

InJet Digital Aerosols Limited

ABN 26 104 014 379

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2007

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CORPORATE DIRECTORY

Board of Directors

Dr Michael Monsour	Chairman
Mr Stephen Goodall	Non-Executive Director
Mr Ross Mangelsdorf	Non-Executive Director

Company Secretary

Mr Ben Graham

Registered and Principal Office

85 Brandl St
Eight Mile Plains Qld 4113

Contact Information

Tel: (07) 3295 0507
Fax: (07) 3341 4200
Email: info@injet.com.au
Web site: www.injet.com.au

Share Registry & Register

Link Market Services Limited
Locked Bag A14
SYDNEY SOUTH NSW 1235
Tel: 1300 554 474
Fax: (02) 9287 0303

Auditors

Ernst & Young
Level 5
1 Eagle Street
BRISBANE QLD 4000

Your directors' present their report on the Company for the financial year ended 30 June 2007.

DIRECTORS

The names of the directors' of the Company in office as at the date of this report are Dr Michael Monsour (Chairman), Mr. Stephen Goodall and Mr. Ross Mangelsdorf.

DIRECTORS' QUALIFICATIONS AND EXPERIENCE

Dr Michael Monsour, MBBS-HONS, FACRRM (Non-Executive Chairman). Appointed 10 March 2003

Dr Monsour is a Medical Practitioner with extensive interests in Queensland medical and dental centres. Michael Monsour graduated from the University of Queensland in 1977 in medicine with honours. He operates a medical management company, which provides management support to medical and dental practitioners. He is the principal of Godbar Software (established 1988) which is one of Australia's leading software developers of Occupational Health, Safety and Medical Accounting software packages in Australia.

Dr Monsour has an indirect interest in 2,286,516 shares.

Dr Monsour is currently the Chairman of Analytica Limited, a listed entity, and a non-executive director of the unlisted entity CBio Limited. He is also a non-executive director of Australian Technology Innovation Fund Ltd and Australia Biofund Investment Limited (Hong Kong).

Mr Stephen Goodall, MBA, MASC (Non-Executive Director). Appointed 1 April 2005

Mr Goodall has been involved in biotechnology product design and development for the past 18 years. He was with Agen Biomedical Ltd for 11 years where he managed the development and manufacture of a range of immunoassays for the medical and veterinary world markets including products for Human DVT and Canine Heartworm, both of which have been world leading products. He has worked with Gradipore in Sydney to establish their production and quality systems for precast gel products and Buderim Ginger Ltd to establish a trial enzyme product. He established the original R&D programs for InJet Digital Aerosols Inc and assisted in establishing the company in the US. He has considerable experience in project and organisation management for biotechnology products and programs and has experience in regulatory compliance.

Mr Stephen Goodall has a direct interest in 870,350 shares

Mr Ross Mangelsdorf, B.Bus, FCA (Non-Executive Director) Appointed 19 October 2006

Mr Mangelsdorf is a director of a Queensland-based land development company and a chartered accounting firm. He has been a director/partner for 26 years including 4 years with Touche Ross & Co. He works with SME production, manufacturing and retail firms assisting with business, taxation and management services. For a number of firms Mr Mangelsdorf takes the role of Chief Financial Officer.

Mr Mangelsdorf has a direct interest in 34,000 shares.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was Intellectual Property management, including patenting and commercialisation of pulmonary drug delivery devices.

OPERATING RESULTS AND DIVIDENDS

The loss after tax of the company for the year ended 30 June 2007 was (\$395,698), 2006: (\$296,953). The losses in 2007 were higher than the losses in 2006 mainly due to increased costs associated with the expansion and management of the Company's Intellectual Property portfolio as well as the settlement of the last known InJet Digital Aerosols Inc creditor claim.

No dividend was proposed or paid.

REVIEW OF OPERATIONS

The minimization of corporate costs within InJet over the past three years has not impeded the successful progress of the company's Intellectual Property or technical development by Canon. The seven patent families that comprise the InJet Intellectual Property were licensed to Canon in 2003 securing the technical development path for the inhaler technology and commercial future of the intellectual property. Since then InJet has successfully maintained its responsibility to Canon in the support of its patents through their approval process while Canon have applied their world leading printing expertise to the device. Canon meanwhile, have maintained a high priority on the inhaler program although only permitting brief insights into their progress, such as on the Channel 7 'Sunrise' program (4 January 2006) and regular communications with InJet directors.

