



BONE MEDICAL LIMITED
ASX STATEMENT: SHAREHOLDER LETTER FROM MICHAEL REDMAN
RELEASE DATE: 14 MARCH 2005

Dear Shareholder

As you may be aware, I was recently appointed Chairman and Chief Executive Officer of your Company, Bone Medical Limited (ASX: BNE) and am delighted to have been offered this position and look forward to working with my Board of Directors and our talented team of executives to build shareholder value in this highly prospective Company.

I would like to take this opportunity to bring you up to date on some exciting developments inside Bone Medical and to set out for you our strategy for taking the Company forward with the objective of driving that shareholder value as follows :-

First, it is important to point out that we wish to build upon our Australian base, but also to expand into North America. We will establish an office in the United States to build our relationships with US financial institutions and commercial alliances.

Second, our priority is to progress the development of Bone's leading edge osteoporosis treatments through clinical trials. Bone has completed a Phase I/IIa human oral calcitonin clinical trial with a positive outcome and also recently commenced an 18 subject human Phase I trial using oral parathyroid hormone.

Third, our aim is to continue to build our working relationship with the US Food & Drug Administration (FDA). Specifically, we intend to file an Investigational New Drug (IND) application with the FDA. We believe a strong working relationship with the FDA will allow Bone to quickly and efficiently work through the regulatory requirements for our lead projects— oral formulations in calcitonin and parathyroid hormone.

Fourth, we will lessen dependence on outside contractors and build an internal infrastructure, as appropriate, for the functions of regulatory affairs, product development, business development and management of manufacturing contracting.

Fifth, we intend to procure additional U.S expertise at the Board level to guide commercial development at the fastest possible rate.

The sixth objective is to raise capital in Australia to support this development of Bone and its projects. We will report to you on further information when definitive details become available. We would also seek to tap into the large US capital markets in the mid-term.

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Thank you for your past support for Bone and I look forward to working on your behalf into the future.

Yours sincerely

Michael Redman

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