ASX/MEDIA RELEASE

12th March 2007

INVESTOR PRESENTATION

Bone Medical Limited (ASX: BNE) ("Bone Medical" or "the company") please find attached an updated investor presentation.

- 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

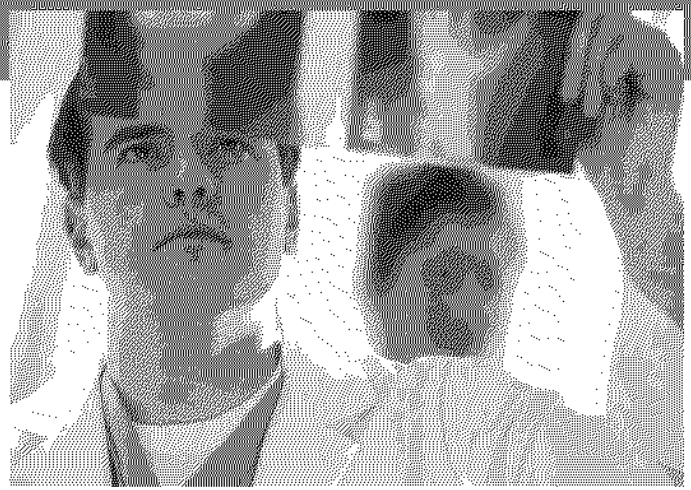
- Capsitonin™ oral calcitonin
- oral parathyroid hormone
- bone cell regulators BN005 & BN008

Arthritis

- TNF regulators BN006
- joint protection & collagen tolerance BN007

Medical

Bone Medical



Paul Hopper

Executive Chairman

March 2007

Safe Harbour Statement

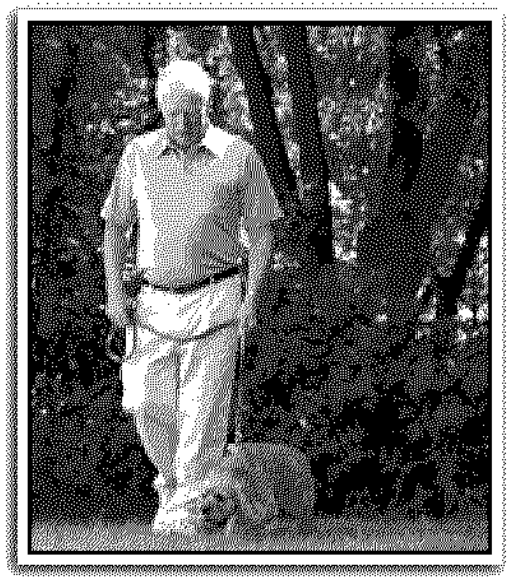
This presentation contains forward-looking statements that involve risks and uncertainties. These forward-looking statements are not guarantees of Bone Medical Limited's future performance and involve a number of risks and uncertainties that may cause actual results to differ materially from the results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

Corporate Overview

- Founded December 2002 - listed on Australian Stock Exchange (ASX:BNE)
- 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
- Market Cap (March 2007): A$ 23 million (33 cents per share)
- Shares Outstanding: 70,894,433 (Ordinary); 9,999,204 (Preferred C); 7,264,041 (Options)
- Over A$7.5 million invested to date developing two core compounds
- Approximately A$0.4 million cash on-hand

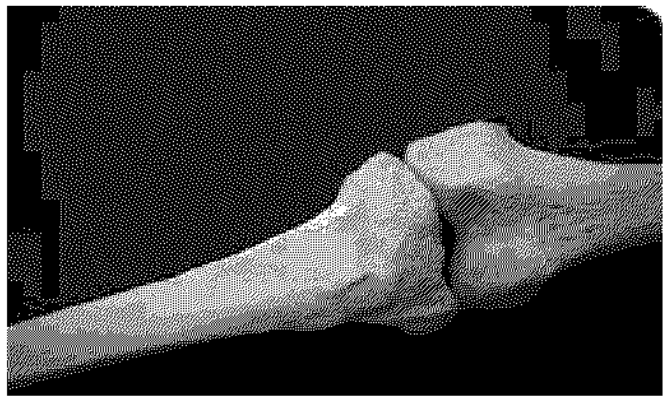
Successful 2006

- ✓ Raised $1.8m Nov 2006;
- ✓ Submitted Phase 2 oral sCT clinical trial protocol for Ethics approval in Qld;
- ✓ Submitted two Phase 1& 2 Study protocols for sCT & Perthoxal (PTH) for Ethics approval in Brazil;
- ✓ Research report by CCZ;
- ✓ Advanced pre-clinical animal studies on promising TNF down-regulator for rheumatoid arthritis in Germany & UK;
- ✓ Strengthened Board & management;
- ✓ Receipt of Australian Govt grants totaling A$791K
- ✓ Growing focus on UK & Europe;



Market Opportunity

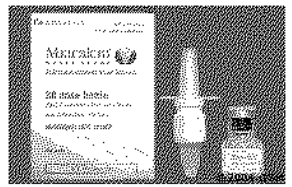
- **Osteoporosis - sCT & PTH**
  - Approximately 200 million women worldwide
  - Incidence is expected to "double" in the next 50 years
  - Estimated US$40 billion spent in USA and Europe
- **Osteoarthritis - sCT & TNF**
  - Over 20 million people in the U.S. alone
  - Most common form of arthritis, approximately 5-10% of population will develop



