

## 2. APPENDIX 4D

### 2.1 Half-year Report

Name of entity

BONE MEDICAL LIMITED (FORMERLY REVENIR LIMITED)

ABN

70 006 788 754

Reporting Period

Half-year ended  
31 December 2004

Previous Corresponding Period

Half-year ended  
31 December 2003

(1)

## (2) Results for Announcement to the Market

					\$A'000
Revenues from ordinary activities ( <i>item 2.1</i> )	Down	92%	to		168
Profit (loss) from ordinary activities after tax attributable to members ( <i>item 2.2</i> )	Up	112%	to		(1,300)
Net profit (loss) for the period attributable to members ( <i>item 2.3</i> )	Up	112%	to		(1,300)
Final and interim dividends ( <i>item 2.4</i> )	It is not proposed that either a final or interim dividend be paid .				
Record date for determining entitlements to the dividend ( <i>item 2.5</i> )	N/A				
Brief explanation of any of the figures reported above ( <i>item 2.6</i> ):					
Refer Attached Interim Financial Report under 2.2 Review of Operations section.					

(a)

	<b>Current Period</b>	<b>Previous Corresponding Period</b>
Net tangible assets per ordinary share ( <i>item 3</i> )	6 cents	10 cents

Details of entities over which control has been gained or lost (*item 4*)

Bone Limited – 80%. Refer commentary under 2.2 in attached Financial Report under Review of Operations.

	<b>Current Period</b> <b>000's</b>	<b>Previous Corresponding Period</b> <b>000's</b>
Profit (Loss) from ordinary activities after extraordinary items and income tax of the controlled entity during the current period from the date control was gained	(1)	N/a

Details of dividends or distribution payments (*item 5*)

- No dividends or distributions are payable.

Details of dividend or distribution reinvestment plans (*item 6*)

- There is no dividend reinvestment program in operation for Bone Medical Limited.

Details of associates and joint venture entities (*item 7*)

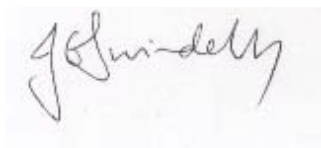
- Bone Medical Limited does not have any investments in associate entities or joint venture interests.

Foreign entities to disclose which accounting standards are used in compiling the report (*item 8*)

International Accounting Standards

Description of any audit dispute or qualification (*item 9*)

- N/A
- The audit review report has been attached to this report



.....  
Jane Swindells  
Company Secretary  
Bone Medical Limited  
28<sup>th</sup> February, 2005.

2/1 Sarich Way  
Bentley  
WA 6102

**BONE MEDICAL LIMITED**  
**(FORMERLY REVENIR LIMITED)**  
**ABN 70 009 109 755**

**INTERIM FINANCIAL REPORT**

**For the Half-Year ended**  
**31 DECEMBER 2004**

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## 1. CORPORATE DIRECTORY

### Directors

Michael Delaney PERROTT - Non-Executive Chairman  
Richard BASHAM – Non-Executive Director  
Christopher Robert BILKEY – Non-Executive Director  
Glen Nicholas TRAVERS – Co-Founder and Non-Executive Director

### Company Secretaries

John Richard FRAME  
Jane Elizabeth SWINDELLS

### Registered Office

2/1 Sarich Way  
Technology Park  
Bentley WA 6102  
Telephone: +618 9355 5123  
Facsimile: +618 9355 5210

### Auditors

BDO  
Chartered Accountants  
256 St Georges Terrace  
Perth WA 6000

### Share Registry

Security Transfer Registrars Pty Limited  
770 Canning Highway  
Applecross WA 6153  
Telephone: 618 9315 0933  
Facsimile: 618 9315 2233

### Solicitors

Blakiston and Crabb  
1202 Hay Street  
West Perth WA 6005

### Bankers

St George Bank  
Level 11  
152-158 St George's Terrace  
Perth WA 6000

### Website

[www.bonemedical.com](http://www.bonemedical.com)

### Stock Exchange Listing

The Company's shares are quoted on the Official List of Australian Stock Exchange Limited as BNE.

