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Rule 4.2A

## Appendix 4D

### Half-year Report for the period ended 31 December 2014

Name of entity

<b>BONE MEDICAL LIMITED</b>
-----------------------------

ABN	Reporting Period	Previous Corresponding Period
70 009 109 755	Half year ended 31 December 2014	Half year ended 31 December 2013

(1) Results for Announcement to the Market

<b>Financial Results</b>				\$A
Revenues from ordinary activities ( <i>item 2.1</i> )	Up	100.00%	to	31,169
Loss from ordinary activities after tax attributable to members ( <i>item 2.2</i> )	Down	7.54%	to	(734,676)
Net (loss) for the period attributable to members ( <i>item 2.3</i> )	Down	7.54%	to	(734,676)
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 (*item 2.6*):  
Refer attached Interim Financial Report.

	Current Period	Previous Corresponding Period
Net tangible assets per ordinary share ( <i>Item 3</i> )	0.59 cents	(0.29) cents

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

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*)

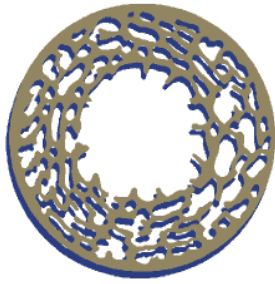
- International Accounting Standards

Details of any audit dispute or qualification (*item 9*) - None

This half-yearly reporting information should be read in conjunction with the most recent annual financial report of the Company.

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# Bone Medical

ACN 009 109 755

## **INTERIM FINANCIAL REPORT**

For the half-year ended 31 December 2014

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This financial report covers Bone Medical Limited ("Bone" or the "Company") and its subsidiaries. The financial report is presented in Australian dollars.

Bone Medical Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Bone Medical Limited  
Ground Floor  
16 Ord Street  
West Perth WA 6005

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**BONE MEDICAL LIMITED**

**ACN: 009 109 755**

**CORPORATE INFORMATION**

**Directors**

Mr Robert Towner  
*Non-Executive Chairman*

Mr John Hannaford  
*Non-Executive Director*

Mr Phillip Wingate  
*Non-Executive Director*

**Company Secretary**

Mr Phillip Wingate

**Home Securities Exchange:**

Australian Securities Exchange Limited  
Level 40, Central Park  
152 – 158 St George's Terrace  
PERTH WA 6000

**ASX Code:** BNE

**Share Registry**

Automic Registry Services  
Suite 1a, Level 1  
7 Ventnor Avenue  
WEST PERTH WA 6005

Telephone: (08) 9324 2099

**Registered Office**

Ground Floor, 16 Ord Street  
WEST PERTH WA 6005

Telephone: (08) 9482 0580

Facsimile: (08) 9482 0505

Email: [query@bone-ltd.com](mailto:query@bone-ltd.com)

Website: [www.bone-ltd.com](http://www.bone-ltd.com)

**Postal Address**

P.O. Box 902  
WEST PERTH WA 6872

**Solicitors**

Steinepreis Paganin  
Level 4, The Read Building  
1 Milligan Street  
PERTH WA 6000

**Auditor**

BDO Audit (WA) Pty Ltd  
38 Station Street  
SUBIACO WA 6008

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**DIRECTORS' REPORT**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

The Directors of Bone Medical Limited present the following report for the half-year ended 31 December 2014:

**DIRECTORS**

The Directors in office at any time during the half year and until the date of this report are set out below:

**Mr Robert Towner**

*Non-Executive Director and Chairman (appointed effective 24 January 2014)*

**Mr John Hannaford**

*Non-Executive Director (appointed effective 24 January 2014)*

**Mr Phillip Wingate**

*Non-Executive Director (appointed effective 27 November 2014)*

**Dr Roger New**

*Non-Executive Director (resigned effective 27 November 2014)*

**PRINCIPAL ACTIVITIES**

During the period the principal continuing activity of the Company was that of the development of improved therapeutics to prevent and/or treat bone and joint diseases and conditions, especially osteoporosis, osteoarthritis and rheumatoid arthritis.

