OSPREY™ MEDICAL

2019 ANNUAL REPORT

TAKING KIDNEY CARE TO HEART.

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LETTER FROM THE CHAIRMAN

JOHN ERB

Dear Shareholders,

On behalf of Osprey Medical's Board of Directors and management, I am pleased to present the Company's annual report for the 2019 financial year.

2019 has been another year of great progress for Osprey Medical and the impact we are making in protecting chronic kidney disease (CKD) patients from contrast induced acute kidney injury (CI-AKI) in the cardiac cath lab. We delivered a strong commercial performance in 2019 with expansion of the customer base of hospitals, revenue growth, expanded implementation of kidney care solutions to prevent CI-AKI in the cardiac cath lab, and initiation of the DyeMINISH™ Registry. With all that progress, it also must be noted that the stock price has taken a significant loss in the past 12 months and that Osprey is working diligently to accelerate revenue growth and expansion. The Osprey management team's sole focus is on addressing these challenges urgently and being judicious in cash allocation in 2020.

Adoption of the DyeVert™ System in the United States cardiac cath lab and overall sales growth continued in 2019 with a 46% year-on-year net revenue increase. We continued to expand our customer base by 25% to 159 US-based hospitals purchasing the DyeVert System. The strong sales performance was also driven by our ongoing focus on penetrating deeper into existing customers, solutions-based selling of the medical guidelines, and highlighting real-world outcomes of the clinical and economic impact of CI-AKI prevention through implementing kidney care protocols, including the DyeVert System, for dye minimization and monitoring.

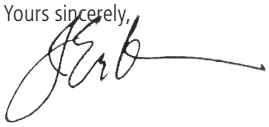
In 2019, we maintained our GPO-focused sales strategy, leveraging contracts with five United States multihospital systems (referred to as GPOs), which cover 50% of heart hospitals in the United States. Premier, the largest GPO contract for Osprey, published a study entitled *Acute Kidney Injury Incidence, Risk Factors, and Costs among U.S. Patients Undergoing Percutaneous Coronary Procedures,* which analyzed 2.8 million patients over 5 years and highlighted the negative economic and clinical outcomes when they acquire CI-AKI due to cath lab procedures. The key findings are impactful and will be published in 2020.

Our strategy in 2020 will continue to focus on proving the economic and clinical benefits of CI-AKI reduction in the cath lab when using the DyeVert System to reduce dye delivered to high-risk patients. Our customers will continue to publish and present their real-world CI-AKI prevention outcomes when implementing kidney care protocols with the DyeVert System. We are also excited about the opportunity to expand our presence internationally through a valuable distribution partner in 2020.

I would like to thank my fellow Board members, including CEO Mike McCormick and Osprey's management and staff, for their tireless dedication, commitment, and determination. The achievements of 2019 place Osprey in prime position to execute on our 2020 growth strategy, which will focus on increasing sales of the DyeVert Systems in the United States and internationally, building strong demand with our GPO member hospitals, and continued enrollment in our DyeMINISH Registry.

On behalf of the Osprey Medical Board, I would like to thank all our shareholders for your ongoing support. We are proud of the progress made in 2019 with your support, and I look forward to providing further progress updates and sharing our achievements with you in 2020.

Yours sincerely,



John Erb

Chairman

Osprey Medical Inc.

LETTER FROM THE PRESIDENT AND CEO

MIKE McCORMICK

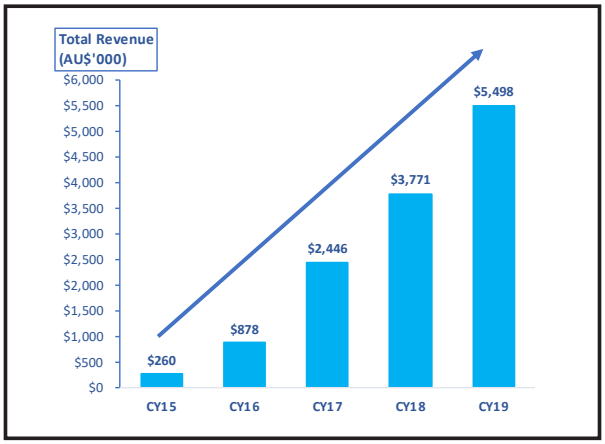
Dear Shareholders,

Over the last 4 years, the Company has achieved an 84% compounded annual revenue growth rate; however, the stock price has waned during this time, and in 2019, the Company's share price plummeted. Osprey management is alarmed at the Company's valuation and is urgently working to accelerate revenue growth through the execution of our Company's mission to protect patients with poor kidney function from the harmful effects of contrast dye.

In 2019, we made substantial progress commercializing the DyeVert™ Plus System for protection of patients with chronic kidney disease (CKD) from contrast induced acute kidney injury (CI-AKI). Over the year, revenues have grown 46% as the DyeVert Plus System continues to show strong adoption by physicians and penetration in cardiac cath labs across the United States as part of implementing kidney care protocols to lower the risk of kidney damage that can be caused from contrast (dye) injections commonly used in heart procedures.