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

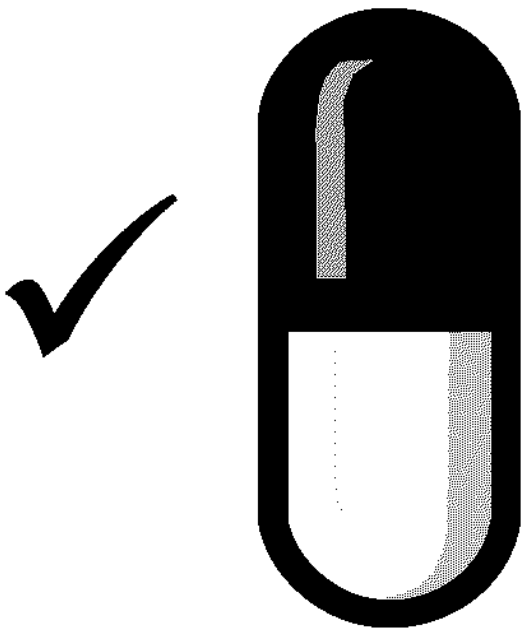
Competitor Drugs

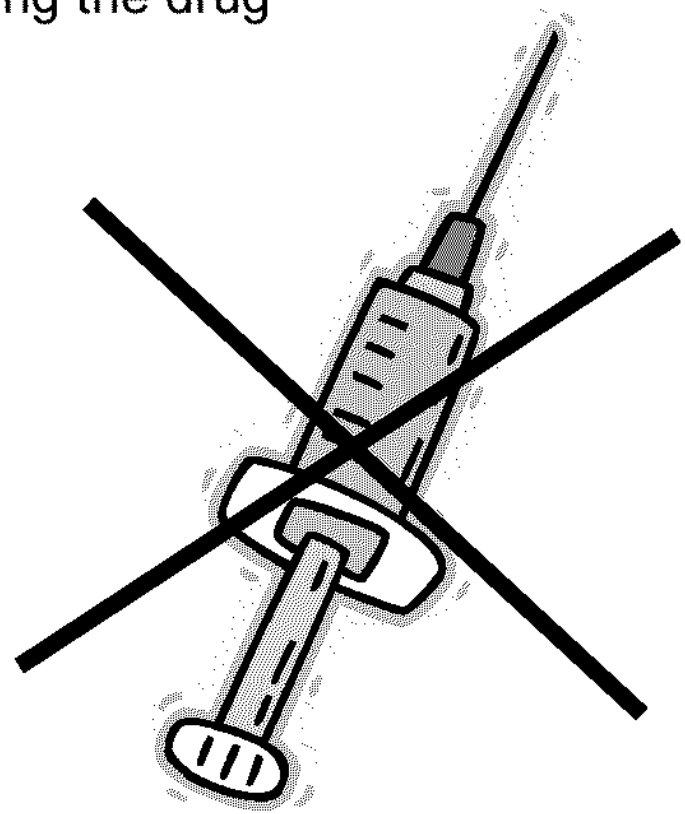
PRODUCT	FORMULATON	THERAPEUTIC CLASS	SALES -US$ 2005	MARKETER
Miacalcin	Inhaled	Calcitonin	$275m	Novartis
Forteo	SQ Injection	Parathyroid Hormone	$402m	Eli Lilly
Fosamax	Oral Tablet	Bisphosphonate	$2,075m	Merck
Actonel	Oral Tablet	Bisphosphonate	$1,058m	P&G
Evista	Oral Tablet	Estrogen Modulator	$709m	Eli Lilly



BNE'S Advantage

Oral forms of injectable drugs using proprietary delivery without changing the drug

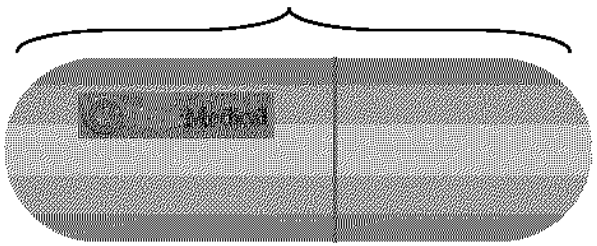




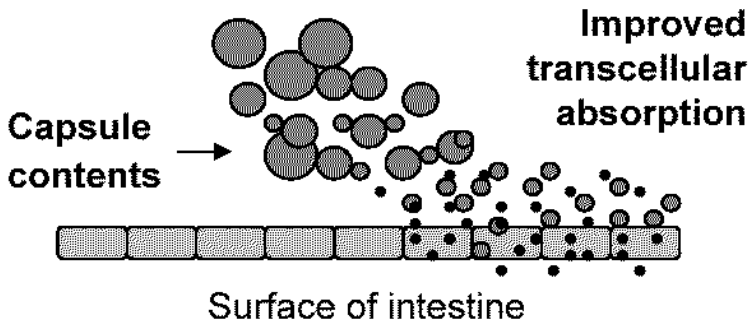
Novel Oral Formulation

Proprietary oral drug delivery technology

Enteric coating to protect against stomach acids



Capsule Contents:
Drug, stabilizer, solubilizer,
(GRAS pharmaceutical excipients)

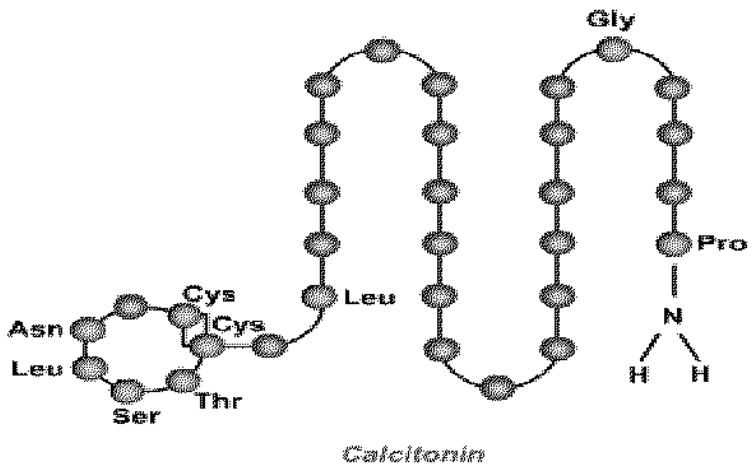


- Formulated as a dry powder in an enteric coated capsule – simple and cheap to manufacture
- Capsule protects therapeutic peptides (sCT and PTH) from gastric degradation
- Capsule contents released in the jejunum in an area with neutral pH
- Technology utilizes existing approved substances – no NCE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

Lead Compound-sCT

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

Synthetic peptide of salmon calcitonin



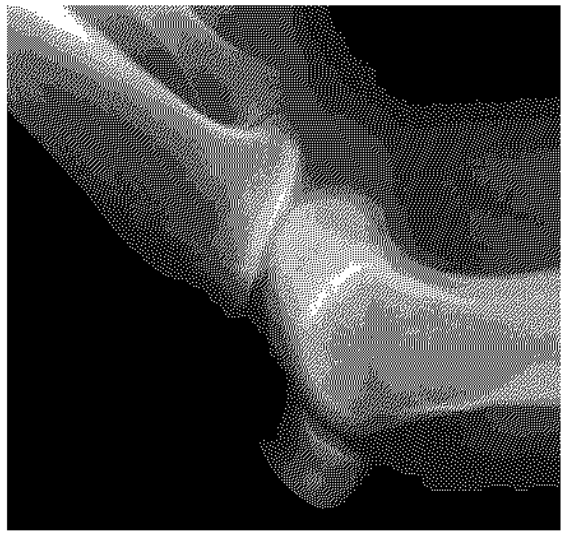
Calcitonin

"Calcitonin has been used safely as a treatment for osteoporosis for over 30 years!"- currently approved as an injection or nasal spray

