## ASX ANNOUNCEMENT:

## *2016 Annual Report*

**Minnesota, United States and Melbourne, Australia – 27 March 2017** – Osprey Medical Inc. (**ASX: OSP**) (the **Company**) is pleased to present the attached 2016 Annual Report. The Annual Report includes the Company's audited financial statements for the year ended 31 December 2016 and other required disclosures. The financial statements included in the Annual Report were prepared in accordance with US generally accepted accounting principles (US GAAP) and are denominated in US dollars.

Osprey Medical has scheduled its Annual Meeting of Stockholders at *Johnson Winter & Slattery's Melbourne office*, Level 34, 55 Collins Street, Melbourne, Victoria, Australia on Thursday, 18 May 2017 at 9.00am Australian Eastern Standard Time (Wednesday, 17 May 2017 at 6.00pm U.S. Central Time).

**Brendan Case**
**Australian Secretary**

OSPREY™ MEDICAL

# 2016 ANNUAL REPORT

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# LETTER FROM THE CHAIRMAN

## JOHN ERB

Dear Shareholders,

On behalf of the Company's Board of Directors and Management, I am pleased to present the 2016 Annual Report for Osprey Medical.

2016 has been an exciting and fruitful year for Osprey, underpinned by the successful commercialization of our DyeVert System in the US market. Market acceptance of our products continues to strengthen due to expanded hospital and physician adoption, a growing body of data supporting the benefits of our DyeVert System for at-risk patients, and health economic drivers, which support medical interventions that can have a positive impact on patient care while reducing costs.

The DyeVert System is a next-generation product that offers increased dye savings and ease of use advantages over the first generation AVERT System in addressing the needs of patients who are at risk of Contrast-Induced Acute Kidney Injury (CI-AKI) from the harmful effects of contrast dye.

Osprey initiated its DyeVert commercialization strategy via a pilot sales program in San Antonio, Texas, which served as a valuable model informing subsequent commercialization efforts. The DyeVert System has been very well received in the market, reflected by strong sales growth and increasing physician and hospital uptake of the product throughout the year.

In 2016, we reported our ninth consecutive quarter of growth for our dye saving technologies. The strong sales momentum was driven by over 85 hospitals evaluating the DyeVert System in 2016. Of those, 45 hospitals have already adopted the technology and are placing consistent orders while 40 other hospitals are currently working through the approval process.

We remain at the forefront of kidney protection technology with the DyeVert System, the only FDA-cleared device available proven to reduce dye without affecting image quality. These claims allow Osprey to further strengthen our position in the market and help drive a more accelerated commercialization process.

Osprey has been actively positioning the DyeVert System as part of the standard of care for physicians treating at risk CI-AKI patients, and we were featured prominently at the leading cardiovascular conferences throughout the year. Osprey's technology was featured in ten podium presentations throughout the year, which was a key part of Osprey's commercialization strategy to drive product awareness among the physician community.

To further enhance our position in the market and to ensure sustained sales growth, we introduced the DyeVert PLUS Contrast Reduction System (DyeVert PLUS) in the last quarter of 2016. The DyeVert PLUS extends Osprey's current technology with the capability to actively manage dye administration during coronary interventions.

The DyeVert PLUS has CE Mark approval and FDA clearance.

We raised A$28 million in an oversubscribed placement to professional investors, which reflects strong, ongoing support from our investors. The funds enabled us to further expand our US sales and marketing team for the commercialization of our DyeVert System and to strengthen our position in the market through the introduction of the DyeVert PLUS System upgrade.

I would like to thank my fellow Board members, including CEO Mike McCormick, and the entire Osprey team for their tireless dedication and hard work. I am also very grateful for our investors' unwavering confidence and belief in our products, and I believe that we will be rewarded with an even more exciting year ahead.

On behalf of the Board, I would like to thank all our shareholders for your ongoing support, and we look forward with sharing our progress with you in 2017.

Yours sincerely,

John Erb
Chairman

# LETTER FROM THE PRESIDENT AND CEO

## MIKE McCORMICK

Dear Shareholders,

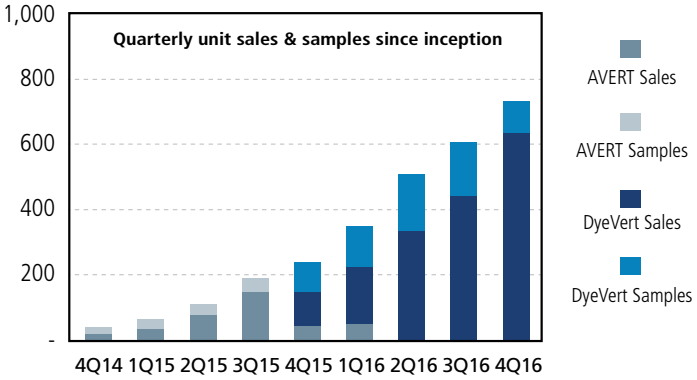
In 2016, we made substantial progress in commercializing the DyeVert System, scaling our salesforce and strengthening our balance sheet with an oversubscribed capital raising. The DyeVert System is now being rapidly adopted by physicians across the US as part of the standard of care to lower the risk of kidney damage that can be caused from contrast (dye) injections commonly used in heart procedures. We are pleased to have advanced the Company's vision of protecting patients with poor kidney function from the harmful effects of contrast dye.

The Osprey team has worked tirelessly over the past year to successfully launch the DyeVert System in the US. Our key achievements include:

- **Successful US commercial launch**

Commercialization of our DyeVert System showed positive momentum throughout the year with an increase of 238% over 2015 sales. We posted double digit sales growth in each quarter of 2016 by increasing penetration in existing hospitals, adding new hospitals each month and having a strong pipeline of hospitals in the sample-to-purchase phase.

An important factor helping drive adoption of DyeVert is the US health care system emphasis on improved outcomes for patients and lower costs. The National Cardiovascular Data Registry (NCDR) has data on patient outcomes from over 2,000 US hospitals from over two million patients. This database allows hospitals to compare their outcomes to the US national average, with a key measure being Contrast-Induced Acute Kidney Injury (CI-AKI). This focus on reducing CI-AKI has helped drive demand for our DyeVert System, as it is the only FDA cleared product proven to reduce dye without affecting image quality.




We were pleased with the rapid growth in DyeVert sales and the positive response from physicians and hospitals to the product. Our sales reps report that physicians understand the importance of lowering dye volume in poor kidney patients and are receptive to the DyeVert System. More than 85 hospitals evaluated the DyeVert System during the year, with 45 adopting the technology and placing consistent orders and 40 working through the approval process.