### State of Incorporation

Western Australia

## 2. DIRECTORS' REPORT

Your directors submit the financial report of the economic entity for the half-year ended 31 December 2004.

### 2.1 Directors

The names of directors who held office during or since the end of the half year:

Michael Delaney PERROTT  
Richard BASHAM  
Christopher Robert BILKEY (appointed 2 August 2004)  
Glen Nicholas TRAVERS (appointed 2 August 2004)  
Dr James Neil PHILLIPS (appointed 2 August 2004, resigned 31 December 2004)  
Ross KESTEL (resigned 30 November 2004)

### 2.2 Review Of Operations

The consolidated loss after income tax for the financial half-year is \$1,299,639 (2003: \$614,246).

On 29 July 2004, Revenir Limited received the final instalment for the purchase of the Aliquot Property Management business by Key 2 (\$900,000 plus interest).

On 2 August 2004, the shareholders of Revenir Limited at a general meeting, approved the acquisition of 80% of Bone Limited, a British based biopharmaceutical company with the issue to the Bone Ltd vendors of 34 million ordinary shares, 1 Class A preference share and 10 million Class B Preference shares as consideration. Concurrent with the shareholders meeting, the Company announced its capital raising under a Prospectus had closed early and oversubscribed raising a total of \$2.5 million. As a result the Company issued 4.2 million shares at 60 cents per share (post share consolidation).

The ordinary shares of the Company were consolidated on a 1 for 4 basis following the settlement of the Bone Limited acquisition transaction. All shareholders were issued with a bonus issue of 10 million Class C Preference Shares in total.

The settlement date for the acquisition was 23<sup>rd</sup> August, 2004. Revenir Limited changed its name to Bone Medical Limited on 19<sup>th</sup> August, 2004.

There was a change in the activities of the Company during the period from property management of the rent roll business to that of a biopharmaceutical company.

The following summarises operational achievements in Bone Medical Limited for the period under review :-

#### ***Capsitonin*<sup>TM</sup> Oral Calcitonin (osteoporosis)**

- Positive outcomes achieved from first human clinical trial.
  - Results from the Phase I/IIa study show that calcitonin was being delivered orally and is biologically active, i.e. *Capsitonin*<sup>TM</sup> oral calcitonin produced statistically significant reductions in the breakdown of bone as measured by specific markers in the blood that are associated with bone destruction.
  - These data add to the positive safety and tolerability data previously announced.
  - There are currently no oral versions of calcitonin available on the world market.

- Latham & Watkins (Washington D.C.) appointed and have been in contact with the US Food & Drug Administration (FDA) to discuss regulatory routes for *Capsitorin*<sup>™</sup> oral calcitonin.
- Preparations for the next human clinical study, a dose finding study, has commenced and a draft protocol has been completed.

#### **BN003 Oral Parathyroid Hormone (osteoporosis)**

- Award of a \$250,000 grant from the Federal Government's Biotechnology Innovation Fund (BIF), the maximum amount available under the scheme.
  - Grant was awarded to advance the BN003 project from pre-clinical testing into initial stages of human clinical testing.
- Sydney's ICP Firefly has been appointed to complete a pre-clinical toxicity study
  - Study plans have been completed.
  - Animal ethics has been approved for the study.
  - Study is due to commence in February.
- St Vincent's Hospital Clinical Trial Centre, Sydney, has been appointed to complete a first-in-human clinical trial.
- Contract Research Organisation, Clinical Network Services (Brisbane) has been engaged to oversee the Phase I study.
- Ethics was submitted to St Vincent's Human Research Ethics Committee. Written approval was received in January 2005.
- First patient/first dose expected in February 2005.

#### **BN005/008 Osteoblast & Osteoclast Regulators (osteoporosis)**

- Collaborative Testing Agreement signed with the Institute for Molecular Bioscience at the University of Queensland.
- Program commenced in December 2004 and is expected to take 6 months to complete.
- Primary outcomes are two libraries of bone cell regulators, one to upregulate osteoblast (bone building) activity and the other to down-regulate osteoclast (bone destroying) activity.