- 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
- Side Effects:
  - Mild joint ache, headache

FDA- Capsitonin Meeting

- Pre-IND minutes received Feb 2005
- Meeting focused on sCT as treatment for osteoporosis
- Bioequivalence development path and 505(b)(2) regulatory review process discussed
- Current Phase 2 trial will compare oral sCT with nasal spray (to demonstrate bioequivalence)
- Complete dose-ranging study & toxicology study



The 505(b)(2) - an NDA that Saves Time & Money

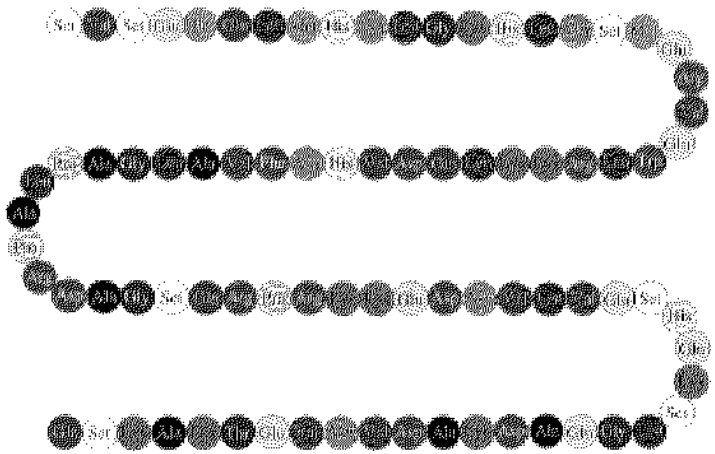
- This route permits companies to obtain FDA approval of new drug applications (NDAs) by relying, in part, on the FDA's findings for a previously approved drug;
- Examples of drugs which would fall under 505(b)(2) include changes in route of administration such as Bone's sCT & PTH, dosage & formulation, modified active ingredient, or new indication for previously approved drugs;
- Drugs appropriate for the 505(b)(2) pathway avoid lengthy, costly and in many cases, repetitive preclinical and clinical trials

BACHEM - reliable, high quality sCT vendor

- Established 1971- dedicated to peptides since formation
- World's largest peptide producer
- Six locations: three FDA approved cGMP manufacturing sites (one in USA, two in Switzerland)
- 575 employees

Lead Compound-PTH

Synthetic peptide of the human hormone



"The bone forming effects of parathyroid hormone have been known for 70 years!"

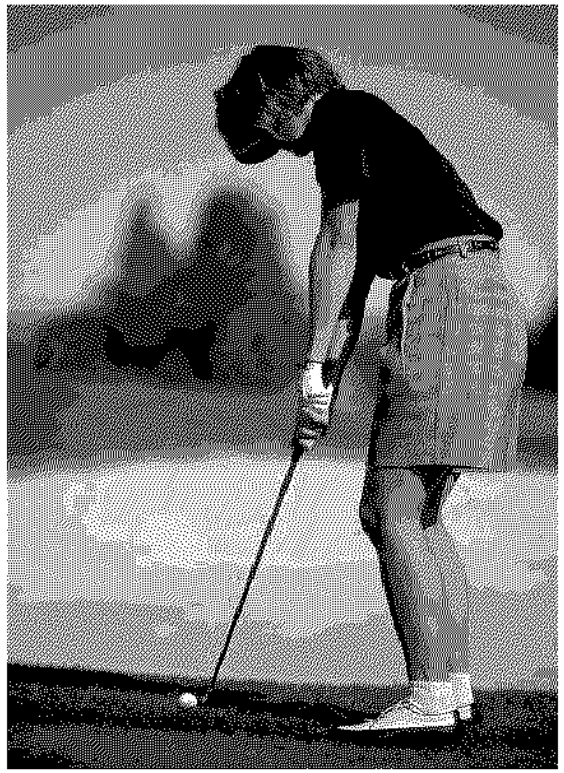
- Mechanism of Action:
  - A controlling agent for maintaining normal calcium levels in the blood for strong formation of new bone.
- Route of Administration:
  - Injectible
- Use/Indication:
  - Osteoporosis
- Side Effects:
  - Some leg cramps, mild headache

Axcess Progress –
Increases confidence in BML current repeat dose Capsitonin Study

- UK company using the Axcess oral peptide delivery technology
- Oral formulation of another peptide
- Same delivery formulation as Capsitonin
- Enteric coated capsules
- Repeat dose Phase 2 study in 16 patients underway
- After 12 day repeat dose and clamp study data”
- Trial costing in excess of A$600,000
- Soon to announce results exceeding pre trial expectations

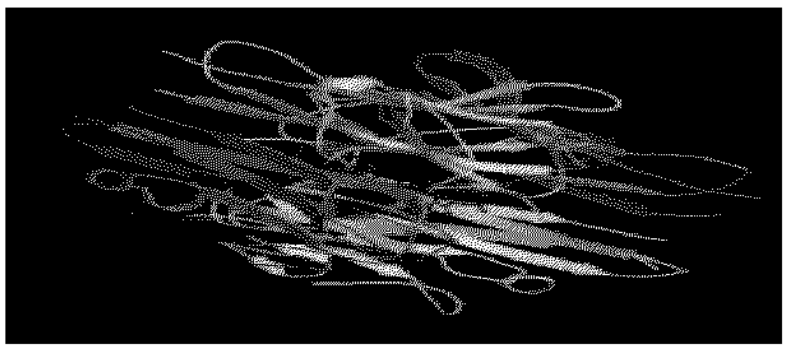
Upcoming Clinical Trials

- Capsitonin – Currently enrolling for Phase 2 repeat-dose, dose-ranging study in 35 subjects– Q-Pharm, Queensland
- Capsitonin – Ethics approval expected shortly for single-dose formulation & dosing study in 8 subjects; Q2 2007 – Brazil
- Perthoxal – Ethics approval expected shortly for single-dose formulation & dosing study in 8 subjects; Q1 2007 – Brazil



