000,000 (i)	$0.07	$142,800	30/06/2010
07/01/2008	Unlisted options issued to consultants and chief operations officer	6,000,000 (ii)	$0.07	$58,050	30/06/2010
		72,250,000		$960,820	

The Black and Scholes valuation was used to value the options issued as share-based payments. The following factors and assumptions were used in determining the fair value of options on grant date:

	Expiry Date	Fair Value per Option	Exercise Price	Estimated Volatility	Risk Free Interest Rate
(i)	30 June 2010	$0.01785	$0.07	75%	6.50%
(ii)	30 June 2010	$0.009675	$0.07	75%	6.50%

A discount factor of 25% has been applied to the determined fair value due to the lack of marketability, as the options are unlisted.

All options are vested and no options were exercised during the year. The shared-based payment expense for the year was $200,850 (2007: $194,810).

NOTE 20: JOINT VENTURES

	Consolidated		Parent Entity	
	30 June 2008 $	30 June 2007 $	30 June 2008 $	30 June 2007 $
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				
Cash	1,523	1,572	1,523	1,572
Net interest in joint venture	1,523	1,572	1,523	1,572

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008 (continued)

NOTE 21: LOSS 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	
	30 June 2008 $	30 June 2007 $
Net loss after income tax	(925,519)	(1,396,511)
Loss used in calculating basic and diluted loss per share	(925,519)	(1,396,511)
Weighted average number of ordinary shares used in calculating basic loss per share:	457,675,000	419,769,521
Weighted average number of ordinary shares used in calculating diluted loss per share:	457,675,000	419,769,521

Options outstanding are considered non-dilutive and therefore are excluded from the calculation of EPS.

NOTE 22: RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise cash and short-term deposits.

The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial assets and liabilities such as other receivables and trade payables, which arise directly from its operations. It is, and has been throughout the entire period under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risk arising from the Company's financial instruments is cash flow interest rate risk. Other minor risks are either summarised below or disclosed at Note 18 in the case of capital risk management. The Board reviews and agrees policies for managing each of these risks.

Cash Flow Interest Rate Risk

The Company's exposure to the risks of changes in market interest rates relates primarily to the Company's short-term deposits with a floating interest rate. These financial assets with variable rates expose the Company to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Company does not engage in any hedging or derivative transactions to manage interest rate risk.

The following tables set out the carrying amount by maturity of the Company's exposure to interest rate risk and the effective weighted average interest rate for each class of these financial instruments.

The Company has not entered into any hedging activities to cover interest rate risk. In regard to its interest rate risk, the Company does not have a formal policy in place to mitigate such risks.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008 (continued)

NOTE 22: RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Consolidated

2008		Fixed Interest Rate Maturing					
	Non-Interest Bearing ($)	1 Year or Less ($)	Over 1 to 5 Years ($)	More than 5 years ($)	Floating Interest Rate ($)	Total ($)	Weighted average interest rate
Financial assets:							
Cash and cash equivalents	–	–	–	–	1,422,613	1,422,613	7.65%
Trade and other receivables	71,756	–	–	–	–	71,756	–
Other	4,072	–	–	–	–	4,072	–
	75,828	–	–	–	1,422,613	1,498,441	
Financial liabilities:							
Trade and other payables	141,618	–	–	–	–	141,618	–
Interest bearing liabilities	–	265,000	–	–	–	265,000	12.00%
	141,618	265,000	–	–	–	406,618	
Net financial instruments	(65,790)	(265,000)	–	–	1,422,613	1,091,823	

Consolidated

2007		Fixed Interest Rate Maturing					
	Non-Interest Bearing ($)	1 Year or Less ($)	Over 1 to 5 Years ($)	More than 5 years ($)	Floating Interest Rate ($)	Total ($)	Weighted average interest rate
Financial assets:							
Cash and cash equivalents	–	–	–	–	2,042,745	2,042,745	6.30%
Trade and other receivables	52,877	–	–	–	–	52,877	–
Other	1,427	–	–	–	–	1,427	–
	54,304	–	–	–	2,042,745	2,097,049	
Financial liabilities:							
Trade and other payables	290,339	–	–	–	–	290,339	–
Interest bearing liabilities	–	–	–	–	–	–	–
	290,339	–	–	–	–	290,339	
Net financial instruments	(236,035)	–	–	–	2,042,745	1,806,710	

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008 (continued)