Sales reps reported that customers were very receptive to DyeVert, with 90% of physicians approached progressing to the evaluation stage. These physicians also supported its purchase with the hospital Value Assessment Committee (an independent review group for new technologies), which is a necessary step for Osprey to sell its products within a hospital system. The process from sample-to-purchase averages 3-4 months. Once the product is approved for sale within a hospital system, the sales rep's focus shifts to expanding the product reach to all physicians within a hospital. This strategy is designed to ensure that all patients with poor kidney function presenting at a hospital have the advantage of the DyeVert System.

- **Growth of salesforce**

Osprey initiated full US commercialization in 2016, hiring 13 additional sales reps throughout 2016, ending the year with 15 sales territories. At time of writing, the Company has increased its sales territories to 19. The Company's sales strategy was to rapidly increase the number of sales reps once its commercialization platform was in place – an achievement which occurred in late 2015/early 2016 following FDA clearance for expanded marketing claims and the development of a sales blueprint in its pilot territory in San Antonio, Texas.

Osprey's pilot sales program in San Antonio, Texas provided valuable experience and understanding of the sales adoption process for our dye savings technologies. In San Antonio, we have 70% of the hospitals purchasing DyeVert and our sales rep reached cash flow positive, a key milestone to achieve within 18 months. For each step in the sales process, the Company established selling systems and tools that could be leveraged to drive product adoption across all territories.

Osprey has taken a considered approach to new sales territories, choosing to locate its sales reps where there are large populations of patients with chronic kidney disease who are at high risk of developing kidney damage. Osprey aims to establish the DyeVert System as the standard of care for all physicians treating patients at risk of CI-AKI.

- **Podium presentations and publications**

A key part of Osprey's commercialization strategy is to present on the podium at leading industry events to drive product awareness among the physician community. Osprey's technology was featured in ten podium presentations at key heart meetings in 2016. In April, Osprey had two presentations at the CardioRenal Connections Meeting; in May, Osprey had three presentations at the SCAI and one presentation at the EuroPCR; and in October, Osprey had four presentations at the TCT conference. These presentations featured the DyeVert System benefits of +40% on average dye savings without compromised image quality, which aligns with industry guidelines to minimize dye in patients with poor kidney function.

As we look forward, sales revenue is expected to grow as the number of hospitals and physicians using DyeVert and DyeVert PLUS increases and as we pick up momentum from a broader US sales footprint. Importantly, we will continue to expand our network of key opinion leading physicians and hospital centers of excellence, which is expected to provide the framework for accelerating sales throughout 2017. The key areas of focus in CY2017 include the following:

- **Continued US commercial penetration**

Osprey will hire additional sales representatives in 2017 with the goal of establishing the DyeVert and DyeVert PLUS as part of the standard of care for physicians treating patients at risk of dye related kidney damage. In support of revenue growth targets, we continue sales force expansion in key territories, with a focus on population areas that have a high prevalence of chronic kidney disease. By the end of 2017, we anticipate broadening our footprint to 28 sales reps across the United States. Target areas extend beyond the original deep-south to states such as Ohio, California, Pennsylvania and Missouri.

- **European pilot commercial launch**

Outside of the US, we plan to pilot EU commercial activities in a few European countries in 2017 to understand the keys to market adoption in preparation for full EU commercialization in 2018. We will spend the rest of this year gathering insights into EU market dynamics, identifying a sales distribution channel, and beginning to work with key opinion leading EU physicians.

- **Medical community scientific promotion and market development**

We are continuing to work with key opinion leading physicians to direct podium presentations and peer reviewed journal articles on the performance of the DyeVert and DyeVert PLUS Systems and the importance of dye reduction for patients at risk of dye related kidney damage.

We are planning two post-FDA clearance marketing studies of the DyeVert PLUS System in 2017. The first, a multicenter trial of the DyeVert PLUS showing the value of contrast monitoring and dye savings. The second, a study focused on Chronic Total Occlusion cases, which are complex procedures requiring large dye loads where dye minimization with the DyeVert PLUS System will be beneficial for patients. We anticipate these studies to be presented at key heart meetings and published following completion.

- **New product enhancements and developments**

We continue to invest in our DyeVert product franchise. We are enhancing this product line by incorporating our contrast monitoring technology, called DyeVert PLUS. The DyeVert PLUS augments Osprey's existing dye savings portfolio with the capability to actively manage dye dose during coronary interventions. DyeVert PLUS received European CE Mark in 4Q 2016, and the Company subsequently validated its strong value proposition with multiple physicians in Germany and Italy showing 44% contrast reduction with strong positive feedback on the utility of real-time contrast monitoring.

Through wireless communication, the system interfaces with a "smart syringe" and reusable LCD monitor. Recently published industry guidelines communicated a strong focus on dye management of kidney-impaired patients, which the DyeVert PLUS addresses. DyeVert PLUS allows for the minimization of contrast dose, contrast monitoring in real-time, and for physicians to be informed when limits (based on kidney function) are reached. The Company received US FDA Clearance of the DyeVert PLUS in Q1 of 2017.

Additional R&D projects will focus on complementary products to our DyeVert System, along with expanding the potential clinical applications of the technology.

I would like to thank all of our employees, Board of Directors, and shareholders for your continued support. We are on track to achieve our 2017 operational objectives and believe we will take a big step forward in our vision of protecting patients from the harmful effects of contrast dye.

Mike McCormick
Osprey Medical President and CEO

## INDEPENDENT AUDITORS' REPORT

Board of Directors, Audit Committee and Shareholders
Osprey Medical, Inc. and Subsidiary
Minnetonka, Minnesota
and
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Melbourne, Victoria 3000, Australia
ARBN: 152 854 923

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### *Report on the Consolidated Financial Statements*

We have audited the accompanying consolidated financial statements of Osprey Medical, Inc. and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Osprey Medical, Inc. and Subsidiary as of December 31, 2016 and 2015, and the results of their operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause LLP

Minneapolis, Minnesota
February 24, 2017

an independent member of BAKER TILLY INTERNATIONAL

## OSPREY MEDICAL, INC. AND SUBSIDIARY

### CONSOLIDATED BALANCE SHEETS

As of December 31, 2016 and 2015

***ASSETS***

| | 2016 | 2015 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 21,853,439 | $ 11,784,567 |
| Accounts receivable | 134,946 | 36,140 |
| Prepaid expenses | 61,809 | 89,963 |
| Inventory | 260,936 | 300,567 |
| Other current assets | - | 7,500 |
| Total Current Assets | 22,311,130 | 12,218,737 |
| **PROPERTY AND EQUIPMENT** | | |
| Office and computer equipment | 345,637 | 314,362 |
| Laboratory equipment | 708,586 | 323,900 |
| Furniture and fixtures | 46,103 | 46,103 |
| Less: Accumulated depreciation | (553,477) | (431,481) |
| Net Property and Equipment | 546,849 | 252,884 |
| **OTHER ASSETS** | | |
| Intangible assets, net of accumulated amortization of $118,712 and $106,216 as of December 31, 2016 and 2015, respectively | 108,299 | 120,795 |
| Other Asset | 12,250 | 12,250 |
| Total Other Assets | 120,549 | 133,045 |
| **TOTAL ASSETS** | **$ 22,978,528** | **$ 12,604,666** |