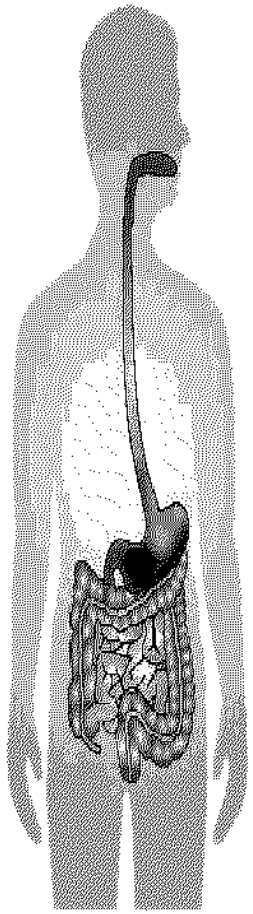
TNF Down-Regulator- BN006

- 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
- New collaboration announced with Kennedy Institute in London world leaders in anti TNF blockade

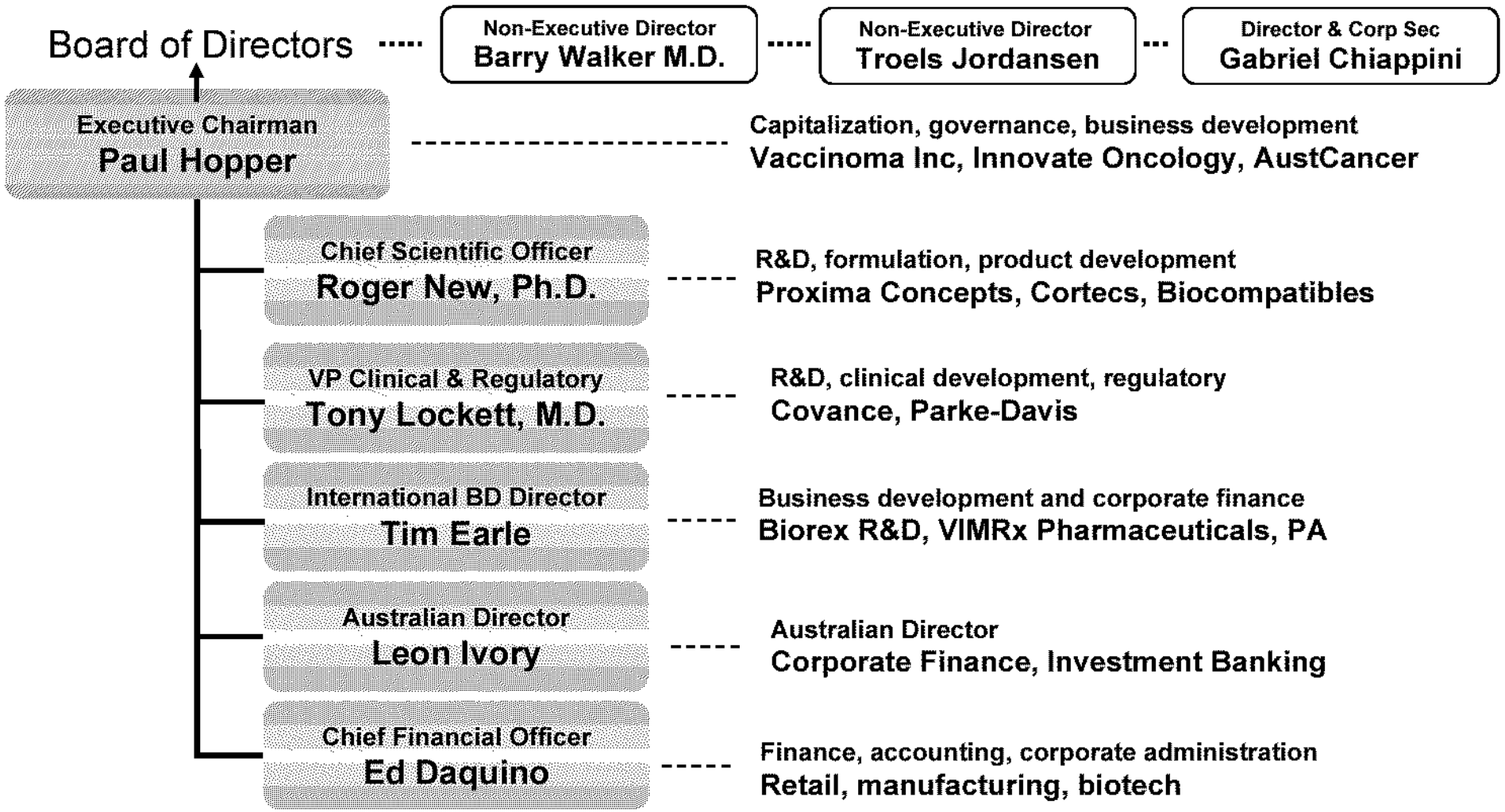


Intellectual Property

- Bone Medical has been granted exclusive worldwide rights to oral drug delivery technology in the field of musculoskeletal disease under three patent pending applications for each product:
- the use of aromatic alcohols to enhance the uptake of peptides across the small intestine;
- pharmaceutical compositions containing certain proportions of aromatic alcohols;
- and methods of solubilisation.



Key Management



Business Strategy

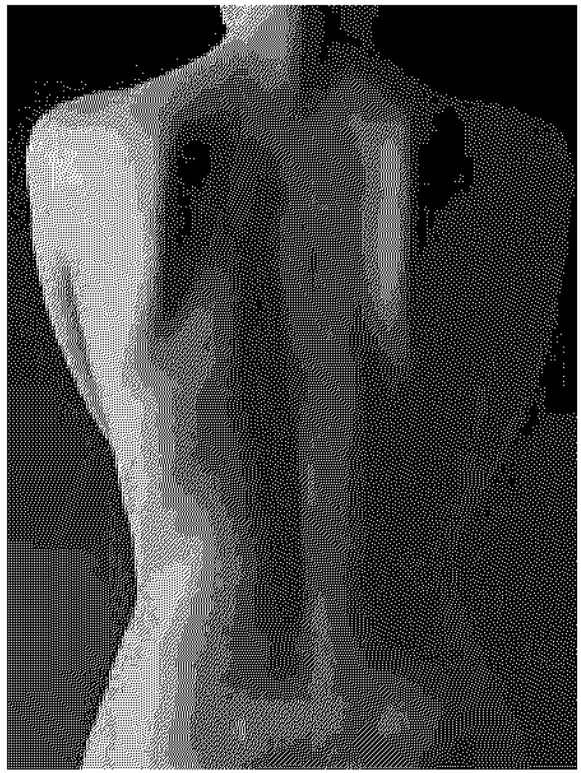
1. **Outsource clinical development & manufacturing**
   - Minimal infrastructure cost and savings
   - Corporate / management focus

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

Why Bone Medical?

