



ASX/MEDIA RELEASE

23 November 2006

**AGM CHAIRMAN'S PRESENTATION**

**Bone Medical Limited (ASX: BNE)** ("Bone Medical") Please find attached the AGM presentation to be presented at today's Shareholder's Meeting by Dr Paul Hopper.

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

**Arthritis**

- TNF regulators BN006
- joint protection & collagen tolerance BN007



# Bone Medical

Advancing “oral” treatments for  
bone & joint diseases especially  
for osteoporosis and arthritis

**Paul Hopper**  
Executive Chairman

AGM Nov 2006

# Safe Harbour Statement

This presentation contains forward-looking statements that involve risks and uncertainties. These forward-looking statements are not guarantees of Bone Medical Limited's future performance and involve a number of risks and uncertainties that may cause actual results to differ materially from the results discussed in these statements.

Factors that might cause the Company's results to differ materially from those expressed or implied by such forward-looking statements include but are not limited to, development and commercialisation of the Company's product portfolio; development or acquisition of additional products; and other risks and uncertainties. Bone Medical Limited undertakes no duty to update any of these forward-looking statements to confirm them to actual results.

- **Founded December 2002 - listed on Australian Stock Exchange**
- **Novel, proprietary oral drug delivery technology for musculoskeletal disease**
- **Phase I / 2a clinical trial for oral calcitonin- **Capsitonin™** - completed**
- **Phase I clinical study for oral parathyroid hormone- **Perthoxal™** completed**
- **Listed Public August 2004**
  - ✦ **Ticker: (ASX:BNE) (ADR:BMEDY.PK)**
  - ✦ **Office: Bentley, WA, Australia 6102**
  - ✦ **Shares Outstanding: 70,894,433 (Ordinary); 9,999,204 (Preferred C); 7,264,041 (Options)**
  - ✦ **Market Cap (Nov 2006): A\$15 million**
- **Over A\$5.5 million spent to date developing two core compounds**
- **Approximately A\$1.0 million cash on-hand**

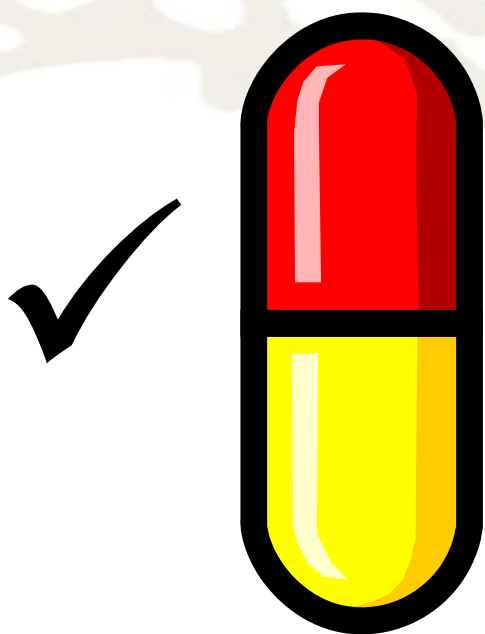
- ✓ **Two capital raisings - \$1.6m Nov 2005 & \$1.8m Nov 2006;**
- ✓ **Pre-IND meeting held with FDA for Capsitonin;**
- ✓ **Study protocol for Capsitonin currently before Qld Ethics Committee to commence Phase 2a trial early 2007;**
- ✓ **Study protocol for PTH currently before Brazilian Ethics Committee to commence second Phase 1 trial early 2007;**
- ✓ **Research report by CCZ;**
- ✓ **Commenced pre-clinical animal studies on promising TNF down-regulator for rheumatoid arthritis;**
- ✓ **Strengthened Board & management;**
- ✓ **Receipt of Australian Govt grants totaling A\$541 thousand**
- ✓ **Growing focus on UK & Europe;**

- **Osteoporosis - Salmon Calcitonin & Parathyroid Hormone**
  - ✦ Approximately 200 million women worldwide
  - ✦ Incidence is expected to “double” in the next 50 years
  - ✦ Estimated US\$40 billion spent to treat disease in North America and in Europe
- **Osteoarthritis - Salmon Calcitonin & TNF**
  - ✦ Over 20 million people in the U.S. alone
  - ✦ Most common form of arthritis, approximately 5-10% of population will develop
- **Treatments**
  - ✦ Calcitonin (sCT): US\$700 million
    - Injectable and Nasal forms only (no oral form available)
  - ✦ Parathyroid Hormone (PTH): US\$560 million
    - Injectable form only (no oral form available)

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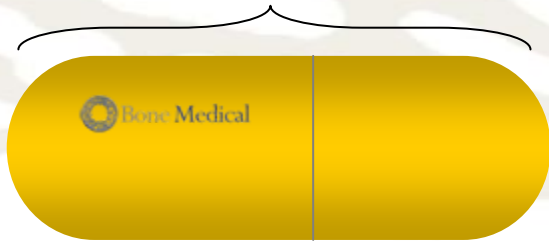
Sources: International Osteoporosis Foundation, CDC, Mayo Clinic, NIAMS, National Center for Chronic Disease Prevention and Health Promotion

