Bone Medical

Specialty pharmaceutical company developing novel products for the treatment of musculoskeletal diseases

May 2010

Safe Harbor 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.

Summary

- Specialty pharma – single therapeutic area including Osteoporosis, Osteoarthritis and Rheumatoid Arthritis: large market opportunities
- Two compounds in clinical phase II for 2 indications, one compound in clinical phase I and one compound in pre-clinical phase
- Lead products use known API's – less risk
- Clear regulatory pathway – Short time to market
- Listed on ASX – corporate governance in place
- Virtual organisation – low burn rate

Market

Osteoporosis

- Approximately 200 million women worldwide
- Ageing populations in major pharmaceutical markets
- Incidence is expected to double in the next 50 years
- ~$48 bn spent to treat disease in North America and Europe
- ~$9.6 bn global drug sales (2009)

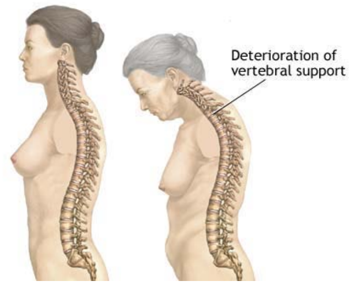
Osteoarthritis

- ~6% of Europeans suffer from frequent knee pain and radiographic OA
- ~25% of people over 60 suffer from disability due to osteoarthritis
- ~$5 bn global drug sales (2009)

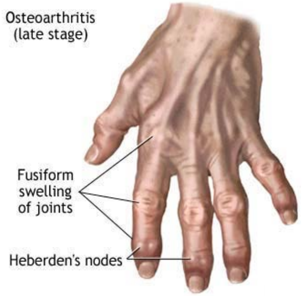
Rheumatoid arthritis

- In 51-59% patients leads to work disability within a decade of onset
- Treatment by drugs such as Enbrel, Humira, Remicade, Kineret and Orencia cost between $15-20,000 per year

Osteoporosis



Osteoarthritis



Rheumatoid arthritis

Sources: International Osteoporosis Foundation, CDC, Mayo Clinic, NIAMS, National Center for Chronic Disease Prevention and Health Promotion and Frost and Sullivan, GlobalData (2010)

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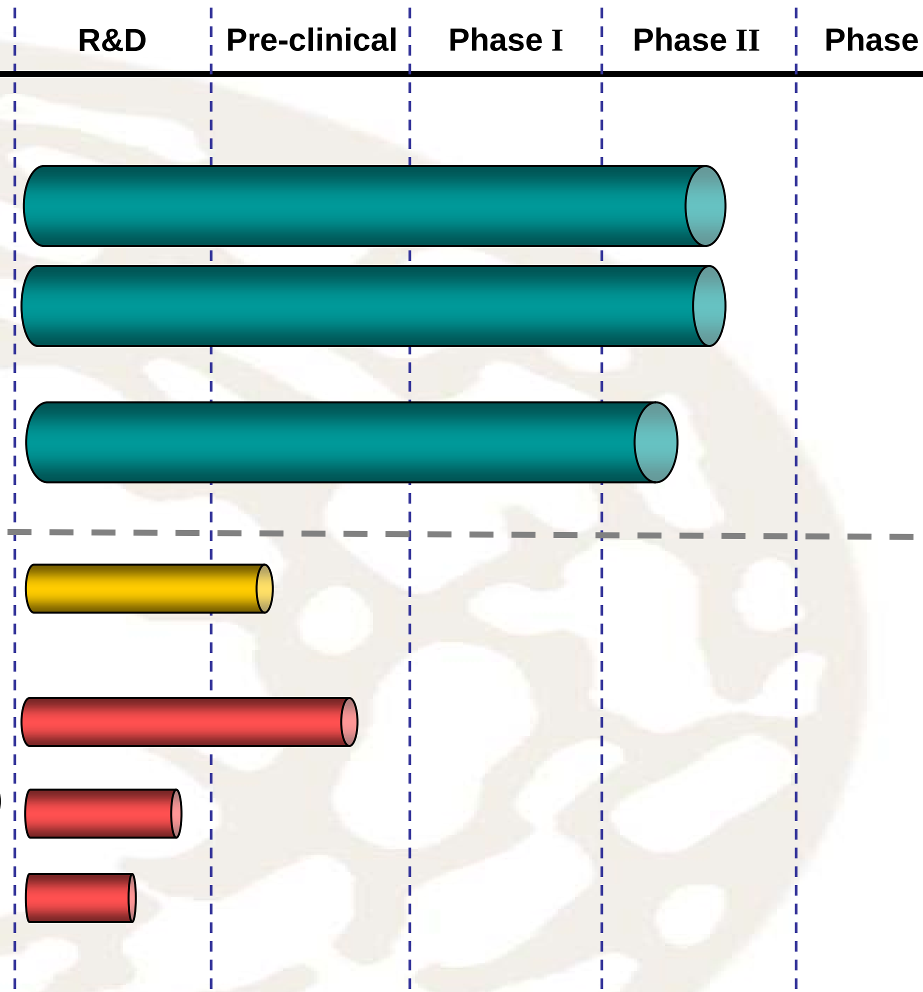
Product Pipeline