Key strategies in 2019 for accelerating commercial adoption included leveraging our group purchasing organization (GPO) contracts to expand our customer base, supporting physician publishing and podium presentation on protocols that lower CI-AKI rates in the cath lab, and optimizing our United States sales force and sales processes. In 2019, our achievements included the following:

Successful US commercialization



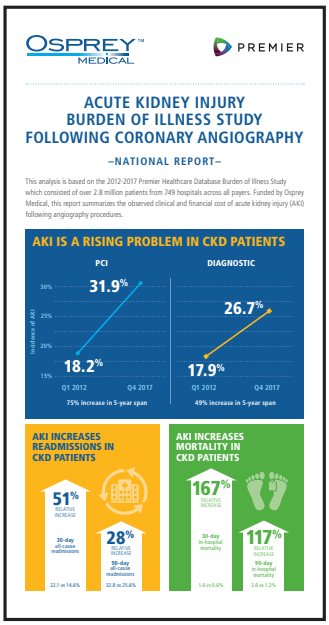
Commercialization of our DyeVert Plus System showed positive momentum throughout the year with a unit sales increase of 38% compared to 2019 sales. We posted strong sales growth each quarter of 2019 as compared to prior corresponding quarter (pcp) by increasing penetration in existing hospitals and adding new hospitals each month. Throughout the year the Company had a strong pipeline of hospitals in the sample-to-purchase phase and successfully converted pipeline hospitals to new customers, ending the year with 159 hospital DyeVert customers.

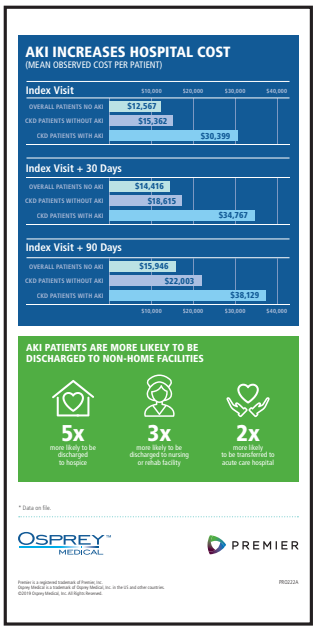
An important factor helping drive adoption of DyeVert Plus is the medical society guidelines that stress the importance of dye minimization and monitoring for patients at risk of dye-related kidney damage. The American College of Cardiology (ACC) and American Heart Association (AHA) have issued joint guidelines for the reduction of contrast induced acute kidney injury (CI-AKI). These guidelines emphasize the need to screen patients for risk of CI-AKI, ensure proper hydration for all patients, and employ dye minimization strategies to avoid CI-AKI. Additionally, updated best practices from the Society for Cardiovascular Angiography and Interventions (SCAI) expanded on the guidelines to include the need for real-time monitoring, setting of contrast thresholds, and minimizing contrast in high-risk patients. All of these guidelines drive demand for our DyeVert Plus System, as it is the only FDA-cleared product proven to reduce dye without affecting image quality. DyeVert's unique monitoring system is the only objective means for a cath lab to establish target contrast threshold levels by patient and monitor contrast delivered to the patient in real time throughout the procedure. Osprey's market awareness campaigns in 2019 reinforced the society guidelines, the need for minimization of dye delivered to patients, and the need to manage these high-risk patients differently in the cath lab.

GPO partnerships

In 2019, Osprey had five national agreements, including Premier, one of the largest GPOs in the United States, with 4,000 hospitals covered. The Premier contract with Osprey is considered for a Technology Breakthroughs Award, due to the unique opportunity for the DyeVert Plus System to improve quality and patient outcomes while lowering total cost of care in patients suffering from chronic kidney disease (CKD) who are undergoing common heart procedures. Premier owns the world's largest database of hospital procedure charges and patient outcomes, and they commissioned a study on the burden of illness of CI-AKI in their member hospitals. The study included 752 hospitals with 2.8M CKD patients across 5 years, showing CI-AKI rates rose from 18% in 2012 to 29% in 2017. Patients who had a CI-AKI event had a 61% rise in mortality, and the cost of CI-AKI in these hospitals was $1.67B.

GPOs are a major focus for Osprey and our sales organization, highlighting the high burden of illness of CI-AKI, physician engagement with established clinical guidelines, and measurable results with trackable outcomes through clinical databases.





Direct sales force

The Company's sales strategy is to use a direct sales force to commercialize the DyeVert Plus System to improve patient outcomes and lower hospital costs. Osprey has taken a considered approach in the creation of sales territories, choosing to locate its sales reps where there is a large population of patients with CKD who are at high risk of developing kidney damage.

At the end of 2019 the Osprey team was comprised of 18 sales representatives, 7 clinical specialists, 2 GPO specialists, and 4 sales managers. Sales reps focus on opening new GPO-contracted hospitals, and clinical specialists focus on expanding utilization in existing hospitals. The two GPO specialists focus on the largest hospitals within each contracted GPO, and sales management is focused on ensuring high level execution of sales strategies. This multi-faceted sales approach allows for education on disease prevention and product training to ensure rapid adoption and patients' protection.

Podium presentations and publications

A key part of Osprey's commercialization strategy is to support physician presentations on the podium at leading industry events to drive product awareness among the physician community for the DyeVert System. Osprey's technology was featured in nine podium presentations at key heart meetings in 2019:

- Abstract publication at the National Cardiovascular Data Registry annual meeting (March 2019)
- A presentation and two abstracts at the American College of Cardiology conference (March 2019)
- A presentation and two abstracts at the Society of Cardiovascular Angiography and Interventions conference (May 2019)
- Two presentations at the Transcatheter Cardiovascular Therapeutics conference (October 2019)

These presentations featured the DyeVert Plus 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. Collectively, over 26,000 clinicians and their associates attended these meetings in 2019, which provided significant exposure for Osprey and the DyeVert System.

