



Bone Medical

18th October, 2004

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

Dear Sir

Appendix 3Y – Change of Director’s Interest Notice

Attached is the change of Director’s Interest Notice for Dr Jim Phillips for his acquisition of shares.

Yours faithfully

Jane Swindells
Company Secretary

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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	Dr James Neil PHILLIPS
Date of last notice	21 September 2004

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>	
Date of change	8 October 2004.
No. of securities held prior to change	214 700 Ordinary Shares held jointly by Dr JN & Mrs Phillips & The Taliesin Trust 37 540 Ordinary Shares held by Dr JN Phillips 11 041 Class B Preference Shares Held by Dr JN Phillips 58 824 Class B Preference Shares held jointly by Dr JN & Mrs SL Phillips & The Taliesin Trust 40 298 Class C Preference Shares held jointly by Dr JN & Mrs SL Phillips & The Taliesin Trust 7 503 Class C Preference Shares held by Dr JN Phillips

+ See chapter 19 for defined terms.

Class	Ordinary Fully Paid Shares
Number acquired	Direct: 5 420 Ordinary Shares held by Dr J N Phillips
Number disposed	nil
Value/Consideration Note: If consideration is non-cash, provide details and estimated valuation	\$3,411
No. of securities held after change	220 120 Ordinary Shares held jointly by Dr JN & Mrs Phillips & The Taliesin Trust 37 540 Ordinary Shares held by Dr JN Phillips 11 041 Class B Preference Shares Held by Dr JN Phillips 58 824 Class B Preference Shares held jointly by Dr JN & Mrs SL Phillips
Nature of change Example: on-market trade, off-market trade, exercise of options, issue of securities under dividend reinvestment plan, participation in buy-back	On Market Purchase

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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.

Detail of contract	Option agreement between Proxima Concepts Limited ("Proxima") and James Phillips whereby James Phillips has been granted options by Proxima to acquire a total of 5% of the 30,000,000 shares Proxima holds in Bone Medical Limited and 5% of the 6,000,000 shares Proxima holds in Bone Limited the exercise of which is subject to the rights of the Company to acquire the Bone Limited shares in consideration for the issue of shares in the Company (details recorded below)
Nature of interest	James Phillips is the grantee of the options.
Name of registered holder (if issued securities)	Proxima.
Date of change	No change

+ See chapter 19 for defined terms.

<p>No. and class of securities to which interest related prior to change</p> <p>Note: Details are only required for a contract in relation to which the interest has changed</p>	<p>Option Agreements - Proxima Concepts Limited and James Phillips</p> <p>Proxima has granted James Phillips options to acquire a total of 5% of the 30,000,000 shares issued to Proxima and the remaining 6,000,000 Bone shares which Proxima holds.</p> <p>In respect of the Company's shares there are two options:</p> <p>(a) an option to acquire 750,000 shares at an exercise price of \$0.528 per share each, which option expires on 5 July 2009; and</p> <p>(b) an option to acquire 750,000 shares at an exercise price of GB£0.80 each, which option expires on 5 January 2008.</p> <p>In respect of the Bone shares held by Proxima, there are two options:</p> <p>(a) an option to acquire 150,000 Bone shares at an exercise price of GB£1.00 each; and</p> <p>(b) an option to acquire 150,000 Bone shares at an exercise price of \$0.66 each.</p> <p>The options in respect of Bone shares are exercisable within 7 days of James Phillips becoming aware that the Company has exercised its option to acquire the 6,000,000 Bone shares from the Company. If the options are not exercised in this time period they shall lapse.</p>
<p>Interest acquired</p>	<p>nil</p>
<p>Interest disposed</p>	<p>nil</p>
<p>Value/Consideration</p> <p>Note: If consideration is non-cash, provide details and an estimated valuation</p>	<p>N/A</p>

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<p>Interest after change</p>	<p>Option Agreements - Proxima Concepts Limited and James Phillips</p> <p>Proxima has granted James Phillips options to acquire a total of 5% of the 30,000,000 shares issued to Proxima and the remaining 6,000,000 Bone shares which Proxima holds.</p> <p>In respect of the Company's shares there are two options:</p> <ul style="list-style-type: none">(a) an option to acquire 750,000 shares at an exercise price of \$0.528 per share each, which option expires on 5 July 2009; and(b) an option to acquire 750,000 shares at an exercise price of GB£0.80 each, which option expires on 5 January 2008. <p>In respect of the Bone shares held by Proxima, there are two options:</p> <ul style="list-style-type: none">(a) an option to acquire 150,000 Bone shares at an exercise price of GB£1.00 each; and(b) an option to acquire 150,000 Bone shares at an exercise price of \$0.66 each. <p>The options in respect of Bone shares are exercisable within 7 days of James Phillips becoming aware that the Company has exercised its option to acquire the 6,000,000 Bone shares from the Company. If the options are not exercised in this time period they shall lapse.</p>
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