***LIABILITIES AND SHAREHOLDERS' EQUITY***

| | | |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ 415,543 | $ 302,822 |
| Accrued expenses | 786,819 | 520,456 |
| Accrued vacation | 118,230 | 103,384 |
| Total Current Liabilities | 1,320,592 | 926,662 |
| **LONG-TERM LIABILITIES** | | |
| Accrued rent | 21,172 | 36,103 |
| Total Liabilities | 1,341,764 | 962,765 |
| **SHAREHOLDERS' EQUITY** | | |
| Preferred stock, $0.0001 par value; 20,000,000 and 32,500,000 authorized shares; none issued and outstanding as of December 31, 2016 and 2015, respectively | - | - |
| Common stock, $0.0001 par value; 180,000,000 and 80,000,000 authorized shares; 128,869,627 and 77,083,913 shares issued and outstanding as of December 31, 2016 and 2015, respectively | 12,887 | 7,708 |
| Additional paid-in capital | 86,524,388 | 64,798,199 |
| Deficit | (64,900,511) | (53,164,006) |
| Total Shareholders' Equity | 21,636,764 | 11,641,901 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **$ 22,978,528** | **$ 12,604,666** |

See accompanying notes to consolidated financial statements.

## OSPREY MEDICAL, INC. AND SUBSIDIARY

### CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2016 and 2015

| | 2016 | 2015 |
|---|---|---|
| **SALES** | $ 585,140 | $ 173,090 |
| **COST OF SALES** | 743,812 | 371,660 |
| Gross Loss | (158,672) | (198,570) |
| **OPERATING EXPENSES** | | |
| Sales and marketing | 3,810,267 | 1,700,295 |
| General and administrative | 2,715,580 | 3,064,715 |
| Clinical and regulatory | 1,603,047 | 4,345,749 |
| Research and development | 3,466,142 | 2,916,405 |
| Total Operating Expenses | 11,595,036 | 12,027,164 |
| Operating Loss | (11,753,708) | (12,225,734) |
| **OTHER INCOME (EXPENSE)** | | |
| Other income (expense) | 17,783 | 63,256 |
| Net Other Income | 17,783 | 63,256 |
| Loss Before Taxes | (11,735,925) | (12,162,478) |
| Income tax provision | 580 | 580 |
| **NET LOSS** | **$ (11,736,505)** | **$ (12,163,058)** |
| **EARNINGS PER SHARE:** | | |
| Basic and diluted loss per common share | $ 0.12 | $ 0.17 |
| Basic and Diluted Weighted average shares outstanding | **94,345,818** | **73,215,038** |

See accompanying notes to consolidated financial statements.

## OSPREY MEDICAL, INC. AND SUBSIDIARY

### CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the Years Ended December 31, 2016 and 2015

| | Common Stock | | Additional | Accumulated | Total Shareholders' |
|---|---|---|---|---|---|
| | Shares | Amount | Paid-in Capital | Deficit | Equity |
| **BALANCES, December 31, 2014** | 61,608,412 | $ 6,161 | $ 52,102,859 | $ (41,000,948) | $ 11,108,072 |
| Issuance of common stock at $0.82 per share, net of issuance costs of $704,952 | 15,400,000 | 1,540 | 11,894,024 | - | 11,895,564 |
| Exercise of stock options | 75,501 | 7 | 26,878 | - | 26,885 |
| Stock-based compensation expense | - | - | 774,438 | - | 774,438 |
| 2015 net loss | - | - | - | (12,163,058) | (12,163,058) |
| **BALANCES, December 31, 2015** | 77,083,913 | 7,708 | 64,798,199 | (53,164,006) | 11,641,901 |
| Issuance of common stock at $0.42 per share, net of issuance costs of $888,358 | 51,785,714 | 5,179 | 21,003,353 | | 21,008,532 |
| Stock-based compensation expense | - | - | 722,836 | - | 722,836 |
| 2016 net loss | - | - | - | (11,736,505) | (11,736,505) |
| **BALANCES, December 31, 2016** | 128,869,627 | $ 12,887 | $ 86,524,388 | $ (64,900,511) | $ 21,636,764 |

See accompanying notes to consolidated financial statements.

# OSPREY MEDICAL, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CASH FLOW

For the Years Ended December 31, 2016 and 2015

| | Year ended December 31, 2016 | Year ended December 31, 2015 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net Loss | $ (11,736,505) | $ (12,163,058) |
| Adjustments to reconcile net loss to net cash flows from operating activities | | |
| Depreciation | 121,996 | 120,034 |
| Amortization | 12,496 | 12,496 |
| Stock-based compensation expense | 722,836 | 774,438 |
| Amortization of discount on held-to-maturity investments | - | 31,260 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (98,806) | (31,209) |
| Prepaid expenses | 28,154 | (40,787) |
| Inventory | 39,631 | (68,113) |
| Other current assets | 7,500 | 65,071 |
| Accounts payable | 112,721 | 57,971 |
| Accrued expenses | 266,363 | (37,916) |
| Accrued rent | (14,931) | (12,954) |
| Accrued vacation | 14,846 | (12,335) |
| Deferred grant | - | (258,861) |
| Net Cash Flows from Operating Activities | (10,523,699) | (11,563,963) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of held-to-maturity investments | - | (550,748) |
| Proceeds from held-to-maturity investments | - | 7,700,748 |
| Purchases of property and equipment | (415,961) | (119,790) |
| Change in restricted cash | - | 253,063 |
| Net Cash Flows from Investing Activities | (415,961) | 7,283,273 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Issuance of common stock, net of issuance costs | 21,008,532 | 11,895,564 |
| Proceeds from exercise of stock options | - | 26,885 |
| Net Cash Flows from Financing Activities | 21,008,532 | 11,922,449 |
| **Net Change in Cash and Cash Equivalents** | 10,068,872 | 7,641,759 |
| CASH AND CASH EQUIVALENTS - Beginning of Year | 11,784,567 | 4,142,808 |
| **CASH AND CASH EQUIVALENTS - END OF Year** | $21,853,439 | $11,784,567 |
| **SUPPLEMENTAL CASH FLOW DISCLOSURES** | | |
| Cash paid for income taxes | $ 580 | $ 580 |

See accompanying notes to consolidated financial statements.