# BNE'S Advantage



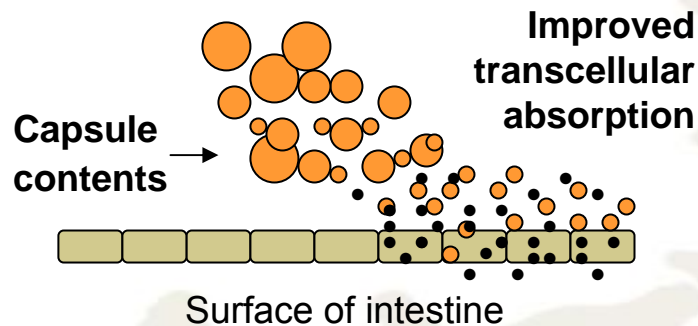
## Proprietary oral drug delivery technology

Enteric coating to protect against stomach acids



**Capsule Contents:**

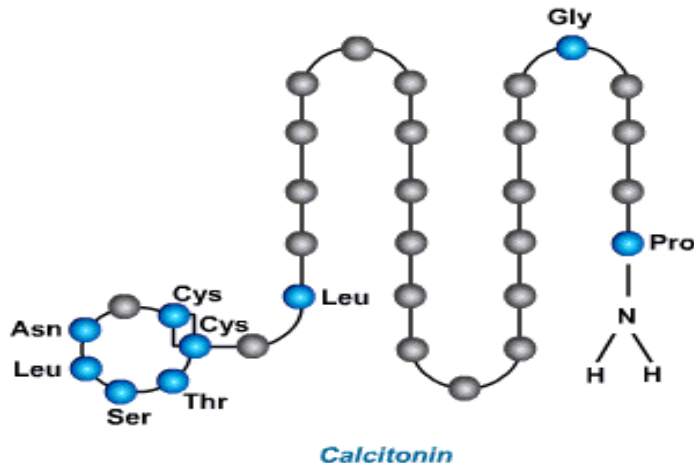
Drug, stabilizer, solubilizer,  
(GRAS pharmaceutical excipients)



- Formulated as a dry powder in an enteric coated capsule – simple and cheap to manufacture
- Capsule protects therapeutic peptides (sCT and PTH) from gastric degradation
- Capsule contents released in the jejunum in an area with neutral pH
- Technology utilizes existing approved substances – no NCE involvement
- Opportunity for rapid 505(b)(2) NDA submission

## Capsitonin™ *Oral Capsule* (synthetic salmon calcitonin peptide)

Synthetic peptide  
of salmon calcitonin



*“Calcitonin has been used safely as a treatment for osteoporosis for over 30 years!”*

- Mechanism of Action:
  - ✦ Calcitonin aids in the maintenance of bone structure by interfering with osteoclast activity.
- Current Route of Administration
  - ✦ Nasal spray or injectible
- Use/Indication:
  - ✦ Osteoporosis, Osteoarthritis
- Side Effects:
  - ✦ Mild joint ache, headache

- **Pre-IND Meeting held December 2005**
- **Focus on Capsitonin as treatment for osteoporosis**
- **Bioequivalence development path and 505(b)(2) regulatory review process discussed**
- **Next trial will compare oral calcitonin with nasal spray (to demonstrate bioequivalence)**
- **Complete dose-ranging study**



