

Bone Medical

ASX/MEDIA RELEASE

Share and Option Issue

2 July 2012: Bone Medical Ltd (BNE: ASX), an international biopharmaceutical company focused on the development of important new medicines for the treatment of musculoskeletal diseases like osteoporosis and arthritis, wishes to advise that it has issued and allotted 43,127,526 fully paid ordinary shares (**Shares**) and 2,635,542 unlisted options exercisable at \$0.10 and expiring 2 July 2015 to directors and contractors in lieu of cash for services rendered and subscriptions received and 1,000,000 unlisted options exercisable at \$0.01328 and expiring 2 July 2015 to Mr Peter Young as incentive to retain his services as Chief Executive Officer and Managing Director of the Company, following approval by shareholders at the general meeting held 4 June 2012.

The options to Mr Young will be escrowed for a period of 12 months from the date of their issue.

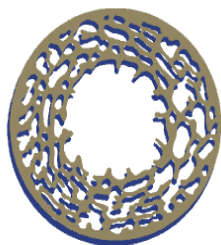
Cleansing Statement

With regard to the issue of 43,127,526 fully paid ordinary shares (**Shares**), Bone Medical Ltd makes the following statements under section 708A(5)(e) of the Corporations Act 2001 (Cwlth) (Act);

- a) The Shares were issued without disclosure to investors under Part 6D.2 of the Act.
- b) This notice is being given under paragraph 5(e) of section 708A of the Act.
- c) As at the date of this notice, Bone Medical Ltd has complied with the provisions of the Chapter 2M of the Act (as they apply to Bone Medical Ltd), and section 674 of the Act.
- d) As at the date of this notice, there is no excluded information with respect to Bone Medical Ltd for the purposes of sections 708A(7) and (8) of the Act.

The Appendix 3B's reflecting the revised capital structure following the issue of the Shares has been released with this announcement.

- ENDS -



Bone Medical

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Director

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About Bone Medical Limited

Bone Medical Limited is an international biopharmaceutical company focused on developing significant new products for the growing market in the treatment of bone disease, especially osteoporosis and arthritis. The Company's product pipeline includes:

- Phase II clinical-stage programs for the oral delivery of two well-established peptides which have historically been limited to nasal or injectable delivery
 - o Capsitonin™ (oral calcitonin)
 - Osteoporosis
 - Osteoarthritis
 - o CaPTHymone™ (oral parathyroid hormone) for osteoporosis
- Novel, potential breakthrough preclinical-stage compounds
 - o BN006 – oral TNF-alpha inhibitor for rheumatoid arthritis (RA)
 - o BN007 – collagen tolerance & joint protection agent for RA
 - o BN005 & BN008 – bone cell regulation for osteoporosis

The Company has an exclusive world-wide license to the underlying technologies used in all these products in its target disease fields from Proxima Concepts Ltd.

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, 24/10/2005.

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 | Fully Paid Ordinary |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 43,127,526 |
| 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) | Fully Paid Ordinary |

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

4	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	Yes	
5	Issue price or consideration	\$0.01328 per share	
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	Issued to directors and contractors in lieu of cash for services rendered and subscriptions received as approved by shareholders at the general meeting held 4 June 2012.	
7	Dates of entering ⁺ securities into uncertificated holdings or despatch of certificates	On or about 29 June 2012	
8	Number and ⁺ class of all ⁺ securities quoted on ASX (including the securities in clause 2 if applicable)	Number 290,042,689	⁺ Class Ordinary shares

⁺ See chapter 19 for defined terms.

	Number	+Class
9 Number and +class of all +securities not quoted on ASX (<i>including</i> the securities in clause 2 if applicable)	1,000,000	Options expiring 1/3/14 Exercise price \$0.10
	1,767,510	Options expiring upon conversion of loan facility 30/07/12
	300,000	Options expiring 25/11/12 Exercise price \$0.40
	300,000	Options expiring 25/11/13 Exercise price \$0.40
	6,444,853	Options expiring 8/7/14 Exercise price \$0.20
	1,000,000	Options expiring 21/10/14 Exercise price \$0.05
	410,973	Options expiring 6/6/15 Exercise price \$0.10
	1	Convertible Note US\$1,500,000, 17/01/11
	1	Convertible Note US\$1,500,000, 12/04/12

10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	N/A
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Part 2 - Bonus issue or pro rata issue

11 Is security holder approval required?	
12 Is the issue renounceable or non- renounceable?	

+ See chapter 19 for defined terms.

Appendix 3B

New issue announcement

- | | | |
|----|---|--|
| 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

<small>Note: Security holders must be told how their entitlements are to be dealt with.
Cross reference: rule 7.7.</small> | |
| 19 | Closing date for receipt of acceptances or renunciations | |

⁺ 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?	

+ See chapter 19 for defined terms.

Appendix 3B

New issue announcement

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

⁺ 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)					
42	Number and +class of all +securities quoted on ASX (<i>including</i> the securities in clause 38)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="width: 50%; padding: 5px;">Number</th> <th style="width: 50%; padding: 5px;">+Class</th> </tr> <tr> <td style="height: 60px;"></td> <td></td> </tr> </table>	Number	+Class		
Number	+Class					

+ 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.
 - 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.
- 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.

Mark Clements
Company Secretary
2 July 2012

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Appendix 3B

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Name of entity

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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 | Unquoted options |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | (i) 2,635,642 Unquoted options
(ii) 1,000,000 Unquoted options |
| 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) | (i) 2,635,642 Unquoted options, exercisable at \$0.10, expiring 2 July 2015 as per the terms attached;
(ii) 1,000,000 Unquoted options, exercisable at \$0.01328, expiring 2 July 2015 as per the terms attached; |

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Appendix 3B
New issue announcement

4	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	<table><tr><td>(i)</td><td>Yes, once exercised the options will rank equally with the ordinary shares currently on issue.</td></tr><tr><td>(ii)</td><td>Yes, once exercised the options will rank equally with the ordinary shares currently on issue.</td></tr></table>		(i)	Yes, once exercised the options will rank equally with the ordinary shares currently on issue.	(ii)	Yes, once exercised the options will rank equally with the ordinary shares currently on issue.
(i)	Yes, once exercised the options will rank equally with the ordinary shares currently on issue.						
(ii)	Yes, once exercised the options will rank equally with the ordinary shares currently on issue.						
5	Issue price or consideration	Nil					
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	<table><tr><td>(i)</td><td>Issued as part of share subscription;</td></tr><tr><td>(ii)</td><td>Issued as an incentive to retain the services of the Chief Executive Officer and Managing Director.</td></tr></table>		(i)	Issued as part of share subscription;	(ii)	Issued as an incentive to retain the services of the Chief Executive Officer and Managing Director.
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(ii)	Issued as an incentive to retain the services of the Chief Executive Officer and Managing Director.						
7	Dates of entering ⁺ securities into uncertificated holdings or despatch of certificates	2 July 2012					
8	Number and ⁺ class of all ⁺ securities quoted on ASX (including the securities in clause 2 if applicable)	Number	⁺ Class				
		290,042,689	Ordinary shares				

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Appendix 3B
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	N/A	

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 - 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.
- 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.

Mark Clements
Company Secretary
2 July 2012

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