



Bone Medical

ASX/MEDIA RELEASE

2nd April 2007

LETTER TO OPTION HOLDERS

Bone Medical Limited (ASX: BNE) ("Bone Medical" or "the company") please find attached a letter issued today to owners of Bone Medical quoted options, the listed options expire on 28 April 2007 with an exercise price of \$0.40.

- ENDS -

For more information about Bone Medical Limited, please contact:

Paul Hopper
Executive Chairman
Mobile +1 858 200 5636 (USA)
Australian Office +61 8 9355 5123

Or visit: www.bonemedical.com

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 has a portfolio of biopharmaceutical development projects for the treatment of bone disease including,

Osteoporosis

- Capsitonin™ oral calcitonin
- oral parathyroid hormone
- bone cell regulators BN005 & BN008

Arthritis

- TNF regulators BN006
- joint protection & collagen tolerance BN007

BONE MEDICAL LIMITED

ABN 70 009 109 755



REGISTERED OFFICE

Bone Medical Limited
2/1 Sarich Way, Technology Park
BENTLEY WA 6102
Tel: (08) 9355 5123 Fax: (08) 9355 5210

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
All Correspondence to: PO BOX 535, APPLECROSS WA 6953
Tel (08) 9315 2333 Fax (08) 9315 2233
EMAIL: registrar@securitytransfer.com.au

30 March 2007

Holder No:
No of Options Held:
Amount to Pay:

Dear Option Holder

YOUR OPTIONS TO ACQUIRE BONE MEDICAL LIMITED SHARES AT \$0.40 PER SHARE EXPIRE ON 28 APRIL 2007

We are writing to you as a registered holder of 28 APRIL 2007 options in BONE MEDICAL LIMITED to remind you that the options will expire at 5:00pm (WST) on 28 APRIL 2007.

Your option holding may be exercised in whole or in part by payment of \$0.40 for each option by no later than 28 April 2007. If payment is not received by 5:00pm (WST) on 28 April 2007 the options will lapse and all rights under the options will cease at that time.

Some of the courses of action available to you as a holder of these soon to expire options are:

- a) Exercise the options on or before 28 April 2007.
- b) Sell your options. Quotation of the options will cease at the close of trading on **19 April 2007**.
- c) Do nothing (ie, allow your options to expire). If you do not exercise or sell your options they will expire on 26 APRIL 2007 and your right to subscribe for ordinary shares in Bone Medical Limited at \$0.40 per share will lapse.

There is no obligation on option holders to exercise their options. However, under paragraph 6.1 of Appendix 6A of the Australian Stock Exchange (**ASX**) Listing Rules, the Company is required to advise option holders of the information contained in this notice.

The market sale price of ordinary shares in Bone Medical Limited on ASX was 45 cents on 30 March 2007, being the last trading day in Perth prior to the date of this notice.

During the three (3) months preceding the date of this notice:

- the highest market sale price of ordinary shares on ASX was 49 cents on 23 March 2007; and
- the lowest market sale price of ordinary shares on ASX was 14 cents on 7 February 2007.

If you wish to exercise your options then you must complete your "Notice of Exercise of Options" form printed on the back of this notice and forward it together with payment of \$0.40 per option exercised to be received no later than 5:00pm (WST) on **28 April 2007** to the Company's share registry, being:

Security Transfer Registrars Pty Ltd
PO Box 535
APPLECROSS WA 6953

OR 770 Canning Highway
APPLECROSS WA 6953

Cheques should be made payable to "**BONE MEDICAL LIMITED**" in Australian dollars only and should be crossed "Not negotiable". If you have any further questions please do not hesitate to contact our Registry on telephone (08) 9315 2333, facsimile (08) 9315 2233, or e-mail registrar@securitytransfer.com.au.