## NOTE 1 - Summary of Significant Accounting Policies

*Nature of Operations*

Osprey Medical, Inc. ("Osprey Medical" or the "Company") is a US based company focused on protecting patients from the harmful effects of X-ray dye (contrast) used during commonly performed angiographic imaging procedures. The Company's core technologies originated from research conducted at Melbourne's Baker IDI Heart and Diabetes Institute. Its proprietary dye reduction and monitoring technologies are designed to help physicians minimize dye usage. The Company's DyeVert™ System is a next-generation product that reduces contrast while maintaining image quality in a self-adjusting easy-to-use design.

Osprey Medical's products are designed to reduce the amount of dye injected into patients during standard cardiovascular and peripheral procedures (angiogram and stenting). Published literature indicates approximately 25% of patients undergoing standard cardiovascular procedures have preexisting Chronic Kidney Disease (CKD) and are at high risk of further kidney damage called Contrast Induced Acute Kidney Injury (CI-AKI). Reducing the amount of dye injected in CKD patients is aligned with cardiology and radiology society guidelines that urge physicians to use dye sparing approaches in patients at risk of CI-AKI. Prevention of CI-AKI may lead to shorter hospital stays, improved patient outcomes, and may ultimately save patients' lives.

Following successful clinical trials, the Company obtained European Regulatory approval (CE Mark), TGA approval, and US FDA clearance for the AVERT™, AVERT Plus and DyeVert System. The Company received FDA clearance for medical claims of dye savings, image quality and reflux reduction for its products.

In 2015, the Company commenced a controlled commercial launch of its products in the state of Texas. Following FDA clearance of Osprey's dye savings, image quality and reflux reduction claims, Osprey started increasing its US sales force to commercialize the DyeVert System. As of December 31, 2016, the Company had sales reps in 15 territories.

Osprey Medical's patent portfolio comprises of 10 issued US patents, 14 issued international patents; 15 pending US patent applications, and PCT filings resulting in 11 National Stage Applications in the European Union (Germany, France and Great Britain), Japan and Australia.

On October 30, 2007, the Company formed a wholly owned Australian subsidiary with the name Osprey Medical Pty. Ltd. (OM Pty) for the purpose of conducting research on future products. The subsidiary began operations in early 2008.

*Principles of Presentation*

The consolidated financial statements include the accounts of the Company's wholly owned Australian subsidiary, OM Pty. All intercompany accounts and transactions have been eliminated in consolidation.

The US dollar is the functional currency of OM Pty, and as a result, all currency gains and losses are reflected in operations. Currency gains and losses include realized amounts on transactions, and unrealized amounts related to translating accounts from local currency to the functional currency, with translation accomplished using the current rate method.

In its consolidated statement of operations, the Company segregates its operating expenses into five categories that provide useful information to both management and Company shareholders.

*Use of Estimates*

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

**NOTE 1 - Summary of Significant Accounting Policies** (cont.)

*Cash and Cash Equivalents*

Cash and cash equivalents include short term investments with maturities of three months or less from their date of purchase. The Company maintains cash balances that exceed federally insured limits; however, it has not incurred losses on such amounts.

*Accounts Receivable*

The Company grants credit to customers in the normal course of business and generally does not require collateral or any other security to support amounts due. Customer accounts with balances outstanding longer than the contractual terms are considered past due. The Company records accounts receivable at the original invoice amount less an estimate made for doubtful receivables based on periodic reviews of all outstanding amounts. The Company determines the need for an allowance for doubtful accounts by considering a number of factors, including length of time accounts receivables are past due, customer financial condition and ability to pay the obligation, historical and expected credit loss experience, and the condition of the general economy and the industry as a whole. It is the Company's policy to write-off accounts receivable when deemed uncollectible. There was no allowance for doubtful accounts as of December 31, 2016, and 2015.

*Inventories*

Inventories are stated at lower of cost (using the first-in, first-out method) or market, and are as follows as of December 31:

| | 2016 | 2015 |
|---|---|---|
| Raw Materials | $ 242,421 | $ 275,803 |
| Finished Goods | 18,515 | 24,764 |
| Total | $ 260,936 | $ 300,567 |

The Company has invested in its manufacturing operations to support future sales. The Company is not currently operating at full capacity. Charges related to excess capacity are included as current period charges to cost of sales, and are not capitalized into inventory.

*Property and Equipment*

Property and equipment are recorded at cost, and depreciation and amortization are provided on the straight-line method over the estimated useful lives of the assets:

| | Years |
|---|---|
| Computer equipment | 3 |
| Furniture and fixtures | 7 |
| Lab equipment | 5 |

Maintenance and repairs are charged to expense as incurred. Depreciation expense on property and equipment was $121,996 and $120,034 for the years ended December 31, 2016 and 2015, respectively.

**NOTE 1 - Summary of Significant Accounting Policies** (cont.)

*Intangible Assets*

Intellectual property acquired for consideration is recorded either as research and development expense or as intangible assets, as appropriate to the use of the property. Intellectual property that has multiple future uses is capitalized when acquired, and single use property is expensed as research and development. The Company's recorded intangible assets are comprised entirely of patent applications acquired from V Kardia Pty. (VK Pty), for which there were multiple future uses. At acquisition of these assets, there was a difference between the value of the asset acquired and its tax basis, and the Company increased the assigned value of the asset acquired by the amount of the related deferred tax liability. The Company amortizes intangible assets on a straight-line basis over their expected economic lives, which is equivalent to the time from acquisition through expiration of the patents expected to be issued from the acquired patent applications. The intangible assets acquired in June 2007 are expected to have a life of approximately 18 years from the date of acquisition. Intangible assets are reviewed for impairment whenever events or changes in business circumstances indicate carrying value of the assets may not be recoverable. Impairment losses are recognized if expected future cash flows from related assets are less than their carrying values.

*Revenue Recognition*

The Company recognizes revenue when the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. Shipping and handling costs charged to customers have been included in net sales. Shipping and handling costs incurred by the Company have been included in cost of sales. The Company presents taxes imposed on revenue-producing transactions on a net basis.

*Lease Expense*

The Company recognizes rental expense for an operating lease on a straight-line basis over the term of the lease.

*Research and Development Costs*

Research and development costs are charged to expense as incurred. The Company has acquired licenses to intellectual property that do not have multiple uses, and records such acquisition costs as research and development as incurred. Consideration for such intellectual property includes current and future payments of cash, issuance of common stock and warrants to acquire common stock.