As we look forward to 2020, sales revenue is expected to grow as the number of hospitals and physicians using the DyeVert System increases and as we pick up momentum from GPO hospital adoption. In Europe we expect to move from the pilot sales to full commercialization in 2020 through distribution of the DyeVert System with a world leader in the healthcare industry. 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 2020.

The key areas of focus in CY2020 include the following:

Continued US commercial penetration

Osprey salesforce will focus on GPO-contracted hospitals in 2020 with the goal of establishing the DyeVert System as part of the standard of care for physicians treating patients at risk of dye related kidney damage. We anticipate publications from key opinion-leading physicians and GPO hospital centers of excellence that will help accelerate our commercial efforts in 2020.

European commercial launch

Outside of the United States, we are planning a full launch of the DyeVert System in 2020 through a distribution partnership with a leading health care company that has an established sales force of over 100 reps throughout Europe, Russia, the Middle East, and Africa. We expect the contract to be executed in the first half of 2020 and commence sales in the second half of 2020. In the United Kingdom, Osprey has engaged the National Institute for Health and Clinical Excellence (NICE) to develop a medtech innovation briefing (MIB) on DyeVert for reducing contrast media in coronary and peripheral angiography. MIBs are designed to support the National Health Service (NHS), which is considering using new medical devices. The MIB on DyeVert was issued by NICE in the first quarter of 2020 and will be a key selling tool for our new distribution partner in 2020.

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 System and the importance of dye reduction for patients at risk of dye-related kidney damage.

We are planning additional post-marketing studies of the DyeVert System in 2020. These studies will focus on demonstrating the value of contrast monitoring and dye savings using the DyeVert System in a kidney care approach to reduce CI-AKI. We anticipate these studies to be presented at key heart meetings in the United States and Europe and published following completion.

New product enhancements and developments

We continue to invest in our DyeVert product franchise. In 2020, our top R&D priority is the launch of a power injector compatible DyeVert Plus System with dye-savings display technology in Europe and submission to the FDA in 2020. This technology will allow power injection procedures to have the same dye-saving advantages as manual injection procedures with DyeVert Plus. Approximately 25% of United States hospitals use the power injection, and this new technology will help protect power injection patients from the harmful effects of dye.

I would like to thank our employees, Board of Directors, and shareholders for their continued support. We are on track to achieving our 2020 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
Level 13, 41 Exhibition Street
Melbourne, Victoria 3000, Australia
ARBN: 152 854 923

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, 2019 and 2018, 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 Consolidated 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, 2019 and 2018, 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.

Emphasis of Matter - Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company's accumulated deficit, cash used in operations, and the need for additional working capital to support future operations raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
February 24, 2020

Baker Tilly Virchow Krause, LLP trading as Baker Tilly, is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

OSPREY MEDICAL, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

As of December 31, 2019 and 2018

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	$ 8,276,720	$ 25,251,790
Accounts receivable	464,912	392,634
Prepaid expenses	100,031	291,378
Inventory	937,869	771,842
Total Current Assets	9,779,532	26,707,644
PROPERTY AND EQUIPMENT		
Office and computer equipment	468,551	441,398
Laboratory equipment	1,112,244	1,070,551
Furniture and fixtures	46,103	46,103
Leasehold improvements	212,635	172,998
Less: Accumulated depreciation	(1,265,852)	(1,000,281)
Net Property and Equipment	573,681	730,769
OTHER ASSETS		
Intangible assets, net of accumulated amortization of $156,200 and 143,704 as of December 31, 2019 and 2018, respectively	70,811	83,307
Right-of-use operating lease asset	382,394	–
Other assets	12,250	12,250
Total Other Assets	465,455	95,557
TOTAL ASSETS	**$ 10,818,668**	**$ 27,533,970**

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts payable	$ 1,094,309	$ 875,805
Accrued payroll and related	947,736	808,123
Accrued vacation	188,312	169,183
Right-of-use operating lease liability – current	125,241	–
Total Current Liabilities	2,355,598	1,853,111
LONG-TERM LIABILITIES		
Accrued rent	–	6,987
Right-of-use operating lease liability – noncurrent	384,495	–
Other accrued liabilities	–	139,278
Total Liabilities	2,740,093	1,999,376
SHAREHOLDERS' EQUITY		
Preferred stock, $0.0001 par value; 20,000,000 authorized shares; none issued and outstanding as of December 31, 2019 and 2018	–	–
Common stock, $0.0001 par value; 1,130,000,000 and 630,000,000 authorized shares; 215,898,685 shares issued and outstanding as of December 31, 2019 and 2018	21,590	21,590
Additional paid-in capital	122,892,257	122,271,893
Accumulated deficit	(114,835,272)	(96,758,889)
Total Shareholders' Equity	8,078,575	25,534,594
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 10,818,668**	**$ 27,533,970**

See accompanying notes to consolidated financial statements.