InJet directors met with Canon executives in their Tokyo headquarters in January 2007 where Canon maintained their priority for the program and their continued expectation of commercial success. InJet directors have been privileged with information regarding improvements in Canon facilities and organization to secure the program's success. A typical device development program would require the device to complete preclinical performance evaluations, clinical studies, a clinical registration trial and regulatory approval. Device and clinical R&D cannot be certain about outcomes and timelines, however it is expected that royalties from the InJet Intellectual Property will not result in royalty payments before 5 years.

During the meeting with Canon, discussions were held in relation to a potential collaboration between InJet and Canon, which could permit InJet to develop its own inhaled therapeutic products using the Canon device. InJet directors have proposed a range of collaborative arrangements with Canon, including InJet continuing its original projects of nicotine replacement, systemic delivery of pain medications, topical therapeutics such as antibiotics or protein drugs such as insulin. The collaboration was also discussed during the directors previous meeting with Canon. Canon is unable to commit to a collaboration within the next 12 months. However, discussions persist and InJet will continue to develop its proposal while device development continues.

Patents have continued to be granted over the past year with new approvals being secured in four of the seven families. Recent Chinese approval of the original "Dispenser" (PCT1) patent has secured coverage of that patent in all territories sought, with only a divisional patent outstanding in China. Selection of countries for the validation of the "Inhaler with removable droplet ejection cartridge" (PCT3) was conducted to ensure maximum commercial coverage of the patent was maintained across Europe without imposing an unnecessary burden of fees on InJet. The same countries have been selected for validation of the "Compositions for protein delivery via the pulmonary route" (PCT4) following approval of that patent in Europe. The patent "Inhaler with airflow regulation" has been approved in USA leaving only "Inhalation device having an optimized airflow path" (PCT7) being the only patent without approval in a major territory. Negotiations with the US Patent Office for the approval of the "Compositions for protein delivery via the pulmonary route" (PCT4) are continuing and approval there is expected to assist approval in Canada. All other applications are proceeding without undue difficulty.

InJet Digital Aerosols Limited
Directors Report
For the year ended 30 June 2007

In November 2006, InJet signed a non-binding Heads of Agreement with Analytica Limited with a view to Analytica potentially acquiring all of the issued capital of InJet. Analytica terminated the Heads of Agreement in March when they determined that their potential offer would be unlikely to secure the required support from the holders of 90% of the issued capital of InJet. The company does not expect to receive any further offers from Analytica.

The restructure and clean-up of the former Vapotronics group has continued during the year. The last known claim from a creditor of InJet Digital Aerosols Inc was settled during the year, allowing for InJet Digital Aerosols Inc to be formally wound up. This occurred on 22 June 2007. Application was also made to ASIC for the voluntary deregistration of Vapotronics Pty Ltd, which was approved by ASIC on 6 August 2007. The clean-up of these companies will simplify the administration of the Company and should result in reduced compliance costs in future periods.

FINANCIAL POSITION

Net liabilities of the Company were \$136,773 (2006: \$70,349). Cash was \$135,633 (2006: \$123,484).

During the period, the Company undertook a pro-rata rights issue, which will close on 4 October 2007. As at the date of this report, a total of \$495,868 has been raised in the right's issue, \$464,905 of which was raised after the balance sheet date. Funds raised in the rights issue are expected to meet the working capital requirements of the Company through to approximately June 2008.

Under the terms of the licence agreement with Canon the Company will receive royalties on sales of the commercial product. The receipt of these funds is subject to Canon developing and commercialising the product. The Company is not able to estimate at this time when or if this may eventuate.

The Company's main expenses will continue to be patent renewal costs and compliance costs such as audit and legal fees.

Directors have not taken directors fees since November 2005. The payment of future fees will relate to activities in the Company from time to time.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no changes in the state of affairs of the Company during the period.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Subsequent to the balance sheet date, MPAMM Pty Ltd, a company associated with Dr Michael Monsour, made additional loan funds available to the Company. As at the date of this report, loans totalling \$130,000 have been received from MPAMM Pty Ltd. The loans have not yet been repaid however are repayable on 90 day terms providing that their repayment will not cause an insolvency event.

During the year, the Company undertook a pro-rata right's issue which will close on 4 October 2007. As at 30 June 2007, \$30,963 had been raised for which shares had not yet been allotted. As at the date of this report, a total of \$520,242 has been raised in the rights issue.

3,122,619 new shares and 3,122,619 new options were issued pursuant to the rights issue on 25 September 2007. The total number of shares on issue as at the date of this report is 456,592,679. The total number of options on issue as at the date of this report is 3,122,619.

