ASX / Media Release

Positive outlook following adjustments to COVID-19

25 August 2020 - Melbourne, Australia and Minnesota, United States – Osprey Medical (ASX: OSP) today released its Appendix 4D half yearly accounts for the period ending 30 June 2020.

Key Highlights

- **Milestone agreement signed with global giant, GE Healthcare, to exclusively distribute Osprey's product portfolio outside of US**
- **DyeVert™ unit sales of 3,250 in 1H 2020, a 40% reduction compared to 1H 2019 due to COVID-19 disruptions**
- **Continuing focus on cost optimisation following COVID-19 showing strong outcomes resulting in a 15% reduction in net cash outflow from operating activities compared to pcp**
- **Net Loss After Tax of US$7.4m, an improvement of 19% compared to the pcp**
- **Business remains well capitalised with a cash balance of US$9.8m/ A$14.0m[1] as at 30 June 2020 off the back of a successful capital raising and the US Government pandemic recovery loan programme**

Osprey Medical CEO, Mr Mike McCormick commented:

"The first half of 2020 was underpinned by the challenges of COVID-19 followed by the subsequent moves Osprey took to bounce back strongly. Although the pandemic has negatively impacted our revenues, it has allowed Osprey to evaluate its expenditures and reduce its cost base going forward. This is highlighted through the 41% reduction in cash used in operating activities from Q1 to Q2, translating to a 15% reduction in net cash outflows for the first half of 2020 compared to pcp. In addition, our 'In-Kind for Kidneys' marketing initiative saw our product gain traction with customers during a time of limited sales rep access and severe disruptions to hospital procedures. Through the pandemic, we will continue to be nimble and find opportunities that will better position Osprey in the long-term.

In July, we also announced the milestone distribution agreement with GE Healthcare. This is a significant step in Osprey's growth as it ultimately means that we have effectively added an OUS business that will contribute materially to group revenues going forward compared to what was previously a US-focused business with immaterial sales from OUS. With a reduced cost base, a strong cash balance and a robust pipeline including the start of the GE Healthcare agreement; we are well positioned to pursue our future growth objectives."

GE Healthcare distribution agreement

On 30 July 2020, Osprey announced that it had signed an exclusive agreement with GE Healthcare to distribute its products in Europe, Russia, Middle East, Africa, Central Asia and Turkey ('the Region'). Under the contract, GE Healthcare's large and dedicated commercialisation team (in excess of 120 FTE) will be tasked with selling products in the Osprey portfolio in the Region.

Under the contract with GE Healthcare, there are prescribed minimum order quantities increasing each year with further upside when sales exceed these quantities. This milestone agreement is expected to contribute materially to Osprey's revenue over the 4-year contracted period. This agreement represents a significant shift for the company and means that OUS sales will now contribute materially to Osprey's group revenues and complement the existing growth of sales generated within the US.

As previously communicated, based on conservative estimates, the distribution agreement is expected to add +20% to Osprey's total expected revenues in 2021 with this expected to scale in importance each year, reaching +40% by the fourth year. Additionally, all transfer prices have been set over the 4-year period whereby Osprey will experience an average gross margin of ~50% furthering margin certainty across the business from a pricing perspective.

Financial performance and operating cost reduction

The first half of 2020 was negatively impacted by the COVID-19 pandemic, with postponement of elective heart procedures and restricted access to hospitals for Osprey's sales reps leading to a reduction in sales. In addition, Osprey's pilot sales across Europe were on pause due to the pandemic and the finalisation of the distribution agreement with GE Healthcare.

In 1H 2020, Osprey sold 3,250 DyeVert units which represents a 40% reduction to 1H 2019. On a revenue basis, unaudited worldwide sales revenue were US$807k in 1H 2020, down 56% to pcp. The drop in revenue outweighed the drop in unit sales due to the 'In Kind for Kidneys' program initiated in the month of June, whereby DyeVert systems were offered to customers at zero ($0) charge to support their efforts in kidney care protection. This marketing initiative meant Osprey was able to engage with customers, prompt traction for future widespread use of the DyeVert systems and build a robust pipeline during a period that would have initially seen limited site access for Osprey's sales reps.

Due to the impact of the COVID-19 pandemic, 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

Osprey began to see some early results from its cost reduction program in 2Q 2020 with a 41% decline in operating cash outflows compared to 1Q 2020. On a half yearly basis, Osprey has seen the aggressive cost reduction program noted above resulting in a 15% decline in operating cash outflows in the first half of the year. The business continuing to look for opportunities to drive down costs whilst maintaining product quality and consistency. This has translated to net cash outflows from operating activities of US$7.6m, down 15% compared to US$8.9m in 1H 2019. Subsequently, Osprey saw a 19% decline in net loss after tax compared to pcp, with a net loss after tax of US$7.4m in 1H 2020.

Despite the disruptions caused by the pandemic, Osprey continues to focus on its strategy of driving sales in US through contractual relationships with multi-hospital systems referred to as Group Purchasing Organisations (GPOs). Osprey now has five GPO contracts in place, representing 50% of the US market for poor kidney patients undergoing heart imaging and stenting procedures. has built a robust pipeline as Osprey re-engages with customers over the coming months. In addition, the Company anticipates that engagements brought about by the 'In Kind for Kidneys' program will support the commercialisation of the DyeVert™ product pipeline following the pandemic.

DyeMINISH Registry progress

DyeMINISH is a global patient registry initiated by Osprey in mid-2019 to evaluate the ongoing safety and performance of the DyeVert Contrast Reduction System during standard clinical use in a real-world patient population. Since mid-2019, the DyeMINISH™ Registry has +1,300 enrolments across 9 US cardiovascular centers. 1H 2020 saw strong progress for the DyeMINISH global patient registry with a sharp rise in enrolments when COVID-19 first hit due to the increase availability of clinical researchers. Osprey expects the first publication surrounding study methods in the back-half of 2020.

Well capitalised to support future growth objectives

As at 30 June 2020, Osprey had a cash balance of US$9.8m / A$14.0m[1]. In 1H 2020, the Company successfully raised gross proceeds of A$14.7m with A$12.8m from the Entitlement Offer and Shortfall Placement and A$1.9m[1] in loan proceeds from the US Paycheck Protection Program ('PPP'). The PPP is a US Government COVID-19 relief program providing loans to US-based small businesses for the purposes of paying for payroll, rent, and utilities; with loan amounts forgiven when used for these purposes.

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.

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.

[1] AUD/USD = 0.70

This release dated 25 August 2020 has been authorised for lodgement to ASX by Mike McCormick, CEO of Osprey Medical.

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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. Forward-looking statements involve known and unknown risks, uncertainties, contingencies and other factors, many of which are beyond the Company's control (including but not limited to the COVID-19 pandemic), subject to change without notice and may involve significant elements of subjective judgment and assumptions as to future events which may or may not be correct.

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. Given the current uncertainties regarding the impact of the COVID-19 on the trading conditions impacting the Company, the financial markets and the health services world-wide, investors are cautioned not to place undue reliance on the current trading outlook.

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 CHESS Depositary 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.