In November 2014, the Company terminated the License and Research agreements with Proxima Group, the inventor and patent holder of BN006. Following the termination of the Licence and Research Agreements with the Proxima Group, the Company will focus on identifying new technology opportunities both in Health Science and other sectors with the objective of increasing shareholder value.

**REVIEW OF OPERATIONS AND RESULTS**

Net loss after income tax of the Company for the six months ended 31 December 2014 was \$734,676 (2013: loss \$683,140). The net loss is attributable to expenditure in relation to research and development technologies, settlement of the outstanding debt with AustInvest and general administration costs associated with an ASX listed company.

**OPERATIONS**

Bone Medical Ltd's business has previously focused on the development of products for the treatment of musculoskeletal diseases osteoporosis, osteoarthritis, and rheumatoid arthritis. The Company's product pipeline consisted of three Phase II programs and four preclinical programs that rely on licensed technologies from Proxima Concepts and laboratory development and intellectual property support from Proxima Laboratories and Research Services. The main product development programs were:

- CaPTHymone: oral parathyroid hormone for the treatment of osteoporosis
- Capsitonin: oral calcitonin for the treatment of osteoarthritis pain
- BN006: a novel synthetic oligopeptide with selective TNF- $\alpha$  and IL-6 inhibitory mechanism and the potential for oral administration.

In January 2014 the Company completed a recapitalisation including a fresh injection of working capital. Funds received in the recapitalisation were allocated to assess and complete a Human Clinical Trial on the CaPTHymone™ compound and a pre-clinical trial on BN006. These trials were finalised during the period with results announced for the CaPTHymone™ trial on 29 September 2014 and for the pre-clinical trial on BN006 on 9 December 2014.

Following the results of the trials and the completion of the evaluation period, Bone Medical elected to terminate the License Agreements with the Proxima. Bone concluded that it is not in the commercial interests of the Company or its shareholders to continue with the Proxima Group compounds under the current structure.

**DIRECTORS' REPORT**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

**OPERATIONS (CONTINUED)**

The termination of the Proxima License Agreements at the end of November significantly reduces the financial commitments of Bone going forward as there are no longer commitments to maintain consulting, patent and research costs associated with the Proxima Licence agreements.

The Company is now positioned to move forward with its review of new opportunities both in Health Sciences and other sectors and will continue to do so with the objective of increasing shareholder value. During this period, cash burn is expected to be low in order to maintain an attractive cash balance for new ventures.

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

The Auditor's Independence Declaration is set out on page 5 and forms part of the Directors' Report for the half year ended 31 December 2014.

Signed in accordance with a resolution of the Directors.



Robert Towner  
Non-Executive Chairman

Perth  
24 February 2015

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF BONE MEDICAL LIMITED

As lead auditor for the review of Bone Medical Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Bone Medical Limited and the entities it controlled during the period.



Peter Toll

Director

BDO Audit (WA) Pty Ltd

Perth, 24 February 2015

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**BONE MEDICAL LIMITED**  
**ACN: 009 109 755**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the half-year ended 31 December 2014

	Note	Consolidated 31 December 2014 \$	31 December 2013 \$
<b>Revenue from continuing operations</b>			
Finance revenue		31,169	-
<b>Total revenue</b>		<b>31,169</b>	<b>-</b>
Employee benefits expense		(72,816)	(125,513)
Finance charges expense		(559)	(332)
Foreign exchange losses		(14,128)	(139,876)
Other expenses		(83,602)	(38,123)
Professional consultant expense		(207,141)	(159,785)
Research & development expenses		(387,599)	(319,794)
<b>Total expenses</b>		<b>(765,845)</b>	<b>(783,423)</b>
<b>Loss before income tax expense</b>		<b>(734,676)</b>	<b>(783,423)</b>
Income tax benefit	2	-	100,283
<b>Loss after income tax for the half year</b>		<b>(734,676)</b>	<b>(683,140)</b>
Other Comprehensive Income for the half year:			
Items that may be reclassified subsequently to profit or loss:			
Other Comprehensive income for the period, net of tax		-	-
<b>Total Comprehensive Loss for the half year attributed to members of Bone Medical Limited</b>		<b>(734,676)</b>	<b>(683,140)</b>
Loss per share for the half year attributable to members of Bone Medical Limited:			
Basic and diluted loss per share (cents)		(0.28)	(0.06)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.



