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**AOI Medical, Inc. (“AOI” or “the Company”)**

*This announcement does not constitute or form part of an offer, or any solicitation of an offer, for securities and any purchase of or application for shares in the placing should only be made on the basis of information contained in the formal admission document to be issued in connection with the placing and the admission to AIM.*

**11 June 2007**

**AOI Medical announces proposed AIM flotation and placing**

AOI today announces its intention to seek admission to AIM with an institutional placing to raise approximately £8 million, with a pre-new money valuation of approximately £21 million. Numis Securities Limited is acting as nominated adviser, broker and joint bookrunner to the Company and Cowen International Limited is acting as joint bookrunner to the Company.

**Introduction**

AOI is a medical device company focussing on the development and commercialisation of innovative orthopaedic medical devices for the spine and trauma markets. It is progressing the development of three separate technology platforms: BAMF Spine, BAMF Trauma and Cervical Plate.

**Key Strengths**

- **Three innovative and differentiated medical technology platforms**
- **Protected Intellectual Property**
- **Full retention of commercial rights**
- **Commercial launch of first product anticipated Q4 2007**
- **Targeting large and fast-growing markets**
- **Proven executive management team and experienced advisory panel**

**The Products**

**BAMF Spine** (Balloon Assisted Management of Spine Fractures): a set of tools intended to be used to address compression fractures of the spine caused by osteoporosis or trauma. BAMF Spine will comprise two main instruments: a cutting device that creates a cavity in cancellous bone, and a balloon-like device which is used to restore the height of the fractured vertebra and to deliver and contain the cement in the cavity. Current techniques used to treat progressive vertebral compression fractures include vertebroplasty and kyphoplasty. The Directors believe that BAMF Spine represents an enhancement over the current techniques as they expect the process: to be accomplished through one pedicle access port (incision) rather than two; to require fewer steps and less time; to be less susceptible to cement leakage; and to return the fractured vertebra to true anatomic position.

In 2004, the worldwide market for devices targeted towards spinal conditions had a value of around \$3.5 billion and most recent estimates indicate that the spinal products market will approach \$10 billion by 2010. The growth is being driven by increasing incidences of osteoporosis in an ageing population and a growing number of sports related injuries as people become more active. In 2009, the BAMF Spine global market size is estimated to be over \$500 million. The Company plans to develop devices for biomechanical testing during the first half of 2007, followed by a 510(k) submission without clinical data in the second quarter of 2007. The Directors anticipate that, subject to approval being received for its 510(k) submission by the fourth quarter of 2007, BAMF Spine will be launched commercially by the end of 2007.

**BAMF Trauma** (Balloon Assisted Management of Trauma Fractures): is a removable, inflatable nail for the stabilisation of fractures of the long bones of the arms and legs. AOI's BAMF Trauma differs from the nails currently on the market in that it is a combination of a stainless steel nail inside a balloon. The device is inserted into the intramedullary canal of the fractured bone with the balloon deflated. The balloon is then inflated to fill the remaining space. The Directors believe that BAMF Trauma will have a technological advantage over existing products in the market because it will potentially: require a smaller gauge at the point of insertion; provide a firm structure, adapted to the bone cavity while in place; and be easily removed by deflating the balloon, thus narrowing the diameter of the device again. The Directors believe that this last feature should make the device particularly interesting for treating children, in whom growth in the affected limb is impaired if a stabilisation device is left in place.

It is estimated that over 300,000 intramedullary nailing procedures were performed in the US in 2002. This number is forecast to grow to more than 400,000 by 2009. Sales of intramedullary nails are forecast to grow to approximately \$770 million by 2009. Design and biomechanical strength testing are planned for completion by June 2007. AOI is planning to follow the 510(k) with clinical data route for BAMF Trauma, with clinical studies carried out under an IDE. Submission to the FDA for IDE approval is targeted for the fourth quarter of 2007, with patient enrolment for clinical trials scheduled for the fourth quarter of 2008. The Company anticipates gaining grant of the 510(k) clearance from the FDA in the fourth quarter of 2011, following which sales of BAMF Trauma in the open market are expected to begin.