#### **BN006 TNF Regulator (rheumatoid arthritis)**

- Discovery of a new class of therapeutic agents to potentially treat and/or help prevent rheumatoid arthritis. The new class has demonstrated the ability to restore the levels of tumour necrosis factor (TNF) production to normal in animal cell lines.
- Collaborative Testing Agreement signed with the Institute of Bone and Joint Research (IBJR), at Sydney's Royal North Shore Hospital.
- First preclinical study successfully demonstrated that the lead candidate from Bone Medical's library of TNF regulators can reduce levels of TNF in an animal model of its release.
- Additional variants have been developed that are many times more potent than the current test peptide.

- Planning for testing in animal models of rheumatoid arthritis and mechanism of action studies are underway.

#### **BN007 Collagen Tolerance (rheumatoid arthritis)**

- Collaborative Testing Agreement signed with the IBJR.
- Animal ethics has been approved for the study.
- Study in an animal model of rheumatoid arthritis commenced in January 2005.

#### **Prominent New Members to Scientific Advisory Committee**

- Professor Peter Brooks and Professor Philip Sambrook appointed in December 2004 to Scientific Advisory Committee.
- Professor Peter Brooks is the Executive Dean of Health Sciences at the University of Queensland and Chairman of the “Bone & Joint Decade” National Action Network. Professor Brooks is internationally recognised as an expert in the treatment and epidemiology of rheumatic diseases.
- Professor Philip Sambrook is the Florence & Cope Professor of Rheumatology at the University of Sydney and the Director of the Institute for Bone & Joint Research at Sydney’s Royal North Shore Hospital. His particular research interests include the epidemiology, genetics and treatment of osteoporosis and osteoarthritis. Professor Sambrook is also a member of several international Scientific Editorial Boards, Vice President of the Asia Pacific Osteoporosis Foundation and a member of the Osteoporosis Australia Board.

### **2.3 Information On Directors**

<b>Director</b>	<b>Qualifications and Experience</b>
<b>Michael Delaney Perrott</b> B Com <b>(Non-Executive Chairman)</b>	Mr Perrott has been involved in industries associated with construction, contracting, mining and land development since 1969. He is currently also Chairman of Port Bouvard Limited, GME Resources Limited and Canning Vale Weaving Mills Limited and a Non-Executive Director of Portman Limited. He is a member of the Board of Notre Dame University and a council member of the National Advisory Council for Suicide Prevention and the State Ministerial Council for Suicide Prevention.
<b>Christopher Robert Bilkey</b> Dip Biochem <b>(Non-Executive Director)</b>	Mr Bilkey has over 24 years’ experience in the international pharmaceutical industry, covering a broad range of sales and marketing, operational and

Director	Qualifications and Experience
	<p>corporate strategic roles. Mr Bilkey's immediate past role was President, South East Asia. Prior to that he was Vice President Global Women's Health Care for Pharmacia Inc and Vice President Country Operations, both roles at Pharmacia's Headquarters in Peapack, New Jersey, USA. He was appointed as a Non-Executive Director of Bone Medical Limited on 2<sup>nd</sup> August, 2004.</p>
<p><b>Glen Travers</b> B Com ACA ASIA <b>(Co-Founder and Non-Executive Director)</b></p>	<p>Mr Travers is one of the co-founders and a current director of Bone Limited. Mr Travers has founded and built a number of public companies including Cortecs Plc, an international biopharmaceutical company consisting of 350 staff, including 200 research and development staff, listing the company in the UK, Australia and in the USA (NASDAQ). The company developed new products that have been registered with the FDA in the USA and other agencies. Mr Travers has also been involved in developing collaborations with several large industry participants and several universities, including the Centre for Vaccine Development at Cambridge University. He was voted by peers the European Healthcare Entrepreneur of the Year in the mid 90's for his work in Europe. He was appointed as a Director of Bone Medical Limited on 2<sup>nd</sup> August, 2004.</p>
<p><b>Richard Basham</b> FCA SIA (Aff) <b>(Non-Executive Director)</b></p>	<p>Mr Basham is a former Managing Partner of Grant Thornton with approximately 35 years of public accounting experience. Mr Basham specialises in Corporate Advisory work in the resource, biotechnology and investment industries. He has acted as a director of several public companies and on the board of several government entities. Mr Basham is currently a director of Copper Co Ltd (a listed company), Health Services Australia Limited, Franchise Investment International and Packer and Co Limited. Mr Basham was appointed as a Director on 12th May 2004 and remains a consultant to Grant Thornton</p>
<p><b>Ross Kestel</b> B Bus (Acctg), CA, FCPA <b>(Non-Executive Director)</b></p>	<p>Mr Kestel resigned as a Director on 30<sup>th</sup> November, 2004.</p>
<p><b>James Phillips</b> MB ChB MBA <b>(Chief Executive Officer and Director)</b></p>	<p>He was appointed a Director of Bone Medical Limited on 2<sup>nd</sup> August, 2004 and resigned on 31<sup>st</sup> December, 2004.</p>