Products / Compounds



Capsitonin™ (oral sCT)

Therapeutic peptide

1° Osteoporosis

2° Osteoarthritis

CaPTHymone™ (oral PTH)

Therapeutic peptide

Osteoporosis

BN007 (collagen tolerance)

Oral Immune therapy

Rheumatoid Arthritis

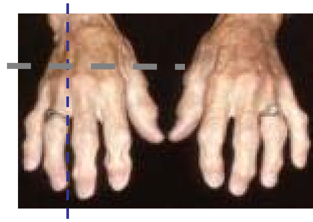
BN006 (TNF down-regulator)

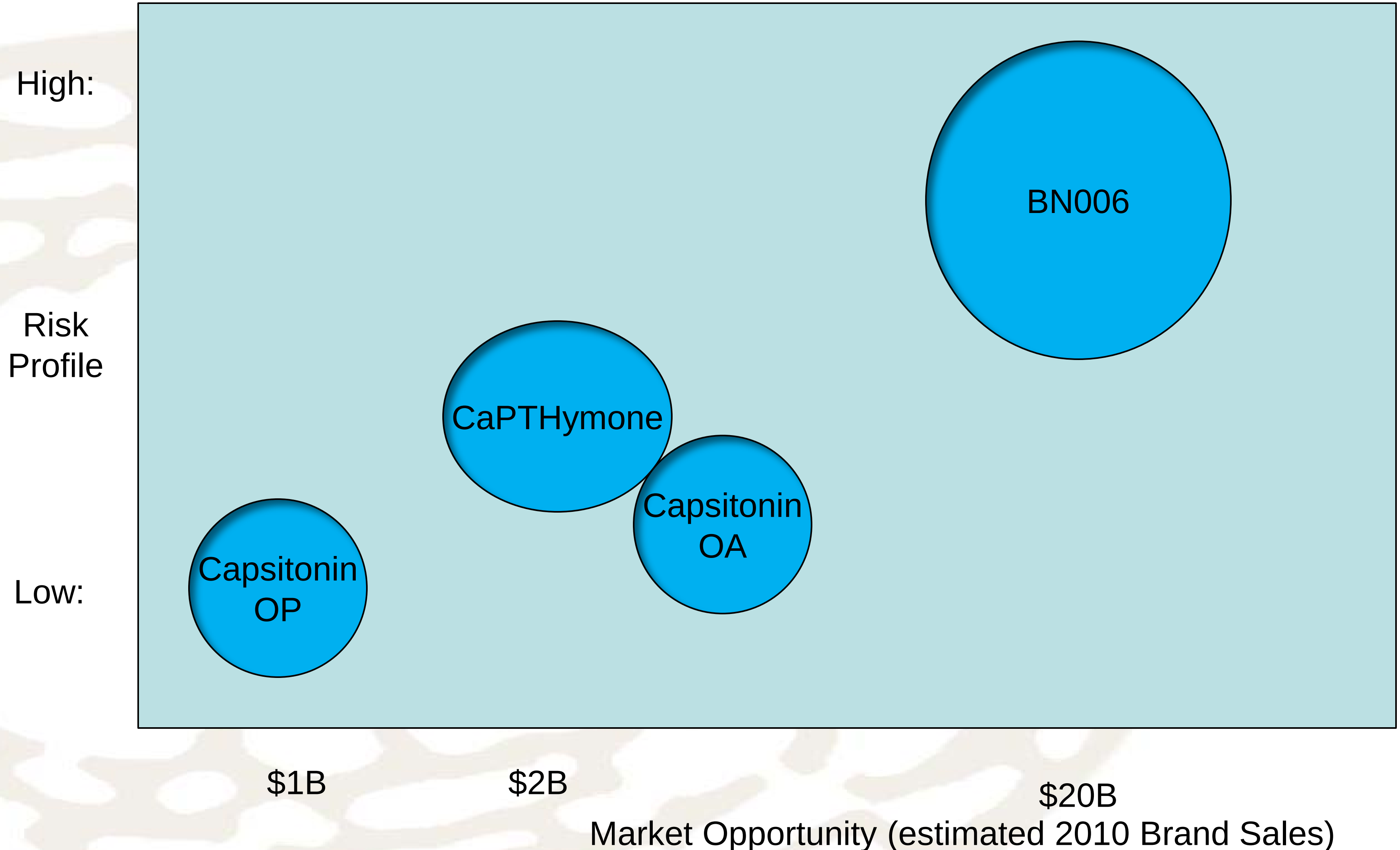
BN008 (Osteoclast down-regu)

