



The Manager  
Company Announcements Office  
Australian Stock Exchange Limited  
Exchange Centre  
Level 4, 20 Bridge Street  
SYDNEY NSW 2000

29<sup>th</sup> July, 2005

Dear Sir /Madam,

**Appendix 4C – Quarterly Cash Flow Report**

The Board is pleased to present the Quarterly report for Bone Medical Limited.

The Company's operations, including its pre-clinical and clinical programmes, are progressing within its business plan parameters with expenditure levels being contained well within budget levels.

A summary of activities of the last three months are as follows:-

Completion of Perthoxal™ oral parathyroid hormone human Phase I trial in Sydney. This study was aided by funding received from the Federal Government through the Biotechnology Innovation Fund scheme. The final report is expected in October.

Appointment of ERA Consulting to prepare an Investigational New Drug application to the US FDA for Capsitonin™ oral calcitonin.

Progress towards ADR Level 1 listing in the US with sponsorship from the Bank of New York, which is currently awaiting final approval from the SEC.

Alterations to the intellectual property licence payments to Axxess Limited by a relaxation of the payment schedule.

Completion of the early conversion of the Preference B shares to ordinary shares at a discount.

Appointment of new and experienced Chairman – Paul Hopper.

Appointment of Bio-IB, a New York-based investment bank, to help the Company raise capital in the USA .

Yours sincerely,

Jane Swindells  
Company Secretary

# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

BONE MEDICAL LIMITED

ABN

70 009 109 755

Quarter ended ("current quarter")

30 JUNE 2005

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12.... months) \$A'000
1.1 Receipts from customers		
1.2 Payments for		
(a) staff costs	(185)	(420)
(b) advertising and marketing	(4)	(37)
(c) research and development	(579)	(1854)
(d) leased assets		
(e) other working capital	(79)	(752)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	27	133
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
<b>Net operating cash flows</b>	<b>(820)</b>	<b>(2930)</b>

+ See chapter 19 for defined terms.

	Current quarter \$A'000	Year to date (.9..... months) \$A'000
1.8 Net operating cash flows (carried forward)	(820)	(2930)
<b>1.9 Cash flows related to investing activities</b>		
Payment for acquisition of:		
(a) businesses (item 5)	-	147
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	-	(11)
(e) other non-current assets		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)		
(b) equity investments	-	900
(c) intellectual Property		
(d) physical non-current assets		
(e) other non-current assets		
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Other (provide details if material)		
<b>Net investing cash flows</b>	-	1036
<b>1.14 Total operating and investing cash flows</b>	(820)	(1894)
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	-	2520
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings		
1.18 Repayment of borrowings		
1.19 Dividends paid		
1.20 Other :- Capital Raising costs and Issue of shares under the Bone transaction costs	-	(471)
- Government Grants Income	66	217
<b>Net financing cash flows</b>	66	2266
<b>Net increase (decrease) in cash held</b>	(754)	372
1.21 Cash at beginning of quarter/year to date	2433	1307
1.22 Exchange rate adjustments to item 1.20		
1.23 <b>Cash at end of quarter</b>	1679	1679

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**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	300
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

**Financing facilities available**

*Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

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+ See chapter 19 for defined terms.

## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	139	173
4.2 Deposits at call	238	628
4.3 Bank overdraft		
4.4 Other (provide details) Investment bill	1302	1632
<b>Total: cash at end of quarter</b> (item 1.22)	1679	2433

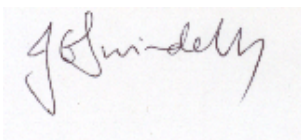
## Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does ~~does not~~\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:



(~~Director~~/Company secretary)

Date: 29 JULY 2005

Print name: JANE SWINDELLS

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**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
  - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
  - 9.2 - itemised disclosure relating to acquisitions
  - 9.4 - itemised disclosure relating to disposals
  - 12.1(a) - policy for classification of cash items
  - 12.3 - disclosure of restrictions on use of cash
  - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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