Yours faithfully

Gabriel Chiappini
COMPANY SECRETARY



BONE MEDICAL LIMITED
ABN: 70 009 109 755

TERMS AND CONDITIONS OF OPTIONS EXPRING 28 APRIL 2007 (BNEO)

- (a) No monies will be payable for the issue of the Options.
- (b) A certificate will be issued for the Options.
- (c) The Options expire at 5.00 pm on the date that is 18 months after their issue ("**Expiry Date**").
- (d) The Option is a right in favour of the option holder to subscribe for one Share.
- (e) The option holder may exercise Options any time prior to the Expiry Date.
- (f) Shares allotted to option holders on exercise of Options shall be issued at a price of 40 cents each ("**Exercise Price**").
- (g) The Exercise Price of Shares the subject of the Options shall be payable in full on exercise of the Options.
- (h) Options shall be exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the option holder to:
 - (i) Exercise all or a specified number of Options; and
 - (ii) Pay the subscription monies in full for the exercise of each Option. The notice must be accompanied by the option certificate and a cheque made payable to the Company for the subscription monies for the Shares. An exercise of only some Options shall not affect the rights of the option holder to the balance of the Options held by the option holder.
- (j) The Company shall allot the resultant Shares and deliver the holding statement within five Business Days of the exercise of the Option.
- (k) Subject to any restrictions on transfer agreed between the Company and the option holder, the Options shall be freely transferable.
- (l) Shares allotted pursuant to an exercise of Options shall rank, from the date of allotment, equally with existing ordinary fully paid Shares of the Company in all respects.
- (m) The Company will apply for the Options to be listed for official quotation on the ASX. The Company will also in accordance with the Listing Rules make application to have Shares allotted pursuant to an exercise of Options listed for official quotation.
- (n) In the event of any reorganisation of the issued capital of the Company (including consolidation, subdivisions, reduction or return), the rights of an option holder will be changed to the extent necessary to comply with the listing rules applying to a re-organisation of capital at the time of the re-organisation.
- (o) The Options will not give any right to participate in dividends, bonus issues or entitlement issues until Shares are allotted pursuant to the exercise of the relevant Options.
- (p) In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of the Options may be reduced according to the following formula:

$$O' = O - E[P - (S + D)] / N + 1$$

where:

O' = the new exercise price of the Option.

O = the old exercise price of the Option.

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E = the number of underlying securities in the Company into which one

Option is exercisable.

P = the average market price per security (weighted by reference to volume)

of the underlying securities in the Company during the 5 trading days

ending on the day before the ex rights date or ex entitlements date.

S = the subscription price for a security under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying securities

(except those to be issued under the pro rata issue).

N = the number of securities with rights or entitlements that must be held to receive a right to one new security in the Company.

NOTICE OF EXERCISE OF OPTIONS

To
The Directors
Bone Medical Limited

Share Registry:
Security Transfer Registrars Pty Ltd
Po Box 535 Canning Highway
APPLECROSS WA 6153
Email: registrar@securitytransfer.com.au
Website: www.securitytransfer.com.au
Ph: (618) 9315 2333 Fax: (618) 9315 2233

I/We..... Shareholder Number:

Of

Being the registered holder of Options hereby exercise such Options to subscribe for Ordinary fully paid shares at \$0.40 per option.

I/We enclose application money of \$ and authorise you to register me/us as the holder of the shares to be allotted to me/us and /we agree to accept such shares subject to the Rules of the Constitution of the Company

Individual or Holder 1 <input type="text"/>	Securityholder 2 <input type="text"/>	Securityholder 3 <input type="text"/>	Date: <input type="text"/>
Director	Director/Secretary	Sole Director/Secretary	Day / Month / Year
<input type="text"/>	<input type="text"/>		
Contact Name	Contact Telephone Number		

This application, with application money in Australian Currency, should be lodged at the Company's Share Registry on or before the Expiry Date.

NOTE: Cheque should be made payable to **Bone Medical Limited** and forwarded to Security Transfer Registrars Pty Ltd.