BONE MEDICAL LIMITED
(ABN 70 009 109 755)

Appendix 4E
Preliminary final report
Financial year ended 30 June 2013
Results for announcement to the market

This report is for the financial year ending 30 June 2013 and the comparative period ending 30 June 2012.

Revenues from ordinary activities	decreased	54.5%	to	5
Loss from ordinary activities after tax attributable to members	increased	17.8%	to	1,846,460
Net loss for the period attributable to members	Increased	17.8%	to	1,846,460

There were no dividends paid or provided for during the period.

Explanation of results for announcement to the market:
Revenue relates to interest earned from cash and cash equivalents held by the Company and declined in the current reporting period due to less cash available. The net loss is attributable largely to research and development activities and corporate expenses. There has been no capitalisation of expenditure and consequently all expenditure contributes to the loss of the company for the period. Additional information is included in the review of operations and notes.

OPERATING AND FINANCIAL REVIEW

Current year performance
Bone Medical was able to continue its operations and make progress on a number of important fronts in 2013 despite the continuing constraints of limited capital and a difficult global economic and financial environment. Of particular note, the Company conducted important new product trials and experiments despite its very limited financial resources, as well as continuing to expand its intellectual property portfolio with the addition of numerous new patent grants. In addition, the Company had numerous interactions with potential investors and industry licensing partners for its product programs that confirmed our belief in the Company's underlying value. In the latter half of the year, the need to attract new capital or deal revenue to support the Company's operations and forward progress came into increasingly sharp focus as the funding relationship with La Jolla Cove Investors evolved beyond its previous form.

Corporate Strategy
The Company's paramount objective remains finding a new funding base that would allow it to achieve meaningful product development milestones and create value. In pursuit of this goal, the Company made a considered effort to obtain new experimental data capable of leveraging new investment and partnering support in 2013. The Company's strategy continues to be focused on maintaining its operating viability while presenting the significant potential value its programs represent to sources of new capital. Throughout 2013 it undertook discussions with numerous potential investors and industry partners to achieve this. The potential of the Company's programs is sufficient to accomplish this in 2014. The challenge is fashioning a successful transition from the Company's current convertible debt financing to new capital.

Funding Strategy
The October 2010 Funding Agreement (Funding Agreement) entered into with La Jolla Cove Investors (LJCI), a San Francisco based financial firm with numerous Australian company clients, continued to be the Company's exclusive source of funding this past year. The Company issued two of four US $1.5m convertible notes of the US $6 million lending facility under the Funding Agreement and drawn down just under $3m under this instrument. The debt incurred under this Agreement can be converted into equity at a discount to the market price and sold at LJCI's prerogative. From early 2011 through March 2013 LJCI contributed US$100,000 monthly to support the ongoing operations of the Company, and in September 2012 further agreed to provide up to an additional US$200,000 to support new experimental activity. LJCI has actively and regularly converted its debt to equity and sold its shares throughout the year; in the absence of alternative capital, shareholders have periodically reaffirmed their approval for the Funding Agreement. In August 2011, the Company signed an amendment to the Funding Agreement that gives the Company a new ability to terminate the Funding Agreement on payment of any outstanding debt and an additional financial consideration. In May 2013 LJCI advised the Company that it would no longer provide its monthly funding in a single lump-sum payment, but that the aggregate monthly support should not change. Nonetheless, the Company began to experience noticeable delays in the receipt of funds. In June, LJCI advised that its funding would continue to be sufficient to allow the Company to meet its most immediate obligations, giving the Company confidence that support under the Funding Agreement would continue to be adequate to support the Company's transition to alternative funding and investment sources. The Company engaged DH Flinders as non-exclusive financial advisors in June 2013 to help it seek and secure new funding.

