

Bone Medical

ASX/MEDIA RELEASE

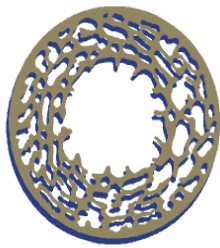
Recapitalisation Agreement signed with Cornerstone Corporate

28 November 2013: Bone Medical Ltd (BNE: ASX), an international biopharmaceutical company focused on the development of important new medicines for the treatment of musculoskeletal diseases including osteoporosis and arthritis, is pleased to announce that it has signed a proposal to recapitalize the Company with Cornerstone Corporate Pty Ltd ("Cornerstone" AFSL:332426), a Perth-based investment and corporate services company.

The key terms of the Recapitalisation Agreement with Cornerstone are:

- Internal debt to equity restructure by way of debt conversion agreements with a majority of Company's creditors ("Debt Conversion Agreements") at a debt conversion price of \$0.001 per Share, as well as write-off of the unconverted debt balance;
- Settlement and termination of La Jolla Cove Investors Funding Agreement;
- Bridge Funding of \$200,000 via unsecured converting loans provided by investors introduced by Cornerstone ("Converting Loans"), automatically converting, subject to Shareholder approval and raising of at least \$3 million under the Placement referred to below, into 1,000,000,000 shares at \$0.0002;
- Capital raising via the issue of 7,500,000,000 shares at \$0.0004 per Share to raise \$3,000,000 (with the ability to issue up to a further 1,250,000,000 Shares in oversubscriptions to raise a further \$500,000) ("Placement");
- Appointment of Robert Towner as Non-Executive Chairman of the Company on completion of the Placement;
- A 50:1 consolidation of the Company's securities on completion of the Placement ("Consolidation").

Cornerstone will act as Lead Manager to the Placement to raise \$3 million (with up to \$0.5 million in oversubscriptions) providing the Company with sufficient capital to advance its product pipeline and rebuild market value.



Bone Medical

To facilitate this, the Company's existing directors, management, and certain service providers have agreed to remove over \$1.8 million in unpaid fees owed to them for past services off the Company's balance sheet via debt conversion or waiving payment. Of this, approximately \$1 million is to be written off.

In addition, the Company's October 2010 Funding Agreement with La Jolla Cove Investors will be terminated, and approximately \$0.5 million in outstanding debt owed to La Jolla will be waived in exchange for the issue of Shares under a settlement and release agreement ("La Jolla Settlement Agreement").

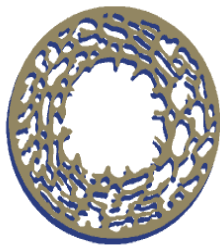
Mr Peter Young, Bone Medical's CEO, said "The Cornerstone Agreement marks a long-awaited turning point for the Company. It will not only give us the capability to generate new data in support of our product pipeline - which is the key creating value in the life science industry - but clearly comes at a critical juncture in terms of providing the Company with a continuing operating runway."

Cornerstone's Managing Director, Rob Towner, commented, "We think Bone Medical provides investors the opportunity to participate in technology which has had considerable existing investment. Its product programs have great potential, and if even just one of them achieves its planned milestones over the next six to twelve months, the growth opportunity becomes substantial."

"We believe that Cornerstone will be a great partner," said Roger New, co-founder of the Company and inventor of its technologies. "Rob Towner is not only a highly experienced and successful capital markets executive, but he has demonstrated the ability to build a successful life science company. In March 2004 Rob listed, capitalized, and acted as an Executive Director of bioMD, which he merged in 2011 with then-private Allied Health Care to create what is now the Admedus Limited (ASX:AHZ, a \$200m market cap company)". Dr New will step down as Chairman on completion of the recapitalisation but continue as a director and CSO.

The Company plans to seek necessary shareholder approvals for the recapitalization plan in early January. A Notice of Meeting is scheduled to be released to shareholders and the market in early December.

The Company's major shareholders, Proxima Concepts Ltd and its subsidiary, Proxima Laboratory and Research Services, who together hold 20.58% of the Company's Shares, have provided the Company with a letter advising of their intention to vote their Shares in favour of the Recapitalisation resolutions and have consented to their intention being disclosed to the ASX.



Bone Medical

Details of Recapitalisation

Recapitalisation Deed

The Company entered into a recapitalisation deed with Cornerstone on 27 November 2013 ("**Recapitalisation Deed**") that provides for a recapitalisation of the Company, primarily through \$200,000 in Converting Loans, and a Placement of at least \$3 million, from investors introduced by Cornerstone.

Converting Loans

The Company has entered into the Converting Loans under which a total of \$200,000 in loans are to be provided to the Company by 30 November 2013. The loan amounts will, subject to Shareholder approval, convert into Shares, on the Placement completion date, at an issue price of \$0.0002 per Share.

This conversion must occur by 15 January 2014 (or such later date as agreed between the Company and Cornerstone), failing which the Company must repay the loans by 31 March 2014.