Other than the matter outlined above, there have not been any matters or circumstances that have arisen since the end of the year that have significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in financial years after the end of financial year.

LIKELY DEVELOPMENTS

The Company will continue discussions with Canon with the aim of assisting in the development and commercialisation of the product.

ENVIRONMENTAL ISSUES

The Company's operations are not subject to significant environmental regulation under the law of the Commonwealth and State.

DIRECTORS' MEETINGS

The number of meetings of directors held during the period and the number of meetings attended by each director were as follows:

<u>Directors' Meetings</u>	<u>Number eligible to attend</u>	<u>Number attended</u>
M Monsour	11	11
S Goodall	11	11
R Mangelsdorf ¹	9	9
B Dulhunty ²	2	2

¹ Ross Mangelsdorf was appointed a director on 19 October 2006.

² Bryan Dulhunty resigned as a director on 19 October 2006.

CORPORATE STRUCTURE

InJet Digital Aerosols Limited is a company limited by shares that is incorporated and domiciled in Australia.

REMUNERATION REPORT

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. Director's fees are reviewed annually. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company.

Directors have not taken directors' fees since November 2005. The payment of future fees will relate to activities in the Company from time to time.

Remuneration Policy

The company's policy for determining the nature and amount of emoluments of board members of the company is that all emoluments are to be paid at commercial rates and approved by the board of the Company. The Board seeks to set aggregate compensation at a level that provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Remuneration Committee

The Board has not established a remuneration committee. The Board has formed the view, given its size and structure that it is more efficient for the Board as a whole to deal with matters that would otherwise be dealt with by a remuneration committee.

The Board assesses the appropriateness of the nature and amount of compensation of non-executive directors on a periodic basis by reference to relevant market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board.

Non-executive Director Remuneration

The Constitution specifies that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 20 March 2003 when shareholders approved the payment of Chairman's Fees of up to \$50,000 per year and non-executive director fees of \$35,000 per director per year. Non-executive directors have not taken directors fees since November 2005.

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually.

Key Management Personnel Remuneration

Key Management Person	Short-Term		Post Employment	Share-based Payment	Total
	Directors Fees	Consulting Fees	Superannuation	Options	
2007					
M Monsour	-	-	-	-	-
S Goodall	-	-	-	-	-
R Mangelsdorf ¹	-	-	-	-	-
B Dulhunty ²	-	-	-	-	-
Total	-	-	-	-	-
2006					
M Monsour	5,833	5,400	525	-	11,758
B Dulhunty ²	5,833	-	525	-	6,358
S Goodall	5,833	12,600	525	-	18,958
S Jones ³	8,333	-	750	-	9,083
Total	25,832	18,000	2,325	-	46,157

¹ Ross Mangelsdorf was appointed a director on 19 October 2006.

² Bryan Dulhunty resigned as a director on 19 October 2006.

³ Stephen Jones resigned as a director on 28 March 2006.

The Company did not employ any staff during the year (2006 – Nil).

INDEMNITY

In accordance with the constitution of InJet Digital Aerosols Limited:

Every Director, Secretary, Manager, Accountant, Trustee or other person employed in the business of the Company shall be indemnified by the Company against, and it shall be the duty of the Directors out of the funds of the Company to pay, all costs, losses and expenses for which any such Director, Secretary, Manager, Accountant, Trustee or other person as aforesaid may become liable by reason of any contract entered into or act or deed done by him as such Director, Secretary, Manager, Accountant, Trustee or servant in any way in the proper discharge of his duties, unless such costs, losses and expenses shall be caused or contributed to by his own negligence, default, breach of duty or breach of trust.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of 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.

AUDITORS DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is attached to the financial report.

NON-AUDIT SERVICES

There were no non-audit services provided by the auditors during the year (2006: \$10,300). The directors are satisfied that the provision of these services did not compromise the auditor's independence due to their statutory nature.

Signed in accordance with a resolution of directors.

M Monsour
Chairman
Brisbane

Date: 28 September 2007

Corporate Governance Statement

The Board is responsible for the Corporate Governance of the Company including the setting and the monitoring of the objectives, goals and corporate direction.

Whilst the Company is not listed on a stock exchange the Board strongly agrees with the Principles of Good Corporate Governance and Best Practice Recommendations developed by the ASX Corporate Governance Council and strives to meet the standard expected on a publicly traded entity. The directors are, however, realistic in acknowledging the size and nature of the Company and have modified, where they deem applicable, the best practice standards as laid down by the ASX. The Best Practice Recommendations not adopted or specific comments thereon are as follows:

Board Structure and Composition

The Board is currently comprised of 3 Directors. Their qualifications and experience are outlined in the Directors' Report.