**Cervical Plate** (Motion Preserving Cervical Dynamic Stabilisation Plate): an anterior, semi-constrained artificial ligament designed to provide some translational and rotational motion when used subsequent to a cervical spine disc replacement surgery. Current practice for severe intractable disc disease is spinal fusion. Spinal fusion is a medical procedure by which two or more vertebrae are linked together. Fusion may be carried out to treat a number of spinal conditions; however, it causes stiffness of the spine in patients and increases stress to the adjacent levels of the spine which may lead to additional morbidity. The failure rate after lumbar fusion has been reported to be as high as 37 per cent. Anterior plates provide stability following decompression and fusion of the cervical spine. The Directors believe that the following technical attributes of the Cervical Plate provide it with a technological advantage over existing spinal fusion techniques: it offers a motion preservation fusion approach that aims to promote a return to normal range of motion when used in combination with alternatives to fusion; the sculpted design and thickened rails of the Cervical Plate should allow the support needed to allow multi-directional movement while ensuring disc compression, reducing pressures across adjacent parts of the spine; and it is a smaller device than competitive devices and should therefore be less disruptive.

The US market for spinal fusion products has been estimated to have generated sales of around \$2,152 million in 2004, with revenues projected to grow to \$7,712 million by 2010. The US market for cervical prostheses and artificial discs, which the Directors believe is the sector of the market in which the Cervical Plate will compete, is forecast to be worth approximately \$460 million by 2009. The Company is planning to obtain FDA approval via the 510(k) with clinical data route and will apply for an IDE for the product to establish range of motion data. Provided that an appropriate motion preserving disc or nucleus replacement device is identified by the beginning of 2008, the Directors estimate that the initial commercialisation of the Cervical Plate will commence in the fourth quarter of 2008 through IDE sales. The Company aims to gain FDA approval, with range of motion, in the fourth quarter of 2011, following which full commercialisation of the Cervical Plate is expected to begin.

## Strategy

AOI's goal is to become a leader in the development and commercialisation of medical devices in its markets. The key elements of the Company's business strategy are to:

- seize the opportunity created in the vertebroplasty (kyphoplasty) market by offering a simple technology which potentially could be more effective than available alternatives;
- achieve a first mover advantage in the trauma fixation market by offering a novel technology, with advantages particularly in children;
- be the first spine company with range of motion claims in a truly dynamic cervical plate;
- leverage the experience and know-how of senior management and planned field representatives to direct research and development activities and to spur creation of novel products for the orthopaedics market;
- in-license technologies or acquire accretive products to enhance the Company's product pipeline; and
- establish a proprietary sales force in the US to market orthopaedic products.

## Intellectual Property

The Directors believe that the protection of the Company's intellectual property is fundamental to its commercial strategy, and AOI actively seeks to protect its technologies and individual products using patents where appropriate. In the US, the Company is licensed under three granted patents (one with regard to BAMF Spine, on an exclusive basis, and two relating to Cervical Plate) and three patent applications (two in respect of BAMF Spine, on an exclusive basis, and one relating to Cervical Plate). The Company owns two pending patent applications (both in respect of BAMF Spine, one of which also relates to BAMF Trauma).

## Use of Proceeds

The net proceeds of the Placing will be used for:

- funding the continued development of the Company's three key technology platforms, BAMF Spine, BAMF Trauma and Cervical Plate;
- funding business development and marketing expenditure for the Company's technologies; and
- funding the development of AOI's initial marketing and sales infrastructure in the US.

## William Christy, President and Chief Executive Officer of AOI, said:

*"The Directors believe that AOI has the potential to develop three innovative orthopaedic medical devices for the spine and trauma markets which offer technological enhancements over the currently available treatments. We are targeting large and fast-growing markets and anticipate the commercial launch of our first product before the end of 2007.*

*"The funds from the flotation will enable us to continue the development of our three key technology platforms and to develop the initial marketing and sales infrastructure in the US."*

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**DIRECTORS AND SENIOR MANAGEMENT**

The Directors and senior management of the Company are:

John D. Feltman, Non-executive Chairman since AOI was incorporated. Previously Mr. Feltman served as Chairman, President and Chief Executive Officer of IMED Devices, Inc. (now called “CeloNova BioSciences”), which he founded in April of 2000. CeloNova’s business is in advanced polymer coatings and drug delivery systems for implantable medical devices. Mr. Feltman is also Chairman and Chief Executive Officer of Brookhaven Capital Corporation, a family-owned private equity and venture capital firm, a Director of FutureMatrix Interventional, Inc. a privately held specialised balloon OEM manufacturer and a Director of Hannibal, Inc. From 1980 until 1995, Mr. Feltman held senior positions with J.C. Bradford & Co., Bear Stearns & Co, Commonwealth Associates, Inc. and Interstate/Johnson Lane.

