

## **AOI Medical, Inc.**

### **Interim Results**

London, UK, 30 September 2009 - AOI Medical, Inc. (the "Company" or "AOI") (AIM: AOI), a medical device company focusing on innovative orthopaedic medial devices for the spine and trauma markets, today announces its interim results for the six months ended 30 June 2009.

#### **Highlights**

- As at 30 June 2009, surgical procedures had been successfully completed on 49 patients as part of the Company's 60 patient confirmatory clinical study for Ascendx™ Vertebral Compression Fracture ("VCF") Reduction System ("Ascendx™") (treatment for vertebral compression fractures)
- In September 2009, the Company successfully completed enrollment for its 60 patient confirmatory clinical study for Ascendx™
- In August 2009, the Company successfully raised US\$2.6 million through the issue of senior convertible loan notes
- Cash and cash equivalents as at 30 June 2009 were US\$1.4 million

#### **Enquiries:**

##### **Numis Securities Ltd**

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#### **Background to AOI Medical, Inc.**

AOI is a medical device company focusing 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: Ascendx™ VCF Reduction System, BAMF Trauma and Cervical Plate. Further information can be found at [www.aoimedical.net](http://www.aoimedical.net)

## **Ascendx™ VCF Reduction System Clinical Trial**

On 7 September 2009, the Company announced that it had successfully completed enrollment for the sixty (60) patient clinical trial of its Ascendx™ Vertebral Compression Fracture ("VCF") Reduction System ("Ascendx™"). The trial was initiated in June 2008 in eight sites across the United States.

The primary end point of the trial was acute procedural success defined as successful device deployment, cement delivery, and device withdrawal. The data from the trial will be used as clinical support for the Company's 510(k) submission to the FDA in relation to Ascendx™.

## **Senior Convertible Loan Notes**

On 5 August 2009, the Company announced that it had successfully raised US\$2.6 million through the issue of senior convertible loan notes. The net proceeds from this fundraising are being used to augment the Company's working capital for the FDA approval and the market launch of Ascendx™.

The senior convertible loan notes ("SCLN's"), shall be repayable on or before 30 September 2012 although the SCLN's shall become convertible at the option of the holder after 1 October 2011 (the "Conversion Date"). The SCLN's carry a coupon of 8 per cent. interest per annum, payable quarterly in arrears until such time as they are repaid or converted in accordance with the terms. The SCLN's are callable, or repaid with no risk of conversion, by the Company on or before the Conversion Date, after which the SCLN's are convertible into shares of common stock in the Company ("Common Shares") at a price of 60 cents per Common Share. Additionally, subscribers for the SCLN's were issued 333 warrants, with an exercise price of 60 cents per Common Share, for each US\$1,000 principal amount of SCLNs purchased and an additional 100 warrants for each US\$1,000 principal amount of SCLNs purchased if the SCLN's have not been repaid by the Conversion Date (the "Warrants"). The Warrants may be exercised into new Common Shares at any time prior to the fifth anniversary of the issuance of the Warrants. The placement agent for this transaction was issued 167 warrants, with an exercise price of 60 cents per Common Share, for each US\$1,000 principal amount of SCLNs purchased (the "Placement Agent Warrants"). The Placement Agent Warrants may be exercised into new Common Shares at any time prior to the fifth anniversary of their issuance. If the SCLN's were converted in full after the Conversion Date and all the Warrants and Placement Agent Warrants exercised, approximately 5.89 million new Common Shares would be issued, representing up to approximately 69 per cent. of the current issued share capital of the Company.

The SCLN's carry prepayment penalties in year one (1), two (2) and three (3) of 10 per cent., 20 per cent. and 30 per cent, respectively.

## **Cash Resources**

At 30 June 2009, the Company had cash and cash equivalents of US\$1.4 million.

## **Board Changes**

On 8 September 2009, the Company announced that William Christy had stood down as the Chief Executive Officer and as a Director of AOI with immediate effect and that Scott Baily had also stood down as a Non-executive Director of AOI with immediate effect. In addition, it was announced that Ian Johnson would stand down as the Non-executive Chairman of AOI with effect from the de-listing of the Company's common stock to trading on AIM.