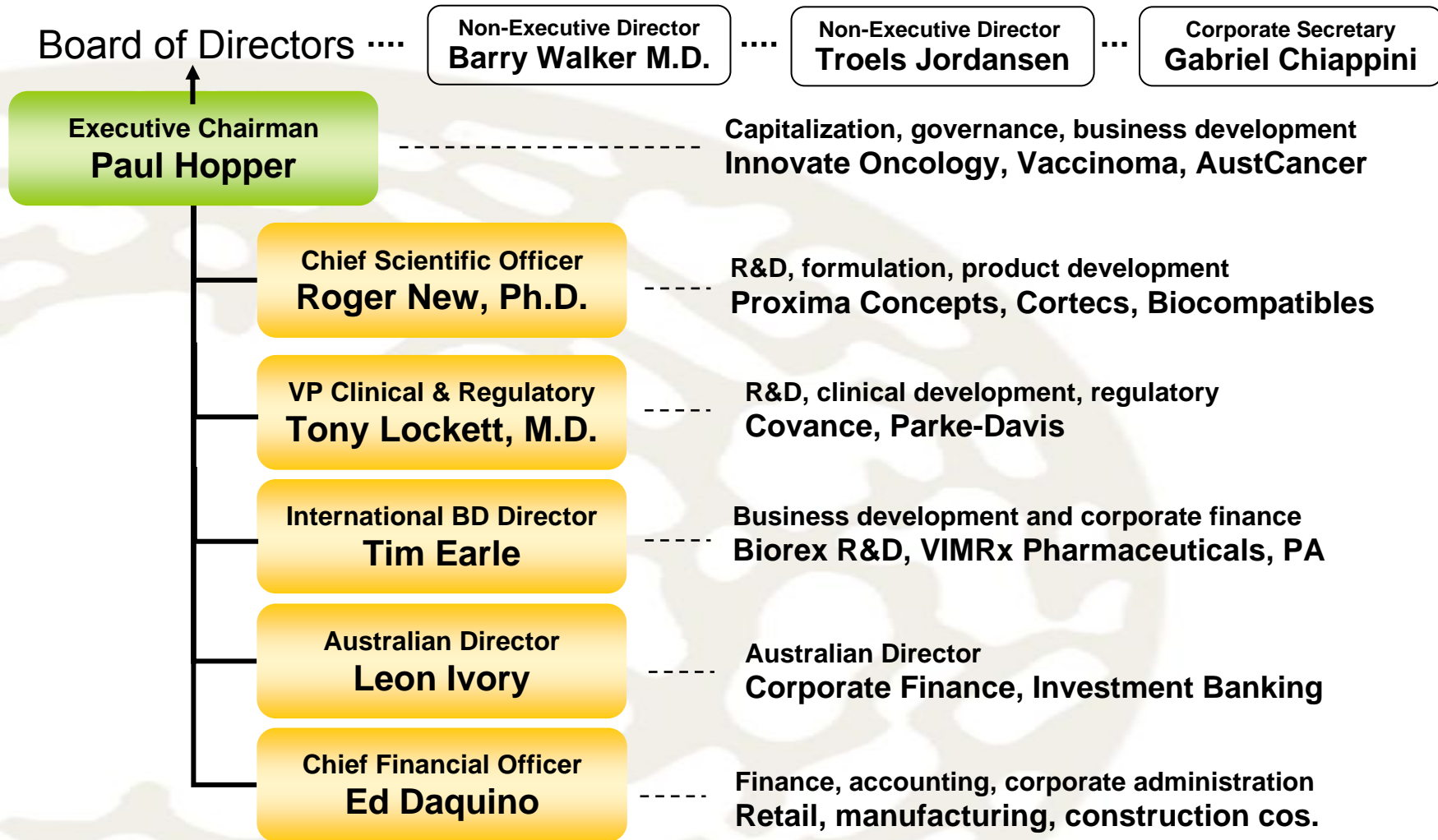
# Upcoming Clinical Trials

- **Capsitonin – repeat-dose, dose-ranging study in 35 subjects; Q1 2007 – Q-Pharm, Queensland**
- **Capsitonin – single-dose pharmacokinetic study in 8 subjects; Q2 2007 – Belohorizonte, Brazil**
- **Perthoxal – single-dose pharmacokinetic study in 8 subjects; Q1 2007 – Belohorizonte, Brazil**
- **Bone marker and plasma calcium assays to be undertaken locally, sCT and PTH assays to be undertaken by UK specialist**

# TNF Down-Regulator- BN006

- **Potential treatment for rheumatoid arthritis (RA) – over-expression of TNF can destroy cartilage in RA**
- **Oligopeptide structured using a patented peptide scaffold**
- **Recent experiments carried out in Germany with BNE collaborator, Synovo, demonstrated ability to inhibit production of TNF in rat model, confirming earlier Australian results**
- **Further studies planned in collagen-stimulated mouse model, closer to rheumatoid arthritis disease state**

# Key Management



1

**Outsource clinical development & manufacturing**

- **Minimal infrastructure cost and savings**
- **Corporate / management focus**

2

**Partner Capsitonin & Perthoxal (out-license and/or co-promotion)**

- **Rapidity to market and market up-take**
- **Minimize infrastructure build & capital needs**

3

**Selectively develop and out-license compounds in pipeline**

- **Broaden drug pipeline and product offerings**
- **Increase revenues and corporate growth**

- ✓ **No molecule risk for sCt & PTH**
- ✓ **Two products in clinical trials:**
  - ✦ **Capsitonin™** - Oral calcitonin for osteoporosis *and* osteoarthritis
  - ✦ **Perthoxal™** - Oral parathyroid hormone for osteoporosis
- ✓ **Rapid regulatory process: potential bioequivalence &/or 505(b)(2) NDA submissions**
- ✓ **Multi-billion dollar market opportunity(s)**
- ✓ **Unique oral formulation technology with no NCE involvement**
- ✓ **Novel therapeutic entity discovery platform with proven potential**
- ✓ **Balanced portfolio between lower-risk drug delivery programs and potential breakthrough future treatments**
- ✓ **Experienced management driving low-cost business model**

# Year Ahead – Key Initiatives

- ✓ **Complete Qld & Brazil trials for Capsitonin**
- ✓ **Complete Brazil trial for PTH**
- ✓ **Develop out-licensing discussions**
- ✓ **Submit further Govt grant applications**
- ✓ **Enhance SAB**
- ✓ **Further development work on TNF down-regulator**
- ✓ **Build relationships with institutional investment community**

# Paul Hopper

## Executive Chairman

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