Subsequent to the end of the 2013 fiscal year, lack of payments under the Funding Agreement forced the Company to miss the deadline for its annual ASX listing fee for the year ended 30 June 2014, resulting first in a voluntary trading halt and then a temporary suspension imposed by ASX, which was subsequently lifted prior to the commencement of trading on 29 August 2013. The Company continues to work actively with LJCI to resolve payment delays and to bridge successfully to new alternative sources of funding going forward into the new year.

A significant contribution to the Company's financial position in 2013 has been the ongoing willingness of its directors and many of its contractors to continue working in the Company's behalf while receiving less than their full contractual fees, effectively providing another form of debt financing. This has become particularly prominent in the Company's ability to extend its operations despite delays in LJCI funding since March 2013, a period during which its officers and most of its closest contractors have not received payment of any fees whatsoever. These parties have also repeatedly entered into deferral and conversion agreements with the Company in the past that have helped manage the profile of these unpaid liabilities on our balance sheet.

Product Development & Pipeline
The Company modified its product portfolio strategy to reflect significant changes in the regulatory landscape during 2013. Both the FDA and the EMA, the US and European Union authorities responsible for regulating the approval and use of medicines, concluded that the efficacy support for nasal calcitonin – based on fracture prevention studies - was insufficient to justify its continuing approval for osteoporosis. This means that the Company's oral calcitonin product, Capsitonin™, would have to demonstrate efficacy in such studies to obtain approval itself, rather than comparing itself to nasal calcitonin in much simpler, shorter, and less expensive trials. As a result, the Company determined it should de-emphasize Capsitonin™ for osteoporosis, up to that point its most advanced and lead product program, focusing on Capsitonin™ for osteoarthritis pain and CaPTHymone™ for osteoporosis as its clinical-stage product priorities and on BN006 for rheumatoid arthritis.

Key to its efforts to leverage its product programs within its limited available funds were two studies the Company undertook in 2013. The first of these was a clinical trial comparing an Axcess™ IV-based formulation of CaPTHymone™ to Forteo™, the marketed injectable form of parathyroid hormone. The results of this study did not support further pursuit of the Axcess™ IV formulation, and the Company's development plans are now focused on Axcess™ III as the most promising approach to this program. The second important study was the initial phase of a proof-of-concept experimental series examining the effect of BN006 in an animal rheumatoid arthritis disease model compared to the market leading injectable TNF inhibitor. In this experiment BN006 showed an ability to prevent inflammation equal or better to that of the TNF inhibitor with markedly less inhibition of TNF, which is also plays an important role in the immune system. These encouraging results reinforce BN006's profile as a selective modulator of inflammatory activity that could provide effective treatment without the potentially serious immunosuppressive side effects of currently marketed therapies for rheumatoid arthritis. Additional experiments indicate that it should be possible to administer BN006 as an oral medication.

The Company continued to rely entirely on its external contract relationships to outsource the research and development support needed to advance its product programs and their intellectual property protection. Principal amongst these was Proxima Laboratories and Research Services, whose continuing efforts are not only critical to product development but to patent prosecution and partnering and new investor activity.

Business Development
The Company actively continued to pursue partnering discussions for its product programs throughout 2013. These discussions included major multinational pharmaceutical companies as well as regional firms. In the second half of the year, our efforts increasingly focused on BN006, incorporating the data emerging from our first proof of concept experiments. Although the conclusion of all these discussions was that other parties continue to want to see additional data before committing to partner our programs, they also consistently confirmed that our programs represent candidates of keen strategic interest and high value, and the nature of the additional information needed to realize partnering deals. This information is not far outside the Company's reach, and can be readily achieved in a modest timeframe with relatively modest investment.

During 2013 the Company also made a successful effort to apply for BN006 acceptance as an innovation priority by the Skolkovo Foundation, a non-profit government-backed Russian entity formed to stimulate industry growth in selected strategic high-tech industries. This culminated in approval after the end of the 2013 fiscal year, putting the Company in a position to form a Russian subsidiary as part of the Skolkovo Innovation Centre and qualify for grant funding to support the program.