OSPREY MEDICAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2019 and 2018

	2019	2018
SALES	$ 3,665,142	$ 2,514,117
COST OF SALES	1,767,868	1,384,277
Gross Profit	1,897,274	1,129,840
OPERATING EXPENSES		
Sales and marketing	10,702,654	9,990,594
General and administrative	3,871,684	3,445,549
Clinical and regulatory	2,501,866	1,917,548
Research and development	3,061,610	3,635,455
Total Operating Expenses	20,137,814	18,989,146
Operating Loss	(18,240,540)	(17,859,306)
OTHER INCOME		
Interest Income	173,930	344,320
Net Other Income	173,930	344,320
Loss Before Income Taxes	(18,066,610)	(17,514,986)
Income Taxes	9,773	6,981
NET LOSS	$ (18,076,383)	$ (17,521,967)
EARNINGS PER SHARE:		
Basic and diluted loss per common share	$ 0.08	$ 0.10
Basic and diluted weighted average shares outstanding	215,898,685	177,444,867

See accompanying notes to consolidated financial statements.

OSPREY MEDICAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the Years Ended December 31, 2019 and 2018

	Common Stock		Additional	Accumulated	Total Shareholders'
	Shares	Amount	Paid-in Capital	Deficit	Equity
BALANCES, December 31, 2017	169,754,103	$ 16,975	111,578,760	(79,236,922)	32,358,813
Issuance of common stock at $0.22, per share, net of issuance costs of $136,247	46,144,582	4,615	10,182,218	–	10,186,833
Stock-based compensation expense	–	–	510,915	–	510,915
2018 net loss	–	–	–	(17,521,967)	(17,521,967)
BALANCES, December 31, 2018	215,898,685	$ 21,590	$ 122,271,893	$ (96,758,889)	$ 25,534,594
Stock-based compensation expense	–	–	620,364	–	620,364
2019 net loss	–	–	–	(18,076,383)	(18,076,383)
BALANCES, December 31, 2019	215,898,685	$ 21,590	$ 122,892,257	$ (114,835,272)	$ 8,078,575

See accompanying notes to consolidated financial statements.

OSPREY MEDICAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$ (18,076,383)	$ (17,521,967)
Adjustments to reconcile net loss to net cash flows from operating activities		
Depreciation	265,571	261,428
Amortization	12,496	12,496
Stock-based compensation expense	620,364	510,915
Changes in operating assets and liabilities		
Accounts receivable	(72,278)	(82,531)
Prepaid expenses	191,347	(146,932)
Inventory	(166,027)	(9,657)
Accounts payable	218,504	318,341
Accrued payroll and related	278,891	(254,558)
Accrued rent	–	2,657
Other accrued liabilities	(158,201)	139,278
Accrued vacation	19,129	9,523
Net Cash Flows from Operating Activities	(16,866,587)	(16,761,007)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(108,483)	(308,884)
Net Cash Flows from Investing Activities	(108,483)	(308,884)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common stock, net of issuance costs	–	10,186,833
Net Cash Flows from Financing Activities	–	10,186,833
Net Change in Cash and Cash Equivalents	(16,975,070)	(6,883,058)
CASH AND CASH EQUIVALENTS - Beginning of Year	25,251,790	32,134,848
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 8,276,720	$ 25,251,790
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash paid for income taxes	$ 9,773	$ 6,981

See accompanying notes to consolidated financial statements.

NOTE 1 - Summary of Significant Accounting Policies

Nature of Operations

Osprey Medical, Inc. ("Osprey," "Osprey Medical," or the "Company") is a US-based, commercial stage company focused on protecting patients from the harmful effects of X-ray dye (contrast) used during commonly performed angiographic imaging procedures. Osprey's mission is to improve outcomes in patients with chronic kidney disease (CKD) by reducing contrast induced acute kidney injury CI-AKI, and lowering hospital costs. Patients with CI-AKI experience long-term and costly side effects from this disease. The incidence of CI-AKI also has a negative economic impact on the healthcare system and providers caring for these patients. Osprey Medical is committed to making angiography safer for patients suffering from CKD, improving clinical outcomes, and reducing economic impact.

The Company's products are designed to reduce the amount of contrast injected into patients during standard cardiovascular and peripheral procedures (angiogram and stenting). Published literature indicates approximately 25% of patients undergoing standard cardiovascular procedures have pre-existing CKD and are at high risk of further kidney damage due to CI-AKI. Cardiology and radiology clinical society guidelines strongly recommend reducing CI-AKI by screening patients for risk of kidney disease, adequately hydrating these patients pre- and post-procedure, minimizing the amount of contrast delivered to the patient, and monitoring in real time the amount of contrast delivered during the angiography procedure.

Osprey Medical's core technologies originated from research conducted at Melbourne's Baker IDI Heart and Diabetes Institute. Its proprietary contrast reduction and monitoring technologies are designed to minimize and track contrast volumes delivered to patients. The Company's DyeVert™ System reduces contrast delivered to the patient while maintaining image quality in a simple, self-adjusting, easy-to-use design. DyeVert's monitoring capabilities allow for real-time contrast monitoring throughout the procedure and the ability to establish maximum contrast thresholds customized for each patient. DyeVert's monitoring system displays total contrast delivered to the patient and the amount diverted away from the patient during the procedure.