As the Company does not employ staff it is deemed not appropriate to form any Board committee's such as a Board Nomination Committee or Audit Committee.

When a Board vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board considers candidates with the appropriate expertise and experience. The Board then appoints the most suitable person. There are no share qualifications for a director.

As the Company grows and the valuation of the company's intellectual property increases the structure of the board will change and greater levels of independence reached.

The current Board structure does not comply with the independence criteria set down by the ASX, however, the Board believes that due to the current developmental stage of the company, the company does not believe it appropriate to maintain a structure where there is a majority of independent directors.

Each director has the right to seek independent professional advice regarding material matters concerning the Company at the Company's expense after notifying the Chairman.

Ethical and Responsible Decision-making

The Company does not have a formal code of conduct, however, it recognises the need for Directors and to observe the highest standards of behaviour and business ethics. Directors are expected to act in accordance with the law and with the highest standards of propriety.

Timely and Balanced Disclosure

The Board makes regular disclosure to ASIC as required under the continuous disclosure regulations. The company strives to keep shareholders fully informed of developments within the Company through the maintenance of a website, the distribution of the annual report to all shareholders and the holding of an annual shareholders meeting where shareholders are encouraged to participate.

Shareholders' Rights

The Company does not have a formal shareholder communications strategy; however the Board is conscious of the importance of effective shareholder communication, makes use of its corporate website and requests that the External Auditor attends general meetings.

Recognise and Manage Risk

No formal Risk Management profiles, policies and procedures have been adopted, however, the Board meets on a regular basis and as part of the ongoing review of performance, and current and possible future business risks are identified. Once a business risk is identified, appropriate action is planned and investigated by the Board. The results of the action plan are constantly reviewed and corrective action is taken as required.

Due to the size of the Company an Internal Audit function has not been implemented.

Remuneration

Due to the size of the Company a Remuneration Committee has not been established. The Board determines the remuneration packages for Directors. Remuneration levels are competitively set to attract and retain the most qualified and experienced directors and senior employees. Remuneration packages currently paid include, fixed, performance-based and equity based components.

The Company in general meeting sets the remuneration of the Non-Executive Directors. The only retirement benefits payable to Non-Executive Directors are statutory superannuation payments.

Interests of Stakeholders

The Company does not have a formal Code of Conduct covering obligations to legitimate stakeholders, however, the Board is fully aware of its obligations for Public or Social Accountability based on notions of legitimacy, fairness and ethics.

InJet Digital Aerosols Limited
Income Statement
For the year ended 30 June 2007

	Notes	2007 \$	2006 \$
Continuing Operations			
Revenue from Ordinary Activities			
Interest income		7,582	6,306
		<u>7,582</u>	<u>6,306</u>
Expenses from Ordinary Activities			
Doubtful debt expense	2	(55,511)	(5,092)
Directors' remuneration and consulting	13	-	(46,157)
Patent costs		(208,785)	(151,703)
Compliance expenses		(113,797)	(85,013)
Administration expenses		(25,187)	(15,294)
		<u>(403,280)</u>	<u>(303,259)</u>
PROFIT/(LOSS) BEFORE INCOME TAX		(395,698)	(296,953)
Income tax expense	3	-	-
PROFIT/(LOSS) FOR THE YEAR		<u>(395,698)</u>	<u>(296,953)</u>
Basic/Diluted loss per share (cents per share)	4	(0.09)	(0.07)

The accompanying notes form part of these financial statements

InJet Digital Aerosols Limited
Balance Sheet
As at 30 June 2007

	Notes	2007 \$	2006 \$
<hr/>			
CURRENT ASSETS			
Cash and cash equivalents	5 (a)	135,633	123,484
Trade and other receivables	6	9,391	28,075
TOTAL CURRENT ASSETS		<hr/> 145,024	<hr/> 151,559
TOTAL ASSETS		<hr/> 145,024	<hr/> 151,559
CURRENT LIABILITIES			
Trade and other payables	8	150,834	149,849
Shares to be allotted	9	30,963	72,059
Financial liabilities	10	100,000	-
TOTAL CURRENT LIABILITIES		<hr/> 281,797	<hr/> 221,908
TOTAL LIABILITIES		<hr/> 281,797	<hr/> 221,908
NET ASSETS		<hr/> (136,773)	<hr/> (70,349)
EQUITY			
Issued capital	11	1,329,274	1,000,000
Accumulated losses	12	(1,466,047)	(1,070,349)
TOTAL EQUITY		<hr/> (136,773)	<hr/> (70,349)

The accompanying notes form part of these financial statements.