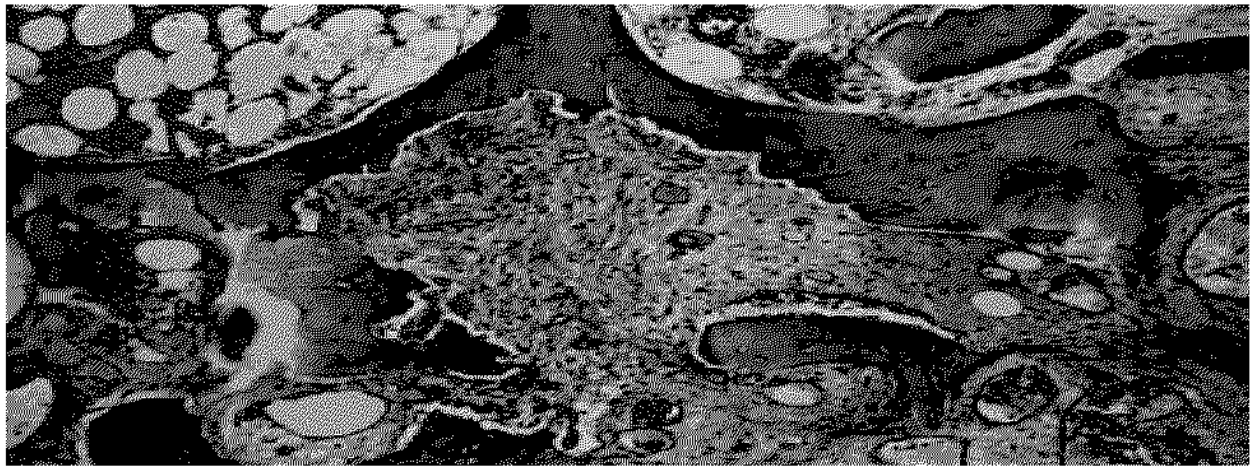
- ✓ **No molecule risk for sCt & PTH -*FDA APPROVED DRUGS***
- ✓ **Two products in clinical trials:**
- ✓ **Rapid regulatory process: potential bioequivalence &/or 505(b)(2) NDA submissions**
- ✓ **Multi-billion dollar market opportunity(s)**
- ✓ **Unique oral formulation technology with no NCE involvement**
- ✓ **Balanced portfolio between lower-risk drug delivery programs and potential breakthrough future treatments**
- ✓ **Experienced management driving low-cost business model**



Year Ahead – Value Drivers

- ✓ Complete Qld & Brazil trials for sCT
- ✓ End-of-Phase 2 meeting with FDA for sCT
- ✓ Complete Brazil trial for PTH
- ✓ Develop out-licensing discussions
- ✓ Submit further Govt grant applications
- ✓ Enhance SAC & management
- ✓ TNF down-regulator results from Kennedy institute, London (Imperial College)
- ✓ Appointment of Australian broker -CCZ- & build relationships with institutional investment community
- ✓ Value opportunity against US comparisons

Share Register



- **Proxima Concepts 61.4%**
- **Hall Phoenix 11.6%**
- **Piruniw Trustee 4.1%**
- **Top 20 shareholders own 88.74%**

Contact

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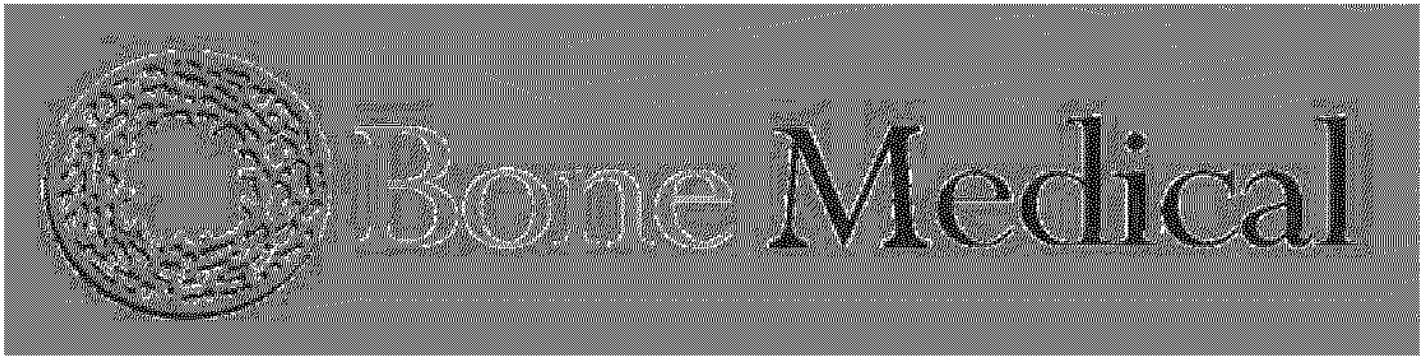
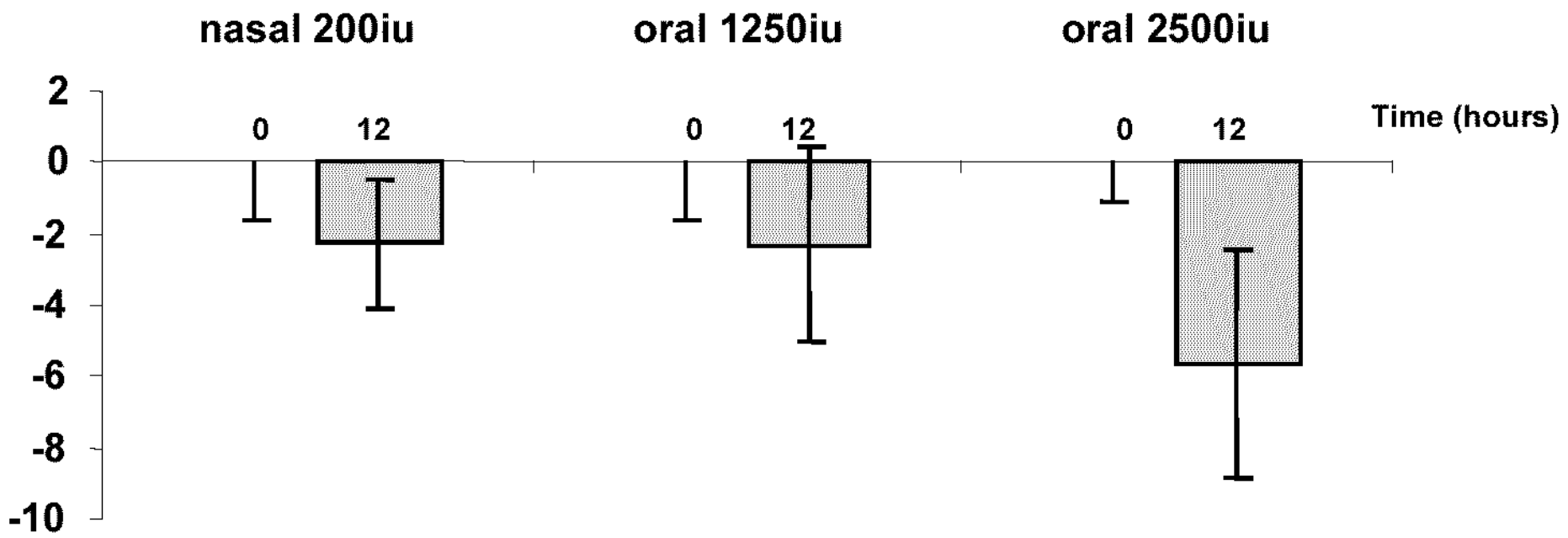


