

28 July 2020

Positive traction in the Quarter that was defined by COVID-19

Minnesota, United States and Melbourne, Australia – 28 July 2020 - Osprey Medical Inc. (ASX:OSP) (**Osprey or the Company**) today released its Appendix 4C – Quarterly Cash Flow Report for the period ending 30 June 2020.

Key Highlights

- Successful capital raised in the quarter A\$12.8m from Entitlement Offer and Shortfall Placement, and A\$1.9m¹ US Government pandemic recovery loan
- Anticipated near term agreement with GE Healthcare for distribution throughout Europe
- Impactful operating cost reduction program following COVID-19 leads to a 44% reduction in cash used in operating activities QoQ
- COVID-19 negatively impacts worldwide heart procedures resulting in unit sales decline of 7% QoQ
- Pipeline remains resilient off the back of the June 'In-Kind for Kidneys' program which enabled our sales representatives to access hospitals and encouraged further kidney care protection within hospitals
- Business remains well capitalised with a cash balance of A\$14.0m¹ as at 30 June 2020

Osprey Medical CEO, Mr Mike McCormick commented:

“Osprey has bounced back following the re-introduction of elective procedures in the US, buoyed by the introduction of the ‘In-Kind for Kidneys’ marketing initiative which saw our product gain traction with customers during a time of limited sales rep access and severe COVID-19 disruptions. In addition, we are excited about the impending agreement with GE Healthcare which will expand our kidney protection technology to new markets throughout Europe. The business remains well capitalised with a strong balance sheet following our successful capital raise and we are well positioned to pursue our future growth objectives.”

Successful capital raising

The Company successfully raised gross proceeds of A\$14.7m in the quarter with A\$12.8m from the Entitlement Offer and Shortfall Placement and A\$1.9m¹ in loan proceeds from the US Paycheck Protection Program ('PPP'). As announced on 29 April 2020, the PPP is a US Government COVID-19 relief program providing loans to US-based small businesses. The funds raised will be used to accelerate commercial expansion in the United States, support GE Healthcare's commercial efforts and undertake ongoing clinical evidence and product portfolio development.

The Entitlement Offer provided one (1) free unquoted option issued for every one (1) new CDI issued under the Renounceable Entitlement Offer and Shortfall Placement. 1.1bn unquoted options have been issued at an option exercise price of 1.4c and with an expiry date of 15 February 2021. Based on today's share price, these options are currently in the money and will provide Osprey with a further A\$14.9m ahead of February next year in the case where all options are exercised.

GE Healthcare update

As announced on 3 April 2020, Osprey entered a non-binding term sheet with GE Healthcare. The term sheet requires the parties to negotiate in good faith toward the execution of a four-year exclusive distribution agreement to enable GE Healthcare to commercialise Osprey's product portfolio in Europe, Russia, Middle East, Africa, Central Asia and Turkey.

Discussions with GE continue to progress well and are in advanced stages with a formal and definitive distribution agreement anticipated to be entered into in the near term. Osprey will update the market accordingly as this situation develops further.

Financial performance and operating cost reduction

In 2Q 2020, Osprey sold 1,642 DyeVert units which was down 7% on a QoQ basis and 48% to pcp. The decline in unit sales in 2Q was driven by disruptions from the COVID-19 pandemic which resulted in the postponement of elective heart procedures and restricted access to hospitals for the majority of the quarter. In addition, sales across Europe were stagnant due to COVID-19 related hospital procedure suspensions.

Osprey's US based 'In Kind for Kidneys' program was introduced in June with the goal of 'jump starting' hospitals' kidney care programs as cases resumed in the Cath Lab. The one month program offered customers the DyeVert systems at zero (\$0) charge to support their efforts to protect all high-risk patients from Acute Kidney Injury and unanticipated extended hospital stays. The In Kind for Kidneys program was part of Osprey's widespread marketing efforts to assist hospitals in responding to kidney health in light of challenging circumstances from the pandemic. The program resulted in a significant uptick of units sold in June and has ensured our pipeline remains robust as Osprey re-engages with key customers in the coming months.

Subsequently on a revenue basis, unaudited worldwide quarterly sales revenue were US\$226k in 2Q, down 61% to the prior quarter and Osprey's recorded cash receipts were US\$306k, down 60% to the prior quarter; both impacted by the factors described above.