InJet Digital Aerosols Limited
Statement of Changes in Equity
For the year ended 30 June 2007

	Notes	2007 \$	2006 \$
SHARE CAPITAL			
Balance at beginning of year		1,000,000	1,000,000
Issue of share capital	11 (b)	358,736	-
Cost of capital raising	11 (b)	(29,462)	-
Balance at the end of the year		1,329,274	1,000,000
ACCUMULATED LOSSES			
Balance at beginning of year		(1,070,349)	(773,396)
Loss for the year	12	(395,698)	(296,953)
Balance at the end of the year		(1,466,047)	(1,070,349)

The accompanying notes form part of these financial statements.

InJet Digital Aerosols Limited
Cash Flow Statement
For the year ended 30 June 2007

	Notes	2007 \$	2006 \$
<hr/>			
CASH FLOWS FROM OPERATING ACTIVITIES			
Patent costs		(196,617)	(60,165)
Payments to suppliers and employees		(145,933)	(149,626)
Interest received		7,582	6,306
InJet Inc creditors paid on assignment of debt		(55,511)	(5,092)
Repayment of loan		-	15,669
<hr/>			
Net cash provided by (used in) operating activities	5 (b)	(390,479)	(192,908)
<hr/>			
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-	-
<hr/>			
Net cash provided by (used in) financing activities		-	-
<hr/>			
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Proceeds from share issue		286,676	-
Proceeds from shares to be issued	9	30,963	72,059
Share offer costs		(15,011)	-
Proceeds from borrowings		100,000	-
<hr/>			
Net cash provided by (used in) financing activities		402,628	72,059
<hr/>			
Net increase in cash held		12,149	(120,849)
Cash at beginning of financial year		123,484	244,333
<hr/>			
Cash at end of financial year	5 (a)	135,633	123,484
<hr/> <hr/>			

The accompanying notes form part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

The financial statements have been prepared in accordance with the historical cost convention. Cost in relation to assets represents the cash amount paid or the fair value of the assets given in exchange.

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensure that the financial report, comprising the financial statements and notes thereon, complies with International Financial Reporting Standards ('IFRS').

As at 30 June 2007 there were no Australian Equivalents to International Accounting Standards or applicable pronouncements issued and not yet effective that would impact the financial results or position of the Company.

c) Going Concern

The financial report for the year ended 30 June 2007 is prepared on a going concern basis.

The Company incurred an operating loss after income tax of \$395,698 (2006: \$296,953). At 30 June 2007 the Company's forward cash-flow projections anticipate an excess of cash outflows over inflows and currently available cash, from operating activities. The directors have considered this position and have assessed available funding options and believe should funding be required that sufficient funds could be sourced to satisfy creditors as and when they fall due, however, should this not be sufficient the Company may be unable to continue as a going concern. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

Subsequent to year end, as disclosed in Note 19, \$495,868 has been raised by the Company from capital subscriptions. These funds will be used as disclosed in the prospectus for raising these funds issued on 21 May 2007 and the directors believe these funds will provide sufficient cash flows with current funding sources to allow the Company to meet its debts as and when they fall due.

d) Cash

Cash on hand and in banks and short term deposits are stated at the lower of cost and net realisable value.

For the purpose of the Cash Flow Statement, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

e) Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less a provision for any uncollectible debts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

f) Plant and Equipment

Plant and equipment is stated at cost less depreciation and impairment in value.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

- Computer Equipment 2-3 years
- Furniture & Fittings 5 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from continued use of the asset.

Any gains or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amounts of the item) is included in the income statement in the period the item is derecognised.

g) Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

h) Trade and Other Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

i) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

Sale of Goods Revenue: Revenue is recognized when significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Rendering of Services: Revenue from the rendering of a service is recognized upon delivery of the services.

Interest Revenue: Interest is recognized as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividend Revenue: Dividends are recognized when the right to receive a dividend has been established.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of each asset and liability and their carrying amounts for financial reporting purposes.

j) Income Taxes

Deferred income tax liabilities are recognised for all taxable temporary differences:

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward or unused tax assets and unused tax losses can be utilised:

- Except where the deferred income tax asset relating to the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax asset and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j) Other Taxes

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense as applicable; or
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

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

k) Comparative Figures

Where required by Accounting Standards, comparative information has been adjusted to conform with changes in presentation of the current year.

l) Contributed equity

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

	2007 \$	2006 \$
2. DOUBTFUL DEBTS		
Payment to assigned creditors (i)	(55,511)	(5,092)
	(55,511)	(5,092)

(i) Payment to assigned creditors of InJet Digital Aerosols Inc. Claims from all known creditors have now been settled and no further claims will be paid. In accordance with a resolution of members on 30 November 2006, InJet Digital Aerosols Inc was wound up on 22 June 2007.