Certain activities of OM Pty are eligible for local research grants. The Company has applied for and received portions of amounts related to such grants. All amounts recognized are offset against research and development expenses for reporting purposes. Total amounts offsetting research and development expenses were $0 and $7,223 for the years ended December 31, 2016 and 2015, respectively.

The Company accrues proceeds received under such grants when not earned and offsets research and development expenses over the timelines associated with completion of the contracts' specific objectives and milestones. There were no deferred grant proceeds as of December 31, 2016 and 2015.

*Income Taxes*

The Company utilizes the liability method of accounting for income taxes. Under the liability method, deferred tax assets and liabilities are determined based on the differences between financial reporting and tax bases of the assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company records a valuation allowance to reduce net deferred tax assets when it believes it is more likely than not that all or part of its deferred tax assets will not be realized.

*Stock-Based Compensation*

The Company accounts for stock-based payment transactions when it receives employee or supplier goods and services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments using a fair-value-based method. The Company uses the Black-Scholes-Merton (BSM) option pricing model to determine the fair value of stock-based awards. The fair value of stock-based payments is recognized over the requisite service period.

**NOTE 1 - Summary of Significant Accounting Policies** (cont.)

*Issuance of Stock*

The Company issues new shares of stock upon the exercise of stock options, warrants and converted instruments.

*Going Concern*

The financial statements are prepared on a going concern basis. Management evaluates the ability for the entity to continue as a going concern for at least twelve months from the date the financial statements are issued. In the event management concludes that there is substantial doubt regarding the Company's ability to continue as a going concern, the assumption is emphasized in the financial statement disclosures, and including management's plan to mitigate the conditions that cause substantial doubt. If substantial doubt regarding the Company's ability to continue as a going concern is alleviated, the Company provides disclosures regarding the conditions or events that raised substantial doubt, management's evaluation of the significance of those conditions or events and management's plans that alleviated the substantial doubt.

*Fair Value*

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value because of the short-term maturity of those instruments.

*Recent Accounting Pronouncements*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers." ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. ASU No. 2014-09 is effective for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The Company may elect to apply the guidance earlier, but no earlier than fiscal years beginning after December 15, 2016. The amendments may be applied retrospectively to each period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Company is currently assessing the effect that ASU No. 2014-09 will have on its results of operations, financial position and cash flows.

In 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-15, 'Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 is effective for the Company in the year ended December 31, 2016, and interim periods beginning March 31, 2017, with early application permitted. We do not anticipate a material impact to the financial statements once implemented.

In 2015, the FASB issued ASU No. 2015-17, Income Taxes (Topic 740) Balance Sheet Classification of Deferred Taxes now requires that deferred tax assets and liabilities be classified as noncurrent in a classified balance sheet. The amendment takes effect for public entities for fiscal years beginning after December 15, 2016, with early adoption available. The Company is evaluating the impact of the standard on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases." ASU No. 2016-02 was issued to increase transparency and comparability among organizations by recognizing all lease transactions (with terms in excess of 12 months) on the balance sheet as a lease liability and a right-of-use asset (as defined). ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020, with earlier application permitted. Upon adoption, the lessee will apply the new standard retrospectively to all periods presented or retrospectively use a cumulative effect adjustment in the year of adoption. The Company is currently assessing the effect that ASU No. 2016-02 will have on its results of operations, financial position and cash flows.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation – Stock Compensation: Improvements to Employee Share-Based Payment Accounting", which relates to the accounting for employee share-based payments. This standard addresses several aspects of the accounting for share-based payment award transactions, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. This standard will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is evaluating the impact the adoption of this ASU will have on our financial statements.

*Subsequent Events*

For the year ended December 31, 2016, the Company has evaluated, for potential recognition and disclosure, events that occurred prior to the issuance of the consolidated financial statements for the years ended December 31, 2016 on February 24, 2017.

## NOTE 2 - Liquidity

The Company has an accumulated deficit and has not generated significant revenues since inception. The Company expects that its expenses will exceed its revenues at least up to, and likely beyond, the point at which the Company is able to generate significant revenues from its approved products. The Company expects to have enough working capital to operate for at least the next twelve months beyond February 24, 2017.

## NOTE 3 - Fair Value Measurements

Generally, fair value is determined on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The Company discloses each major asset and liability category measured at fair value on either a recurring or nonrecurring basis and establishes a three tier fair value hierarchy, which prioritizes the inputs used in fair value measurements. The three tier hierarchy for inputs used in measuring fair value is as follows:

> Level 1 Observable inputs, such as quoted prices in active markets

> Level 2 Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly

> Level 3 Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis:

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **As of December 31, 2016:** | | | | |
| Cash and cash equivalents – money market securities | $ 3,564,015 | $ 3,564,105 | $ - | $ - |
| **As of December 31, 2015:** | | | | |
| Cash and cash equivalents – money market securities | $ 8,051,118 | $ 8,051,118 | $ - | $ - |

## NOTE 4 - Leases

In March 2013, the Company signed a new lease for an office space in Minnetonka, Minnesota. In March 2014, the Company signed an amendment to the lease for additional square footage. The lease term, as amended expires in March 2018, and contains no extensions or renewal options. The monthly payments ranging from the same amounts $11,379 to $11,379 for the lease.

Rent expense was $87,100 and $111,942 for the years ended December 31, 2016 and 2015, respectively. Rent is recorded on a straight-line recognition basis, and the difference is recorded as an accrued long-term liability.

Under the terms of the leases including the lease for office space, the Company paid monthly base rent and was additionally responsible for its pro rata share of estimated operating expenses, which include utilities, taxes, maintenance, repair, and insurance costs. The minimum remaining lease commitments under the terms of the noncancelable building and equipment lease for the years ending December 31:

| | |
|---|---|
| 2017 | $ 142,177 |
| 2018 | 35,692 |
| Total | $ 177,869 |

## NOTE 5 - Employee Benefits

The Company provides a 401k plan as a benefit to its employees. The Company did not provide any matching contributions under the plan during the years ended December 31, 2016 and 2015.

## NOTE 6 - Intangible Assets

The Company received a license at inception from its then parent company, VK Pty, to certain intellectual property. That license became inoperative when VK Pty assigned its intellectual property to the Company on June 21, 2007, in advance of preferred stock financing from CM Capital Investments (CMCI). The assignment was done in exchange for issuing 348,098 shares of the Company's common stock to VK Pty, valued at $.50 per share. As a result of these transactions, during 2007, the Company expensed as research and development the full $14,600 of the original intangible asset value and an additional $4,443 of value related to the deferred tax liability assigned to the initial license. The Company capitalized $174,049 of purchased value and an additional $52,962 related to the corresponding deferred tax liability as an intangible asset, reflecting the value of the acquired intellectual property.