Intellectual Property
The Company pursues a policy of energetic ongoing development of its licensed intellectual property portfolio and extensive worldwide prosecution of patent coverage to maximise the value of its technologies. Reflecting this, a number of significant new patent issuances occurred in 2013, including Axcess™ III in the US and Japan, Axcess IV in China and Japan, and Lexcicon™ in Australia. These patent grants provide a critical barrier to entry for the Company's clinical-stage oral peptide product opportunities (Capsitonin™ in osteoarthritis and CaPTHymone™ in osteoporosis) and the novel synthetic peptide BN006 for rheumatoid arthritis. They are therefore essential to the programs' commercial potential and to their ability to attract industry partnerships.

Outlook
The pressing priority for Bone Medical remains to attract significant new investment capital and/or industry partnering agreements that will allow the further clinical and pharmaceutical development of its priority product programs. Program progress, and the data that signify it, is the key to building meaningful shareholder value and stimulating investor and industry partner interest in the Company. As a consequence, fundability in our industry depends on the belief that investment in product development will generate future value. The Company has necessarily depended on funding that allowed it to maintain basic operations over the last two years, but this is not a sustainable strategic or financial posture. Securing new capital investment that is sufficient to transition away from the Company's past convertible debt financing and support forward product development is therefore the Company's singular focus going into the new year. The Company's Board and management remain hopeful that this can be accomplished successfully, and thank our shareholders and supporters for their commitment and support.

	Note	Consolidated Entity	
		2013	**2012**
		$	**$**
Revenue from continuing operations		5	11
Foreign exchange losses		(157,903)	(5,838)
Research & Development		(1,127,845)	(952,194)
Employee Benefits		(233,329)	(246,548)
Professional Consultants		(55,760)	(1,351)
Depreciation & Amortisation		-	(2,125)
Legal Fees		(31,499)	(28,466)
Travel		-	(53,779)
Business Development		(75)	(2,645)
Finance Charges		(24,801)	(77,475)
Other Expenses		(215,248)	(197,609)
Loss before Income Tax		(1,846,460)	(1,568,030)
Income Tax Benefit		-	-
Loss for the year		(1,846,460)	(1,568,030)
Other Comprehensive Income for the year			
Non-taxable foreign exchange translation differences		10,392	(12,996)
Total Comprehensive Loss for the year attributed to members of Bone Medical Limited		(1,836,068)	(1,581,026)
Basic loss per share (cents per share)	8	(0.291)	(0.989)
Diluted loss per share		N/A	N/A

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes, the 2013 annual report and any public announcements made by Bone Medical Limited in accordance with continuous disclosure requirements.

	Note	Consolidated Entity 2013 $	Consolidated Entity 2012 $
ASSETS			
CURRENT ASSETS			
Cash & cash equivalents	3	1,470	10,485
Trade and other receivables		6,689	7,372
TOTAL CURRENT ASSETS		8,158	17,857
TOTAL ASSETS		**8,158**	**17,857**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other liabilities	5	981,270	283,299
Deferred payables	5	1,099,883	1,590,757
Derivative Financial Instrument	6	428,181	477,444
TOTAL CURRENT LIABILITIES		2,509,334	2,351,500
TOTAL LIABILITIES		**2,509,334**	**2,351,500**
NET LIABILITIES		**(2,501,176)**	**(2,333,643)**
EQUITY			
Contributed Equity	4	21,372,360	19,703,825
Accumulated losses	9	(24,528,478)	(22,678,594)
Reserves	10	654,942	641,126
TOTAL DEFICIT		**(2,501,176)**	**(2,333,643)**
Net Tangible Asset Backing (cents per ordinary share)		(0. 24)	(0.80)

The above consolidated statement of financial position should be read in conjunction with the accompanying notes, the 2013 annual report and any public announcements made by Bone Medical Limited in accordance with continuous disclosure requirements.