3. INCOME TAX

The major components of income tax expense are:

Income Statement

Current income tax

Current income tax charge	118,709	89,086
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Deferred income tax

Relating to origination and reversal of temporary differences	86,998	(414)
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	2007 \$	2006 \$
3. INCOME TAX (cont'd)		
Future income tax benefits (not recognised)	(205,707)	(88,672)
Income tax expense reported on the income statement	-	-

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the company's applicable income tax rate is as follows:

Accounting Profit (Loss) before income tax	(395,698)	(296,953)
At the company's statutory income tax rate of 30%:	(118,709)	(89,086)
Movement in temporary differences not recorded	(86,998)	414
Tax assets not recognised	205,707	88,672
Income tax expense reported on the income statement	-	-

Tax assets (At 30%)

Domestic tax losses	38,765	33,808
Foreign tax losses	257,639	56,889
Temporary differences – including balances in equity	214,576	292,661
	510,980	383,358

Domestic and foreign tax losses will only be available if:

- a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- c) no changes in tax legislation adversely affect the company in realising the benefit.

4. EARNINGS PER SHARE

Earnings used in the calculation of EPS	(395,698)	(296,953)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	453,389,976	449,762,935
Weighted average number of options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	453,389,976	449,762,935

	2007 \$	2006 \$
5. CASH AND CASH EQUIVALENTS		
(a) Reconciliation of cash		
For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash at Bank	135,633	123,484
(b) Reconciliation of cash flows from operating activities with loss after income tax		
Operating profit/(loss) after taxation	(395,698)	(296,953)
Non Cash items		
Depreciation	-	824
Loss on asset disposal	-	1,116
Doubtful debts expense	55,511	5,092
Change in assets and liabilities		
(Increase)/decrease in current receivables	4,218	(24,483)
Increase/(decrease) in payables	1,001	129,919
Increase/(decrease) in provisions	-	(19,000)
Payments to assigned creditors	(55,511)	10,577
Cash flows from operating activities	(390,479)	(192,908)
6. TRADE AND OTHER RECEIVABLES		
GST Receivable	9,391	13,609
Prepayments – including share offer costs	-	14,466
Receivable from InJet Digital Aerosols Inc	-	459,702
Less provision for doubtful debts	-	(459,702)
	9,391	28,075

	2007 \$	2006 \$
7. PLANT AND EQUIPMENT		
Plant and Equipment		
At Cost	1,670	1,670
Accumulated depreciation	(1,670)	(1,670)
Net carrying amount	-	-

Movement in carrying value

Plant and Equipment		
Carrying value at the beginning of the period	-	1,940
Disposals	-	(1,116)
Depreciation	-	(824)
Carrying value at the end of the period	-	-

8. TRADE AND OTHER PAYABLES

Trade payables	116,122	116,612
Related parties (i)	287	13,687
Accrued Expenses	34,425	19,550
	150,834	149,849

(i) Refer to Note 17 for terms and conditions.

9. SHARES TO BE ALLOTTED

Shares to be allotted (i)	30,963	72,059
	30,963	72,059

(i) During the year, the Company received \$30,963 from shareholders participating in the pro-rata rights issue, which will close on 4 October 2007. As at the balance sheet date, shares had not been issued in respect of these funds as the minimum subscription required under the rights issue had not yet been met. The amount was transferred to equity on issue of the shares of 20 September 2007. Refer Note 19.

10. FINANCIAL LIABILITIES

Loans from related party (i)	100,000	-
	100,000	-

(i) Refer Note 17 for further details.

	2007 \$	2006 \$
11. ISSUED CAPITAL		
(a) Issued and paid up capital		
Ordinary shares fully paid	1,329,274	1,000,000

(b) Movements in shares on issue	Number of shares	Number of shares	2007	2006
	2007	2006	\$	\$
The following share issues were made during the period				
Beginning of the year	451,078,391	448,454,666	1,000,000	1,000,000
Issued during the period (i)	2,391,669	2,623,725	358,736	-
Costs of share issue	-	-	(29,462)	-
End of the year	453,470,060	451,078,391	1,329,274	1,000,000

(i) Issue of 2,391,669 shares under the pro-rata rights issue.

