*Rule 4.7B*

# 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 | Quarter ended ("current quarter") |
|---|---|
| 70 009 109 755 | 31st December 2006 |

## Consolidated statement of cash flows

| | **Cash flows related to operating activities** | | Current quarter $A | Year to date (12 months) $A |
|---|---|---|---|---|
| 1.1 | Receipts from customers | | | |
| 1.2 | Payments for | (a) staff costs | (146,577) | (298,697) |
| | | (b) advertising and marketing | - | - |
| | | (c) research and development | (795,382) | (928,473) |
| | | (d) leased assets | - | - |
| | | (e) other working capital | (177,135) | (306,752) |
| 1.3 | Dividends received | | - | - |
| 1.4 | Interest and other items of a similar nature received | | 14,664 | 21,035 |
| 1.5 | Interest and other costs of finance paid | | - | - |
| 1.6 | Income taxes paid | | - | - |
| 1.7 | Other – Government Grants | | - | 291,236 |
| | **Net operating cash flows** | | **(1,104,430)** | **(1,221,651)** |

| | | Current quarter $A | Year to date (12 months) $A |
|---|---|---|---|
| 1.8 | Net operating cash flows (carried forward) | (1,104,430) | (1,221,651) |
| | **Cash flows related to investing activities** | | |
| 1.9 | Payment for acquisition of: | | |
| | (a) businesses (item 5) | - | - |
| | (b) equity investments | - | - |
| | (c) intellectual property | - | - |
| | (d) physical non-current assets | - | - |
| | (e) other non-current assets | - | - |
| 1.10 | Proceeds from disposal of: | | |
| | (a) businesses (item 5) | - | - |
| | (b) equity investments | - | - |
| | © 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) | - | - |
| | **Net investing cash flows** | - | - |
| 1.14 | **Total operating and investing cash flows** | - | - |
| | **Cash flows related to financing activities** | | |
| 1.15 | Proceeds from issues of shares, options, etc. | - | 1,783,107 |
| 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:- Government Grants Income | - | - |
| | **Net financing cash flows** | - | **1,783,107** |
| | **Net increase (decrease) in cash held** | **(1,104,430)** | **561,456** |
| 1.21 | Cash at beginning of quarter/year to date | 1,886,444 | 220,558 |
| 1.22 | Exchange rate adjustments to item 1.20 | - | - |
| 1.23 | **Cash at end of quarter** | **782,014** | **782,014** |

+ See chapter 19 for defined terms.

## 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 |
|---|---|---|
| 1.24 | Aggregate amount of payments to the parties included in item 1.2 | 760,094 |
| 1.25 | Aggregate amount of loans to the parties included in item 1.11 | - |

1.26 Explanation necessary for an understanding of the transactions

Nil

## 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

Nil

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

Nil

## Financing facilities available

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

| | | Amount available $A | Amount used $A |
|---|---|---|---|
| 3.1 | Loan facilities | - | - |
| 3.2 | Credit standby arrangements | - | - |

+ 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 | Previous quarter $A |
|---|---|---|---|
| 4.1 | Cash on hand and at bank | 34,044 | 118,473 |
| 4.2 | Deposits at call | 247,970 | 1,767,971 |
| 4.3 | Bank overdraft | - | - |
| 4.4 | Other – Investment Bill | 500,000 | - |
| | **Total: cash at end of quarter** (item 1.22) | **782,014** | **1,886,444** |

## Acquisitions and disposals of business entities

| | | Acquisitions *(Item 1.9(a))* | Disposals *(Item 1.10(a))* |
|---|---|---|---|
| 5.1 | Name of entity | Nil | Nil |
| 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:

Chief Financial Officer Date: 31st January 2007

Print name: Ed Daquino