The Company obtained European regulatory approval (CE Mark), TGA approval, and United States of America Food and Drug Administration (FDA) clearance for the AVERT™, AVERT Plus, and the DyeVert NG, DyeVert Plus, and DyeVert Plus EZ Systems. The Company received FDA clearance for medical claims of contrast savings, image quality, and reflux reduction for its various products.

The Company commenced its commercial strategy in 2015 and has since built a sales organization focused on commercializing its DyeVert Systems to acute care hospitals throughout the United States. As of December 31, 2019, the number of field sales representatives (sales representatives and clinical specialists) was 26, and the number of sales managers was 6.

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.

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

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 statements of operations, the Company segregates its operating expenses into four 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.

Cash and Cash Equivalents

Cash and cash equivalents include short-term investments with maturities of 3 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 to date.

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, 2019 and 2018.

Concentration of Credit and Other Risks

No customer represented more than 10% of total revenue for the either of the years ended December 31, 2019 or 2018. The Company does not require collateral to extend credit to an account. One customer represented 30% of gross accounts receivable as of December 31, 2019. No customer represented more than 10% of gross accounts receivable as of December 31, 2018.

Inventories

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

	2019	2018
Raw Materials	$ 524,107	$ 399,589
Finished Goods	413,762	372,253
Total	$ 937,869	$ 771,842

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 as follows:

	Years
Office and computer equipment	3
Furniture and fixtures	7
Laboratory equipment	5
Leasehold Improvements	5

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

Maintenance and repairs are charged to expense as incurred. Depreciation expense on property and equipment was $261,428 and $185,376 for the years ended December 31, 2018 and 2017, respectively.

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.

Revenue Recognition

Revenue from all customers is recognized when a performance obligation is satisfied by transferring control of a distinct good or service to a customer. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account. A contract's transaction price is allocated to each distinct performance obligation in proportion to the standalone selling price for each and recognized as revenue when, or as, the performance obligation is satisfied. Each unit of product delivered under a customer order represents a distinct and separate performance obligation as the customer can benefit from each unit on its own or with other resources that are readily available to the customer and each unit of product is separately identifiable from other products in the arrangement. Individual promised goods and services in a contract are considered a performance obligation and accounted for separately if the good or service is distinct. A good or service is considered distinct if the customer can benefit from the good or service on its own or with other resources that are readily available to the customer and the good or service is separately identifiable from other promises in the arrangement. Costs related to products delivered are recognized in the period incurred, unless criteria for capitalization of costs are met. Cost of goods sold consists primarily of direct labor, manufacturing overhead, materials, and components.

The Company excludes from revenue taxes collected from a customer that are assessed by a governmental authority and imposed on and concurrent with a specific revenue-producing transaction.

The transaction price for the products is the invoiced amount.

Generally, revenue is recognized upon the transfer of control of the products which is based on shipment terms; however, in certain cases the amount of shipment is adjusted for expected future returns and related consideration received. The Company includes shipping and handling fees in revenue. Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as a fulfillment cost and are included in cost of goods sold.

Impairment of Long-Lived Assets

The Company reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flow from the use of the asset is less than the carrying amount of that asset. To date, there have been no such losses.

Lease Expense

In February 2016, the FASB issued ASU 2016-02 "Leases" (Topic 842). Topic 842 supersedes the lease accounting guidance previously set forth in the Accounting Standards Codification (ASC) Topic 840 "Leases," and requires lessees to recognize a right-of-use operating lease liability and a right-of-use operating lease asset for all leases that extend beyond 1 year. The Company adopted Topic 842 with a date of initial application of January 1, 2019, which resulted in the recording of an initial right-of-use operating lease liability and a right-of-use operating lease asset of $610,000 and $463,000, respectively, and a right-of-use operating lease liability and operating lease asset of $510,000 and $382,000, respectively, as of December 31, 2019.

The Company did not apply Topic 842 retrospectively using the transition option in ASU 2018-11, "Targeted Improvements" to ASC 842, to not restate comparative periods in transition and instead to use the effective date of ASC 842, "Leases," as the date of initial application of transition. In addition, we elected the package of practical expedients permitted under the transition guidance within the new standard, which allowed us to carry forward the historical lease classification.

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

Changes to the Company's accounting policies as a result of adopting Topic 842 are discussed below: Short-term lease recognition exemption. The Company adopted the short-term lease recognition exemption as an accounting policy. Renewal and purchase options for a lease will be reassessed upon the occurrence of certain discrete reassessment events: (1) the lease term is extended more than 12 months beyond the end of the previously determined lease term or (2) the lessee now concludes that the lessee's exercise of a purchase option is reasonably certain. When a lease no longer qualifies for the short-term lease exemption, the Company will apply ASC 842 guidance on initial recognition and measurement; the commencement date of the lease for this purpose is the date of the change in circumstances. Combining lease and non-lease components into a single component. The Company elected to adopt this practical expedient for all asset classes. As a result of this election, the consideration included in the lease payments for these asset classes will be greater, resulting in a larger right-of-use operating lease liability and a right-of-use operating asset.

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.

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 payment is recognized over the requisite service period.

The Company evaluates change in options for modification treatment in order to determine whether to recognize the grant date fair value of the newly issued options or the incremental grant date fair value as the stock-based compensation expense.

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 12 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, 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 (see Note 2).

Subsequent Events

For the year ended December 31, 2019, 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, 2019 on February 24, 2020.

