

Appendix 3Y

Change of Director's Interest Notice

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 30/9/2001.

Name of entity	Bone Medical Limited
ABN	70 009 109 755

We (the entity) give ASX the following information under listing rule 3.19A.2 and as agent for the director for the purposes of section 205G of the Corporations Act.

Name of Director	Michael Thomas Redman
Date of last notice	11/03/05

Part 1 - Change of director's relevant interests in securities

In the case of a trust, this includes interests in the trust made available by the responsible entity of the trust

Note: In the case of a company, interests which come within paragraph (i) of the definition of "notifiable interest of a director" should be disclosed in this part.

Direct or indirect interest	Direct
Nature of indirect interest (including registered holder) <small>Note: Provide details of the circumstances giving rise to the relevant interest.</small>	N/A
Date of change	19/07/05
No. of securities held prior to change	None
Class	<p>Unlisted options</p> <p>Pursuant to his Employment Contract with Bone Medical Limited ("Employer"), which commenced operation on 28 February 2005 and which was amended on 23 May 2005 and 1 June 2005, Mr Redman ("Employee") is to be granted the following (unlisted) options:</p> <p>Article 5.02 Stock Options</p> <p>Employer grants to Employee, subject to Employer's compliance with all statutory and regulatory requirements, including shareholder approval, 2 million options that</p>

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	<p>vest and become exercisable in the amounts and manner set out as follows:</p> <p>(i) 500,000 options which vest at the completion of 12 months' continuous employment by Employee, at an exercise price of AUD\$0.65 ("Tranche 1");</p> <p>(ii) 500,000 options which vest either in the following circumstances:</p> <p>A. upon the receipt by Employer, within 9 months of Employee's employment, of US\$5 million in capital investment; and</p> <p>B. such capital investment is achieved primarily as a result of Employee's efforts in organising and concluding the capital raising; or</p> <p>C. upon the event described in sub-paragraph (v),</p> <p>at an exercise price determined by the 90 day average as of the date the US\$5 million capital investment is received by Employer or the date the event described in sub-paragraph (v) occurs ("Tranche 2"); and</p> <p>D. with respect to Tranche 2, Employer may, in its absolute discretion, deem that a portion of the 500,000 options has vested if the US\$5 million capital investment is received by Employer within 10 to 12 months of Employee's employment, as a result of Employee's efforts described in Article 5.02(ii)B;</p> <p>(iii) 500,000 options which vest either upon the formal announcement of a deal described as follows:</p> <p>A. procured primarily as a result of Employee's introduction of the party to Employer;</p> <p>B. with an international biopharmaceutical company;</p> <p>C. funding any of the following</p>
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	<p>Employer projects (described at www.bonemedical.com.au);</p> <ul style="list-style-type: none">• Capsitonin™ Oral Calcitonin;• Oral Parathyroid Hormone BN003; or• TNF Regulators BN006; <p>D. with a minimum value of US\$1 million in up-front payments; and</p> <p>E. accepted by Employer's Board of Directors, or</p> <p>F. upon the event described in sub-paragraph (v),</p> <p>at an exercise price determined by the 30 day average as of the date the deal is formally announced or the date the event described in sub-paragraph (v) occurs ("Tranche 3");</p> <p>(iv) 500,000 options which vest at the completion of 12 months' continuous employment by Employee, at an exercise price of AUD\$0.48 ("Tranche 4"); and</p> <p>(v) notwithstanding Article 5.02(ii) and Article 5.02(iii), the 1 million options in Tranches 2 and 3 vest on the date when 51% of the shareholders of Employer have accepted an offer of the following type:</p> <ul style="list-style-type: none">A. an offer for at least AUD\$0.60 per share;B. the offer involves a minimum consideration of US\$25 million; andC. the offer is for at least 51% control of Employer; <p>and Employee has 14 days from the date of vesting within which to exercise any of the options in Tranches 2 or 3.</p>
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	Shareholders' approval to the grant of the 2 million options was obtained at a meeting on 12 July 2005.
Number acquired	2,000,000
Number disposed	Nil
Value/Consideration <small>Note: If consideration is non-cash, provide details and estimated valuation</small>	<p>The value of Tranches 1 to 3 of the options has not changed since 11 March 2005. Based on the assumptions used for the Black & Scholes Option Pricing Model ("Black & Scholes Model"), as at 13 May 2005 Tranche 1 of the options was valued at 15.4 cents each, Tranche 2 of the options was valued at 9.9 cents each, Tranche 3 of the options was valued at 8.5 cents each and Tranche 4 of the options was valued at 17.4 cents each. This equates to a total value of \$77,000 for Tranche 1 of the options, \$49,500 for Tranche 2 of the options, \$42,500 for Tranche 3 of the options and \$87,000 for Tranche 4.</p> <p>The above valuations are provided as indicative calculations only and a number of assumptions for the Black & Scholes Model have been made in relation to the current share price and the exercise price for the Tranches 2 and 3 options.</p> <p>The current share price and exercise price calculations will need to be revisited if and when the Tranches 2 and 3 options vest.</p> <p>The valuations were prepared on the basis that the Tranches 2 and 3 options have vested and the term of the options was 3 years from 13 May 2005. This assumption was made to enable the current value of the options to be quantified given the uncertainty surrounding the vesting of these options.</p>
No. of securities held after change	2,000,000 unlisted options
Nature of change <small>Example: on-market trade, off-market trade, exercise of options, issue of securities under dividend reinvestment plan, participation in buy-back</small>	Grant of options pursuant to Employment Contract dated 28 February 2005, amended on 23 May 2005 and 1 June 2005.

Part 2 – Change of director's interests in contracts

Note: In the case of a company, interests which come within paragraph (ii) of the definition of "notifiable interest of a director" should be disclosed in this part.

Details of Contract	N/A
Name of registered holder (if issued securities)	N/A
Date of change	N/A
No. and class of securities to which interest related prior to change <small>Note: Details are only required for a contract in relation to which the interest has changed</small>	N/A
Interest acquired	N/A
Interest disposed	N/A
Value/Consideration <small>Note: If consideration is non-cash, provide details and an estimated valuation</small>	N/A
Interest after change	N/A

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