Due to the impact of the COVID-19 pandemic on elective cardiology procedures, Osprey initiated an aggressive cost reduction program that included:

- 35% of the Internal office-based staff were furloughed with all remaining staff members taking 20% temporary reduction in base salary
- 33% reduction in the sales force with remaining sales team members having expanded geographies and taking a 20% temporary reduction in base salary
- Independent Non-Executive Directors have forgone compensation 1 April 2020 – 30 Sept 2020 and taking stock options in lieu of cash compensation for the period 1 October 2020- 30 June 2021
- Reductions in non-essential marketing, sales, product development, and general and administrative expenses

In 2Q, Osprey began to see some early results from its cost reduction program with 44% decline in operating cash outflows (\$3.1m) and a 41% reduction in net cash used in operations (US\$2.8m) compared to previous quarter. Compared to the previous year corresponding quarter the outflows represent a 36% reduction and a 26% reduction respectively.

In light of the COVID-19 pandemic, the Company will continue to demonstrate appropriate fiscal restraint such that it can continue its current activities during these uncertain times.

Payments made to related parties as described in item 6.1 of the Appendix 4C were for executive director remuneration.

In-Kind for Kidneys program

The postponement of cardiac procedures brought about by the COVID-19 global pandemic gave rise to a backlog of patients seeking treatment upon the recommencement of elective procedures. In many hospitals, the severely ill were treated first. For these patients, complications arising from heart imaging and stenting procedures commonly led to extended stays of over 4 days. With heightened fears of COVID-19 transmission within hospitals and overcrowding of critical intensive care units, minimisation of the length of stays became paramount in operating practises across the US.

In response, Osprey initiated the 'In-Kind for Kidneys' program, whereby the DyeVert™ System was offered zero-charge to hospitals in the month of June. The DyeVert™ System alleviates the risk of potential complications and helps to ensure the length of patient hospital stay is optimally reduced. The program was very successful as it was aligned with the limited length of stay goals of the hospital, physician and patient, and it kept a strong focus on kidney protection protocols in the Osprey customer base with 60% of the full quarters' units delivered in June.

The program forms part of Osprey's wider marketing strategy to support hospitals and practitioners to drive kidney care protection when undertaking cardiac procedures, prompting traction for future widespread use of Osprey's DyeVert™ System to monitor dye usage and alleviate post-surgery complications. Over 15% of 'In-Kind for Kidneys' unit orders arose from new accounts with 5 new hospitals engaged over the quarter, demonstrating the widespread reach the program had in promoting kidney care protection during heart procedures.

The Company anticipates that engagements brought about by the program supports the commercialisation of the DyeVert™ product pipeline following the pandemic.

Well capitalised to support future growth objectives

As at 30 June 2020, Osprey had a cash balance of US\$9.8m / A\$14.0m¹ supported by its capital raising which was announced on 3 April 2020.

As flagged previously, going forward, the Company will continue to demonstrate appropriate fiscal restraint such that it can continue its current activities during these uncertain times.

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¹ AUD/USD = 0.70

Conference Call Details

Investors are invited to join a conference call hosted by CEO Mike McCormick on Tuesday, 28 July 2020 at 9:00am Australian Eastern Standard Time (7:00am Hong Kong/Singapore, 6:00pm Monday, 27 July 2020 Minneapolis, MN).

To pre-register, please follow this link: <https://s1.c-conf.com/diamondpass/10008582-invite.html>

Call details:

Australia Toll Free	1800 908 299
Alternate Australia Toll Free	1800 455 963
Australia Local Number	+61 2 9007 8048
Hong Kong	800 968 273
Singapore	800 101 2702
United States	1 855 624 0077

Conference ID: 10008582

This release has been authorised for lodgement to ASX by Mike McCormick, CEO of Osprey Medical and lodged by Brendan Case, Company Secretary.