NOTE 22: RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Parent Entity

2008	Non-Interest Bearing ($)	Fixed Interest Rate Maturing: 1 Year or Less ($)	Fixed Interest Rate Maturing: Over 1 to 5 Years ($)	Fixed Interest Rate Maturing: More than 5 years ($)	Floating Interest Rate ($)	Total ($)	Weighted average interest rate
***Financial assets*:**							
Cash and cash equivalents	–	–	–	–	1,379,072	1,379,072	7.65%
Trade and other receivables	56,537	–	–	–	–	56,537	–
Other	4,072	–	–	–	–	4,072	–
	60,609	–	–	–	1,379,072	1,439,681	
***Financial liabilities*:**							
Trade and other payables	59,949	–	–	–	–	59,949	–
Interest bearing liabilities	–	265,000	–	–	–	265,000	12.00%
	59,949	265,000	–	–	–	324,949	
Net financial instruments	660	(265,000)	–	–	1,379,072	1,114,732	

Parent Entity

2007	Non-Interest Bearing ($)	Fixed Interest Rate Maturing: 1 Year or Less ($)	Fixed Interest Rate Maturing: Over 1 to 5 Years ($)	Fixed Interest Rate Maturing: More than 5 years ($)	Floating Interest Rate ($)	Total ($)	Weighted average interest rate
***Financial assets*:**							
Cash and cash equivalents	–	–	–	–	2,038,105	2,038,105	6.30%
Trade and other receivables	52,380	–	–	–	–	52,380	–
Other	1,427	–	–	–	–	1,427	–
	53,807	–	–	–	2,038,105	2,091,912	
***Financial liabilities*:**							
Trade and other payables	285,347	–	–	–	–	285,347	–
Interest bearing liabilities	–	–	–	–	–	–	–
	285,347	–	–	–	–	285,347	
Net financial instruments	(231,540)	–	–	–	2,038,105	1,806,565	

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008 (continued)

NOTE 22: RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest Rate Sensitivity

Consolidated

At 30 June 2008, if interest rates had changed by 10% during the entire year with all other variables held constant, profit for the year and equity would have been $10,883 lower/higher, mainly as a result of lower/higher interest income from cash and cash equivalents.

A sensitivity of 10% has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates. A 10% increase sensitivity would move short term interest rates at 30 June 2008 from 7.65% to 8.42% (10% decrease : 6.89%) representing a 75 basis points shift. This would represent two to three increases which is reasonably possible in the current environment with the bias coming from the Reserve Bank of Australia and confirmed by market expectations that interest rates in Australia are more likely to move up than down in the coming period.

Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances are impacted resulting in a decrease or increase in overall income.

Parent

At 30 June 2008, if interest rates had changed by 10% during the entire year with all other variables held constant, profit for the year and equity would have been $10,549 lower/higher, mainly as a result of lower/higher interest income from cash and cash equivalents.

A sensitivity of 10% has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates. A 10% increase sensitivity would move short term interest rates at 30 June 2008 from 7.65% to 8.42% (10% decrease : 6.89%) representing a 75 basis points shift. This would represent two to three increases which is reasonably possible in the current environment with the bias coming from the Reserve Bank of Australia and confirmed by market expectations that interest rates in Australia are more likely to move up than down in the coming period.

Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances are impacted resulting in a decrease or increase in overall income.

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 parent and consolidated entity have no significant concentrations of credit risk with any single counterparty or group of counterparties.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008 (continued)

NOTE 22: RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash reserves and marketable securities and through the continuous monitoring of budgeted and actual cash flows.

	Consolidated		Parent Entity	
	30 June 2008 $	30 June 2007 $	30 June 2008 $	30 June 2007 $
Contracted maturities of liabilities at 30 June				
Payables – less than 6 months	141,618	290,339	59,949	285,347
Convertible notes – less than 6 months	265,000	–	265,000	–
	406,618	290,339	324,949	285,347

Commodity Price Risk

The Company is not exposed to commodity price risk.

Foreign Exchange Risk

The Company is not exposed to foreign exchange risk as all transactions of the Company are in Australian dollars.