Ian R. Johnson, Non-executive Deputy Chairman has served on the AOI board since May 2007. From 1999 until 2006, Mr. Johnson was the Chief Executive Officer of Biotrace International Plc, a leading provider of microbiology related testing systems and reagents to customers in food, safety, industrial, healthcare and defence sectors. Biotrace became a public company in 1993 and was listed on the main market of the London Stock Exchange until its acquisition by 3M in December 2006. Mr. Johnson was a co-founder of Biotrace and, prior to becoming Chief Executive Officer, served as its Technical Director from 1988 to 1996, and as its Marketing and Development Director from 1996 to 1999. From 1983 to 1988, Mr. Johnson held increasingly responsible positions at Clear Ltd., a biotechnology company, and from 1977 to 1983, he was a microbiologist at Welsh Water plc. Mr. Johnson studied at University College Cardiff obtaining an Honours Degree and an M.Sc. by thesis in Microbiology. Mr. Johnson is a chartered biologist, a member of the Institute of Biology and a member of the Institute of Directors. Mr. Johnson is the author of numerous publications and patents in the field of rapid microbiology.

William J. Christy, President & CEO, joined AOI in June 2005. Previously he worked as President and CEO of Ortheon Medical, LLC, and led the Company in its development of a new technology for the repair of tendons in the body. Ortheon’s product received FDA approval in May of 2003 and was successfully commercialised. He has been involved with several medical device companies as founder and executive director. These include: ESD Medical LLC and Synergistic Medical Technologies, Inc., which was sold to Johnson & Johnson. In the early part of his career Mr. Christy was Regional Sales Director of Ethicon Endo-Surgery (a Johnson & Johnson company) and was one of the founders of Ethicon Endo-Surgery. Mr. Christy received his B.S./B.A. from the University of Central Florida and earned his MBA from Rollins College: Crummer Graduate School of Business.

Fred A. Achecar, Jr., M.D., Non-executive Director has served on the AOI board since May 2006. He is a Partner in Resurgens Orthopaedics of Atlanta and President elect of medical staff at WellStar Douglas Hospital, Georgia. Dr. Achecar earned his B.S. from the University of Notre Dame, and his M.D. from Tulane University School of Medicine. Dr. Achecar was accepted to the Campbell Clinic in Memphis, Tennessee where he completed his residency.

Scott A. Baily, Non-executive Director has served on the AOI board since December 2006. He is Chief Operating Officer and a director of Sands Brothers Venture Capital LLC. During his career Mr. Baily has occupied a variety of senior executive positions at established investment firms including being a partner and Senior Analyst at hedge fund, JPS Fund Group LLC and CEO and President of GrandView Partners, a financial advisory firm focused on the small cap and emerging growth sectors.

Paul M. Garvey, Non-executive Director has served on the AOI board since May 2007. Mr. Garvey has occupied a variety of senior positions in industry, including until recently, seven years as Finance Director and Company Secretary for Axis-Shield plc, a Scottish based healthcare diagnostics company. Mr. Garvey is currently Chief Financial Officer of ProStrakan Group PLC, a speciality pharmaceutical group headquartered in Scotland. Mr. Garvey has also held positions as Finance Director and Managing Director of Lindsay Holdings Ltd and Alexander Ross Holdings Ltd. Mr. Garvey is a Chartered Accountant who earned his BBS from Trinity College, Dublin.

Stephen J. Warner, Non-executive Director has served on the AOI board since February 2005. Until recently Chairman and Co-Founder of CrossBow Ventures, a venture capital fund located in Florida. Mr. Warner has more than thirty years experience as an investment banker and venture capitalist. Prior to CrossBow Ventures, Mr. Warner served as President and CEO of Merrill Lynch Venture Capital. Mr. Warner has also served as a US government consultant evaluating American Enterprise Funds, established by the United States Congress to promote the development of free enterprise and entrepreneurship in Eastern Europe. Mr Warner received his B.S. Degree from Massachusetts Institute of Technology and his M.B.A. from The Wharton School of the University of Pennsylvania.

Dr. George B. Weathersby, Ph.D., Non-executive Director has served on the AOI board since incorporation. Since 2002 he has been Managing Director of Genesys, LLC and was President of the American Management Association between 2000-2002. Dr. Weathersby has served as Commissioner of Higher Education for the State of Indiana, been an Associate Professor of Management at Harvard, and was Director of Planning and a Lecturer for the University of California.

D. Keehln Wheeler, Non-executive Director has served on the AOI board since incorporation. Mr. Wheeler is the CEO and owner of MaxMedia, Inc., an award winning and leading multimedia firm serving Fortune 500 clients and is a partner in Westwood Communications. His business interests include having founded Real Estate Information Network, better known as "R.I.N." which was the first internet data delivery system for residential real estate agents and serving on the board of IMED Devices, Inc. (now called "CeloNova BioSciences").

