



ASX/MEDIA RELEASE

2 September 2005

### **RESTRUCTURE OF LICENSE REPAYMENTS**

Bone Medical Limited (**ASX: BNE**) ("Bone Medical") has today announced significant changes to the terms of the technology license fee obligations between Bone Limited (BL), the subsidiary of Bone Medical and Aaccess Limited (Aaccess)

Under the previous license arrangement, BL was required to pay Aaccess a total license fee of GBP1.03 million by payments equal to 20% of monies earned from sub-licensing deals and/or from proceeds relating to any capital raisings. Furthermore, if the total fee was not paid by 5 January 2007, Aaccess had the right to terminate the License at which time the intellectual property would revert back to Aaccess.

In the new arrangement, BL will be required to pay 50% of any licensing fees received from the commercialisation of the technology, up to the total fee due. If however Bone Medical commences a Phase III human clinical trial and has at least AUD5 million cash in the bank or raises a cumulative total of AUD15 million in new capital, then the full fee would become due less any instalments paid.

Importantly, the "drop dead" date of 5 January 2007 for total payment has also been removed. As before, Bone Medical will pay interest monthly on the balance of the fee owing from 5 January 2006, but now at a rate equal to the 30 day London Interbank Offering Rate (LIBOR) plus 2% until paid in full.

In order to ensure the research activities of the Company continue uninterrupted through this critical development phase for the osteoporosis and arthritis programmes moving forward, which phase will take the next three years, the Company will continue with its research contract with Proxima Concepts to 31 August 2008.

These changes add to Bone Medical's announcement on 2 September 2005 that the Company has signed a Share Purchase Agreement with Proxima Concepts allowing Bone Medical to gain full control of Bone Limited - the entity that holds the licenses to the platform technologies used by Bone Medical.

"The series of changes we are making at Bone Medical will likely delay our license repayments, reduce the complexity of our capital structure, lower our risk and provide for greater freedom to advance our portfolio of technologies," said Mr Michael Redman, CEO of Bone Medical. "These adjustments will also help us to attract new investors into our stock", he said.

Bone Medical also advises that Mr John Frame is standing down as Joint Company Secretary, effective immediately.

-ENDS-

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**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
- *Perthoxal*™ oral parathyroid hormone
- bone cell regulators BN005 & BN008

Arthritis

- TNF regulators BN006
- joint protection & collagen tolerance BN007