



CCZ EQUITIES RESEARCH

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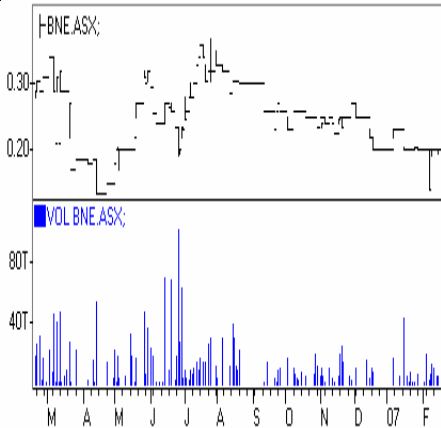
RECOMMENDATION: BUY

VALUATION: \$0.43

COMPANY DATA

SHARE PRICE	\$0.20
52-WEEK RANGE	\$0.14-\$0.37
SHARES ON ISSUE (F/D)	81M
MARKET CAP (fully diluted)	\$16.0M
DEBT/TOTAL CAP	n/a
DIVIDEND YIELD	n/a
CASH POSITION	600K

12 MONTHS PRICE CHART WITH TRADING VOLUMES



BOARD MEMBERS

Paul Hopper (Executive Chairman)
Dr Roger New (Executive Director)
Dr Barry Walker (Non-executive director)
Leon Ivory (Non-executive director)
Gabriel Chiappini (Non-executive director)
Troels Jordansen (Non-executive director)

BNE received ethics approval for its Capsitonin™ Phase 2 clinical trials on 16 January 2007 and appointed **two new board members** since our last report. While these announcements underline the progress made at BNE since our last report on 15 November 2006, our **valuation of BNE remains 43c** per share due to the concurrent dilution by the last capital raising.

BNE is a biotechnology company focused on the development of treatments for bone and joint disorders such as osteoporosis, osteoarthritis and rheumatoid arthritis. BNE's first two drug candidates are **Capsitonin™**, an oral formulation of calcitonin, and **Perthoxal™**, an oral formulation of parathyroid hormone. Injectable and nasal forms of these compounds have already been approved for the treatment of osteoporosis and both compounds have established safety profiles.

KEY POINTS:

- **Ethics Committee approved BNE's Phase 2 Capsitonin™ trials** The last obstacle has been removed from progressing to Phase 2 clinical trials with Capsitonin™. The trials will be conducted in Brisbane at Qpharm and they are expected to be completed by mid 2007 with results shortly after.
- **Two new board appointments** BNE appointed Gabriel Chiappini and Troels Jordansen as non-executive directors rounding out the financial and healthcare sector skills at board level.
- **4Q 2006 financial results show \$1.1M loss** BNE spent \$795K on research and development during 4Q2006. With around \$850K remaining in the bank it is likely to be on the path to raise capital in the near future.
- **No change in valuation at 43c per share**

ETHICS COMMITTEE APPROVAL

Last roadblock has been removed to progress with Phase 2 clinical trials of Capsitonin™

On 16th January 2007 BNE announced that they received Ethics Committee approval for their upcoming Phase 2 clinical trials of Capsitonin™. Capsitonin™ is a novel oral formulation of calcitonin which, in its injectible form, has been approved for the treatment of osteoporosis for over 30 years.

Calcitonin is available as a nasal spray which is a preferred method of delivery to injections. However it is difficult to deliver an exact dose and it is contraindicated for patients with respiratory track infections and for most of the elderly.

Oral calcitonin is tested for bioequivalence to nasal spray calcitonin

Capsitonin™ is a capsule and it has been developed by BNE using salmon calcitonin. The Phase 2 trials are designed to demonstrate bioequivalence of Capsitonin™ when compared with nasal spray calcitonin.

Results should be statistically significant and are likely to be available in 1Q 2008 (financial year)

Although relatively small patient population will take part in the trials, 35 post-menopausal healthy women, it should provide statistically significant data about bioequivalence. The trials will be conducted at Qpharm and Clinical Network Services (CNS), an independent clinical research organisation, will be managing the trials. With an expected commencement date in the first quarter of calendar 2007, results are unlikely to be available until the 1Q FY2008.

FINANCIAL RESULTS 4Q 2006

Of \$1.1M BNE used \$796K for R&D in 4Q 2006

BNE released its financial results for 4Q 2006 which showed a total loss of just over \$1.1M with research and development spending of \$795K. This means that BNE spent a total of around \$6.5M since its listing on developing its oral formulations. With around \$850K in the bank BNE is expected to be on the capital raising path in the near future.

APPOINTMENT OF TWO NEW DIRECTORS

Two new directors bring commercial and capital raising skills

Since its listing BNE has been keen to appoint directors to its Board who are not only able but also willing to actively assist the company in delivering its research and development objectives.

Troels Jordansen was appointed on 16 November 2006 as non-executive director. He was previously Chief Executive Officer of Clinical Cell Culture Ltd, and worked at Leo Pharmaceutical Products, Genzyme as well as at Johnson and Johnson in commercial and marketing roles. He has gained specific exposure to muscle and joint medicines at Leo Pharmaceuticals.

The financial skills of the BNE Board have been boosted by the appointment of Gabriel Chiappini on 18 December 2006.

The BNE Board now has six members and it is somewhat larger than the Company's size would warrant. On questioning the Company made no commitments to changing this although they have also expressed willingness to review the current Board structure with the view to reduce it.

VALUATION

NO CHANGE in valuation of 43c per share

We will not be adjusting our valuation of BNE shares this time. Although the company has progressed to start new Phase 2 trials which we would otherwise incorporate into our valuation. However, there is an additional 6.6M shares on issue pursuant to a capital raising last year which create a dilutionary effect cancelling out any valuation upgrade attributable to the progress in BNE's R&D program.

OTHER DEVELOPMENTS

- BNE has submitted its **Commercial Ready Grant Application** to fund, dollar for dollar, the cost of commercialising its intellectual property. The Commercial Ready Grant is competitive and submission is no guarantee for funding. BNE has successful track record of obtaining grants and to date has been able to secure \$560M in Federal Government funding.
- BNE's Brazilian clinical trials are finally on track with ethics approval for the Capsitonin™ trials and expecting the same for the Perthoxal™ clinical trials within the next few weeks.

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