NOTE 2 - Liquidity

The accompanying financial statements have been prepared on the basis that the Company will continue as a going concern. The Company had a loss for the year ended December 31, 2019; had an accumulated deficit as of December 31, 2019; and does not have adequate liquidity to fund its operations 12 months from the report date. These conditions raise substantial doubt about its ability to continue as a going concern. The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result if the Company is unable to continue as a going concern. To provide additional working capital, management intends to seek additional financing during the year ending December 31, 2020. If the Company is not able to raise additional working capital, it would have a material adverse effect on the operations of the Company and its ability to sell its products into the market.

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 that 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, 2019:				
Cash and cash equivalents – money market securities	$ 6,769,121	$ 6,769,121	$ –	$ –
As of December 31, 2018:				
Cash and cash equivalents – money market securities	$ 15,016,252	$ 15,016,252	$ –	$ –

NOTE 4 - Leases

The Company leases space for our corporate headquarters in Minnetonka, Minnesota under a noncancelable operating lease that expires in May 2023. This lease has escalating lease terms and also includes a tenant incentive that was recorded at the time the lease was originally entered into. The lease does not contain contingent rent provisions or renewal options. Further, the lease does not have significant rent escalation holidays, concessions, or other build-out clauses. The lease includes both lease (e.g., fixed rent payments) and non-lease components (e.g., common area or other maintenance and utility costs) which are accounted for as a single lease component as we have elected the practical expedient to group lease and non-lease components for all leases.

We use our incremental borrowing rate based on the information available at the lease commencement date for a similar asset and similar term in determining the present value of the lease payments.

The cost components of our operating leases were as follows for the period ended December 31, 2019:

	Corporate Headquarters
Operating lease cost	$ 120,699
Variable lease cost	94,197
Totals	$ 214,896

NOTE 4 - Leases (cont.)

Variable lease costs consist primarily of taxes, insurance, and common area or other maintenance costs for our leased corporate headquarters which are paid based on actual costs incurred by the lessor. Rent expense was $92,142 for the year ended December 31, 2018.

Maturities of our lease liabilities for our corporate headquarters operating lease are as follows at December 31, 2019:

2020	$	155,250
2021		159,908
2022		164,704
2023		69,960
Total lease payments		549,822
Less: interest		(40,084)
Present value of lease liabilities	$	509,738

The following table is shown for comparative purposes only. The future minimum remaining lease commitments under the terms of the noncancelable lease for the years ending December 31, 2018:

2019	$	150,728
2020		155,250
2021		159,908
2022		164,704
2023		69,960
Total	$	700,550

The remaining lease term as of December 31, 2019 is 3.4 years, and the discount rate was 5.5%. The cash outflow for operating leases for the year ended in December 31, 2019 was $150,728.

NOTE 5 - Employee Benefits

The Company provides a 401(k) plan as a benefit to its employees. In April 2018, the Company started a 5% match of qualified payments under the 401(k) plan. Under the plan, eligible employees may contribute amounts through payroll deductions supplemented by employer contributions for investment in various investments specified in the plan. Company contributions to the plan were $246,046 and $170,897 for the years ended December 31, 2019 and 2018, respectively.

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, 2019 and 2018. Amortization expense will approximate $12,496 in each of the next 5 years.

NOTE 7 - Income Taxes

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

The Company incurred income tax expense of $9,773 and $6,891 for the years ended December 31, 2019 and 2018, respectively.

NOTE 7 - Income Taxes (cont.)

As of December 31, 2019 and 2018, 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 $107,426,515 applicable to income subject to federal income tax and $50,449,199 applicable to income subject to state income tax as of December 31, 2019. These federal tax and state tax carryforwards begin to expire in 2028 and 2023, respectively. Utilization of these net operating losses to offset future taxable income may be limited.

Income tax expense (benefit) consists of the following:

	2019	2018
Current:		
Federal	$ –	$ –
State	9,773	6,891
Foreign	–	–
	9,773	6,891
Deferred:		
Federal	3,540,000	4,224,000
State	1,185,000	580,000
Foreign	–	–
	4,725,000	4,804,000
Deferred tax asset valuation allowance	(4,725,000)	(4,804,000)
Total provision	$ 9,773	$ 6,891

Income tax expense differs from the amount computed at the statutory federal income tax rate of 21% 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:

	2019	2018
Deferred tax assets:		
Net operating loss carryforwards	$ 26,126,000	$ 21,692,000
Research and development credit	1,521,000	1,261,000
Organization costs	1,000	1,000
Accrued vacation	46,000	41,000
Deferred rent	–	10,000
Stock-based compensation expense	141,000	108,000
	27,835,000	23,113,000
Deferred tax liability:		
Intangible assets	(45,000)	(48,000)
	(45,000)	(48,000)
Net deferred tax asset	27,790,000	23,065,000
Valuation allowance	(27,790,000)	(23,065,000)
	$ –	$ –

The valuation allowance for deferred tax assets changed by $4,725,000 and $4,804,000 for the years ended December 31, 2019 and 2018, 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.

NOTE 7 - Income Taxes (cont.)

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 - Common Stock and Preferred Shares

During the years ended December 31, 2019 and 2018, there were no options exercised.

In May 2019, the Company authorized an additional 500,000,000 shares of common stock resulting in a total amount authorized of 1,130,000,000.