**BONE MEDICAL LIMITED**  
**ACN: 009 109 755**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2014

	Note	Consolidated	
		31 December 2014 \$	30 June 2014 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & cash equivalents		1,547,172	2,512,591
Trade and other receivables		24,089	40,778
<b>Total Current Assets</b>		<b>1,571,261</b>	<b>2,553,369</b>
<b>Total Assets</b>		<b>1,571,261</b>	<b>2,553,369</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	3	62,414	309,846
<b>Total Current Liabilities</b>		<b>62,414</b>	<b>309,846</b>
<b>Total Liabilities</b>		<b>62,414</b>	<b>309,846</b>
<b>Net Assets</b>		<b>1,508,847</b>	<b>2,243,523</b>
<b>EQUITY</b>			
Contributed equity		25,657,926	25,657,926
Reserves		1,780,391	1,780,391
Accumulated losses		(25,929,470)	(25,194,794)
<b>Total Equity</b>		<b>1,508,847</b>	<b>2,243,523</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

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**BONE MEDICAL LIMITED**  
**ACN: 009 109 755**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the half-year ended 31 December 2014

<b>Consolidated</b>	<b>Note</b>	<b>Contributed Equity \$</b>	<b>Accumulated Losses \$</b>	<b>Other Reserves \$</b>	<b>Total \$</b>
<b>Balance at 1 July 2013</b>		<b>21,372,360</b>	<b>(24,063,758)</b>	<b>190,222</b>	<b>(2,501,176)</b>
<b>Total comprehensive loss for the period</b>					
Loss for the half year		-	(683,140)	-	(683,140)
Total other comprehensive income		-	-	-	-
Total comprehensive loss for the period		-	(683,140)	-	(683,140)
<b>Transactions with owners in their capacity as equity holders:</b>					
Ordinary shares issued, net of costs		52,000	-	-	52,000
Options issued during the period		-	-	-	-
<b>Balance at 31 December 2013</b>		<b>21,424,360</b>	<b>(24,746,898)</b>	<b>190,222</b>	<b>(3,132,316)</b>
<b>Balance at 1 July 2014</b>		<b>25,657,926</b>	<b>(25,194,794)</b>	<b>1,780,391</b>	<b>2,243,523</b>
<b>Total comprehensive loss for the period</b>					
Loss for the half year		-	(734,676)	-	(734,676)
Total other comprehensive income		-	-	-	-
Total comprehensive loss for the period		-	(734,676)	-	(734,676)
<b>Transactions with owners in their capacity as equity holders:</b>					
Ordinary shares issued net of costs		-	-	-	-
Options issued during the period		-	-	-	-
<b>Balance at 31 December 2014</b>		<b>25,657,926</b>	<b>(25,929,470)</b>	<b>1,780,391</b>	<b>1,508,847</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**BONE MEDICAL LIMITED**  
**ACN: 009 109 755**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the half-year ended 31 December 2014