– ENDS –

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About Osprey Medical (ASX: OSP)

Osprey Medical's vision is to make heart imaging procedures safer for patients with poor kidney function. The amount of dye (contrast) used during angiographic imaging procedures increases the patient's risk for dye-related kidney damage known as Contrast-Induced Acute Kidney Injury (CI-AKI). The Company's core technologies originated from research conducted by Dr David Kaye at Melbourne's Baker Institute. Its proprietary dye reduction and monitoring technologies are designed to help physicians minimize dye usage and monitor the dose of dye real time throughout the procedure. The Company's DyeVert™ System reduces contrast while maintaining image quality in a self-adjusting easy-to-use design that monitors dye usage. Osprey Medical's Board and Management are comprised of experienced and successful personnel with established track records covering medical device development, regulatory approvals, sales and marketing, and mergers-acquisitions. Osprey Medical's advisory board comprises world-recognised experts in heart and kidney diseases.

Forward-Looking Statements

This announcement contains or may contain forward-looking statements that are based on management's beliefs, assumptions, and expectations and on information currently available to management. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future are forward-looking statements, including without limitation our expectations with respect to our ability to commercialize our products including our estimates of potential revenues, costs, profitability and financial performance; our ability to develop and commercialize new products including our ability to obtain reimbursement for our products; our expectations with respect to our clinical trials, including enrolment in or completion of our clinical trials and our associated regulatory submissions and approvals; our expectations with respect to the integrity or capabilities of our intellectual property position. Management believes that these forward-looking statements are reasonable as and when made. You should not place undue reliance on forward-looking statements because they speak only as of the date when made. Osprey does not assume any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Osprey may not actually achieve the plans, projections or expectations disclosed in forward-looking statements, and actual results, developments or events could differ materially from those disclosed in the forward-looking statements.

Foreign Ownership Restriction

Osprey's CHES Depository Interests (CDIs) are issued in reliance on the exemption from registration contained in Regulation S of the US Securities Act of 1933 (Securities Act) for offers or sales which are made outside the US. Accordingly, the CDIs have not been, and will not be, registered under the Securities Act or the laws of any state or other jurisdiction in the US. The holders of Osprey's CDIs are unable to sell the CDIs into the US or to a US person unless the re-sale of the CDIs is registered under the Securities Act or an exemption is available. Hedging transactions with regard to the CDIs may only be conducted in accordance with the Securities Act.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Osprey Medical, Inc.

ABN

152 854 923

Quarter ended ("current quarter")

June 30, 2020

Consolidated statement of cash flows	Current quarter \$'000 USD	Year to date (6 months) \$'000 USD
1. Cash flows from operating activities		
1.1 Receipts from customers	306	1,073
1.2 Payments for		
(a) research and development	(325)	(824)
(b) product manufacturing and operating costs	(166)	(381)
(c) advertising and marketing	(224)	(1,009)
(d) leased assets	-	-
(e) staff costs	(2,008)	(5,683)
(f) administration and corporate costs	(390)	(760)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	15
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,807)	(7,569)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(244)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$'000 USD	Year to date (6 months) \$'000 USD
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	(244)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	8,254	8,254
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities *	(271)	(271)
3.5	Proceeds from borrowings **	1,325	1,325
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	9,308	9,308

*additional transaction costs paid in July 2020 of approximately \$50k.

** Paycheck Protection Program ('PPP') a US Government Covid-19 relief program providing loans to US-based small businesses.

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,271	8,277
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,807)	(7,569)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(244)

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$'000 USD	Year to date (6 months) \$'000 USD
4.4	Net cash from / (used in) financing activities (item 3.10 above)	9,308	9,308
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	9,772	9,772

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$'000 USD	Previous quarter \$'000 USD
5.1	Bank balances	9,772	3,271
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	9,772	3,271

6. Payments to related parties of the entity and their associates	Current quarter \$'000 USD
6.1 Aggregate amount of payments to related parties and their associates included in item 1	122
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$'000 USD	Amount drawn at quarter end \$'000 USD
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8. Estimated cash available for future operating activities	\$'000 USD
8.1 Net cash from / (used in) operating activities (Item 1.9)	(2,807)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	9,772
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	9,772
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	3.5

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer :

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

28 July 2020

Date:

Authorised by: The Osprey Disclosure Committee, a committee of the Board of Directors.

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. This report has been authorized to be released to the market by the Osprey Disclosure Committee, a committee of the Board of Directors.
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.