	Note	Consolidated Entity	
		2013	**2012**
CASHFLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers & employees		(1,039,865)	(1,117,667)
Interest Received		5	11
Net cash used in operating activities		(1,039,860)	(1,117,656)
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		1,030,845	1,162,100
Repayment of borrowings		-	(41,325)
Net cash provided by financing activities		1,030,845	1,120,775
Net increase/(decrease) in cash held		(9,015)	3,119
Cash at beginning of financial year		10,485	7,366
Cash at end of financial year	3	**1,470**	10,485

The above consolidated statement of cashflows should be read in conjunction with the accompanying notes, the 2013 annual report and any public announcements made by Bone Medical Limited in accordance with continuous disclosure requirements.

Bone Medical Limited
Preliminary Final Report
Consolidated Statement of Changes in Equity

Consolidated Entity	Contributed Equity	Accumulated Losses	Translation reserve	Other Reserves	Total
	$	**$**	**$**	**$**	**$**
Balance at 30th June 2011	**18,228,230**	**(21,110,564)**	**(820)**	**651,865**	**(2,231,289)**
Total loss for the year	-	(1,568,030)	-	-	(1,568,030)
Foreign currency translation	-	-	(12,996)	-	(12,996)
Total Comprehensive loss	-	(1,568,030)	(12,996)	-	(1,581,026)
Transaction with owners in their capacity as equity holders:					
Ordinary shares issued under placement, net of costs	1,475,595	-	-	-	1,475,595
Options issued during the year	-	-	-	3,077	3,077
Balance at 30th June 2012	**19,703,825**	**(22,678,594)**	**(13,816)**	**654,942**	**(2,333,643)**
Total loss for the year	-	(1,846,460)	-	-	(1,846,460)
Foreign currency translation	-	(3,424)	13,816	-	10,392
Total Comprehensive loss	-	(1,849,884)	13,816	-	(1,836,068)
Transaction with owners in their capacity as equity holders:					
Ordinary shares issued under placement, net of costs	1,668,535	-	-	-	1,668,535
Balance at 30th June 2013	**21,372,360**	**(24,528,478)**	**-**	**654,942**	**(2,501,176)**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes, the 2013 annual report and any public announcements made by Bone Medical Limited in accordance with continuous disclosure requirements.

1. BASIS OF PREPARATION

The financial statements are presented in Australian dollars, which is the company's presentation and functional currency.

The financial statements are prepared in accordance with Australian Accounting Standards.

The preparation of financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies have been applied consistently by all entities in the consolidated entity.

2. SEGMENT INORMATION

The group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a 'management approach' under which segment information in presented on the same basis as that used for internal reporting purposes by the chief operating decision maker.

As the company is still the research and development phase of operations, this constitutes the sole segment for the entity. It has yet to commercialise its projects and therefore has no major customers in the reportable segment. The company's primary operations, financial reporting and stock market quotation is in Australia.

3. CASH AND CASH EQUIVALENTS

	Consolidated Entity	
	2013	**2012**
	$	**$**
Cash at bank and in hand	1,470	10,485
Cash at end of year	**1,470**	**10,485**

4. CONTRIBUTED EQUITY

	Consolidated Entity	
	2013	**2012**
(a) Contributed equity	**$**	**$**
At the beginning of reporting period	19,703,825	18,228,230
Issue of shares	1,668,535	996,500
(b) Shares to be issued		
Unissued shares converted from debt to be allotted	-	479,095
The number of fully paid ordinary shares on issue as at 30 June 2013 were 1,024,663,823 (2012 290,042,689)	**21,372,360**	**19,703,825**