## 2.4 Information on Company Secretaries

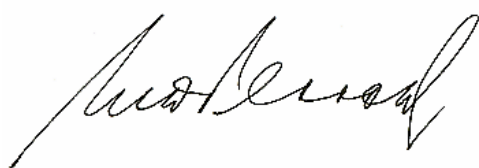
<b>John Richard Frame</b> B Com (Hons) IACD (Company Secretary)	Mr Frame has trained as a Chartered Accountant gaining wide experience in many areas including commercial, treasury, money market, share and derivative trading, mergers and acquisitions, corporate governance issues over a 20 year period. Since the mid 1990's, he has worked in the Finance, Information Technology and Biotechnology industries.
<b>Jane Elizabeth Swindells</b> B Compt (Hons) (Company Secretary)	Ms Swindells qualified as a Chartered Accountant and was Audit Manager with Coopers and Lybrand. She has had experience in commercial, property, financial and biotechnology businesses.

## AUDITORS INDEPENDENCE DECLARATION

The Auditor's Independence Declaration on page 16 forms part of the Director's Report for the half-year ended 31 December 2004.

This relates to the audit report, where they state that they have issued an independent declaration.

SIGNED in accordance with a Resolution of Directors on behalf of the Board.



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**M D PERROTT**

Non - Executive Chairman

Perth, Western Australia  
28th February 2005

**CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

	CONSOLIDATED	
	6 months to 31.12.04 \$	6 months to 31.12.03 \$
Other Revenue from ordinary activities	<u>167,884</u>	<u>2,132,087</u>
Employee expenses and Director fees	(116,206)	(409,565)
Corporate and management contractors	(177,371)	(113,724)
Carrying value of assets disposed	-	(1,688,820)
Depreciation and amortisation expenses	(692)	(255,669)
Research and Development expenditure	(842,733)	-
Other expenses from ordinary activities	(330,787)	(278,555)
Loss from ordinary activities before income tax expense	<u>(1,299,905)</u>	<u>(614,246)</u>
Income tax expense relating to ordinary activities	-	-
Loss from ordinary activities after related income tax	<u>(1,299,905)</u>	<u>(614,246)</u>
Net Loss to Outside Equity Interests	<u>266</u>	<u>-</u>
Loss attributable to members of the parent entity other than those resulting from transactions with owners as owners	<u>(1,299,639)</u>	<u>(614,246)</u>
<b>Earnings Per Share</b>	<b>Note</b>	
Basic loss per share (cents per share)	3	
		<u>(3.39)</u> <u>(3.31)</u>

The statement of financial performance should be read in conjunction with the accompanying notes

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2004**

		Consolidated	
	Note	31.12.04	30.06.04
Current Assets		\$	\$
Cash assets		3,189,585	1,306,735
Receivables		19,503	938,608
<b>Total Current Assets</b>		<b>3,209,088</b>	<b>2,245,343</b>
<b>Non-Current Assets</b>			
Plant & equipment		12,249	2,171
Goodwill		27,485,015	-
Other		248,711	178,616
<b>Total Non-Current Assets</b>		<b>27,745,975</b>	<b>180,787</b>
<b>Total Assets</b>		<b>30,955,063</b>	<b>2,426,130</b>
<b>Current Liabilities</b>			
Payables		130,647	181,615
Loans		1,098	-
<b>Total Current Liabilities</b>		<b>131,745</b>	<b>181,615</b>
<b>Total Liabilities</b>		<b>131,745</b>	<b>181,615</b>
<b>Net Assets</b>		<b>30,823,318</b>	<b>2,244,515</b>
<b>Shareholders' Equity</b>			
<b>Parent Equity</b>			
Contributed equity	5	67,665,849	37,815,887
Accumulated losses		(36,871,011 )	(35,571,372)
<b>Total Parent Equity</b>		<b>30,794,838</b>	<b>2,244,515</b>
<b>Outside Equity Interest</b>			
Outside Equity Interests		28,480	-
<b>Total Equity</b>		<b>30,823,318</b>	<b>2,244,515</b>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

