Bone Medical

ASX/MEDIA RELEASE

13 October 2005

Supplementary Prospectus

Bone Medical Limited **(ASX: BNE)** ("Bone Medical") Please find attached a upplementary prospectus pursuant to the prospectus dated 27 September 2005.

- ENDS -

For more information about Bone Medical Limited, please contact:

Paul Hopper
Chairman
+61 8 9355 5123

Michael Redman
Chief Executive Officer
+61 8 9355 5123

Or visit: www.bonemedical.com

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

Arthritis

- TNF regulators BN006
- joint protection & collagen tolerance BN007

BONE MEDICAL LIMITED
ABN 70 009 109 755

SUPPLEMENTARY PROSPECTUS

IMPORTANT NOTES:

This Supplementary Prospectus contains particulars of changes to and supplements the prospectus dated 27 September 2005 issued by Bone Medical Limited ABN 70 009 109 755 ("**Company**") in respect of the Offer of 11,923,077 Shares at an issue price of $0.26 per Share to raise approximately $3,100,000, with a minimum subscription of $1,000,000, each Share allotted attracting one free attaching Option, each exercisable at $0.40 on or before the date which is 18 months from the date of issue ("**Original Prospectus**").

This Supplementary Prospectus is dated 13 October 2005 and a copy was lodged with the Australian Securities and Investments Commission ("**ASIC**") on that date. Neither ASIC nor the Australian Stock Exchange Limited ("**ASX**") take any responsibility as to the contents of this Supplementary Prospectus.

This Supplementary Prospectus must be read together with the Original Prospectus. To the extent of any inconsistency between this Supplementary Prospectus and the Original Prospectus, the provisions of this Supplementary Prospectus will prevail. Unless otherwise indicated, terms defined and used in the Original Prospectus have the same meaning in this Supplementary Prospectus.

1. INVESTOR UPDATE

Since the date of the Original Prospectus (27 September 2005), the Company has prepared and lodged with ASIC and the ASX a Supplementary Prospectus to update investors on the matters set out in this Section 1.

The annual financial report for the Company and its controlled entities for the 12 months ending 30 June 2005 ("**Annual Report 2005**") was lodged with the ASX on 30 September 2005. Page 63 of the Annual Report 2005 contains the following statements by the auditors in the audit report:

> "Inherent Uncertainty Regarding Continuation as a Going Concern
>
> Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1, there is significant uncertainty whether Bone Medical Limited and controlled entities will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report.
>
> The company will need to raise further capital in order to meet the expenditure commitments to continue to research and develop the company's products and technology".

The Directors note that the auditors have provided an unqualified audit report in the 2005 Annual Report and that the statements by the auditors comprise an emphasis of matter only.

On page 8 of the Original Prospectus the Directors drew the attention of shareholders and potential investors to the need for the Company to obtain additional funds in order to fund the Company's operations.

The Directors advise that, as at the date of the Supplementary Prospectus, the Company has received in excess of $1,500,000 in Applications under the Public Offer pursuant to the Original Prospectus, which exceeds the minimum subscription amount of $1,000,000. If, at the time of the closing of the Public Offer, the Company has raised less than $3,100,000, then the funds raised will be applied in the manner contemplated on page 9 of the Original Prospectus.

Extension of timetable

On 7 October 2005, the Directors extended the Public Offer Closing Date to 26 October 2005 by announcement to the ASX. The ASX granted a waiver from Listing Rule 14.7 on 10 October 2005 to enable securities to be issued pursuant to the Public Offer more than three months after approval by shareholders. As the minimum subscription amount of $1,000,000 under the Original Prospectus has been reached as at the date of the Supplementary Prospectus, the Directors have the discretion to close the Public Offer prior to 26 October 2005.

Throughout the Original Prospectus, references to the Public Offer Closing Date, and related dates, should be amended accordingly. The revised timetable is as follows:

Closing date for acceptance and receipt of Applications under the Public Offer*	26 October 2005
Closing date for acceptance and receipt of Applications under the Restricted Offer*	29 November 2005
Last day for despatch of holding statements for the Public Offer*	26 October 2005
Last day for despatch of holding statements for the Restricted Offer*	6 December 2005

* These dates are indicative only. The Directors reserve the right to vary the key dates without prior notice.

2. DIRECTORS' AUTHORISATION AND RESPONSIBILITY STATEMENT

The Directors believe that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Supplementary Prospectus are not misleading or deceptive. The Directors who authorise the issue of this Supplementary Prospectus accept responsibility for the information contained in this Supplementary Prospectus.

This Supplementary Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each Director has consented to the lodgement of this Supplementary Prospectus with ASIC and has not withdrawn that consent before lodgement.

Dated: 13 October 2005

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Signed for and on behalf of
BONE MEDICAL LIMITED by
RICHARD BASHAM