	Consolidated Entity	
Fully Paid Ordinary shares	**2013**	**2012**
	No.	**No.**
Ordinary Shares		
At the beginning of the reporting period	290,042,689	113,999,342
Shares issued 4 July 2011	-	1,769,912
Shares issued 8 July 2011	-	6,444,853
Shares issued 18 July 2011	-	3,636,364
Shares issued 28 October 2011	-	3,896,104
Shares issued 16 December 2011	-	2,777,778
Shares issued 11 January 2012	-	5,000,000
Shares issued 13 January 2012	-	4,411,765
Shares issued 18 January 2012	-	3,114,754
Shares issued 3 February 2012	-	3,500,000
Shares issued 7 February 2012	-	17,500,000
Shares issued 6 March 2012	-	8,474,576
Shares issued 12 March 2012	-	11,111,111
Shares issued 16 March 2012	-	15,238,095
Shares issued 2 April 2012	-	8,695,652
Shares issued 25 May 2012	-	3,392,857
Shares issued 6 June 2012	-	5,000,000
Shares issued 8 June 2012	-	9,090,909
Shares issued 13 June 2012	-	5,476,190
Shares issued 18 June 2012	-	3,260,870
Shares issued 26 June 2012	-	8,333,333
Shares issued 27 June 2012	-	2,790,698
Shares issued 29 June 2012	-	43,127,526
Shares issued 4 July 2012	8,974,359	-
Shares issued 9 July 2012	12,500,000	-
Shares issued 13 July 2012	10,000,000	-
Shares issued 18 July 2012	10,000,000	-
Shares issued 30 July 2012	14,607,797	-
Shares issued 3 August 2012	13,529,412	-
Shares issued 8 August 2012	10,000,000	-
Shares issued 20 August 2012	5,172,414	-
Shares issued 22 August 2012	11,111,111	-
Shares issued 24 August 2012	6,153,846	-
Shares issued 4 September 2012	14,782,609	-
Shares issued 25 October 2012	18,750,000	-
Shares issued 29 October 2012	1,882,530	-
Shares issued 29 October 2012	10,416,667	-
Shares issued 2 November 2012	20,000,000	-
Shares issued 29 November 2012	19,230,769	-
Shares issued 4 January 2012	194,008,453	-

Shares issued 21 January 2013	22,916,667	-
Shares issued 24 January 2013	30,769,231	-
Shares issued 29 January 2013	28,846,154	-
Shares issued 4 February 2013	16,111,111	-
Shares issued 13 February 2013	20,555,556	-
Shares issued 11 March 2013	25,000,000	-
Shares issued 19 March 2013	20,000,000	-
Shares issued 21 March 2013	21,538,462	-
Shares issued 3 April 2013	20,000,000	-
Shares issued 4 April 2013	25,384,615	-
Shares issued 5 April 2013	31,538,462	-
Shares issued 10 April 2013	22,000,000	-
Shares issued 16 April 2013	29,090,909	-
Shares issued 13 June 2013	28,750,000	-
Shares issued 18 June 2013	11,000,000	-
At reporting date	**1,024,663,823**	**290,042,689**
Preference Shares		
CLASS C		
At the beginning of reporting period	-	9,999,204
Expiration on 30 August 2011	-	(9,999,204)
At reporting date	**-**	**-**
Options		
At the beginning of reporting period	11,223,336	4,117,510
Options issued 8th July 2011	-	6,444,853
Options issued 21 October 2011	-	1,000,000
Options expired 29 November 2011	-	(750,000)
Options issued 6 June 2012	-	410,973
At reporting date	**11,223,336**	**11,223,336**

Ordinary Shares

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

5. TRADE AND OTHER LIABILITIES

	Consolidated Entity	
	2013	2012
	$	$
Current		
Trade payables and related parties	650,579	259,321
Sundry payables & accrued expenses	330,691	23,978
Deferred trade payables*	1,099,883	1,590,757
	2,081,153	**1,874,056**

*On 31 December 2010, Key management personnel and other related parties agreed to defer their debts in accordance with a Deferral Agreement. In February 2012, this deferral agreement was renewed until either the raising of $4 million in capital or through at least September 2012. In August 2012, this agreement has been further renewed for the debt owed as of the end of fiscal year 2012 through to at least June 2013, with an option to convert debt to equity, subject to shareholder approval. Due to accounting standards requirements, as at the reporting date, the classification of this debt has changed from Non-Current Liabilities to Current Liabilities as there must have been an unconditional right to defer the debt. In practical terms and in accordance with the Deferral Agreement, the debt continues to be deferred and will not impact the ongoing working capital requirements of the Company. The ability to convert debt, subject to shareholder approval, further improves the financial position of the Company.

