

**Form 603**Corporations Act 2001  
Section 671B**Notice of initial substantial holder**

To: Company Name/Sharecode

**Bone Medical Limited**

ACN/ARSN

**ACN 70009109755****1. Details of substantial holder (1)**

Name

La Jolla Cove Investors, Inc

ACN/ARSN (if applicable)

N/A

The holder became a substantial holder on

**07/02/12****2. Details of voting power**

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in on the date the substantial holder became a substantial holder are as follows:

Class of securities (4)	Number of securities	Person's votes (5)	Voting power (6)
Full Paid Ordinary Shares	17,500,000	17,500,000	10.5%

**3. Details of relevant interests**

The nature of the relevant interest the substantial holder or an associate had in the following voting securities on the date the substantial holder became a substantial holder are as follows:

Holder of relevant interest	Nature of relevant interest (7)	Class and number of securities
La Jolla Cove Investors, Inc.	Acquired via a partial conversion of the Funding Agreement dated 5/10/2010 between La Jolla Cove Investors and Bone Medical Ltd set out in Annexure A and Annexure B.	17,500,000 fully paid ordinary shares

**4. Details of present registered holders**

The persons registered as holders of the securities referred to in paragraph 3 above are as follows:

Holder of relevant interest	Registered holder of securities	Person entitled to be registered as holder (8)	Class and number of securities
La Jolla Cove Investors, Inc.	La Jolla Cove Investors, Inc. (ACN 70009109755)	La Jolla Cove Investors, Inc.	17,500,000 fully paid ordinary shares

**5. Consideration**

The consideration paid for each relevant interest referred to in paragraph 3 above, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

Holder of relevant interest	Date of acquisition	Consideration (9)		Class and number of securities
		Cash	Non-cash	
La Jolla Cove Investors, Inc.	07/02/12	AUS\$115,500		17,500,000 fully paid ordinary shares

**6. Associates**

The persons the persons named in paragraph 3 above are associates of the substantial holder are as follows.

Name and ACN/ARSN (if applicable)	Nature of association

**7. Addresses**

The addresses of persons named in this form are as follows.

Name	Address
La Jolla Cove Investors, Inc.	1150 Silverado, Suite 218, La Jolla, CA 92037

**Signature**

print name	Travis Huff	capacity	Portfolio Manager
sign here		date	07 / 02 / 12

**DIRECTIONS**

- (1) If there are a number of substantial holders with similar or related relevant interests (eg. a combination and its related companies, or the manager and trustees of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group, if membership of each group, with the names and addresses of members is clearly set out in paragraph 7 of the form.
- (2) See the definition of "associate" in section 9 of the Corporations Act 2001.
- (3) See the definition of "relevant interest" in sections 608 and 671B(7) of the Corporations Act 2001.
- (4) The voting shares of a company constitute one class unless divided into separate classes.
- (5) The total number of votes attached to all the voting shares in the company or voting interests in the scheme (if any) that the person or an associate has a relevant interest in.
- (6) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.
- (7) Include details of:
  - (a) any relevant agreement or other circumstances by which the relevant interest was acquired. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and
  - (b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting power or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).

See the definition of "relevant agreement" in section 9 of the Corporations Act 2001.
- (8) If the substantial holder is unable to determine the identity of the person (eg. if the relevant interest arises because of an option) write "unknown".
- (9) Details of the consideration must include any and all benefits, money and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to the acquisitions. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.

## Annexure A

## Note

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AS AMENDED (THE "SECURITIES ACT"), OR UNDER THE SECURITIES LAWS OF ANY STATE, AND IS BEING OFFERED AND SOLD PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH LAWS. THIS SECURITY MAY NOT BE SOLD OR TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR SUCH OTHER LAWS.

## 4.75% CONVERTIBLE NOTE

Company:	<i>Bone Medical Limited</i> (1009 109 755)
Company Address:	P.O. Box 1110, BENTLEY DC, WA, AUSTRALIA, 6982
Closing Date:	Has the meaning given to this term in the Convertible Note Facility Agreement.
Maturity Date:	{October <u>5</u> , 2013}
Principal Amount:	\$1,500,000

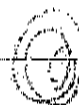
*Bone Medical Limited*, a corporation organized under the laws of Australia, and any successor or resulting corporation by way of merger, consolidation, sale or exchange of all or substantially all of the assets or otherwise (the *Company*), for value received, promises to pay to the Investor, or such other person nominated by the Investor, on the Maturity Date, the Principal Amount, as such sum may be adjusted pursuant to Clause 8.7 of the Convertible Note Facility Agreement, and to pay interest thereon with such interest commencing to accrue as of the Closing Date and payable in arrears on a monthly basis, commencing on the 15<sup>th</sup> day of the month following the month of issuance of this Note, and on the Maturity Date (except that, if any such date is not a Business Day, then such payment shall be due on the next succeeding Business Day), at the rate of five and three-quarters per cent (4.75%) per annum (the *Interest Rate*). All interest payable on the Principal Amount of this Note shall be calculated on the basis of a year of 365 or 366 days, as the case may be, for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable.

Payment of interest on this Note shall be in cash or, at the option of the Company, in Ordinary Shares of the Company valued at the then applicable Conversion Price. This Note may not be prepaid without the written consent of the Investor. All defined terms in this Note shall have the meaning set out in section 1.1 of the Terms and Conditions, attached and incorporated in this Note.

Endorsed by the Company:

1 October 2010

TWH



Annexure A

Annexure B

Note Conversion Notice

To: **Bone Medical Limited**  
 Attn: Company Secretary  
 c/o  
 Executive: 06 9355 5216

For each of the Investors (the Investor), being the owner of the Convertible Note due October 5, 2011, (the Note) issued by Bone Medical Limited (the Company), respectively certifying its opinion to convert \$ 115,500 of the Principal Amount of the Note into shares in Ordinary Shares in accordance with the terms of the Company Agreement dated October 5, 2010 between the Company and the Investor (the Agreement);

The Investor instructs the Company to convert the portion of the Note specified above into Ordinary Shares in accordance with the provisions of clause 8 of the Agreement.

On payment (through the ordinary shares and holding statements) therefore deliverable upon conversion of the Note as stated in the Principal Amount not being encumbered by the Company in Ordinary Shares in payment of the interest and should attach to the date of this Notice together with any required payment of fractional Ordinary Shares, the subject of the same as delivered to the Investor in the form of the specified ordinary share orders.

All capitalised terms used and not defined here are respectively as they are assigned to them in the Agreement.

Subject to the foregoing, the Conversion of the Note shall be deemed to have been effected on the date and time specified herein, and in such case the rights of the Investor in relation to the Principal Amount of the Note as set out above shall cease and the person or persons in whose name or names the Conversion Shares shall be registered shall be deemed to have become the holder or holders of record of the Ordinary Shares and all rights and other rights associated with the beneficial ownership of such Ordinary Shares shall at such time vest with such person or persons.

Date and time: **07/02/12**  
 By: **Travis Huff**  
 Title: **Portfolio Mgr**  
 Full name registration code:  
 Please print name and address:  
**Travis Huff**

Signature of Investor: **Travis Huff**