Abridged Data Pack
March 2007

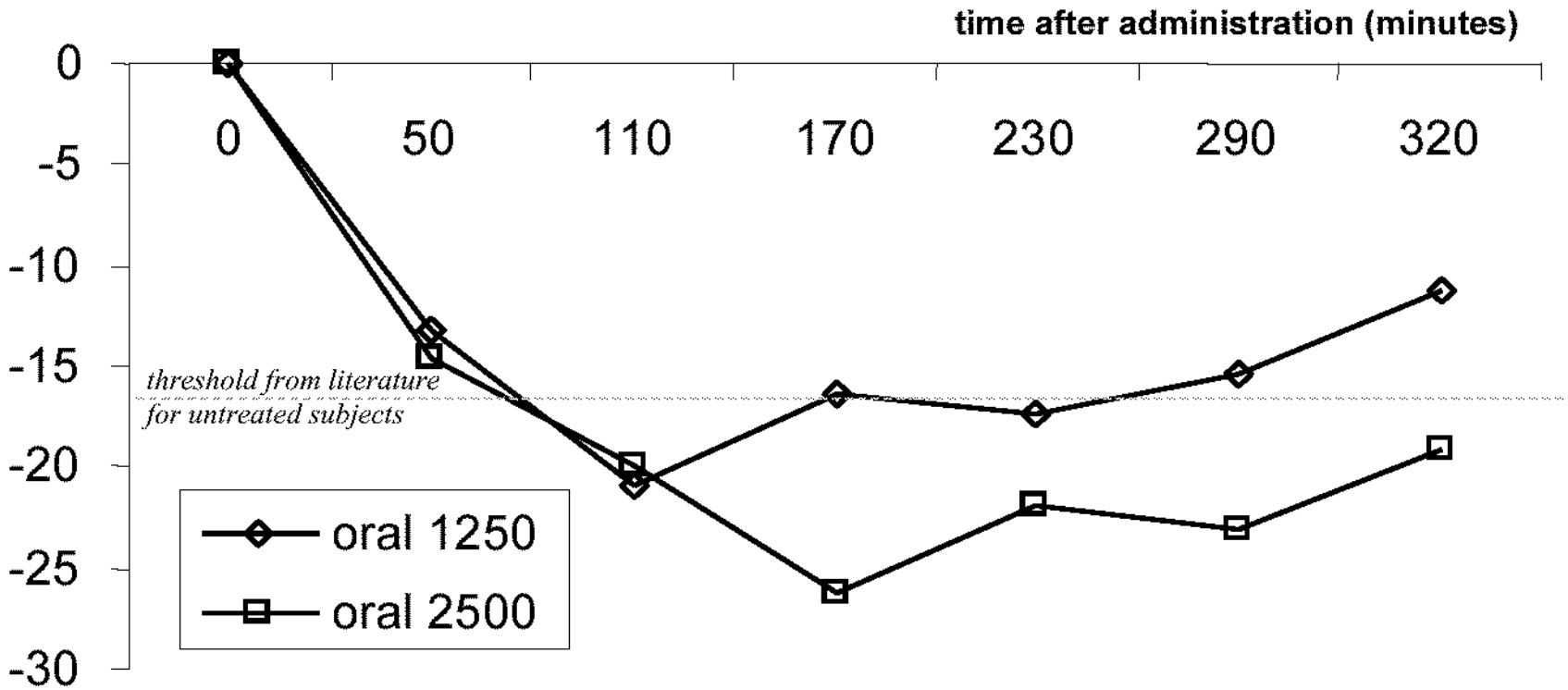
Capsitonin™ - Phase 1/2a

- **Study Objective and Location**
  - **Phase 1/2a open label safety & tolerability and preliminary efficacy / activity**
  - **Undertaken at St. Georges Hospital, London in 2004**
- **Study Design**
  - **12 post-menopausal, female volunteers; 6-hour study period**
  - **Sequential, cross-over design**
    1. Positive control (Miacalcin™ Nasal) – active comparator
    2. 1250iu Capsitonin™
    3. 2500iu Capsitonin™
  - **Measurement of key biomarkers: serum calcitonin, serum CTX, and blood calcium**