In November 2018, the Company completed a private offering on the Australian Securities Exchange of 32,258,065 shares of common stock at a price to the public of $0.22 per share. In addition, in October 2018, a pro rata non-renounceable Entitlement Offer was offered to qualified shareholders of record. Under the Entitlement Offer, 13,886,517 shares of common stock were issued in November 2018 at a price of $0.22 per share. As a result of the total financing, the Company raised approximately $10,323,080 in gross proceeds, before issuance costs of approximately $136,247.

As of both December 31, 2019 and 2018, the common shares outstanding were 215,898,685. As of December 31, 2019 and 2018, there are no preferred shares outstanding.

NOTE 9 - 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, 2019 and 2018, are as follows:

	2019	2018
Weighted average common shares outstanding – basic	215,898,685	177,444,867
Dilutive effect of stock option and warrants	–	–
Weighted average common shares outstanding – diluted	215,898,685	177,444,867

As of December 31, 2019 and 2018, stock options shares of 18,372,846 and 13,564,956, respectively, were not included as their effect is anti-dilutive due to the loss for the years.

NOTE 10 - 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 1,806,231 shares then outstanding remain available for exercise as of December 31, 2019. 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 10 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 Board of Directors approved an increase in the 2016 Plan of 9,772,284 shares in May 2019. The Company has reserved 17,628,541 shares of common stock for issuance under the 2016 Plan as of December 31, 2019. As of December 31, 2019, options issued under the 2016 Plan were 16,566,615.

Effective April 5, 2019, the ASX Limited (ASX) permitted the Company to cancel 9,215,104 stock options issued to its

NOTE 10 - Stock-Based Compensation (cont.)

employees, consultants, and independent non-executive directors under its 2006 Stock Incentive Plan and 2016 Stock Incentive Plan with an exercise price of A$0.60 or higher per share (equivalent to A$0.30 or higher per CHESS Depositary Interest, or CDI) in consideration for issue of 9,202,500 new stock options that have reduced exercise prices and extended exercise periods under a proposed exchange offer. Common stock option holders had to elect the cancellation of these stock options in exchange for the same number of new common stock options with an exercise price of A$0.23 (equivalent to A$0.115 per CDI) and an expiration date of May 27, 2029, with vesting terms of 25% vesting 1 year after the date of the grant and the remainder over 36 months.

In connection with the stock option exchange, the Company cancelled and reissued 9,202,500 common stock options. The estimated fair value of additional compensation cost related to the stock options exchanged was $498,879, which will be recognized over the vesting term of the new option grants, which become fully vested in 2023.

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 US 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 our company.

	Year Ended December 31, 2019	Year Ended December 31, 2018
Risk-free interest rate	1.71%– 2.62%	.69%–2.84%
Expected volatility	73.28%–74.28%	78.00%–90.88%
Expected life (in years)	5.92	5.92
Dividend yield	0.00%	0.00%
Weighted average estimated fair value of options granted	$0.23	$0.21

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, 2017	11,138,073	$ 0.71	6.0	
Granted	2,537,883	0.29		
Expired	(111,000)	(0.53)		
Balance as of December 31, 2018	13,564,956	0.64	5.78	$ –
Granted	14,478,732	0.16		
Expired	(27,342)	(0.50)		
Cancelled	(9,643,500)	(0.76)		
Balance as of December 31, 2019	18,372,846	$ 0.21	8.43	$ –
Exercisable as of December 31, 2019	2,917,131	$ 0.34	3.65	$ –

The aggregate intrinsic value is calculated as approximately the difference between the weighted average exercise price of the underlying awards and the Company's estimated current fair value as of December 31, 2019.

The Company recognized stock-based compensation expense related to stock options of $620,364 and $510,915 for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019, $1,506,535 of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted average period of 2.65 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.

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 (Share) is equivalent to two CDIs.

The shareholder information below was applicable as at 18 February 2020.

The Company's Corporate Governance Statement approved by the Board on 20 February 2020 is located at: https://ospreymed.com/investors/corporate-governance. The Company's share capital was as follows:

Type of Security	Number of Securities
Total number of issued Shares (1)	215,898,685
Total number of issued CDIs	431,797,370

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

SUBSTANTIAL HOLDERS

The names of substantial holders in the Company and their respective stock holdings (to the best of the Company's knowledge) follow below:

Names of holders as disclosed in substantial holding notices given to the Company	Number of CDIs held	Percentage of voting power
Brandon Capital Partners and each of the following associated entities: MRCF Pty Ltd atf the MRCF Trust (9,134,673 CDIs), BBF1 Trusco Pty Ltd atf Brandon Biosciences Fund No.1 Trust (4,814,443 CDIs) and BBF1 IIF Partnership, LP (10,842,156 CDIs), AustralianSuper Pty Ltd atf AustralianSuper (34,302,093 CDIs), MRCF3 Services (H) Pty Ltd atf MRCF3 (H) Trust (34,302,093 CDIs), MRCF3 Services (SW) Pty Ltd atf MRCF3 (SW) Trust (11,434,033 CDIs), MRCF3 Services (HP) Pty Ltd atf MRCF3 (HP) Trust (11,434,033 CDIs)	116,263,524	26.93%
Funds and investment mandates for which Allan Gray Australia Pty Ltd acts as investment manager	74,645,971	17.28%
J P Morgan Nominees Australia Pty Limiteds (1)	56,724,532	13.14%
Citicorp Nominees Pty Limited (1)	35,664,933	8.26%
AustralianSuper Pty Ltd as trustee of AustralianSuper	34,302,093	7.94%
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	7.88%
HSBC Custody Nominees (Australia) Limited (1)	31,455,306	7.26%

(1) The Company is not aware of the extent (if any) to which the holdings of J P Morgan Nominees Australia Limited, Citicorp Nominees Pty Limited and HSBC Custody Nominees (Australia) Limited are subject to an exception listed in section 609 of the Corporations Act.