## **Proposed Cancellation of Admission to AIM**

On 8 September 2009, AOI announced that it was intending to put to stockholders proposals to cancel the admission of its common stock to trading on AIM. The Directors of AOI consider, *inter alia*, that the benefits of maintaining a listing on AIM are out-weighed by the costs incurred in maintaining such a listing and that AOI derives little benefit in terms of the liquidity in its shares or in its ability to raise new capital. In addition, the Directors do not believe that the market places an appropriate valuation on AOI or its shares.

Subsequently, on 23 September 2009, the Company announced that it was seeking Shareholder approval to cancel the admission of its Common Shares to trading on AIM at a Special Meeting which will be held on 9 October 2009. A circular, together with a notice of the Special Meeting were posted to Shareholders on 23 September 2009. A copy of the circular is available on the Company's website at [www.aoimedical.net](http://www.aoimedical.net). If approved, it is expected that cancellation of admission of the Common Shares to trading on AIM will take effect from 7.00 a.m. on 21 October 2009.

**Outlook**

AOI is making good progress towards commercialising its lead product, Ascendx™. We believe that the product has significant potential and following the successful completion of enrollment for our 60 patient confirmatory clinical study for Ascendx™, we are currently on track for FDA approval and market launch of Ascendx™ in the United States in the first half of 2010.

We have also continued to make progress on our other technology platforms whilst building the Company's intellectual property portfolio, a fundamental part of our commercial strategy.

## **FINANCIAL REVIEW**

### **INCOME STATEMENT**

#### **Revenue**

AOI is an early stage medical device company and as such currently has not yet derived revenue from principal operations. Revenues of \$92,000 were earned during the first six months of 2009 solely from the Food and Drug Administration approved clinical trial for Ascendx™, the Company's lead product.

#### **Expenses**

Operating expenses decreased by approximately \$1.0 million to \$2.5 million versus the six months ended 30 June 2008 ("H1 2008") of \$3.5 million. \$634,000 of this decrease was due to a decrease in salaries and employee benefits. This decrease in salaries and employee benefits was due to (1) a decrease in stock-based compensation of \$415,000, caused by the vesting terms of stock options granted during 2007, and (2) a decrease in non-stock-based compensation and employee benefits of \$219,000 caused by a reduction in salary expense of current employees and a reduction in the total number of employees during 2009. The decrease in operating expenses was also due to (1) a decrease in stock-based Board of Directors' fees of \$332,000, caused by a decrease in the fair market value of the Company's common shares from \$4.52 at 30 June 2008 to \$0.41 at 30 June 2009, and (2) a decrease in research and development costs related to Ascendx™ of \$126,000.

Net other expenses decreased from \$15,000 in H1 2008 to \$nil in H1 2009. H1 2008 includes a net loss of approximately \$15,000 related to the sale of fixed income trading securities, net of related interest income.

### **BALANCE SHEET**

#### **Cash and cash equivalents**

The Company had cash and cash equivalents of \$1.4 million at 30 June 2009 compared with \$1.1 million at 30 June 2008. At 30 June 2008 the Company also had investments of \$5.9 million which were sold during H2 2008 with the net proceeds deposited into operating cash. The decrease from \$7.0 million of cash and cash equivalents and investments at 30 June 2008 to \$1.4 million of cash and cash equivalents at 30 June 2009 reflects the amount used to fund the operations of the Company during that time period.

#### **Other current assets**

The Company had other current assets of \$588,000 at 30 June 2009 compared with \$7.1 million at 30 June 2008. At 30 June 2009 other current assets consist primarily of inventory of \$451,000. At 30 June 2008 other current assets consist primarily of investments of \$5.9 million, inventory of \$511,000 and deferred charges of \$563,000. The decrease in investments reflects the sale of all investments with the net proceeds deposited into operating cash. Deferred charges are costs incurred related to the Company's capital raise that occurred during H2 2009. Deferred charges are classified as a non-current asset at 30 June 2009.

#### **Property and equipment, net**

Property and equipment, net decreased from \$670,000 at 30 June 2008 to \$481,000 at 30 June 2009. Of this net decrease, \$221,000 reflects depreciation expense, partially offset by the purchase of property and equipment, primarily tooling, machinery and equipment needed for research and development and production efforts.

#### **Intangible Assets, net**

Intangible Assets, net of \$539,000 (H1 2008: \$507,000) is comprised primarily of capitalized patent costs of \$139,000 (H1 2008: \$132,000) and capitalized license costs of \$398,000 (H1 2008: \$371,000), net of accumulated amortization of \$76,000 (H1 2007: \$44,000). The increase over H1 2008 largely reflects two payments of cash for license costs that total \$53,000.

#### **Other Assets**

The Company had other assets of \$811,000 at 30 June 2009 compared to \$32,000 at 30 June 2008. This increase is a result of a change in the classification of deferred charges. At 30 June 2009 deferred charges were classified as other assets and at 30 June 2008 deferred charges were classified as other current assets.

#### **Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses decreased to \$669,000 in H1 2009 from \$1.4 million in H1 2008 largely due to the payment of amounts relating to the capital raise that occurred during H2 2009, and inventory and Ascendx™ clinical trial costs that were outstanding at 30 June 2008.

**Share capital**

The Company had 8,436,489 USD\$0.0001 ordinary shares issued and outstanding at 30 June 2009 (30 June 2008: 8,430,720).

## STATEMENTS OF OPERATIONS

	Unaudited Six months ended 30 June 2009 \$'000	Unaudited Six months ended 30 June 2008 \$'000	Audited Year ended 31 December 2008 \$'000
Notes			
<b>Revenues</b>	92	-	47
<b>Cost of Sales</b>	<u>36</u>	<u>-</u>	<u>18</u>
<b>Gross Profit</b>	<u>56</u>	<u>-</u>	<u>29</u>
Research and development	1,104	1,407	2,524
Operations	102	49	143
Sales and marketing	424	415	785
General and administrative	855	1,580	2,641
Total operating expenses	<u>2,485</u>	<u>3,451</u>	<u>6,093</u>
<b>Operating loss</b>	<u>(2,429)</u>	<u>(3,451)</u>	<u>(6,064)</u>
<b>Other income (expense), net</b>	-	(15)	8
<b>Net loss</b>	<u>(2,429)</u>	<u>(3,466)</u>	<u>(6,056)</u>
<b>Basic and diluted loss per share – dollars</b>	<u>2</u> <u>(0.29)</u>	<u>(0.41)</u>	<u>(0.72)</u>

## Balance Sheets

	Notes	Unaudited Six months ended 30 June 2009 (\$'000)	Unaudited Six months ended 30 June 2008 (\$'000)	Audited Year ended 31 December 2008 (\$'000)
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	1	1,397	1,127	3,696
Other current assets		588	7,072	1,341
Total current assets		<u>1,985</u>	<u>8,199</u>	<u>5,037</u>
Property and equipment, net		481	670	592
Intangible assets, net		539	507	554
Other assets		811	32	32
Total other assets		<u>1,831</u>	<u>1,209</u>	<u>1,178</u>
<b>TOTAL ASSETS</b>		<u><u>3,816</u></u>	<u><u>9,408</u></u>	<u><u>6,215</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Current liabilities:				
Accounts payable and accrued expenses		669	1,376	596
Total current liabilities		<u>669</u>	<u>1,376</u>	<u>596</u>
Deferred rent		28	43	36
Total long-term liabilities		<u>28</u>	<u>43</u>	<u>36</u>
Stockholders' Equity:				
Common stock	3	1	1	1
Additional paid-in capital	3	19,125	18,977	19,160
Accumulated deficit	3	(16,007)	(10,989)	(13,578)
Total stockholders' equity		<u>3,119</u>	<u>7,989</u>	<u>5,583</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<u><u>3,816</u></u>	<u><u>9,408</u></u>	<u><u>6,215</u></u>

## STATEMENTS OF CASH FLOWS

	Unaudited Six months ended 30 June 2009 \$'000	Unaudited Six months ended 30 June 2008 \$'000	Audited year ended 31 December 2008 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss	(2,429)	(3,466)	(6,056)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	163	103	230
Loss on disposal of property and equipment	1	5	5
Realized loss on investments	-	171	171
Stock grants and options	208	547	781
Deferred compensation	(243)	88	38
Changes in operating assets and liabilities:			
Investments	-	1,000	6,874
Accounts receivable	(1)	-	(47)
Other receivables	(1)	47	44
Inventory	90	(511)	(541)
Prepaid expenses	12	44	59
Other assets	-	-	12
Accounts payable and accrued expenses	(13)	384	(187)
Deferred rent	(8)	(4)	(11)
Net cash provided by (used in) operating activities	(2,221)	(1,592)	1,372
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Increase in intangible assets	(38)	(77)	(141)
Purchase of property and equipment	(1)	(227)	(259)
Net cash used in investing activities	(39)	(304)	(400)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in deferred charges	(39)	(335)	(634)
Net cash used in financing activities	(39)	(335)	(634)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(2,299)	(2,231)	338
Cash and cash equivalents, beginning of period	3,696	3,358	3,358
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	1,397	1,127	3,696
<b>Supplemental cash flow information:</b>			
Cash paid during the year for interest	-	-	-
<b>Supplemental disclosure of non-cash activity:</b>			
Deferred charges unpaid at end of period	86	229	19
Issuance of stock options and warrants	-	41	41

## NOTES TO THE UNAUDITED INTERIM RESULTS

### 1. BASIS OF PREPARATION

The interim financial information has been prepared on the basis of the accounting policies set out in the Company's audited financial statements for the year ended 31 December 2008.

Results for the periods ended 30 June 2009 and 30 June 2008 have not been audited. The results for the period ended 31 December 2008 have been extracted from the audited financial statements.

Copies of the interim results for the six months ended 30 June 2009 can be found on the Company's website at [www.aoimedical.net](http://www.aoimedical.net).

#### **Cash and Cash Equivalents**

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

#### **Accounts Receivable**

Accounts receivable are stated at amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

#### **Inventory**

Inventory is stated at the lower of cost or market. The Company uses the average cost method of determining cost for its inventory.

#### **Deferred Charges**

Deferred charges represent costs incurred directly related to a capital raise, which would be offset against any proceeds raised.

#### **Property and Equipment**

Property and equipment are stated at cost. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the related assets, ranging from two to seven years. Amortization of leasehold improvements is estimated on a straight-line basis over the estimated lives of the related asset or applicable lease term, if shorter. Repairs and maintenance are charged to operations as incurred, while significant improvements are capitalized. Long-lived assets held and used by the Company are reviewed for impairment whenever changes in circumstances indicate the carrying value of an asset may not be recoverable.

#### **Research and Development**

Expenditures for research and development are expensed as incurred.

#### **Intangible Assets**

Intangible assets consist of capitalized patent costs and capitalized license costs, net of accumulated amortization.

Patent costs include legal costs incurred for various patent applications and filing fees. Once the patent is granted, the Company will amortize the capitalized patent costs over the remaining life of the patent using the straight-line method. If the patent is not granted, the Company will write-off any capitalized patent cost at that time.

License costs include payments to the licensor and legal costs incurred to obtain certain license agreements. Costs to obtain the licenses are capitalized as incurred per the license agreements. The Company amortizes capitalized license costs over the estimated useful life of the licenses.

The Company records the acquisition and amortization of patents and license fees in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets".

The Company reviews patents and license fees for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". Internal and external facts and circumstances are considered for indication of the ability to recover the carrying value of the unamortized patent costs and license fees.

### **Investments**

Investments include trading securities. Such investments are carried at fair value. Unrealized gains and losses are charged to operations and the investment is carried at its new cost basis.

### **Fair Values of Financial Instruments**

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents and accounts payable and accrued liabilities: The carrying amounts reported in the balance sheets approximate fair values because of the short maturities of those instruments.

### **Revenue Recognition**

Revenue is realized and earned when all of the following criteria are met: persuasive evidence of a sales arrangement exists; delivery has occurred and the product has been used; the price is fixed or determinable; and collectibility is reasonably assured. Revenues earned were solely from the Food and Drug Administration approved clinical trial for Ascendx<sup>TM</sup>, the Company's lead product.

### **Income Taxes**

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently payable plus deferred taxes related primarily to tax loss carryforwards. Any applicable deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. In addition, a valuation allowance is established to reduce any deferred tax asset for which it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### **Stock-Based Compensation**

The Company follows SFAS No. 123R, *Share Based Payment*, for stock-based compensation, which establishes a fair value based method of accounting for such stock-based compensation. Stock-based compensation cost is measured at the grant date based on the fair value of the award, taking into consideration estimated forfeitures, and is recognized as compensation expense over the vesting period. The Company provides the disclosure requirements of SFAS No. 123, *Accounting for Stock-Based Compensation*, and SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure, and Amendment of FAS No. 123*, for employee arrangements. Stock-based awards to non-employees are accounted for under SFAS 123, related amendments and related interpretations.

### **Recent Accounting Pronouncements**

In July 2006 the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"). This interpretation, among other things, creates a two-step approach for evaluating uncertain tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more likely than not to be sustained upon examination. Measurement (step two) determines the amount of benefit that more likely than not will be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when a company subsequently determines that a tax position no longer meets the more likely than not threshold of being sustained. FIN 48 specifically prohibits the use of a valuation allowance as a substitute for derecognition of tax positions, and it has expanded disclosure requirements. FIN 48 is effective for fiscal years beginning after 15 December 2008, in which the impact of adoption should be accounted for as a cumulative-effect adjustment to the beginning balance of

retained earnings. The Company has adopted FIN 48 as of 1 January 2009, as required. The adoption of FIN 48 has had no effect on the Company's financial position, results of operations or cash flows. There are no unrecognized tax benefits to disclose in the notes to the financial statements.

In September 2006 the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"), which defines fair value as the price that would be received to sell an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 establishes a framework for measuring fair value and expands disclosures about fair value measurements. The requirements of SFAS 157 became effective for the Company's fiscal year 2008. However, in February 2008 the FASB decided that an entity need not apply this standard to nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis until the subsequent year. The adoption of SFAS 157 did not have a significant impact on the Company's financial statement.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* ("SFAS 165"), which establishes general standards of accounting for, and requires disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Company adopted the provisions of SFAS 165 as of 30 June 2009. The adoption of these provisions did not have a significant impact on the Company's financial statements.

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* ("SFAS 168"). SFAS 168 will become the single source of authoritative nongovernmental U.S. generally accepted accounting principles ("GAAP"), superseding existing FASB, American Institute of Certified Public Accountants ("AICPA"), Emerging Issues Task Force ("EITF"), and related accounting literature. SFAS 168 reorganizes the thousands of GAAP pronouncements into roughly 90 accounting topics and displays them using a consistent structure. Also included is relevant Securities and Exchange Commission guidance organized using the same topical structure in separate sections. SFAS 168 will be effective for financial statements issued for reporting periods that end after 15 September 2009. This will have an impact on the Company's financial statements since all future references to authoritative accounting literature will be references in accordance with SFAS 168.

## 2. LOSS PER SHARE

The Company computes loss per share in accordance with SFAS No. 128, *Earnings per Share*. SFAS No. 128 provides for the calculation of basic and diluted earnings per share. Basic earnings per share includes no dilution and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution of securities that could share in the earnings of the Company. The impact of stock options was anti-dilutive, therefore basic and diluted net loss per share are the same. All options, warrants and convertible debt were excluded for the periods ended 30 June 2009 and 2008 and the year ended 31 December 2008.

	Unaudited six months ended 30 June 2009	Unaudited six months ended 30 June 2008	Audited year ended 31 December 2008
Loss attributable to common shareholders(\$'000)	\$(2,429)	\$(3,466)	\$(6,056)
Weighted average number of common shares('000s)	8,436	8,431	8,431
<b>Basic and diluted loss per share</b>	<b>\$(0.29)</b>	<b>\$(0.41)</b>	<b>\$(0.72)</b>

### 3. RECONCILIATION OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Shares (\$'000)	Additional Paid-in Capital (\$'000)	Accumulated Deficit (\$'000)	Total (\$'000)
Balance 31 December 2008	1	19,160	(13,578)	5,583
Stock-based compensation	-	208	-	208
Deferred compensation	-	(243)	-	(243)
Net loss	-	-	(2,429)	(2,429)
Balance 30 June 2009	1	19,125	(16,007)	3,119