BN005 (Osteoblast up-regu)

Novel therapeutic entities

Rheumatoid Arthritis, Osteoporosis

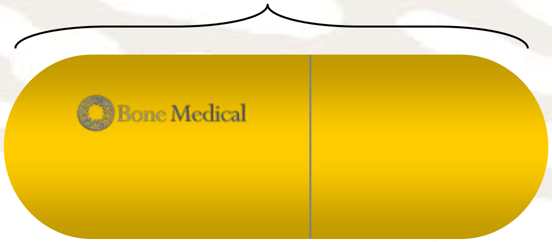




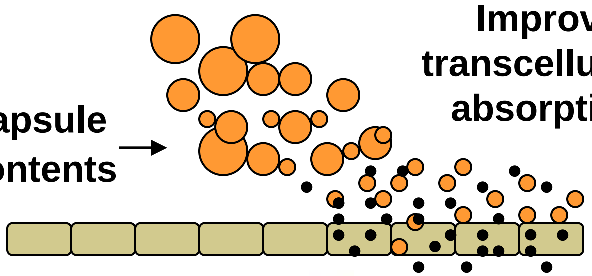
Novel oral formulation

Axess oral drug delivery technology*

Enteric coating for easy swallowing



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



- GRAS / Pharmacopoeial excipients reduce toxicity concerns
- 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
- Rapid 505(b)(2) NDA approval process

*Exclusive licenses for projects held by Bone

Comparison of leading oral peptide delivery technologies for sCT and PTH

	Unigene	Emisphere	Biocon (ex-Nobex)	Bone Medical
Absorption mechanism	Opening of tight junctions	? Through the cell membrane	Unknown	? Through the cell membrane
Delivery vehicle	Capsule / Tablet	Tablet	Tablet	Capsule
Non-NCE	Yes	No	No	Yes
GRAS / pharmacopoeial	No	No	No	Yes
Eligibility for 505(b)(2)	Unknown	Unlikely	No	Yes
Stage of development	Phase III	Phase III	?Phase I	Phase II
Estimated bioequivalence	Very low (<5%)	Low (<5%)	?	Moderate – high (up to 10%)

