



# Bone Medical

20<sup>th</sup> April 2005

The Companies Announcement Office  
Australian Stock Exchange Limited  
Level 10 Exchange Centre  
20 Bond Street  
SYDNEY NSW 2000

Dear Sir

Please find the attached announcement altering the terms of the Company's licence payments and proposed amendments to the conversion arrangements with the Preference B shares.

Yours faithfully

Jane Swindells  
Company Secretary

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## ASX/MEDIA RELEASE

### **Alterations to the terms of Bone Limited's licence payments and proposed amendments to the conversion arrangements with the Preference B shares.**

20<sup>th</sup> April 2005

Biopharmaceutical development company Bone Medical Limited (ASX: BNE) ("**Company**") today announced that as a consequence of discussions with relevant parties, changes have been made to the terms of the licence agreement between Bone Limited, a subsidiary of the Company and Axxess Limited ("**Licence**"). In addition there have been proposed amendments to the conversion arrangements with the Company's Preference B Shares.

- **Access Licence Payments**

Axxess Limited has agreed to relax the payment schedule of licence fees payable to it for the exploitation or sub-licensing of the patents, patent applications or know-how by Bone Limited under the Licence. The technology under the Licence has been sublicensed to the Company and forms the backbone of the Company's lead projects *Capsitonin*<sup>™</sup> - oral calcitonin, and Oral Parathyroid Hormone (PTH) . Under the terms of a shareholders agreement entered into by the Company with respect to its shareholding in Bone Limited on 28 May, 2004, the Company is obliged to fund the operations of Bone Limited.

The Licence originally required Bone Limited to pay Axxess Limited ("**Licensor**") an amount of GBP 1,030,000 ("**Total Lump Sum**") in two instalments of GBP 550,000 upon raising AUD\$4,000,000 and the balance of GBP 480,000 upon raising AUD\$8,000,000. The Licence has been amended by a Deed of Variation which allows Bone Limited ("**Licensee**") to pay Axxess Limited the Total Lump Sum by progressive payments equal to 20% of each of the following amounts:

- (i) the net proceeds received by the Licensee from the exploitation or sub-licensing of the Patents, Patent Applications and Know-How carried out after the date of the Deed of Variation;
- (ii) the net proceeds received by the Licensee from any capital raisings carried out by the Licensee after the date of the Deed of Variation; and
- (iii) an amount equivalent to the net proceeds received by Bone Medical Limited from any capital raisings carried out by Bone Medical Limited after the date of the Deed of Variation.

Where the total of the amounts referred to in (i), (ii) and (iii) noted above reaches AUD\$ 10,000,000, the balance of the Total Lump Sum still outstanding will be due and payable to the Licensor.

If by 5 January 2006, the Total Lump Sum has not been paid, then interest will become payable on the balance of the Total Lump Sum due at the end of each month commencing from the month beginning on 5 January 2006, at a rate equal to the 1 month London Interbank Offering Rate (LIBOR) on the 4th day of each month.

If by 30 June 2006, the Licensee has not paid at least GBP 550,000 of the Total Lump Sum, and the Licensee fails to pay the shortfall within 30 days of written demand from the Licensor, the Licensor may terminate the Licence immediately on notice to the Licensee.

If by 5 January 2007, the Total Lump Sum of GBP 1,030,000 has not been paid, and the Licensee fails to pay the balance due within 30 days of written demand from the Licensor, the Licensor may terminate the Licence immediately on notice to the Licensee.

- **Preference B Shares**

The Board of Bone Medical has resolved to recommend to the Preference B shareholders that they accept a discount for the right to early conversion of their Preference B shares to fully paid ordinary shares. The Board proposes to recommend a discount rate of 60% which, if accepted by the Preference B shareholders in a general meeting of Preference B shareholders yet to be convened, would result in the 10,000,000 Preference B shares converting to 4,000,000 fully paid ordinary shares.

A notice of meeting of the Preference B shareholders in respect of this proposed variation will be sent to Preference B shareholders in the near future.

-ENDS-

### **About Bone Medical Limited**

Bone Medical Limited is an international biopharmaceutical development company positioned to exploit the growing market in the treatment of bone disease particularly in osteoporosis and arthritis.

Bone Medical has a portfolio of biopharmaceutical development projects for the treatment of bone disease including, oral calcitonin (BN002) and oral parathyroid hormone (BN003) both treating osteoporosis, TNF regulators (BN006) treating rheumatoid arthritis, bone cell regulators (BN005/BN008) and joint protection & collagen tolerance programme (BN007).

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Or visit:

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