Angela Johnston, CPA and Chief Financial Officer joined AOI in August 2005 initially as a consultant but became a full time employee in January 2006. Having spent the early part of her career with Arthur Andersen, Ms. Johnston was subsequently employed by Capital Cargo International Holdings, Inc., as Financial Controller where she was responsible for the accounting functions including financial and compliance reporting, implementing and monitoring processes and internal controls and the oversight of audits for a domestic and international cargo airline.

Mark A. Goldin, Vice President Research, Development and Operations joined AOI in July 2005. Previously he worked for Ortho Medical, LLC, latterly as Vice-President of Research & Development and Operations. He joined Ortho Medical LLC from Ethicon Endo-Surgery, a Johnson & Johnson company, responsible for MIDCAB products including distal anastomotic devices and heart stabilisation platforms where he had been a design engineer.

Brian Schumacher, Director of Research and Development joined AOI in March 2006. He was previously Lead Engineer for Ortho Medical, LLC. Before this Mr Schumacher was Senior Product Development Engineer for Walter Lorenz Surgical and Product Development Engineer for Smith & Nephew.

## IMPORTANT INFORMATION

Each of Numis Securities Limited ("Numis") and Cowen International Limited ("Cowen"), both of which are authorised and regulated by the Financial Services Authority in the United Kingdom, are acting only for the Company in connection with the matters described in this announcement and neither are acting for or advising any other person, or treating any other person (whether or not a recipient of this announcement) as their respective client in relation thereto and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for any other advice to any other person in relation to the matters which are the subject of this announcement. Such persons should seek their own independent legal, investment and tax advice as they see fit.

This announcement is only directed at persons in the United Kingdom: (a) who have professional experience in matters relating to investments and persons who are investment professionals as defined in article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "Financial Promotion Order") or (b) high net worth companies, unincorporated associations etc who fall within article 49(2)(a) to (d) of the Financial Promotion Order (all such persons together being referred to as "Relevant Persons"). This announcement is directed only at Relevant Persons and must not, in any circumstances, be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which the announcement relates is available in the United Kingdom only to Relevant Persons. Accordingly, this announcement is exempt from the general restriction on the communication of invitations or inducements to enter into investment activity and has not been approved by an authorised person as would otherwise be required by section 21 of the Financial Services and Markets Act 2000.

In Belgium this announcement is being issued solely to and directed at institutional investors (gekwalficeerde beleggers/investisseurs qualifiés) (pursuant to Article 3,2 of the Belgian Law of 16 June 2006, and as defined in Article 10, s1 of the Belgian law of 16 June 2006) and does not therefore constitute an offer of securities to the public (openbare aanbieding/offre public). It does not constitute an offer to sell or a solicitation of any offer to buy any securities in Belgium to persons other than institutional investors. Accordingly, this announcement is not intended for, and should not be distributed to, issued to, or directed at Belgian residents other than institutional investors. Belgian residents other than institutional investors should not take any action in relation to this announcement. Pursuant to this announcement, securities will only be offered to, and subscriptions will only be accepted from, Belgian institutional investors as defined above.

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This announcement and the information contained herein is not for publication, distribution or release in, or into, directly or indirectly, the United States, Australia, South Africa, Canada or Japan and does not constitute, or form part of, an offer of the securities for sale in or into the United States, Australia, South Africa, Canada or Japan. The offer and the distribution of this announcement may be restricted by law in certain jurisdictions and persons into whose possession any document or other information referred to herein comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The securities referred to in this announcement have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold in the United States absent registration or an exemption from the registration requirements of the Securities Act. The Company does not intend to offer publicly any securities in the United States or to register any securities under the Securities Act.

This announcement does not constitute a recommendation concerning the offer. The value of shares can go down as well as up. Potential investors should consult a professional advisor as to the suitability of the offer for the individual concerned.

### **Forward looking statements**

The contents of this announcement include statements that are, or may be deemed to be "forward looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including, without limitation, the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should". By their nature, forward looking statements involve risks and uncertainties and readers are cautioned that any such forward-looking statements are not guarantees of future performance. A number of factors could cause the Company's actual results and performance to differ materially from the impression created by the forward-looking statements including, without limitation, the factors to be described in the risk factors section of the formal admission document. Save as required by law, the Company undertakes no obligation to publicly update or revise forward-looking statements. No statement in this announcement is intended to be a profit forecast or be relied upon as a guide to future performance.