Based on publicly available information

Management

Board of Directors

- Leif Helth Jensen, Exec Chairman (Denmark)
- Roger New PhD, (United Kingdom)
- Leon Ivory, Exec Director (Australia)
- Barry Walker MD, Director (USA)
- Prof Peter Brooks, Director (Australia)

Management

- US CEO Elect, Chris Clement
- Chief Scientific Officer, Roger New PhD*
- CFO, Ed Daquino
- VP Clinical and Regulatory, Tony Lockett MD*
- Australian Corporate Finance, Leon Ivory
- US Corporate Advisor, Andrew Forman*

* Part time

Capital Structure

Issued Equity:

• Listed ordinary shares:	**96,687,664**
• Un-listed options:	**4,286,847**
• Un-listed Preference C Shares:	**9,999,204**

Market Capitalisation: AU$ 14.5m

(as at 21st May 2010)

Valuation Summary (Forman Foresight)

2009: $120M

- **Capsitonin: $77-$94M**
  - **Osteoporosis: $18-45M**
  - **Osteoarthritis: $49M**
- **CaPTHymone: $32M**
- **BN 006: $20M**

2011: $260-$380M

- **Capsitonin: $144-$264M**
  - **Osteoporosis: $41-82M**
  - **Osteoarthritis: $103-$184M**
- **CaPTHymone: $66M**
- **BN 006: $50M**

Capsitonin^{TM} (oral salmon Calcitonin) for Osteoporosis and Osteoarthritis

Advantages include:

- Current lead osteoporosis (OP) drugs (bisphosphonates, ~$6 bn) facing concerns over side effects and going off-patent
- 59% of patients withdrew from nasal spray sCT (Miacalcin) study
- Oral delivery of known biological product with FDA safety database
- Potential expansion of current $400M+ (nasal & injectable) calcitonin market due to convenient oral delivery
- Calcitonin demonstrated effect on bone pain for osteoarthritis (OA) (Novartis) – potential new entry following Vioxx withdrawl
- Big pharma shown commitment to approach: Novartis developing oral sCT (in phase III)

Status

- IND filed for OP – open
- IND filed for OA – hold pending standard tox and manufacturing

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CaPTHymone™ (oral parathyroid hormone) for Osteoporosis

Advantages include:

- Oral delivery of known biological product with FDA safety database
- Injectable PTH is the fastest growing bone building osteoporosis drug (currently ~$800M sales per annum)
- Potential for market expansion due to convenient oral delivery
- Big pharma shown commitment to approach: Novartis and GSK developing oral PTH candidates (both in phase I)

Status

- Phase IIa demonstrated delivery and same effect as injectable Forteo (Lilly)
- Pre-IND feedback from FDA

BN 006™ (novel TNF, IL6 downregulator) for Rheumatoid arthritis)

Advantages include:

- Oral dosing, compelling pharmacoeconomic story – target savings 50% per annum
- Current anti-TNF Mab drugs are all injectable and very expensive ($15 - $20,000 per annum per patient)
- Addresses concerns over side effects (cancer)
- Market for anti-TNF Mab >15 B US$ (but might be eroding due to side effects)
- Oral delivery of known biological product with FDA safety database
- Preclinical data indicate better pharmaceutical effects (both TNF and IL6 down regulation in macrophages) and lower side effects (no effect on T cells)

Status

- 5 year preclinical development program complete
- Phase I Clinical Trial Plan Established

Way Forward

- Bone Medical is seeking 20 m AUD investment to reach the following milestones:
  - US operations established and CEO in place H1-10
  - US listing OTCQX H1-10
  - Completion of Phase IIb for Capsitonin for OP (2010)
  - Completion of tox. bridging study Capsitonin in OA pain reduction. (2010)
  - Submission of IND for Phase IIb study for OP for CaPTHymone (2010)
  - Completion of proof of concept clinical study for oral BN006 for rheumatoid arthritis. (2011)