The intellectual property is expected to have a useful life equal to the life of the underlying patent applications. Such life will extend, on average, 18 years from 2007 to 2025. Amortization is recorded on a straight-line basis beginning at acquisition date, resulting in amortization expense of $12,496 for both years ended December 31, 2016 and 2015. Amortization expense will approximate $12,496 in each of the next five years.

## NOTE 7 - Income Taxes

Osprey Medical is a C corporation under the U.S. Internal Revenue Code.

The Company incurred income tax expense of $580 for both years ended December 31, 2016 and 2015.

As of December 31, 2016, the Company has recorded a valuation allowance to offset its net deferred tax assets due to uncertainty surrounding realization of the net deferred tax assets.

The Company has accumulated net operating losses to be carried forward to future years in the amount of $60,424,646 applicable to income subject to federal income tax and $30,158,186 applicable to income subject to state (Minnesota) income tax as of December 31, 2016. Utilization of these net operating losses to offset future taxable income may be limited and begin to expire in the year ended December 31, 2027.

Income tax expense (benefit) consists of the following:

| | Year ended December 31, 2016 | Year ended December 31, 2015 |
|---|---|---|
| **Current:** | | |
| Federal | $ - | $ - |
| State | 580 | 580 |
| Foreign | - | - |
| | 580 | 580 |
| **Deferred:** | | |
| Federal | (3,879,000) | (4,243,000) |
| State | - | - |
| Foreign | - | - |
| | (3,879,000) | (4,243,000) |
| **Deferred tax asset valuation allowance** | 3,879,000 | 4,243,000 |
| Total provision (benefit) | $ 580 | $ 580 |

**NOTE 7 - Income Taxes** (cont.)

Income tax expense differs from the amount computed at the statutory federal income tax rate of 34% due principally to nondeductible expenses, different rates for foreign jurisdictions and the recognition of a valuation allowance against the net deferred tax asset.

Significant components of deferred tax assets and liabilities as of December 31 are as follows:

| | 2016 | 2015 |
|---|---|---|
| **Deferred tax assets:** | | |
| Net operating loss carry forwards | $ 22,411,000 | $ 18,616,000 |
| Research and development credit | 992,000 | 858,000 |
| Organization costs | 2,000 | 3,000 |
| Accrued vacation | 40,000 | 40,000 |
| Deferred rent | 7,000 | 11,000 |
| Stock-based compensation expense | 128,000 | 104,000 |
| | 23,580,000 | 19,632,000 |
| **Deferred tax liability:** | | |
| Intangible assets | (37,000) | (38,000) |
| Property and equipment depreciation | (19,000) | 51,000 |
| | (56,000) | 13,000 |
| **Net deferred tax asset** | 23,524,000 | 19,645,000 |
| Valuation allowance | (23,524,000) | (19,645,000) |
| | $ - | $ - |

The valuation allowance for deferred tax assets increased by $3,879,000 and $4,243,000 for the years ended December 31, 2016 and 2015, respectively.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

The Company is not currently under examination by any taxing jurisdiction. In the event of any future tax assessments, the Company has elected to record the income taxes and any related interest and penalties as income tax expense on the Company's statement of operations.

**NOTE 8 - Warrants to Purchase Common Stock**

The Company had licensed technology from TriCardia in connection with its MVO™ product. That license was executed on December 26, 2006, in exchange for warrants to purchase 160,000 shares of Company common stock at $0.10 per share. The TriCardia warrants were not exercised and expired on December 26, 2016.

## NOTE 9 - Common Stock and Preferred Shares

In August 2016, the Company authorized an additional 100,000,000 shares of common stock, resulting in a total amount authorized of 180,000,000. In addition, the Company decreased the number of authorized shares of preferred stock by 12,500,000 to 80,000,000.

In August and September 2016, the Company completed a private offering on the Australian Securities Exchange of 50,000,000 shares of common stock at a price to the public of $0.42 per share. In addition, in September 2016, a Security Purchase Plan (SPP) was offered to qualified shareholders of record of 1,785,714 shares of common stock at a price to the public of $0.42 per share. As a result of the total financing, the Company raised approximately $22,000,000 in gross proceeds, before issuance costs of approximately $900,000.

On March 27, 2015, the Company completed a private offering on the Australian Securities Exchange of 15,400,000 shares of common stock at a price to the public of $0.82 per share. As a result of the financing, the Company raised approximately $12,600,000 in gross proceeds, before issuance costs of approximately $700,000.

As of December 31, 2016 and 2015, respectively, the common shares outstanding were 128,869,627 and 77,083,913. As of December 31, 2016 and 2015, there are no preferred shares outstanding.

## NOTE 10 - Weighted Average Shares Calculation

Basic loss per share is computed by dividing net loss by the weighted average shares outstanding during the reporting period. Diluted loss per share is computed similarly to basic loss per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock warrants and options, if dilutive. Diluted loss per share does not include any of these dilutive effects in its calculation. The number of additional dilutive shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from the exercise were used to acquire shares of common stock at the average market price during the reporting period.

Shares used in the loss per share computations for the years ended December 31, 2016 and 2015 are as follows:

| | 2016 | 2015 |
|---|---|---|
| Weighted average common shares outstanding – basic | 94,345,818 | 73,215,038 |
| Dilutive effect of stock option and warrants | - | - |
| Weighted average common shares outstanding – diluted | 94,345,818 | 73,215,038 |

As of December 31, 2016 and 2015, stock options shares of 10,297,435 and 8,351,726, respectively, were not included, as their effect is anti-dilutive due to the loss for the years.

## NOTE 11 - Stock-Based Compensation

The Company had a stock incentive plan (the 2006 Plan) that provided for the issuance of incentive and non-qualified stock options to employees and directors, for the purpose of encouraging key officers, directors, employees, and consultants of the Company to remain with the Company and devote their best efforts to the business of the Company. The 2006 Plan expired in 2016, and 8,339,935 shares then outstanding remain available for exercise as of December 31, 2016. On August 29, 2016, the Company's stockholders approved a new stock option plan (the 2016 Plan) with the same directive as the old plan. Under the 2016 Plan, incentive stock options must be granted at exercise prices not less than 100% of the fair value of the Company's stock as of the grant date. If incentive options are granted to persons owning more than 10% of the voting stock of the Company, the Plan provides that the exercise price shall not be less than 110% of the fair value of the Company's stock as of the grant date. These options have exercise and vesting terms established by the Option Committee of the Company's Board of Directors at the time of each grant, but in no event are the options exercisable after ten years from the date of grant. The options granted are subject to time based vesting ranging from immediate vesting to vesting 48 months after the date of grant. The Company has reserved 4,160,000 shares of common stock for issuance under the 2016 Plan, as of December 31, 2016. As of December 31, 2016, options issued under the 2016 plan were 1,972,500.