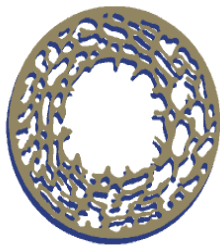
Debt Conversion Agreements

The Company has executed Debt Conversion Agreements with a majority of its creditors under which, subject to necessary Shareholder approvals, the Company will issue those creditors, on the Placement completion date, with Shares at an issue price of \$0.001 per Share in respect of a portion of the creditors' outstanding debts at 30 September 2013, together with one free unlisted option exercisable at \$0.0008 each, expiring 31 December 2016 (**Options**) for each Share issued in respect of a portion of the debt.

A total of approximately 860 million Shares and 340 million Options are to be issued.

This issue of Shares and Options will be deemed to satisfy the Company's obligation to repay all those creditors' outstanding debts at 30 September 2013 (being approximately \$1.88 million).

The Placement completion date, and the conversion of the debt, must occur by 15 January 2014, failing which the Debt Conversion Agreements may be terminated.



Bone Medical

La Jolla Settlement Agreement

Under the La Jolla Settlement Agreement, the Company's existing debts to La Jolla will be reduced to US\$219,000 and satisfied, subject to necessary Shareholder approval, by the issue of Shares on the Placement completion date at an issue price of \$0.001 each (unless issued after 25 January 2014, in which case a 5 day VWAP issue price will apply) and the La Jolla 2010 Funding Agreement will be terminated with mutual releases.

La Jolla has also agreed to provide the Company with US\$80,000 in bridge financing, with any amount drawn down repayable from the first funds received under the Placement, together with a payment equal to 25% of the amount drawdown.

Placement

The completion of the Placement is subject to the receipt of necessary Shareholder approvals, the La Jolla Settlement Agreement, Converting Loans and Debt Conversion Agreements continuing to be in effect and unconditional, and \$3 million being raised under the Placement. If these conditions are not satisfied (or waived) by 15 January 2014 (or such later date as agreed), the Recapitalisation Deed may be terminated.

It is intended that, on the Placement completion date, Shares and Options will also be issued to complete conversions under the Converting Loans, Debt Conversion Agreements and La Jolla Settlement Agreement.

Capital Raising Fees

Under the Recapitalisation Deed, the Company has agreed, subject to necessary Shareholder approval, to issue Cornerstone (or its nominees) with a total of 800 million options ("Proponent Options") on the Placement completion date, consisting of 300 million options exercisable at \$0.0006 and expiring 31 December 2016 ("Bridge Options") and 500 million Options exercisable at \$0.0008 and expiring 31 December 2016 ("Placement Options").

The Company has also agreed to pay Cornerstone (or its nominees) a management fee of 1%, and a capital raising fee of 5%, of amounts raised under the Placement.



Finder's Fees and CEO Options

Under the Recapitalisation Deed, the Company has agreed, subject to necessary Shareholder approvals, to issue, on the Placement completion date, 150 million Shares as a finder's fee to an unrelated third party, and a total of 450 million options exercisable at \$0.0008 and expiring 31 December 2016 ("CEO Options") to Mr Peter Young as incentive remuneration provided that:

- 150 million CEO Options will only vest on the 10 day VWAP for Shares being \$0.0012;
- 150 million CEO Options will only vest on the 10 day VWAP for Shares being \$0.0016; and
- 150 million CEO Options will only vest on the 10 day VWAP for Shares being \$0.0024.

Effect on Capital Structure

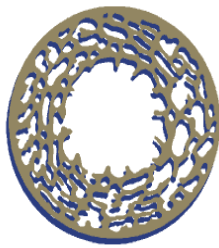
If the Recapitalisation Deed is fully effected, the Company's issued securities will change as follows (subject to final adjustments for rounding and foreign exchange conversions and assuming the Placement is completed before 15 January 2014):

Capital Structure	Shares	Options
Shares and Options currently on issue	1,076,663,823	12,781,368
Issue of Converting Loan Shares	1,000,000,000	-
Issue of Debt Conversion Shares and Options	859,310,671	340,169,461
Issue of Shares to La Jolla ¹	238,043,478	-
Issue of Placement Shares ²	7,500,000,000	
Issue of Proponent Options	-	800,000,000
Issue of Finder's Fee Shares	150,000,000	-
Issue of CEO Options	-	450,000,000
Total (pre-Consolidation)	10,824,017,972	1,602,950,829
Total (post-Consolidation)	216,480,359	32,059,017

Notes:

1. Assuming AUD:US\$ exchange rate of 0.92.
2. Assuming \$3 million subscription. Oversubscriptions of up to a further 1,250,000,000 Shares may be accepted to raise an additional \$500,000.

- ENDS -



Bone Medical

Enquiries:

Dr Roger New
Chairman
Office: +44 207 794 1512

Peter Young
CEO
Mobile: +1 201 841 9681

Leon Ivory
Director
Mobile: +61 419 428 264

Robert Towner
Managing Director
Cornerstone Corporation
+61 (0) 8 9286 2828

or visit: www.bonemedical.com

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 diseases like osteoarthritis, rheumatoid arthritis, and osteoporosis.

The Company licences its technologies and obtains its R&D support from Proxima Concepts Ltd and its subsidiary Proxima Laboratory and Research Services.

The Company's product pipeline includes:

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