For the purpose of the above table, a "substantial holder" is a security holder who, together with their associates, has a relevant interest (within the meaning of section 608 of the Australian Corporations Act) in securities representing 5% or more of the total number of votes attached to voting shares in the Company.

DISTRIBUTION SCHEDULE

Number of CDIs	Number of holders	% of CDIs held by the holders in each category
1–1,000	146	0.01
1,001–5,000	508	0.34
5,001–10,000	241	0.44
10,001–100,000	724	6.43
100,001 and over	307	92.78
Total	**1,926**	**100**

Unmarketable Parcels

Based on the market price on 18 February 2020, there were 1,237 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 18 February 2020. (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 PTY LIMITED	56,724,532	13.14
2.	CITICORP NOMINEES PTY LIMITED	35,664,933	8.26
3.	MRCF3 SERVICES (H) PTY LTD	34,302,093	7.94
4.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	31,455,306	7.28
5.	CM CAPITAL VT 4A PTY LTD	17,020,450	3.94
6.	CM CAPITAL VT 4B PTY LTD	17,020,449	3.94
7.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	13,978,192	3.24
8.	MRCF3 SERVICES (SW) PTY LTD	11,434,033	2.65
9.	MRCF3 SERVICES (HP) PTY LTD	11,434,033	2.65
9.	BBF1 IIF PARTNERSHIP LP	10,842,156	2.51
10.	MRCF PTY LTD	9,134,673	2.12
11.	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LTD	7,866,910	1.82
12.	NATIONAL NOMINEES LIMITED	7,782,328	1.80
13.	DRNEWNHAM SUPER PTY LTD	5,458,170	1.26
14.	BBF1 TRUSCO PTY LTD	4,814,443	1.11
15.	DIXSON TRUST PTY LIMITED	3,139,232	0.73
16.	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	3,106,007	0.72
17.	BNP PARIBAS NOMINEES PTY LTD	2,932,514	0.68
18.	MR CHRISTOPHER WILLIAM POTTER	2,910,000	0.67
19.	MR BAHRAM REZAEI	2,900,000	0.67
20.	MRS FANG DONG	2,500,000	0.58
Total CDIs held by top 20 CDI holders		**292,420,454**	**67.72**
Total CDIs held by all other CDI holders		**139,376,916**	**32.28**
Total CDIs		**431,797,370**	**100.00**

Options (not listed on ASX)

As at 18 February 2020, there were 17,144,514 options on issue to purchase shares of common stock (equivalent to 34,289,028 CDIs) under the Company's 2006 and 2016 Stock Incentive Plans.

The following table is a distribution schedule of the number of holders of options as at 18 February 2020:

Category	Number of holders
1–1,000	6
1,001–5,000	13
5,001–10,000	9
10,001–100,000	19
100,001 and over	15
Total	**62**

Restricted Securities

There were no ASX restricted securities or securities subject to voluntary escrow as at 18 February 2020.

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:

- 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;
- 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
- 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.

Australian Corporate Governance Statement

The Board of Directors has confirmed that the Company's corporate governance framework complies in almost all respects with the ASX's Corporate Governance Council's *Corporate Governance Principles and Recommendations* (3rd Edition) ("Recommendations") and that where it does not comply, it is due to the current relative size of the Company, its stage of development, and the scale and nature of its operations.

The Company's Corporate Governance Statement and further details in relation to the Company's governance framework are set out in a dedicated corporate governance information section of the Company's website https://ospreymed.com/investors/corporate-governance/. This section of the Company's website contains copies of all of the corporate governance policies and Board Committee charters.

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

Mr John Erb, Non-executive Chairman
Mr Andrew Jane, Non-executive Director
Mrs Sandra Lesenfants, Non-executive Director
Mr Mike McCormick, President & CEO
Mr Neville Mitchell, Non-executive Director
Dr Christopher Nave, Non-executive Director
Mr Brendan Case, Australian Secretary

Executive Team

Mr Mike McCormick, President & CEO
Mr Vic Fabano, VP Operations
Ms Melanie Hess, VP of Regulatory Affairs, Quality and Compliance
Mr Rod Houfburg, VP Research & Development
Ms Kimberley Knish, VP Clinical Affairs
Ms Nancy Ness, CFO
Mr Doug Schoenberg, VP Marketing & Reimbursement

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Annual Meeting of Stockholders Date

The Annual Meeting of Stockholders will be held via a webcast facility on Wednesday, 13 May 2020 at 9.00am Australian Eastern Standard Time (Tuesday, 12 May 2020 at 6.00pm U.S. Central Time). Details will be provided in the Notice of Annual Meeting of Stockholders.

ASX Code

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