Falls in Plasma Calcium at Time 12 hours after Administration of Capsitonin™



Mean Falls Over Time in CTX Bone-Turnover Marker in Subjects Receiving Capsitonin™



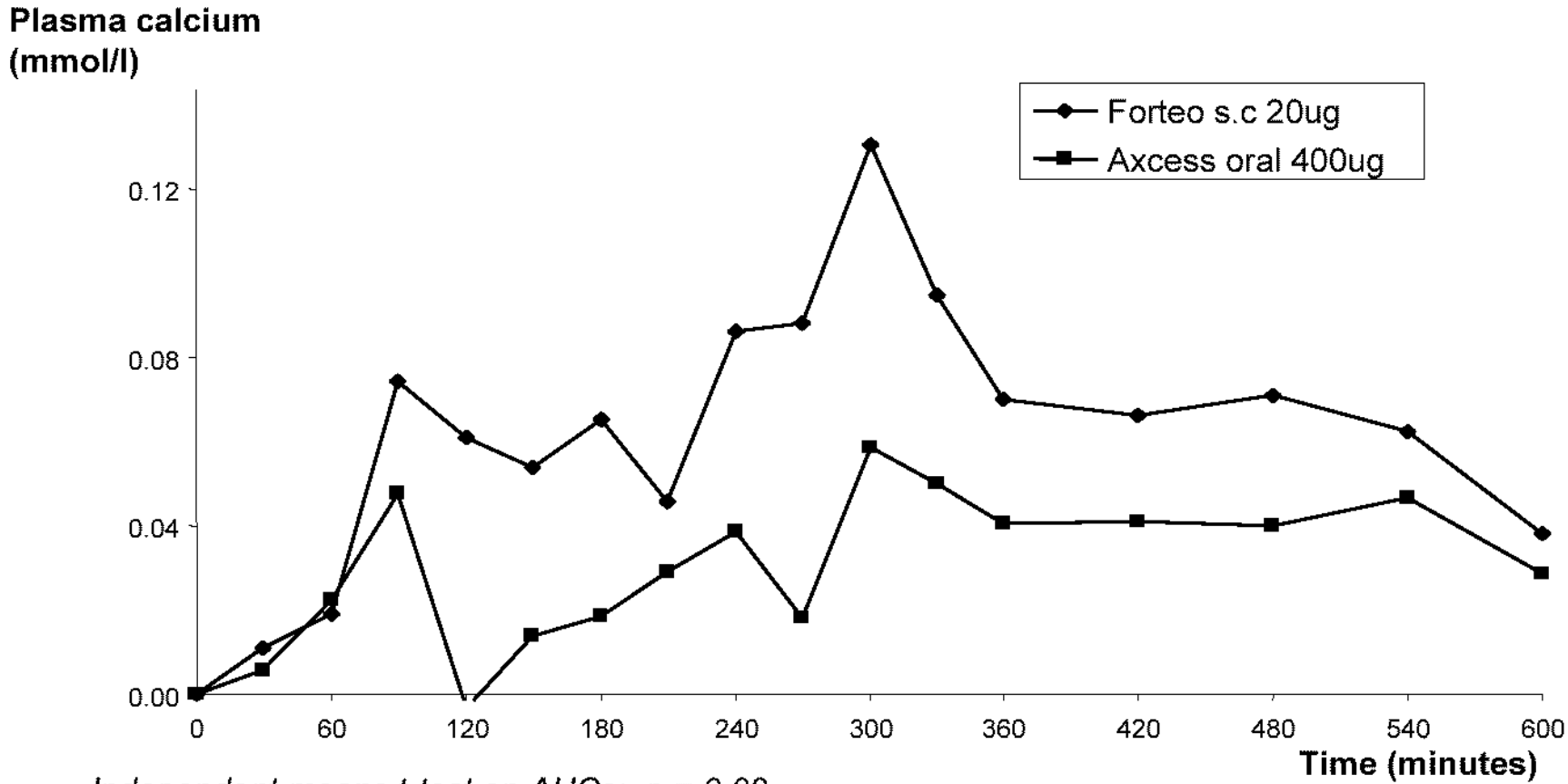
Capsitonin™ Phase 1/2a Conclusions

- Capsitonin safe and well-tolerated in study volunteers
- The study has clearly demonstrated oral delivery of biologically active calcitonin
- Changes in serum CTX levels were statistically significant compared to historical controls
- Pharmacodynamic trend seen in calcium reductions at 12-hour measurement

Perthoxal™ - Phase 1

- **Study Objective**
  - **Phase 1 open label safety & tolerability study and preliminary pharmacodynamic effects**
- **Study Design**
  - **18 post-menopausal, female volunteers**
  - **Sequential, cross-over design (12 of 18 patients only) of two different formulations of Perthoxal™**
    1. Positive control (s.c. injected PTH) – active comparator
    2. Formulation (1) 400ug Perthoxal™
    3. Formulation (2) 400ug Perthoxal™
  - **Measurement of key biomarker: serum calcium concentration**

Mean Changes in Calcium Relative to Placebo in 8 Subjects Receiving Forteo or Axcess



Independent means t-test on AUCs: p = 0.03
Bayesian analysis: significant effect with 94% confidence limits

• Study Results / Outcomes

- **The study showed that Perthoxal™ was able to be delivered safely and that measurable amounts of calcium were able to be detected in serum**
  - One Perthoxal™ formulation showed increased levels of measurable calcium
- **Both Perthoxal™ formulations were shown to be safe and well tolerated**

