



# Bone Medical

## ASX/MEDIA RELEASE

11 May 2007

### APPENDIX 3B & OPTIONS PLACEMENT

**Bone Medical Limited (ASX: BNE)** further to the company's announcement on 30 April 2007, attached is appendix 3B for the issue of 5,436,591 ordinary shares as a result of recently exercised options.

#### **Bone Medical Successfully Raises \$2.1 million via Exercised Options**

Bone Medical has raised \$2.1 million after 5,436,591 40 cent options were exercised prior to expiry on 28 April 2007.

#### **Options Placement**

Bone Medical is pleased to announce that it intends to offer new options to all option holders who converted their \$0.40 options. These are the proposed summarised terms:

- (i) Replacement option to be issued on a 1 : 1 basis
- (ii) Exercise price of \$0.60
- (iii) Subscription price of \$0.01 per replacement option
- (iv) Expiry will be 24 months from date of grant
- (v) Options to be unquoted

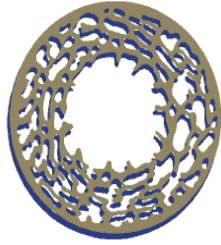
The options issue is subject to compliance with the ASX listing rules and the Corporations Act requirements.

- ENDS -

**For more information about Bone Medical Limited, please contact:**

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# Bone Medical

## **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

# Appendix 3B

## New issue announcement, application for quotation of additional securities and agreement

*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 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003.

Name of entity

Bone Medical Limited

ABN

70 009 109 755

We (the entity) give ASX the following information.

### Part 1 - All issues

*You must complete the relevant sections (attach sheets if there is not enough space).*

- |   |  |                 |
|---|--|-----------------|
| 1 | +Class of +securities issued or to be issued   | Ordinary Shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued  | 5,436,591       |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) |                 |

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+ See chapter 19 for defined terms.

**Appendix 3B**  
**New issue announcement**

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|  |   |
|--|---|
| <p>4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> <li>• the date from which they do</li> <li>• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment</li> <li>• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment</li> </ul> | <p>Yes</p>  |
| <p>5 Issue price or consideration</p>  | <p>\$0.40 based on the option conversion price of the class of options expiring 28 April 2007</p> |
| <p>6 Purpose of the issue<br/>         (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>   | <p>Conversion of listed options at \$0.40 each</p>  |

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+ See chapter 19 for defined terms.

|    |   |            |   |
|----|---|------------|---|
| 7  | Dates of entering +securities into uncertificated holdings or despatch of certificates                              | 8 May 2007 |   |
|    |   | Number     | +Class  |
| 8  | Number and +class of all +securities quoted on ASX ( <i>including</i> the securities in clause 2 if applicable)     | 76,331,024 | F/P Ordinary shares   |
|    |   | Number     | +Class  |
| 9  | Number and +class of all +securities not quoted on ASX ( <i>including</i> the securities in clause 2 if applicable) | 715,781    | BNEAM Class C Preference shares   |
|    |   | 7,691,968  | BNEAU Class C Preference shares restricted to 3/9/06  |
|    |   | 1,000,000  | BNEAW Options expiring 1/7/08 restricted to 3/9/06 \$0.50   |
|    |   | 300,000    | Employee options exp 1/12/09 ex 60c   |
|    |   | 1,591,455  | Class C Preference Shares unrestricted  |
|    |   | 500,000    | Employee options exp 28/2/09, \$0.65  |
|    |   | 500,000    | Employee options exp 28/2/09 \$0.48   |
|    |   | 500,000    | Tranche 3 Employee Options granted 19/7/05 exercisable on performance milestones being met and exercise price being 30 day average of ordinary shares on ASX prior to milestone date. |
|    |   | 500,000    | Tranche 2 Employee Options granted 19/7/05 exercisable on performance milestones being met and exercise price being 90 day average of ordinary shares on ASX prior to milestone date  |
|    |   | 200,000    | Director options expiring December 2008, exercise price \$0.47  |
|    |   | 500,000    | Options expiring 1/2/10, exercise price \$0.27  |
| 10 | Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)                  | NA         |   |

+ See chapter 19 for defined terms.

**Part 2 - Bonus issue or pro rata issue**

- 11 Is security holder approval required?
- 12 Is the issue renounceable or non-renounceable?
- 13 Ratio in which the +securities will be offered
- 14 +Class of +securities to which the offer relates
- 15 +Record date to determine entitlements
- 16 Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?
- 17 Policy for deciding entitlements in relation to fractions
- 18 Names of countries in which the entity has +security holders who will not be sent new issue documents   
Note: Security holders must be told how their entitlements are to be dealt with.  
Cross reference: rule 7.7.
- 19 Closing date for receipt of acceptances or renunciations

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+ See chapter 19 for defined terms.

- |    |   |  |
|----|---|--|
| 20 | Names of any underwriters   |  |
| 21 | Amount of any underwriting fee or commission  |  |
| 22 | Names of any brokers to the issue   |  |
| 23 | Fee or commission payable to the broker to the issue  |  |
| 24 | Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders   |  |
| 25 | If the issue is contingent on +security holders' approval, the date of the meeting  |  |
| 26 | Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled  |  |
| 27 | If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders |  |
| 28 | Date rights trading will begin (if applicable)  |  |
| 29 | Date rights trading will end (if applicable)  |  |
| 30 | How do +security holders sell their entitlements <i>in full</i> through a broker?   |  |
| 31 | How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?  |  |

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+ See chapter 19 for defined terms.

**Appendix 3B**  
**New issue announcement**

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32 How do +security holders dispose of their entitlements (except by sale through a broker)?

33 +Despatch date

**Part 3 - Quotation of securities**

*You need only complete this section if you are applying for quotation of securities*

34 Type of securities  
(tick one)

(a)  Securities described in Part 1

(b)  All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

**Entities that have ticked box 34(a)**

**Additional securities forming a new class of securities**

*Tick to indicate you are providing the information or documents*

35  If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36  If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories  
1 - 1,000  
1,001 - 5,000  
5,001 - 10,000  
10,001 - 100,000  
100,001 and over

37  A copy of any trust deed for the additional +securities

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+ See chapter 19 for defined terms.

**Entities that have ticked box 34(b)**

38 Number of securities for which  
+quotation is sought

39 Class of +securities for which  
quotation is sought

40 Do the +securities rank equally in all  
respects from the date of allotment  
with an existing +class of quoted  
+securities?

If the additional securities do not  
rank equally, please state:

- the date from which they do
- the extent to which they  
participate for the next dividend,  
(in the case of a trust,  
distribution) or interest payment
- the extent to which they do not  
rank equally, other than in  
relation to the next dividend,  
distribution or interest payment

41 Reason for request for quotation  
now

Example: In the case of restricted securities, end of  
restriction period

(if issued upon conversion of  
another security, clearly identify that  
other security)

|   | Number | +Class |
|---|--------|--------|
| 42 Number and +class of all +securities<br>quoted on ASX ( <i>including</i> the<br>securities in clause 38) |        |        |

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+ See chapter 19 for defined terms.

**Quotation agreement**

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the +securities to be quoted, it has been provided at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

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+ See chapter 19 for defined terms.

- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here:

Company Secretary

Date: 11 May 2007

Print name:

Gabriel Chiappini

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