	<b>Total 31.12.04 \$</b>	<b>Total 31.12.03 \$</b>
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	-	460,766
Payments to suppliers and employees	(1,370,917)	(812,497)
Interest received	72,721	11,286
	<b>(1,298,196)</b>	<b>(340,445)</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of plant and equipment	(10,149)	(6,917)
Payment for acquisition of Rent Rolls	-	(118,808)
Payment for development of software	-	(90,000)
Proceeds from disposal of investments	900,000	-
Proceeds from sale of plant and equipment	-	6,830
	<b>889,851</b>	<b>(208,895)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issue of shares	2,520,000	-
Capital raising costs and issue of shares under the Bone transaction costs	(323,762)	-
Government Grant Income	94,957	-
	<b>2,291,195</b>	<b>-</b>
Net increase (decrease) in cash held	1,882,850	(549,340)
Cash at the beginning of the period	1,306,735	878,014
<b>Cash at the end of the Half Year</b>	<b>3,189,585</b>	<b>328,674</b>

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

### 1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS

#### General Basis

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2004 and any public announcements made by Bone Medical Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June 2004 annual report.

The half-year report does not include full disclosure of the type normally included in an annual financial report.

#### International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. Consequently, the Company's 2005 Interim Statement, and the Company's 2006 Annual Statements will be prepared under IFRS. In those statements, comparative information will also be required to be stated under IFRS.

The Company's directors, along with its auditors, are assessing the significance of these changes and preparing for their implementation.

Set out below are the key areas where accounting policy will change and may have an impact on financial reporting by Bone Medical Limited. At this stage, the Company has not been able to reliably quantify the impact on the financial report.

*Intangible Assets - Goodwill* - Under Accounting Standard AASB 3 'Business Combinations' goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. This will result in a change in the Company's accounting policy, which presently amortises goodwill over its useful life not exceeding twenty years. Under the new policy, amortisation will no longer be charged. However, post the transition date of 1 July 2004, goodwill will be expensed immediately in the Statement of Financial Performance to the extent it is impaired.

Potentially higher expenses may result in the event of a business combination because an acquiring entity will not be permitted to recognise liabilities for terminating or reducing the activities of the acquired entity as part of allocating the cost of the business acquisition. Any such liabilities existing at transition will be adjusted against opening retained earnings.

*Taxation* - Currently the company adopts the liability method of tax effect accounting whereby the income tax expense is based upon the accounting profit adjusted for permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit.

Under Australian equivalent to AASB 112 the company will be required to adopt the balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

Currently the accounting treatment to bring to account a future income tax benefit in relation to past tax losses is based on "virtually certain" future profits. On adoption of the Australian equivalent to AASB 112 the test changes to "probable" future profits. This may result in an increase in the recognition of future income tax benefit in the balance sheet.

*Impairment of Assets*

Under AASB 136 Impairment of Assets the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the group's current accounting policy which determines the recoverable amount of an asset on the basis of discounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs will be greater. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

*Converting preference shares*

The Company has converting preference shares under which are currently accounted for partly as debt and partly as equity. Under AASB 132 entities that have issued hybrid financial instruments, currently classified as equity, may be required to classify those instruments as debt depending on the terms and conditions of the instruments.

*Derivative financial instruments*

The company does not currently recognise derivative financial instruments in the financial statements. Pending AASB 139 Financial Instruments Recognition and Measurement will require a change in the method of accounting for derivative financial instruments and hedging activities so that they are recorded in the financial statements.