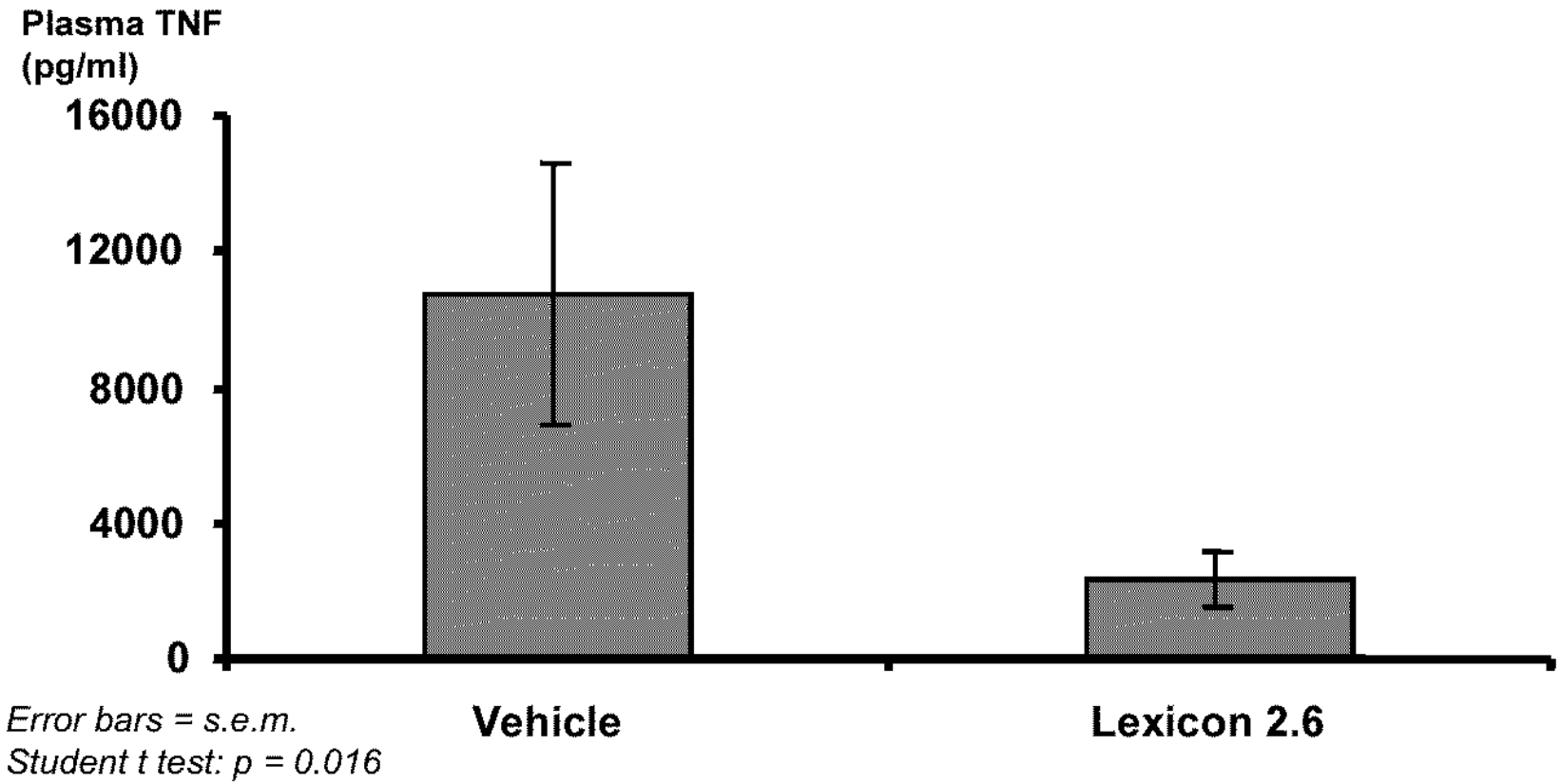
BN006 – TNF Down-Regulators

- **Rheumatoid arthritis – auto-immune destruction of soft tissue lining the joints**
- **TNF-α – multifunctional cytokine with major role in inflammation**
- **Use of antibodies to reduce TNF levels has been an effective therapy, but**
  - very expensive
  - problematic chronic effects of TNF ablation
- **Bone's in-licensed Mozaic technology used to:**
  - discover novel combinations of amino acids that bind to cell surface receptors to down-regulate TNF-α production
- **Bone's in-licensed Lexicon technology used to:**
  - convert these entities into structured oligopeptides
- **Result is a family of new therapeutic entities**

BN006 – Preclinical Studies

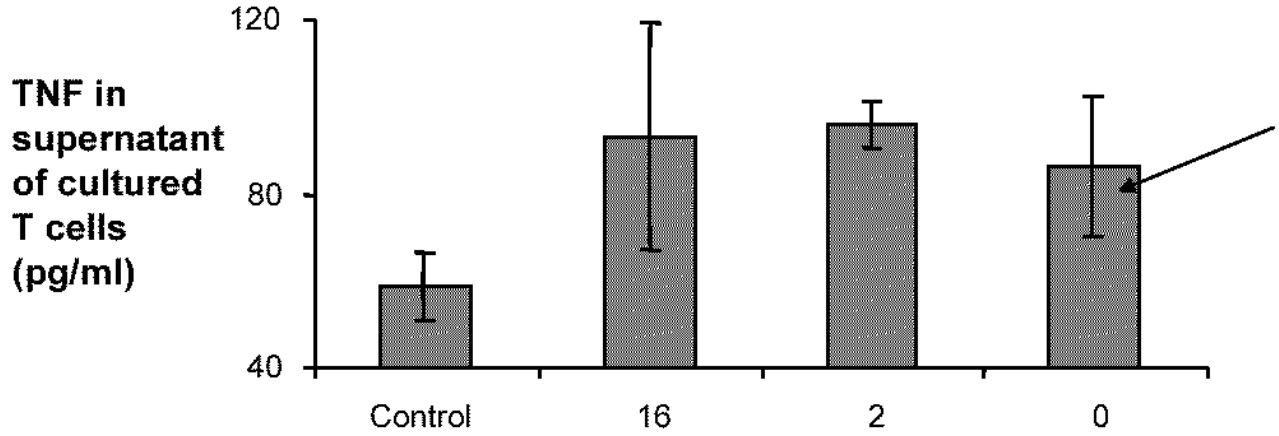
- **An *in vivo* study in rats has shown:**
  - ✦ Markedly reduced levels of TNF
  - ✦ no signs of pathology arising from the use of the novel oligopeptide
  - ✦ lower peritoneal leukocyte numbers in treated animals
- **An *in vitro* study of the mechanism of action showed a suppression in mRNA levels likely to lead to suppression of genes required for TNF-α production**

TNF levels in LPS-stimulated Rats: Reduction after Administration of BN006 Lead Molecule



Error bars = s.e.m.
Student t test: p = 0.016

Lead Candidate Acts on Macrophages, but not T cells: Functioning of Immune System Unimpaired



No inhibition of TNF secretion from stimulated T cells observed

TNF secretion from macrophages inhibited in dose-related manner