OSPREY™ MEDICAL

2020 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, it gives me great pleasure to present our 2020 Annual Report for Osprey Medical.

Reflecting on the last 12 months, we can see that 2020 has presented its fair share of challenges globally as we experienced a global shutdown due to the pandemic, which has impacted us personally and within our businesses. During this period, the Osprey Medical team has focused its efforts on stabilizing the core commercial business,optimizing its balance sheet, and evaluating opportunities for increased effectiveness in business operations.

In 2020, Osprey re-evaluated its U.S. commercial structure by implementing a strategy that leveraged its direct sales force in key geographies while expanding sales coverage through the addition of independent sales agents (ISAs). The ISAs strategy is complementary to Osprey's existing direct sales strategy and is comprised of experienced sales professionals in the cardiology field who will look to expand geographic reach in driving growth in 2021.

Additionally, the Osprey team expanded its commercial reach outside of the U.S. through its four-year strategic alliance with GE Healthcare. The DyeVert System will now be marketed in Europe, Russia, Middle East, Africa, Central Asia, and Turkey through GE representatives to local hospitals and physicians, allowing Osprey to expand internationally with broad coverage.

In 2020, we also continued to make advancements in other areas of the business with a number of impactful clinical and economic publications and product launches. Internationally, based on strong clinical and economic evidence, the DyeVert System received a MedTech Innovation Briefing in the UK, positioning it for a recommendation for use to decrease contrast-induced acute kidney injury (CI-AKI) in 2021. In the U.S., three studies were published detailing the benefit of using the DyeVert System to reduce CI-AKI in high-risk patients and the economic benefit of reducing hospital costs. Osprey also launched the DyeVert Power XT internationally, expanding its market offering for physicians who prefer a powered injection machine for angiographies. The DyeVert Power XT is expected to launch in the U.S. in 2021.

From a financial standpoint, as mentioned above, we were not immune to the impacts of the global pandemic as elective procedures came to a halt. Despite revenue declines caused by this, the business proactively responded through a number of cost reduction initiatives, which have resulted in a 31% decline in total operating expenses compared to 2019. These cost-saving measures will carry forward through to 2021 and serve as a foundation for the Company's long-term cost-effective commercial strategy. In addition to these cost initiatives, Osprey took active steps in shoring up its balance sheet through successfully raising gross proceeds of A$14.7 million to support the ongoing operations of the business and to achieve key milestones in 2021.

Finally, I would like to take this opportunity to thank our Chief Executive Officer, Mike McCormick, and the entire Osprey Medical management team for their outstanding contribution throughout the year especially given the challenges that we have faced. I would also like to thank the Board for their tireless efforts in 2020. The progress and efficiencies achieved in 2020 will establish a strong commercial foundation for growth moving forward.

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 and stability made in 2020 and look forward to providing further progress updates and sharing our achievements with you in 2021.

Yours sincerely,

John Erb

Chairman

Osprey Medical Inc.

LETTER FROM THE PRESIDENT AND CEO

MIKE MCCORMICK

Dear Shareholders,

Despite 2020 having been a challenging year marked by historical events and unforeseen changes to work and home lives, Osprey has continued to make significant progress throughout this period.

In response to the global pandemic and a postponement in elective procedures, the Osprey team has continued to focus on key areas that drive our business growth while mitigating the challenges which came with the global shutdown.

We are proud of the way and pace with which our team proactively responded to the challenges that arose as a result of the pandemic. The financial adjustments made allowed the Company to navigate the pandemic, while emerging stronger and better equipped to serve our customers.

Our Sales and Marketing teams discovered and implemented new ways to help our customers rapidly react to the changing nature of healthcare. The need to protect patients' kidneys from the dangers of angiography dye and ultimately reducing unintended hospital stays was a key priority for our customers during COVID-19. Listening to our customers' challenges and needs led to the growth of our product portfolio. We also refocused our commercial strategy for expansion and cost effectiveness with a new sales distribution model.

I am proud to report that over the last year, the Osprey team has worked diligently to deliver the following achievements in what has been a challenging year.

OUS sales strategy progressing strongly

Osprey signed a four-year strategic alliance with GE Healthcare in July 2020 for exclusive distribution rights to Osprey's product portfolio in Europe, Russia, Middle East, