

FOR IMMEDIATE RELEASE

Osprey Medical Inc. receives A\$1.1 million Victorian Government Grant for its Diabetic Limb Perfusion Technology

- Osprey Medical Inc. is a late stage medical device company and its lead product, the CINCOR™ System is designed to reduce kidney injury from x-ray dyes used during common heart procedures such as stenting and angioplasty.
- The Limb Recovery System leverages the company's core technology to permit clinicians to use antibiotic treatment in a more targeted and aggressive manner in diabetic patients who present with life or limb threatening foot infections.
- Together with the Royal Melbourne Hospital (Melbourne Health), Osprey Medical has received a grant to conduct a clinical study of the delivery of high dose antibiotics to the lower limb of patients with diabetes.

Minnesota, United States and Melbourne, Australia – July 4, 2012 – Osprey Medical Inc. (ASX: OSP) today announced that it has received a A\$1.1 million grant from the Victorian Government's Market Validation Program (**MVP**) to conduct a first-in-man clinical study on its percutaneous limb perfusion technology. This technology enables the localised delivery of high dose antibiotics to the lower limb in patients with diabetes who present with life or limb threatening foot infections.

Osprey Medical's Limb Recovery System leverages the company's core CINCOR™ technology and permits clinicians to use existing antibiotic therapies in a more targeted and aggressive manner. Osprey Medical's Limb Recovery System was originally developed by Professor David Kaye and Dr. Melissa Byrne and their pre-clinical research team at the Baker IDI Heart and Diabetes Institute in Melbourne. This unique Limb Recovery System enables the circulation of the limb to be isolated and separated from the general circulatory system, which permits the delivery of antibiotic drugs at high doses that are otherwise unachievable with standard care. This is achieved by creating an 'artificial' circuit by inserting catheters into the major artery and vein of the lower limb.

It is estimated that more than 360 million people worldwide have diabetes and this number is expected to increase by more than 50% by 2030.¹ People with diabetes are particularly prone to diabetic limb and foot infections due to insufficient blood flow and impaired wound healing. Standard oral or intravenous delivery of antibiotics is often ineffective in these patients because dosage levels cannot be achieved at a sufficient level at the site of the limb infection. Infections of the lower limb are the leading cause of amputations globally; thus, leading to increased rates of hospitalisation and higher healthcare costs throughout the developed world.

Mike McCormick, President and CEO of Osprey Medical, said: "The funds from the Market Validation Program will allow us to conduct a two part, sequential human clinical study for our technology. The first part will be a pilot clinical study involving five patients to evaluate the safety and tolerability of Osprey's

Limb Recovery System. The second part will be a randomised clinical outcomes study in 20 patients comparing the effectiveness of our approach with standard dose intravenous delivery of antibiotic therapy.”

Osprey Medical will partner with the Royal Melbourne Hospitals’ Diabetic Foot Unit for the two year study. Head of the Diabetic Foot Unit, Associate Professor Dr Paul Wraight, said: “We look forward to working with Osprey Medical to conduct this first-in-man clinical study for a significant problem where treatment options can narrow quickly.”

About Diabetic Limb Infections

Diabetes is a growing national epidemic in many developed countries. Research shows that approximately 8% of the US and Australian populations have diabetes.^{ii,iii} Diabetes related foot pathology is the most frequent cause of hospitalisations with at least 15% of all hospital admissions^{iv}and includes conditions such as foot ulcers, infections, and gangrene. The combination of difficult to treat infection with poor wound healing and poor blood supply can lead to significant patient complications including lower limb amputations. It is estimated that there are more than 100,000 lower limb amputations that occur annually in the US and Australia.^{v,vi}

About the Victorian Government’s Market Validation Grant Program (Australia)

Osprey Medical’s clinical study for its Limb Recovery System, conducted at the Royal Melbourne Hospital, has received funding through the Victorian Government’s Smart SMEs Market Validation Program, which seeks to engage with both government and business to promote innovation.

About Osprey Medical

Osprey Medical’s CINCOR™ System originated from technology developed at Melbourne’s Baker IDI Heart and Diabetes Institute. Following successful clinical trials across 6 sites in Australia, New Zealand and Europe, Osprey Medical obtained CE Mark approval and plans to commence a controlled market launch of the CINCOR™ System in Europe in 2012.

Osprey Medical has also obtained approval to conduct a registration-directed pivotal trial. This study is planned to begin in 2012, and the Company aims to obtain FDA clearance to enable a US market launch of the CINCOR™ System in 2014.

Osprey Medical’s Board and Management are comprised of experienced and successful personnel with established track records covering medical device development, regulatory approvals, sales and marketing, and mergers acquisitions. Osprey Medical’s advisory board comprises world-recognised experts in heart and kidney disease.

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ⁱInternational Working Group on the Diabetic Foot. (www.iwgdf.org)

ⁱⁱCenters for Disease Control and Prevention. National diabetes fact sheet: national estimates and general information on diabetes and prediabetes in the United States, 2011. Centers for Disease Control and Prevention.

ⁱⁱⁱDunstan DW, et al. The rising prevalence of diabetes and impaired glucose tolerance: The Australian Diabetes, Obesity and Lifestyle Study. *Diabetes Care*. 2002 May;25(5):829-34.

^{iv}Hill SL, et al. The effects of peripheral vascular disease with osteomyelitis in diabetic foot. *American Journal of Surgery*. 1999. 177:282-6.

^y Michael J McCarthy, Lower-Leg Amputations are Increasing. Wall Street Journal Article, February 23, 2005.

^{iv} The Australian Orthotic Prosthetic Association Inc. (www.aopa.org.au)