QUARTERLY REPORT
For the period ended 30 June 2014

Highlights

As part of the original scope of work announced under the Company's recapitalization, the following studies commenced this quarter

1. Human Clinical Study for an Oral Treatment for Osteoporosis. The study will compare Bone Medical's potential oral treatment for osteoporosis, **CaPTHymone**™, against a commercially available injectable osteoporosis treatment, Forteo®.

   Parathyroid hormone ("PTH") is a naturally-occurring hormone that plays an important role in regulating bone formation. The human clinical trial will primarily assess and compare PTH blood levels based on administering different dosage strengths of Bone Medical's oral PTH formulation versus the injectable Forteo® PTH formulation. If the current study is positive, the oral PTH formulation could dramatically increase the ease of use of PTH in the growing population of osteoporosis patients in the future.

   Results from the study are expected in September 2014.

2. Further studies on Bone's potential breakthrough rheumatoid arthritis treatment, **BN006**. The 2013 results for BN006 provided preclinical proof of concept for BN006 and current studies are aimed at progressing this breakthrough future therapy for rheumatoid arthritis. BN006 has the potential to be a far superior treatment as it has shown to achieve a therapeutic effect without as much immune-system suppression as the market-leading treatment, thereby reducing the risk of infection to patients as well as being given in a more patient-friendly orally-deliverable form.

   These studies are expected to be completed by the end of July 2014 with results anticipated in the month following. Positive results from these studies will advance BN006 nearer to the commencement of human clinical trials, a major milestone for this product program.

3. A collaboration with the prestigious William Harvey Research Institute in London is underway, with an investigation into BN006's mechanism of action. This work is intended to throw further light on the nature of the receptor on the macrophage to which **BN006** binds. This is the mechanism that is believed to be why **BN006** may cause less immune-system suppression.

As part of the Company's post recapitalisation transition Peter Young resigned as a Director and CEO in May 2014. Mr Young remains with Bone in the role of Senior Consultant and Advisor to oversee the product development studies.