*Research and development expenditure*

AASB 138 Intangible assets further requires that costs that are associated with research be expensed in the period in which they are incurred. In terms of current policy, research costs are capitalised in the statement of financial position where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover these deferred costs.

*Share Based payments*

The group does not currently recognise an expense for options issued to staff. On adoption of Australian equivalents to IFRS the group will recognise an expense for all share based remuneration including deferred shares and options and will amortise those expenses being recorded and will have an initial impact on retained earnings.

## 2. LOSS FROM ORDINARY ACTIVITIES

	<b>Consolidated</b>	
	<b>31.12.04</b>	<b>31.12.03</b>
	\$	\$
REVENUE		
These include the following items :-		
Other Revenue from ordinary activities :-		
Government Grant Income	94,957	-
Interest Income	72,721	11,286
EXPENDITURE		
These include the following items :-		
Employee expenses and Director fees	(116,206)	(409,565)
Corporate and management contractors	(177,371)	(113,724)
Carrying value of assets disposed	-	(1,688,820)
Depreciation and amortisation expenses	(692)	(255,669)
Research and Development expenditure	(842,733)	-

## 3. EARNINGS PER SHARE

The earnings per share calculation has used the post consolidation number of shares from 1 July 2004. The diluted loss per share has not been disclosed as the effect of any conversion of shares is not deemed to be dilutive.

## 4. ACQUISITION OF SUBSIDIARY

On 23 August 2004 the Company acquired 80% of Bone Limited, a British based biopharmaceutical company with the issue to the Bone Ltd vendors of 34 million ordinary shares, 1 Class A preference share and 10 million Class B Preference shares as consideration. The ordinary shares of the Company were consolidated on a 1 for 4 basis following the settlement of the Bone Limited acquisition transaction. All shareholders were issued with a bonus issue of 10 million Class C Preference Shares in total. The settlement date for the acquisition was 23<sup>rd</sup> August, 2004. Revenir Limited changed its name to Bone Medical Limited on 19<sup>th</sup> August, 2004.

	<b>Consolidated</b>	
	<b>31.12.04</b>	<b>30.06.04</b>
	\$	\$
<b>5. CONTRIBUTED EQUITY</b>		
Issued and paid up capital		
54,226,301 (30.06.2004: 24,106,897) ordinary shares, fully paid	67,565,849	37,815,887
10,000,004 (2004: nil) Class B Preference Shares	100,000	-
9,999,204 (2004: nil) Class C Preference Shares	-	-

	<b>Consolidated</b>	
	<b>31.12.04</b>	<b>30.06.04</b>
	<b>\$</b>	<b>\$</b>
1,000,000 (2004: nil) Options (h)	-	-
	<u>67,665,849</u>	<u>37,815,887</u>
<u>Ordinary shares</u>		
Balance at the beginning of the period	37,815,887	37,815,887
Consolidation of Capital 1 for 4 (a)	-	-
4,200,000 shares issued under Prospectus (b)	2,520,000	-
Issue of 34,000,000 Shares to Bone Vendors (c)	20,400,000	-
Conversion of 1 Class A Preference share to 10 m shares (d)	7,100,000	-
Less :- Capital raising costs	(270,038)	-
Balance 54,226,301 ordinary shares at year end (30.06.2004: 24,106,897 )	<u>67,565,849</u>	<u>37,815,887</u>
<u>Preference Shares</u>		
1 Class A Preference Share issued – Bone Acquisition	-	-
Conversion of 1 Class A Preference Share (d)	-	-
Balance Class A preference Shares at year end	<u>-</u>	<u>-</u>
10,000,004 Class B Preference shares issued – Bone Acquisition (e)	100,000	-
Balance Class B Preference Shares at year end	<u>100,000</u>	<u>-</u>
9,999,204 Class C Preference shares issued – Bone Acquisition – Bonus issue (f)	-	-
Balance Class C Preference Shares at year end	<u>-</u>	<u>-</u>