(c) Terms and Conditions of Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number and amounts paid up on shares held.

(d) Options

No options have been issued since incorporation of the Company.

	2007 \$	2006 \$
12. ACCUMULATED LOSSES		
Movements in accumulated losses as follows:		
Balance 1 July	(1,070,349)	(773,396)
Loss for the period	(395,698)	(296,953)
Balance 30 June	(1,466,047)	(1,070,349)

13. KEY MANAGEMENT PERSONNEL

The Key Management Personnel employed by the company at any time during the year were:

Directors

Dr Michael Monsour	Chairman- Non-executive
Stephen Goodall	Director- Non-executive
Ross Mangelsdorf	Director- Non-executive (appointed 19 October 2006)
Bryan Dulhunty	Director- Non-executive (resigned 19 October 2006)

There were no executives of InJet Digital Aerosols Limited at any time during the year.

Key Management Personnel Equity Interests

Key Management Person	Balance 01.07.2006	Received as Compensation	Options Exercised	Net Change Other	Balance 30.06.2007
M Monsour ¹	2,286,516	-	-	-	2,286,516
S Goodall	870,350	-	-	-	870,350
R Mangelsdorf ²	34,000	-	-	-	34,000
B Dulhunty ³	-	-	-	-	-
Total	3,190,866	-	-	-	3,190,866

¹ Michael Monsour holds shares in Australian Technology Innovation Fund Limited.

² Ross Mangelsdorf was appointed a director 19 October 2006. Mr Mangelsdorf holds shares in Australian Technology Innovation Fund Limited.

³ Bryan Dulhunty resigned as a director on 19 October 2006.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are credit risk and interest rate risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit Risk

The company's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet.

The Company trades only with recognised, creditworthy third parties. The Company's exposure to credit risk is minimal.

Interest Rate Risk

The Company's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates.

The Company's exposure to interest rate risk is minimal.

15. FINANCIAL INSTRUMENTS

Fair Values

The carrying value of the Company's assets and liabilities approximate their fair values.

Interest Rate Risk

The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

2007	Weighted Average	Floating Interest rate	Fixed Interest maturing within 1 year	Fixed Interest maturing within 1-2 years	Non- Interest Bearing	Total
Financial Assets						
- Cash	3%	135,633	-	-	-	135,633
- Receivables	-	-	-	-	9,391	9,391
Total Financial Assets	3%	135,633	-	-	9,391	145,024
Financial Liabilities						
Trade and other payables	-	-	-	-	150,834	150,834
Shares to be allotted	-	-	-	-	30,963	30,963
Loans Liabilities	-	-	-	-	100,000	100,000
Total Financial Liabilities	-	-	-	-	281,797	281,797
2006						
Financial Assets						
- Cash	3%	123,485	-	-	-	123,485
- Receivables	-	-	-	-	28,075	28,075
Total Financial Assets	-	123,485	-	-	28,075	151,560
Financial Liabilities						
Trade and other payables	-	-	-	-	132,849	132,849
Total Financial Liabilities	-	-	-	-	132,849	132,849

16. INVESTMENT IN SUBSIDIARY COMPANIES

The Company owns 100% of Ponwell Enterprises Limited, a company incorporated in the British Virgin Islands. Ponwell Enterprises Limited has no assets or liabilities and has not traded.

Ponwell Enterprises Limited is in the process of being wound up, therefore the Company has not prepared consolidated financial statements.

17. RELATED PARTY DISCLOSURE

During the year, MPAMM Pty Ltd, a company associated with Dr Michael Monsour, made available to the company a loan of \$100,000. The loan was to enable the company to meet its working capital requirements prior to the rights issue being finalised. The loan is unsecured and non-interest bearing and is repayable on 90 day terms. However, the loan is not repayable if the repayment of the loan would cause an insolvency event to occur.

During the year, Mr Stephen Goodall incurred expenses of \$287 on behalf of the company. Expenses are usually settled on 30 day terms. As at the balance sheet date, an amount of \$287 was payable by the Company to Mr Goodall.

During the year, the Company was charged \$8,082 by CoSA Pty Ltd for the provision of Company Secretarial services. CoSA Pty Ltd is a company associated with Mr Bryan Dulhunty. Mr Dulhunty resigned as a Director and Company Secretary on 19 October 2006. As at the balance sheet date, an amount of \$nil was payable by the Company to CoSA Pty Ltd. Charges are usually settled on 30 day terms.

