

FOR IMMEDIATE RELEASE

Osprey Medical Inc. announces enrolment of first patient in Diabetic Limb Clinical Study at the Royal Melbourne Hospital

- Osprey Medical has commenced its clinical study investigating the delivery of high dose antibiotics to patients with diabetes who present with life or limb threatening foot infections.
- Osprey Medical's Limb Recovery System, based on the company's core CINCOR™ technology, permits clinicians to use existing antibiotic therapies in a more targeted and aggressive manner.
- The Diabetic Limb Clinical Study is expected to be completed in 2014.

Minnesota, United States and Melbourne, Australia – December 4, 2012 – Osprey Medical Inc. (ASX: OSP) today announced the enrolment of the first patient in its Diabetic Limb Clinical Study in Australia, involving 25 patients with life or limb threatening foot infections as a complication of diabetes.

The Study will be conducted in two sequential parts commencing with a five patient single arm safety study to evaluate the safety and tolerability of the Limb Recovery System. The second part will be a randomised clinical outcomes study in 20 patients, comparing the effectiveness of the Limb Recovery System with standard dose intravenous delivery of antibiotic therapy, for the treatment of severe limb infections.

In July 2012, Osprey Medical received approval for 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, referred to as the Limb Recovery System. Osprey Medical will partner with the Royal Melbourne Hospitals' Diabetic Foot Unit for the two year study.

Mike McCormick, President and CEO of Osprey Medical, said: "We are very pleased to be commencing the clinical trial of our innovative Limb Recovery System technology that has the potential to significantly improve the quality of life outcomes for patients with diabetes who have lower limb infections."

Osprey Medical's Limb Recovery System is based on 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, leading to increased rates of hospitalisation and higher healthcare costs throughout the developed world.

Head of the Diabetic Foot Unit at the Royal Melbourne Hospital, Associate Professor Paul Wraight, said: “The incidence of diabetes-related lower limb infections is increasing and the current treatment options can narrow significantly if the infection becomes life threatening. We look forward to working with Osprey Medical’s Limb Recovery System to improve the range of treatment options for these high risk patients with diabetes.”

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 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 Market Validation Program, which seeks to engage with both government and business to promote innovation.

About the Royal Melbourne Hospital

The Royal Melbourne Hospital is one of Melbourne’s pre-eminent hospitals. It provides world-leading clinical care, extensive surgical and medical expertise and outstanding research, built on its foundation as a university teaching hospital. The Royal Melbourne Hospital provides the full range of tertiary/quaternary level medical and surgical services including cardiac, neuroscience, oncology and trauma services as well as sub-acute care, aged care, rehabilitation, ambulatory care, and residential and community services. The Royal Melbourne Hospital is a privileged member of Melbourne’s world-leading Parkville Precinct, and enjoys strong relationships with many of the city’s major universities and research institutes. Through these partnerships, The Royal Melbourne Hospital is committed to improving patient care through translating research outcomes into clinical practice.

About Osprey Medical

Osprey Medical’s CINCOR™ System originated from technology developed by Dr David Kaye at Melbourne’s Baker IDI Heart and Diabetes Institute. 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.

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

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