- (a) On 23 August, 2004 the existing ordinary share capital (24,106,897 ordinary shares) were consolidated on a 1 for 4 basis as approved at the General Meeting which resulted in there being 6,026,301 ordinary shares on issue in total.
- (b) Under the Prospectus, on 23 August 2004, 4,200,000 ordinary shares were issued and allotted at \$0.60 per share and \$2,500,000 was raised.
- (c) On 23 August, 2004, 4 million ordinary shares were issued to the Bone limited preference shareholders as consideration for their 4 million Bone Limited preference shares under the Bone acquisition. Additionally, 30 million ordinary shares were issued to the Bone Limited ordinary shareholders as consideration for their 24 million Bone Limited ordinary shares under the Bone acquisition. All were issued at a deemed issue price of \$0.60.
- (d) On 23 August, 2004 1 Class A Preference Share was issued to the Bone ordinary shareholder. This converted to 10,000,000 ordinary shares on 27 September, 2004 upon the positive human clinical trial outcome of the BN002 oral calcitonin. This was issued at the deemed issue price of \$0.71 being the market value at the date of issue.
- (e) On 23 August 2004, 10,000,004 Class B Preference Shares were issued to the Bone vendors at a deemed issue price of \$0.01.
- (f) On 23 August 2004, following the Bone acquisition, 9,999,204 Class C Preference Shares were issued as a bonus issue to all shareholders at a nil deemed issue price.
- (g) 1,000,000 options were issued at 23 August, 2004 exercisable at \$0.50 per share before 1 July 2008.

**6. GOODWILL**

The goodwill refers to the exclusive access to the technology in the licence agreements with Axxess Limited, Mozaic Discovery Limited and Vaxcine Limited upon the acquisition of Bone Limited. The recoverability of the goodwill is dependent upon the successful commercialisation of this technology.

**7. CHANGE IN ACTIVITIES**

There was a change in the activities of the Company during the period from the technology business associated with the management of properties to that of a biopharmaceutical company .

**8. SEGMENT INFORMATION**

The Company has predominantly undertaken all its business activities in the biopharmaceutical segment in Australia and Europe.

**9. CONTINGENT LIABILITIES**

There are no contingent liabilities at reporting date.

**10. SUBSEQUENT EVENTS**

There has not arisen in the period between 31 December 2004 and the date of this report, any item, transaction or event of a material or unusual nature, likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity.

## DIRECTORS' DECLARATION

The directors of the company declare that:

- (1) the financial statements and notes set out on pages 7 to 14:
  - (a) comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations; and
  - (b) give a true and fair view of the economic entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date.
- (2) 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.



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**M D PERROTT**  
Non-Executive Chairman

Perth, Western Australia  
28th February 2005



Chartered Accountants  
& Advisers

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GFB:MS:JAP:00190

23 February 2005

The Directors  
Bone Medical Ltd  
1 Sarich Way  
Technology Park  
BENTLEY WA 6102

Dear Sirs

**DECLARATION OF INDEPENDENCE BY BDO CHARTERED ACCOUNTANTS TO  
THE DIRECTORS OF BONE MEDICAL LTD**

To the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of this Act in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to this review.

Yours faithfully

**BDO**  
**Chartered Accountants & Advisers**

A handwritten signature in black ink that reads 'GF Brayshaw'.

**GF Brayshaw**  
Partner



BDO is a national association of  
separate partnerships and entities.

**Advisers to growing businesses**



Chartered Accountants  
& Advisers

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## **INDEPENDENT REVIEW REPORT TO THE MEMBERS OF BONE MEDICAL LTD**

### Scope

We have reviewed the financial report comprising the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, accompanying notes and Directors' Declaration of Bone Medical Ltd for the half-year ended 31 December 2004. The Company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Interim Financial Reporting, other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the Company's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities & Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the Company's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an opinion.

### Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the director's of the company, a written Auditor's Independence Declaration.

### Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Bone Medical Ltd is not in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the disclosing entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.





Chartered Accountants  
& Advisers

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### Carrying Value of Goodwill

Without qualification to the opinion expressed above, attention is drawn to the following matter. The recoverability of the goodwill on acquisition amount of \$27,485,015 as referred to in Note 6 is dependent upon the future development and exploitation of the technology.

BDO

A handwritten signature in black ink that reads 'G F Brayshaw'.

G F Brayshaw  
Partner

Dated: 28<sup>th</sup> February 2005  
Perth, Western Australia