	Note	Consolidated	
		31 December 2014 \$	31 December 2013 \$
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		44,421	-
Payments to suppliers & employees		(887,089)	(307,789)
Payments to AusInvest for debt claim settlement	3	(122,751)	-
<b>Net cash used in operating activities</b>		<b>(965,419)</b>	<b>(307,789)</b>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		-	342,300
<b>Net cash provided by financing activities</b>		<b>-</b>	<b>342,300</b>
Net increase/(decrease) in cash held		(965,419)	34,511
Cash and cash equivalents at beginning of period		2,512,591	1,470
<b>Cash and cash equivalents at end of period</b>		<b>1,547,172</b>	<b>35,981</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 31 December 2014

**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES**

The half-year financial report is a general purpose financial report prepared in accordance with AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity. The half-year financial report should be read in conjunction with the annual financial report of Bone Medical Limited as at 30 June 2014 which was prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards. It is also recommended that the half-year financial report be considered together with any public announcements made by the company during the period 1 July 2014 to the date of this report in accordance with the continuous disclosure obligations of the ASX listing rules.

**(a) Basis of Accounting**

The half-year financial report has been prepared on the basis of historical cost, except where stated. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half-year financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

**(b) Segment Reporting**

Operating segments are reported in a manner that is consistent with the internal reporting provided to the Board of Directors. The Board, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic steering committee.

**(c) 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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

**(d) Adoption of New and Revised Accounting Standards**

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2014.

In the half-year ended 31 December 2014, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2014.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2014. The Directors have decided against early adoption of any new Standards and Interpretations. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 31 December 2014

**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(e) Comparatives**

Where necessary, comparatives have been reclassified and repositioned for consistency with the current period's disclosures.

The half year financial report was approved by the Board of Directors on 24<sup>th</sup> February 2015.

**NOTE 2: INCOME TAX**

	<b>Consolidated</b>	
	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>\$</b>	<b>\$</b>
<b>Income tax</b>		
Income tax benefit	-	100,283
<b>Total income tax benefit</b>	-	<b>100,283</b>

The income tax benefit relates to the recognition of a research and development tax offset from the Australian Taxation Office. An income tax benefit has not been recognised for the current period as the research and development tax return had not been prepared at 31 December 2014.

The tax offset for the current period is expected to be prepared and received prior to 30 June 2015.

**NOTE 3: TRADE AND OTHER PAYABLES**

	<b>Consolidated</b>	
	<b>31 December 2014</b>	<b>30 June 2014</b>
	<b>\$</b>	<b>\$</b>
Current:		
Trade payables	38,161	197,349
Sundry payables & accrued expenses	24,253	29,593
AustInvest disputed claim <sup>(1)</sup>	-	82,904
	<b>62,414</b>	<b>309,846</b>

<sup>(1)</sup> In November 2014, the Company settled as part of the January 2014 Recapitalisation agreement an outstanding debt of the Company with AustInvest who had an arrangement regarding the introduction of the La Jolla funding facility. A total amount of \$122,751 was paid to AustInvest to settle the outstanding debt.

**NOTE 4: SEGMENT REPORTING**

In the half-year ended 31 December 2014, the Company has predominantly undertaken all its business activities in the biopharmaceutical segment. Accordingly there has been no change in segment reporting since 30 June 2014.

**NOTE 5: CONTINGENT ASSETS & LIABILITIES**

The Directors are not aware of any contingent assets or liabilities that may arise from the Group's operations as at 31 December 2014.

**NOTE 6: EVENTS OCCURRING AFTER THE REPORTING PERIOD**

No matter or circumstance has arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

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**DIRECTORS' DECLARATION**

In the opinion of the Directors of Bone Medical Limited ('the Company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
  - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - b. giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half year then ended.
2. 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 signed in accordance with a resolution of the Board of Directors made pursuant to s.303 (5) of the Corporations Act 2001.

On behalf of the board



Robert Towner  
Non-Executive Chairman

Perth  
24 February 2015

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## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Bone Medical Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Bone Medical Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Bone Medical Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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#### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Bone Medical Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

#### Conclusion

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 Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO Audit (WA) Pty Ltd



Peter Toll

Director

Perth, 24 February 2015

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