6. DERIVATIVE FINANCIAL INSTRUMENTS

Convertible notes
On 5th October 2010, a funding agreement was executed with U.S. based institutional investor, La Jolla Cove Investors, Inc. to provide US$6 million financing to the Company by means of four equal convertible notes of USD 1.5million.

Key terms of the funding facility are as follows:

i. Aggregate funding
The facility comprises of four convertible notes of US$1.5million each, totalling US$6 million; US$100,000 is to be drawn every month;

ii. Term
Each convertible note will have a repayment term of four years, from the date of initial drawdown;

iii. Interest
Interest is payable quarterly in arrears at a low fixed rate of 4.75% per annum, on the then outstanding unconverted principal amount. Payment of interest shall be in cash, or at the election of the Company, in ordinary shares of Bone Medical Ltd valued at the then applicable conversion price;

iv. Conversion
La Jolla may convert the note, either in whole or in part, by the delivery to the Company of a conversion notice; and

v. Conversion price
The number of new shares into which the note may be converted is equal to the principal amount that is to be converted (as specified in the conversion notice) divided by the conversion price.

The conversion price of the notes is equal to the lesser of:
(i) AU$0.40 (as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalisations or the like); and
(ii) 80% of the average of the 3 lowest Volume Weighted Average Prices during the 20 trading days prior to investor's election to convert. This was amended to the average of the Volume Weighted Average Prices during the 5 trading days prior to investor's election to convert.

vi. Contingent liability
A contingent liability of USD 150,000 exists if the company terminates this agreement early or if amounts remain unpaid under certain circumstances.

As at the reporting date, the Company has issued the second convertible note of USD 1.5 million.

	Consolidated Entity	
	2013	2012
	$	$
Derivative Financial Instrument	428,181	477,444

Pursuant to accounting standards, the option component of the convertible note is classified as liability. The value of the derivative fluctuates with the Company's underlying share price.

As the convertible note is denominated in the United States dollars, the change in the exchange rate with the Australian dollar is also taken into account in deriving the fair value of the convertible note derivative.

7. CONTINGENT LIABILITIES

(i) Licence agreement obligations:-

Under the licence agreement between Bone Medical Limited and Axcess Limited the following terms apply:

£1,030,000 is payable to Axcess Limited as a lump sum payment upon any of the following events occurring :-

- The completion of a $15 million fundraising,
- Any licence transaction involving upfront or milestone payments of equal to or more than $10 million,
- The commencement of a pivotal Phase III study (or the study prior to lodgement for regulatory approval from the FDA or EMEA) for any project in Bone Medical Limited, subject to the company having at least $5 million in the bank.

If by 4 January 2006 the licence payment has not been paid in full, a monthly interest charge is payable on the unpaid balance at a rate equal to the 30 day London Interbank Offering Rate (LIBOR) on the 4th day of each month plus 2%.

The events listed above have not occurred subsequent to year end. The company has in the past converted part of any outstanding commitments to Axcess Limited into equity to ensure the cashflow of the company is preserved.

(ii) Convertible Notes:-

La Jolla Cove Investors has provided a convertible note (refer note 6). A contingent liability exists for USD 150,000 to be added to the loan balance if the outstanding loan balance is paid and the Company terminates the Funding Agreement, or if the balance remains unpaid under certain circumstances.