### 4. STOCK BASED COMPENSATION

The following table summarizes the stock option activity during the six months ended 30 June 2009:

	Number of Options	Weighted Average Exercise Price
Outstanding at 31 December 2008	642,894	\$4.42
Granted	-	-
Forfeited	(45,875)	\$4.85
Outstanding at 30 June 2009	597,019	\$4.38
Exercisable at 30 June 2009	370,551	\$3.99

The following table shows total stock-based compensation expense for the six months ended 30 June:

	2009	2008
Research and development	\$75,311	\$205,818
Sales and marketing	\$84,736	\$12,066
General and administrative	\$48,280	\$329,498
	\$208,327	\$547,382

The options outstanding and exercisable at 30 June 2009 are as follows:

Range of Exercise Prices	Options Outstanding				Options Exercisable			
	Number outstanding	Weighted Average Remaining Expected Life in Years	Weighted Average Exercise Price	Aggregate Intrinsic Value	Options Exercisable	Weighted Average Exercise Price	Aggregate Intrinsic Value	
\$0.01 - \$3.70	248,235	2.2	\$ 2.06	\$ 39,000	168,379	\$ 1.40	\$ 39,000	
\$4.34 - \$5.99	120,242	2.5	4.90	-	69,367	5.20	-	
\$6.63 - \$6.75	222,236	3.5	6.63	-	126,499	6.63	-	
\$7.07	6,306	3.1	7.07	-	6,306	7.07	-	
	597,019	2.7	\$ 4.38	\$ 39,000	370,551	\$ 3.99	\$ 39,000	

At 30 June 2009, approximately \$241,000 of deferred compensation expense remained to be expensed over a weighted average period of 2.3 years.

## 5. SUBSEQUENT EVENTS

The following events have occurred after 30 June 2009, which the Company considers necessary to disclose in order to keep these financial statements from being misleading. Subsequent events have been evaluated through 30 September 2009, the date the financial statements were issued.

In August 2009, the Company successfully raised approximately \$2.6 million through the issue of senior convertible loan notes. The net proceeds from this fundraising are being used to augment the Company's working capital for the FDA approval and the market launch of Ascendx™.

The senior convertible loan notes ("SCLNs"), shall be repayable on or before 30 September 2012 although the SCLNs shall become convertible at the option of the holder after 1 October 2011 (the "Conversion Date"). The SCLNs carry a coupon of 8 per cent. interest per annum, payable quarterly in arrears until such time as they are repaid or converted in accordance with the terms. The SCLNs are callable, or repayable with no risk of conversion, by the Company on or before the Conversion Date, after which the SCLNs are convertible into shares of common stock in the Company ("Common Shares") at a price of 60 cents per Common Share. Additionally, subscribers for the SCLNs were issued 333 warrants, with an exercise price of 60 cents per Common Share, for each \$1,000 principal amount of SCLNs purchased and an additional 100 warrants for each \$1,000 principal amount of SCLNs purchased if the SCLNs have not been repaid by the Conversion Date (the "Warrants"). The Warrants may be exercised into new Common Shares at any time prior to the fifth anniversary of the issuance of the Warrants. The placement agent for this transaction was issued 167 warrants, with an exercise price of 60 cents per Common Share, for each \$1,000 principal amount of SCLNs purchased (the "Placement Agent Warrants"). The Placement Agent Warrants may be exercised into new Common Shares at any time prior to the fifth anniversary of their issuance. If the SCLNs were converted in full after the Conversion Date and all the Warrants and Placement Agent Warrants exercised, approximately 5.89 million new Common Shares would be issued, representing up to approximately 69 per cent. of the current issued share capital of the Company.

The SCLNs carry prepayment penalties in year one (1), two (2) and three (3) of 10 per cent., 20 per cent. and 30 per cent., respectively.

On 8 September 2009, the Company announced that William Christy had stood down as the Chief Executive Officer and as a Director of the Company with immediate effect and that Scott Baily had also stood down as a Non-executive Director of the Company with immediate effect. In addition, it was announced that Ian Johnson would stand down as the Non-executive Chairman of the Company with effect from the de-listing of the Company's common stock to trading on AIM.