**NOTE 11 - Stock-Based Compensation** (cont.)

The following table presents the weighted average assumptions used to estimate the fair values of the stock options granted to employees and nonemployees in the periods presented, using the BSM option pricing formula: The risk free interest rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The expected life and expected volatility are based on the average reported lives and volatilities of a representative sample of four comparable companies in our industry sector.

| | Year Ended December 31,2016 | Year Ended December 31, 2015 |
|---|---|---|
| Risk-free interest rate | 1.24% | 1.59% |
| Expected volatility | 75.44% | 76.06% |
| Expected life (in years) | 4.00 | 3.51 |
| Dividend yield | 0.00% | 0.00% |
| Weighted-average estimated fair value of options granted | $0.30 | $0.51 |

The following table summarizes the activity for outstanding employee and non-employee stock options:

| | Number of Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Balance as of December 31, 2014 | 7,533,911 | $0.75 | 7.0 | |
| Granted | 1,277,500 | 0.96 | | |
| Exercised | (75,500) | (0.36) | | |
| Expired | (384,187) | (0.89) | | |
| Balance as of December 31, 2015 | 8,351,724 | 0.75 | 6.5 | |
| Granted | 1,972,500 | 0.53 | | |
| Exercised | - | - | | |
| Expired | (26,789) | (0.95) | | |
| Balance as of December 31, 2016 | 10,297,435 | $ 0.71 | 6.3 | $ 940,205 |
| Exercisable as of December 31, 2016 | 7,450,322 | $ 0.99 | 5.3 | $ 697,628 |

The aggregate intrinsic value is calculated as approximately the difference between the weighted average exercise price of the underlying awards and the share fair value as of December 31, 2016. The intrinsic value of stock options exercised during the year ended December 31, 2015 was $42,121.

The Company recognized stock-based compensation expense related to stock options of $722,836 and $774,438 for the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016, $1,023,536 of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted average period of 1.86 years. To the extent the forfeiture rate is different than anticipated, stock-based compensation related to these awards will be different from the Company's expectations.

# OSPREY MEDICAL, INC. AND SUBSIDIARY

## SHAREHOLDER INFORMATION

### Overview

The Company's securities are listed for quotation in the form of CHESS Depositary Interests (CDIs) on the Australian Securities Exchange (ASX) and trade under the symbol "OSP." Each share of common stock is equivalent to 2 CDIs.

The shareholder information below was applicable as at 23 February 2017.

The Company's corporate Governance Statement approved by the Board on 24 February 2017 is located at: http://www.ospreymed.com/corp-governance.php.

The Company's share capital was as follows:

| Type of Security | Number of Securities |
|---|---|
| Total number of issued Shares [(1)] | 128,929,627 |
| Total number of issued CDIs | 257,859,254 |

(1) Includes Shares held by CHESS Depositary Nominees Pty Limited (CDN)

## SUBSTANTIAL HOLDERS

| Names of holders as disclosed in substantial holding notices given to the Company | Number of CDIs Held | Percentage of voting power |
|---|---|---|
| CM Capital VT4A Pty Limited as trustee for CM Capital Venture Trust 4A (holding of 17,020,450 CDIs) and its associated entity CM Capital VT4B Pty Limited as trustee for CM Capital Venture Trust 4B (holding of 17,020,449 CDIs) | 34,040,899 | 13.4% |
| Brandon Capital Partners and each of the following associated entities: MRCF Pty Ltd as trustee for the MRCF Trust (9,134,673 CDIs), BBF1 Trusco Pty Ltd as trustee for Brandon Biosciences Fund No.1 Trust (4,814,443 CDIs) and BBF1 IIF Partnership, LP (10,842,156 CDIs), AustralianSuper Pty Ltd as trustee of AustralianSuper (13,392,857 CDIs), MRCF3 Services (H) Pty Ltd atf MRCF3 (H) Trust (13,392,857 CDIs), MRCF3 Services (SW) Pty Ltd atf MRCF3 (SW) Trust (4,464,286 CDIs), MRCF3 Services (HP) Pty Ltd atf MRCF3 (HP) Trust (4,464,286 CDIs) | 60,505,558 | 23.8% |
| Kinetic Investment Partners Pty Ltd | 18,418,742 | 7.3% |
| AustralianSuper Pty Ltd as trustee of AustralianSuper | 13,392,857 | 5.2% |

☐

## DISTRIBUTION SCHEDULE

| Number of CDIs | Number of Holders |
|---|---|
| 1 -1,000 | 116 |
| 1,001 – 5,000 | 223 |
| 5,001 – 10,000 | 145 |
| 10,001 – 100,000 | 498 |
| 100,001 and over | 194 |
| **Total** | **1,176** |

### Unmarketable Parcels

Based on the market price on 23 February 2017, there were 119 shareholders holding less than a marketable parcel (i.e. a parcel of securities of less than $500).

### Osprey Medical Top 20 Holders

Set out below is a schedule of the 20 largest holders of securities in the Company, including the number and percentage of securities held by those holders as at 23 February 2017. [Related but separate legal entities are not aggregated for the purposes of the table below.]

| | Name of Registered Holder | No. of CDIs Held | % of Total CDIs |
|---|---|---|---|
| 1. | J P MORGAN NOMINEES AUSTRALIA LIMITED | 25,282,727 | 9.80 |
| 2. | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2 | 19,613,565 | 7.61 |
| 3. | CM CAPITAL VT 4A PTY LTD <CM CAPITAL VENTURE 4A A/C> | 17,020,450 | 6.60 |
| 4. | CM CAPITAL VT 4B PTY LTD <CM CAPITAL VENTURE 4B A/C> | 17,020,449 | 6.60 |
| 5. | CITICORP NOMINEES PTY LIMITED | 14,840,368 | 5.76 |
| 6. | MRCF3 SERVICES (H) PTY LTD | 13,392,857 | 5.19 |
| 7. | BBF1 IIF PARTNERSHIP LP | 10,842,156 | 4.20 |
| 8. | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 9,721,306 | 3.77 |
| 9. | MRCF PTY LTD | 9,134,673 | 3.54 |
| 10. | BNP PARIBAS NOMINEES PTY LTD | 6,683,369 | 2.59 |
| 11. | NATIONAL NOMINEES LIMITED | 5,079,245 | 1.97 |
| 12. | BBF1 TRUSCO PTY LTD BRANDON BIOSCIENCES FUND NO.1 | 4,814,443 | 1.87 |
| 13. | MRCF3 SERVICES (SW) PTY LTD | 4,464,286 | 1.73 |
| 14. | MRCF3 SERVICES (HP) PTY LTD | 4,464,286 | 1.73 |
| 15. | MOORE FAMILY NOMINEE PTY LTD | 4,000,053 | 1.55 |
| 16. | CITICORP NOMINEES PTY LIMITED | 3,506,623 | 1.36 |
| 17. | UBS NOMINEES PTY LTD | 2,974,039 | 1.15 |
| 18. | SANDHURST TRUSTEES LTD | 2,966,059 | 1.15 |
| 19. | BENTALE PTY LTD | 2,938,572 | 1.14 |
| 20. | DIXSON TRUST PTY LIMITED | 2,484,050 | 0.96 |
| **Total CDIs held by top 20 CDI Holders** | | **183,377,862** | **71.12** |
| **Total CDIs held by all other CDI Holders** | | **74,481,392** | **28.88** |