8. LOSS PER SHARE

	2013	2012
	Cents	Cents
(a) Basic loss per share		
Loss attributable to the ordinary equity holders of the company	(0.291)	(0.989)

	2013	2012
	$	$
(b) Reconciliation of loss to profit or loss		
Loss from continuing operations attributable to the ordinary equity holders of the company	(1,846,460)	(1,568,030)
Loss used to calculate basic earnings per share	(1,846,460)	(1,568,030)

	2013 No.	2012 No.
(c) Weighted average number of shares used as the denominator	642,104,038	158,599,167

(d) Diluted loss per share

The company's potential ordinary shares, being its options granted, are not considered dilutive as the conversion of these options would result in the decrease in the net loss per share.

9. ACCUMULATED LOSSES

	2013 $	2012 $
Opening balance	**(22,678,594)**	**(21,110,564)**
Total comprehensive loss for the year	(1,849,884)	(1,568,030)
Closing balance	**(24,528,478)**	**(22,678,594)**

There were no dividends paid or declared during the reporting period. The company does not have any dividend or distribution reinvestment plans.

10. RESERVES

Share based payments reserve

There were no share based payments issued during the financial year.

Translation reserve

Bone Medical Inc, ceased operations during the year and has been deconsolidated from the group. The entity was dissolved on 14th September 2012. The translation of this entity into Australian dollars had created a reserve in equity that has now been recognised through the profit and loss.

The statement of changes in equity includes a reconciliation of these movements.

11. SUBSIDIARIES, ASSOCIATES, AND JOINT VENTURES

There were no changes to the interests of subsidiaries during the reporting period except for the dissolution of Bone Medical Inc on 14th September 2012.

Details of all subsidiaries of the company are as follows:

Name of entity	Country of incorporation	Class of shares	Equity holding 2013 %	Equity holding 2012 %
Bone Medical Inc.	USA	Ordinary	-	100
Bone Limited	Jersey, Channel Islands	Ordinary	100	100
		Preference	100	100
Owein Pty Ltd	Australia	Ordinary	100	100

The Company does not have any investments or interests in any other subsidiary, associate, or joint venture.

12. COMMITMENTS

As at the date of this report, Bone Medical Limited and it's controlled entities had no capital or leasing commitments.

13. SUBSEQUENT EVENTS

On 17 July 2013 the Company announced that the BN006 programme for rheumatoid arthritis (RA) has been accepted as an innovation priority by the Skolkovo Foundation, the Russian government backed non-profit foundation. The approval means that the company can become a become a participant in Skolkovo Innovation Centre making it eligible to seek grant funding to support this program.

On 22 July 2013 the Company issued and allotted 52,000,000 fully paid shares in settlement of amounts owed to EMT Management Pty Ltd.

On 19 August 2013 the Company announced that LJCI's monthly payments has been delayed since March 2013 and the Company continued to seek new, alternative funding but continued to rely on LJCI for funding to meet its operation obligations.

On 23 August 2013 the Company announced that it continued to seek new, alternative sources of funds to supplement or replace the LJCI funding, but until this effort is successful, the Company remains dependent on LJCI for funding.

On 23 August 2013 as a consequence of the delayed funding from LJCI, the annual ASX listing fee for the year ended 2014 was not paid and so ASX imposed a suspension on the Company's securities.

On 28 August 2013 the Company paid the annual ASX listing fee and ASX lifted the suspension of the Company's securities prior to the commencement of trading on 29 August 2013.

COMPLIANCE STATEMENT

1. This report is based on accounts to which one of the following applies. (Tick one)

	The +accounts have been audited.		The +accounts have been subject to review.
	The +accounts are in the process of being audited or subject to review.	√	The +accounts have *not* yet been audited or reviewed.

2. The Company is not aware of any dispute or qualification that will arise from the audit.

Peter Young
CEO
Bone Medical Limited

Date: 30st August 2013