Reconciliation of Net Financial Assets to Net Assets

	Consolidated		Parent Entity	
	30 June 2008 $	30 June 2007 $	30 June 2008 $	30 June 2007 $
Net financial assets	1,091,823	1,806,710	1,114,732	1,806,565
Shares in controlled entities	–	–	1,000	1,000
Plant and equipment	40,168	49,950	37,717	48,711
Other liabilities	–	–	–	(160)
Net assets	1,131,991	1,856,660	1,153,449	1,856,116

Net Fair Values

For assets and other liabilities the net fair value approximates their carrying value. The consolidated and parent entity have no financial assets or liabilities that are readily traded on organised markets at balance date and has no financial assets where the carrying amount exceeds net fair values at balance date.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008 (continued)

NOTE 23: EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the end of the financial year ended 30 June 2008, the following events have occurred:

- On 10 September 2008, the Company issued 68,000,000 ordinary shares at $0.005 per share being placement to raise additional working capital of $75,000 and consideration for the debt conversion of 265 convertible notes for $265,000.
- On 26 September 2008, Gilbert Shearer and Kenneth Donald resigned as directors.

NOTE 24: ECONOMIC DEPENDENCY

The Company is not economically dependent upon any third parties.

NOTE 25: SEGMENT INFORMATION

The principal activity of the Company is research and development of the dermaportation and ETP drug delivery technology.

The Company and its controlled entities operate in one geographical segment being Australia.

NOTE 26: CONTINGENT LIABILITIES

OBJ Limited has no known material contingent liabilities at the end of the financial year.

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 18 to 44 are in accordance with the Corporations Act 2001, including:

1. (a) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   (b) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2008 and of their performance for the financial year ended on that date.

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.

3. In the directors opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Jeffrey Edwards
Director

Perth, Western Australia

26th September 2008

Independent Audit Report

RSM! Bird Cameron Partners
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

OBJ LIMITED

Report on the Financial Report

We have audited the accompanying financial report of OBJ Limited ("the company"), which comprises the balance sheet as at 30 June 2008 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independent Audit Report
(continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

(a) the financial report of OBJ Limited is 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 2008 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report contained in the directors' report for the financial year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of OBJ Limited for the financial year ended 30 June 2008 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

S C CUBITT
Partner

Perth, WA
Dated: 26 September 2008

ASX Additional Information

1. **Quoted Securities**

(a) **Ordinary Fully Paid Shares as at 17 September 2008**

(i) **Distribution of Shareholders:**

Spread of Holdings	No. of Holders	No. of Shares	Percentage of Issued Capital %
1 – 1,000	208	98,408	0.02
1,001 – 5,000	201	465,998	0.09
5,001 – 10,000	81	672,753	0.13
10,001 – 100,000	468	24,043,126	4.57
100,001 +	427	500,394,756	95.19
	1,385	525,675,041	100.00

The number of shareholdings held in less than marketable parcels is 729.

(ii) **Top 20 Holders of Ordinary Fully Paid Shares:**

The names of the twenty largest shareholders of ordinary fully paid shares are listed below:

	Name	No. of Ordinary Shares Held	Percentage of Issued Shares %
1.	J E B Holdings Pty Ltd	49,825,000	9.48
2.	Robert Douglas	41,894,233	7.97
3.	Flinders Prop Inv Pty Ltd	21,278,578	4.05
4.	Dolphin Technology Pty Ltd	21,000,000	3.99
5.	Monarch Pty Ltd	20,000,000	3.80
6.	Anthony Wright	17,700,000	3.37
7.	Shemariah Pty Ltd	15,000,000	2.85
8.	Fongrad Pty Ltd	12,400,000	2.36
9.	Seablue Investments Pty Ltd	11,000,000	2.09
10.	Sum Fong	9,800,000	1.86
11.	Gilbert & E Shearer	8,850,000	1.68
12.	John & P Snowden	7,800,000	1.48
13.	Peter Hill	7,700,000	1.46
14.	Heather Wright	7,300,000	1.39
15.	Christopher Quirk	7,300,000	1.39
16.	Flinders Prop Inv Pty Ltd	7,000,000	1.33
17.	Peter & J Thrupp	7,000,000	1.33
18.	Shemariah Pty Ltd	6,700,000	1.27
19.	Hamelin Nominees Pty Ltd	5,300,000	1.01
20.	Dolphin Technology Pty Ltd <Dolphin A/c>	4,833,334	0.92
		289,681,145	55.08

ASX Additional Information
(continued)

1. Quoted Securities (continued)

(iii) Voting Rights

No restrictions – on a show of hands every member present in person or by proxy shall have one vote and upon a poll, each fully paid share shall have one vote.