### Options (not listed on ASX)

As at 23 February 2017, there were 10,228,435 options on issue to purchase shares of common stock under the Company's 2016 Stock Incentive Plan.

The following table is a distribution schedule of the number of holders of Options as at 23 February 2017:

| Category | Number of Holders |
|---|---|
| 1 -1,000 | 1 |
| 1,001 – 5,000 | 5 |
| 5,001 – 10,000 | 11 |
| 10,001 – 100,000 | 14 |
| 100,001 and over | 13 |
| **Total** | **44** |

**Restricted Securities**

There were no ASX restricted securities or securities subject to voluntary escrow as at 23 February 2017.

**Voting Rights**

Every holder of Shares present in person or by proxy is entitled to one vote for each Share held on the record date for the meeting on all matters submitted to a vote of Shareholders.

CDI holders may attend and vote at the Company's general meetings. The Company must allow CDI holders to attend any meeting of Shareholders unless relevant US law at the time of the meeting prevents CDI holders from attending those meetings.

In order to vote at such meetings, CDI holders may:

(a) instruct CDN, as the legal owner, to vote the Shares underlying their CDIs in a particular manner. A voting instruction form will be sent to CDI holders with the notice of meeting or proxy statement for the meeting, and this must be completed and returned to the Registry before the meeting;

(b) inform Osprey that they wish to nominate themselves or another person to be appointed as CDN's proxy for the purposes of attending and voting at the general meeting; or

(c) convert their CDIs into a holding of Shares and vote these at the meeting. Afterwards, if the former CDI Holder wishes to sell their investment on the ASX, it would need to convert the Shares back to CDIs. In order to vote in person, the conversion from CDIs to Shares must be completed before the record date for the meeting.

One of the above steps must be undertaken before CDI holders can vote at Shareholder meetings.

Proxy forms, CDI voting instruction forms and details of these alternatives will be included in each notice of meeting or proxy statement sent to CDI holders by the Company.

Holders of issued but unexercised options are not entitled to vote.

**Required Statements**

(a) There is no current on-market buy-back of the Company's securities.

(b) The Company is incorporated in the state of Delaware in the United States of America.

(c) The Company is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act 2001 (Cth), dealing with the acquisition of shares (i.e., substantial holdings and takeovers).

(d) The Company's securities are not quoted on any exchange other than the ASX.

(e) Under the Delaware General Corporation Law, shares are generally freely transferable subject to restrictions imposed by US federal or state securities laws, by the Company's certificate of incorporation or by-laws, or by an agreement signed with the holders of the shares at issue. The Company's amended and restated certificate of incorporation and by-laws do not impose any specific restrictions on transfer.

(f) The name of the Australian Secretary is Brendan Case.

(g) The address and telephone number of our principal registered office in Australia is:
Level 13
41 Exhibition Street
Melbourne, Victoria 3000
+ 61 410 442 393

(h) Register of securities:
Link Market Services
Level 1, 333 Collins Street
Melbourne, Victoria 3000
Telephone: + 61 3 9615 9800
Facsimile: + 61 2 9287 0303
www.linkmarketservices.com.au

## CORPORATE DIRECTORY

| | |
|---|---|
| **Board of Directors and Australian Secretary**<br>Mr John Erb, Non-executive Chairman<br>Mr Mike McCormick, President & CEO<br>Mr Andy Jane, Non-executive Director<br>Mr Neville Mitchell, Non-executive Director<br>Dr Chris Nave, Non-executive Director<br>Mr Brendan Case, Australian Secretary | **Executive Team**<br>Mr Mike McCormick, President & CEO<br>Mr William Butcher, VP of Sales<br>Mr Vic Fabano, VP Operations & Quality<br>Ms Melanie Hess, VP of Regulatory Affairs<br>Mr Rod Houfburg, VP of Research & Development<br>Ms Nancy Ness, VP Finance<br>Mr Doug Schoenberg, VP Marketing & Reimbursement<br>Ms Michele Shepard, VP Clinical Affairs |
| **Company – US Office & Headquarters**<br>5600 Rowland Road, Suite 250<br>Minnetonka, MN 55343-9001<br>United States of America<br>+1 952 955 8230 | **Company – Registered Office in Australia**<br>Level 13<br>41 Exhibition Street<br>Melbourne, Victoria 3000<br>+ 61 410 442 393 |
| **Auditor**<br>Baker Tilly Virchow Krause, LLP<br>225 S Sixth Street, Ste 2300<br>Minneapolis, Minnesota 55402-4661<br>United States of America<br>Telephone: + 1 612 876 4500<br>Facsimile: +1 612 238 8900<br>www.bakertilly.com | **Share Registry**<br>Link Market Services<br>Level 1, 333 Collins Street<br>Melbourne, Victoria 3000<br>Australia<br>Telephone: + 61 3 9615 9800<br>Facsimile: + 61 2 9287 0303<br>www.linkmarketservices.com.au |
| **Investor Relations**<br>Ms Rebecca Wilson<br>Buchan Consulting<br>T: + 61 3 9866 4722<br><br>Doug Schoenberg<br>VP of Marketing, Education & Reimbursement<br>T: + 1 952 955 8234<br>M: + 1 763 258 7537 | **Annual Meeting of Stockholders Date & Place**<br>The Annual Meeting of stockholders will be held at *Johnson Winter & Slattery's* Melbourne office, Level 34, 55 Collins Street, Melbourne, Victoria, Australia on Thursday, 18 May 2017 at 9.00am Australian Eastern Standard Time, (Wednesday, 17 May 2017 at 6.00pm U.S. Central Time). |
| **ASX Code**<br>OSP | |

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www.ospreymed.com