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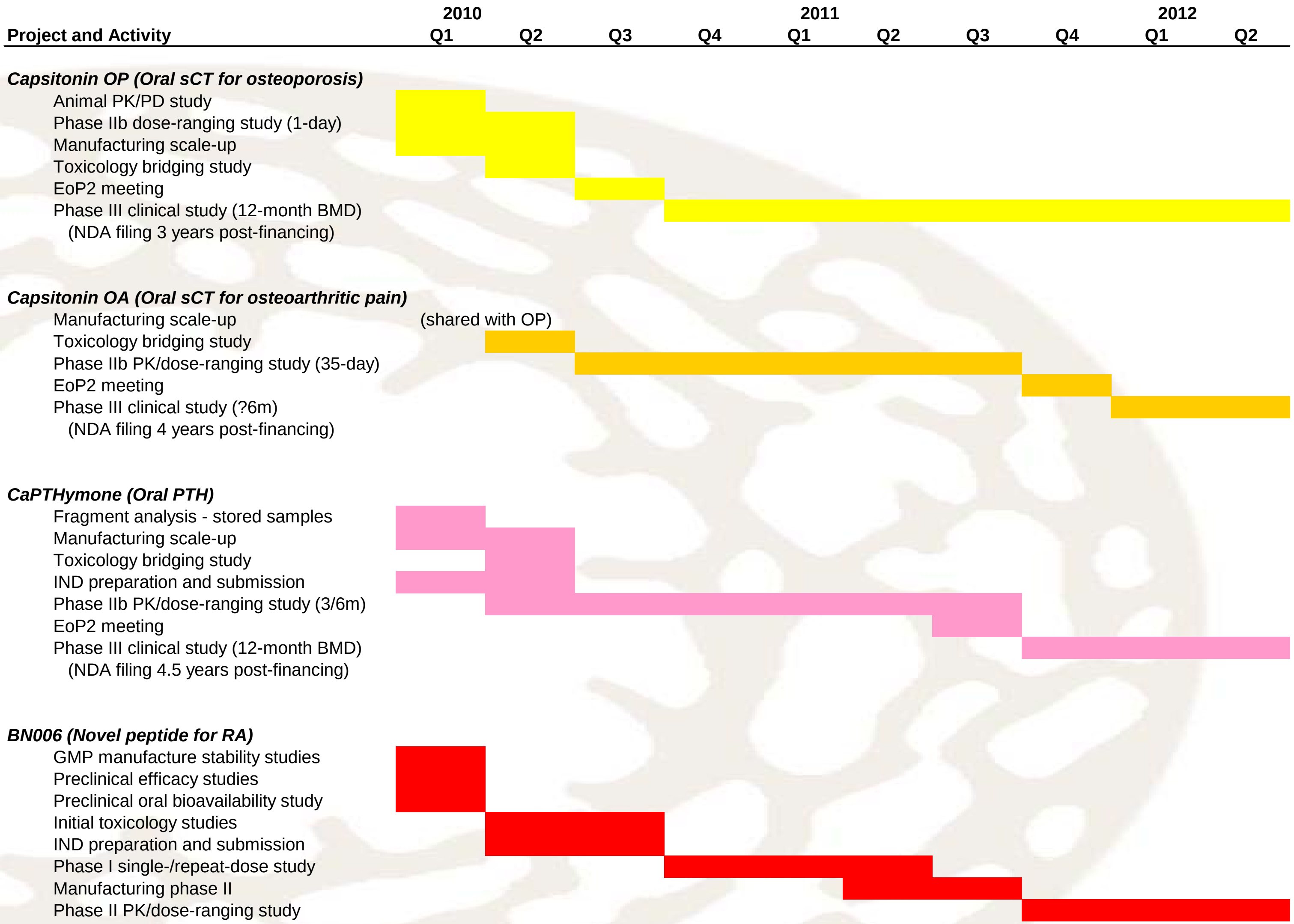
Development Plans



Contact

Leif Helth Jensen
Chairman
Tel: +4540520787

Dr. Roger New
Chief Scientific Officer
Tel: +44 207 419 5980

Leon Ivory
Director
Tel: +61 419 428 264