(iv) Substantial Shareholders

Substantial Shareholders as recorded in the Register of Members as at 17 September 2008:

Name	Ordinary Shares No.	%
J E B Holdings Pty Ltd	49,825,000	10.89
Robert Douglas	41,894,233	9.20
Monarch Corporation Pty Ltd	35,600,000	6.77
Flinders Prop Inv Pty Ltd	28,278,578	5.38

2. Unquoted Securities

(a) C Class Shares

As at 17 September 2008 there existed the following unquoted C Class Shares:

(i) 49,000,000 C Class Shares

Name	C Class Shares	%
Christopher Quirk <Quirk Super Fund A/c>	4,900,000	10.00
John Snowden & Pauline Snowden	4,900,000	10.00
Heather Ann Wright	4,900,000	10.00
Hamelin Nominees Pty Ltd <Chanel Family A/c>	4,900,000	10.00
JEB Holdings Pty Ltd <Edwards Family A/c>	29,400,000	60.00
	49,000,000	100.00

(ii) Voting Rights

Holders of C Class shares are not entitled to vote at a General Meeting of Members in person, by proxy or upon a poll, in respect of their C Class shareholding.

ASX Additional Information
(continued)

2. Unquoted Securities (continued)

(b) Options

As at 17 September 2008 there existed the following unquoted options:

(i) 7,000,000 Options Exercisable at $0.05 each on or before 31 December 2008

Name	Options	%
Hamelin Nominees Pty Ltd <Chanel Family A/c>	1,500,000	21.43
J E B Holdings Pty Ltd <Edwards Family A/c>	1,500,000	21.43
Dolphin Technology Pty Ltd <The Dolphin A/c>	1,500,000	21.43
Glyn Denison <Glyn Denison Family A/c>	1,500,000	21.43
Andrew Shelley Barker <The CMJ A/c>	500,000	7.14
Jomima Pty Ltd	500,000	7.14
	7,000,000	100.00

(ii) 44,250,000 Options Exercisable at $0.10 each on or before 31 December 2008

Name	Options	%
Robert Douglas <Douglas Investment A/c>	18,000,000	40.68
Dolphin Technology Pty Ltd <The Dolphin A/c>	4,017,010	9.08
Glyn Denison <Glyn Denison Family A/c>	3,537,500	7.99
Hamelin Nominees Pty Ltd <Chanel Family A/c>	3,500,000	7.91
J E B Holdings Pty Ltd <Edwards Family A/c>	3,500,000	7.91
Flinders Property Investments Pty Ltd	3,000,000	6.78
Gilbert Shearer & Elizabeth Shearer <Shearer Super Fund A/c>	2,000,000	4.52
Jomima Pty Ltd <The Internal Equity A/c>	1,695,490	3.83
Andrew Shelley Barker <The CMJ A/c>	1,500,000	3.39
Gratia Holdings Pty Ltd <Gratia A/c>	1,000,000	2.26
Echelon Pty Ltd	1,000,000	2.26
Sontel Pty Ltd <Sontel Discretionary A/c>	500,000	1.13
Rick Stafford-Smith & Susan Stafford-Smith	500,000	1.13
Ingrid Deborah Hoeneveld	500,000	1.13
	44,250,000	100.00

ASX Additional Information
(continued)

2. Unquoted Securities (continued)

(b) Options (continued)

(iii) 7,000,000 Options Exercisable at $0.15 each on or before 31 December 2008

Name	Options	%
Hamelin Nominees Pty Ltd <Chanel Family A/c>	1,500,000	21.43
J E B Holdings Pty Ltd <Edwards Family A/c>	1,500,000	21.43
Dolphin Technology Pty Ltd <The Dolphin A/c>	1,500,000	21.43
Glyn Denison <Glyn Denison Family A/c>	1,500,000	21.43
Jomima Pty Ltd	500,000	7.14
Andrew Shelley Barker <The CMJ A/c>	500,000	7.14
	7,000,000	100.00

(iv) 14,000,000 Options Exercisable at $0.07 each on or before 30 June 2010

Name	Options	%
Dolphin Technology Pty Ltd	2,000,000	14.28
Leearne Hinch	2,000,000	14.28
Anthony Wright	2,000,000	14.28
Kenneth Donald	2,000,000	14.29
Frazer Service Pty Ltd	2,000,000	14.29
MSR Consulting Pty Ltd	2,000,000	14.29
Gilbert Shearer	2,000,000	14.29
	14,000,000	100.00

(v) VOTING RIGHTS

Holders of options are not entitled to vote at a General Meeting of Members in person, by proxy or upon a poll, in respect of their option holding.

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