18. SEGMENT INFORMATION

The Company operates solely as a biotechnology development company in Australia, holding rights to patents throughout the world

19. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, MPAMM Pty Ltd, a company associated with Dr Michael Monsour, made additional loan funds available to the Company. As at the date of this report, loans totalling \$130,000 have been received from MPAMM Pty Ltd. The loans have not yet been repaid however are repayable on 90 day terms providing that their repayment will not cause an insolvency event.

During the year, the Company undertook a pro-rata right's issue which will close on 4 October 2007. As at 30 June 2007, \$30,963 had been raised for which shares had not yet been allotted. As at the date of this report, a total of \$520,242 has been raised in the rights issue.

3,122,619 new shares and 3,122,619 new options were issued pursuant to the rights issue on 25 September 2007. The total number of shares on issue as at the date of this report is 456,592,679. The total number of options on issue as at the date of this report is 3,122,619.

Other than the matter outlined above, there have not been any matters or circumstances that have arisen since the end of the year that have significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in financial years after the end of financial year

20. CORPORATE INFORMATION

InJet Digital Aerosols Limited is a company limited by shares incorporated in Australia. The nature of the operations and principal activities of the company are described in the Directors Report.

InJet Digital Aerosols Limited
Directors' Declaration
For the year ended 30 June 2007

The Directors of the Company declare that:

1. the financial statements and notes of the Company are in accordance with the Corporations Act 2001, and:
 - a) comply with Accounting Standards and Corporations Regulations 2001; and
 - b) give a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the year ended 30 June 2007.
2. the Chairman has 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. Subject to the reference to Going Concern in Note1, 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 Board of Directors.

M. Monsour
Chairman
Brisbane

Date: 28 September 2007

Auditor's Independence Declaration to the Directors of Injet Digital Aerosols Limited

In relation to our audit of the financial report of Injet Digital Aerosols Limited for the year ended 30 June 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



Winna Brown
Partner
28 September 2007

Independent auditor's report to the members of Injet Digital Aerosols Limited

We have audited the accompanying financial report of Injet Digital Aerosols Limited, which comprises the balance sheet as at 30 June 2007, 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.

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 the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls 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 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 our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. 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 opinion.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

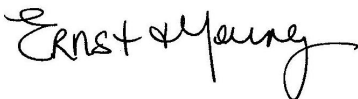
Auditor's Opinion

In our opinion:

1. the financial report of Injet Digital Aerosols Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Injet Digital Aerosols Limited at 30 June 2007 and of its 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*.
2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the statement expressed above, attention is drawn to the following matter. As described in Note 1 (c) "Going Concern" to the financial report there is significant uncertainty whether the company will be able to continue as a going concern and, therefore, whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts nor to the amounts or classification of liabilities that might be necessary should the entity not be able to continue as a going concern.



Ernst & Young



Winna Brown
Partner
Brisbane
28 September 2007

InJet Digital Aerosols Limited

Top Twenty Shareholders

The top twenty shareholders in the Company as at the date of this report were:

Rank	Shareholder	No. Shares Held	% Issued Capital
1	Viralytics Ltd	205,403,059	44.99
2	Australian Technology Innovation Fund Limited	135,536,393	29.68
3	XKY (BVI) Limited	27,690,000	6.06
4	Ian Robert Skinner	10,385,717	2.27
5	Raymond Kenneth Weekes	3,893,600	0.85
6	Wolfgang Helmut Hanisch	3,795,600	0.83
7	Andrew M Leitch	2,700,000	0.59
8	Retirewell Commercial Services Pty Ltd <Gillett Super Fund A/C>	2,000,000	0.44
9	James R Edwards	1,999,858	0.44
10	Robert P Lackey	1,888,767	0.41
11	Khalid Ghayur	1,788,560	0.39
12	John Grainger	1,523,578	0.33
13	MM Holdings Pty Ltd	1,500,000	0.33
14	Warren Brown & Associates Pty Ltd <Superannuation Fund A/C>	1,300,000	0.28
15	Perpetual Custodians Ltd	1,240,000	0.27
16	MPAMM Pty Ltd	1,195,551	0.26
17	MP Monsour Medical Practice Pty Ltd <MP Monsour Med Prac SF A/C>	1,090,965	0.24
18	Paul F Boucher	1,010,080	0.22
19	Jack Florio	1,000,000	0.22
20	Garry Bramwell Snowsill and Maureen Gertruda Snowsill	961,500	0.21
	Total	407,903,128	89.34