

14 August 2007

AOI Medical, Inc.
("AOI Medical" or "the Company")

Issue of share options and payments to Licensor

AOI Medical, the medical device company focussing on the development and commercialisation of innovative orthopaedic medical devices for the spine and trauma markets, today announces that it has paid \$36,333 in cash and issued stock options of 6,306 common shares to one of AOI Medical's intellectual property licensors ("Licensor") for AOI Medical's successful achievement of two milestones pursuant to a license agreement between AOI Medical and the Licensor executed on 3 January 2006.

Under the licence agreement, AOI Medical has been granted an exclusive worldwide right to exploit certain patents, patent applications and know-how of the Licensor within the field of vertebral body compression fracture technology subject to AOI Medical making certain license payments upon the achievement of specific milestones.

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Background to AOI Medical

AOI Medical 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.

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.

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 intramedullar 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.

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.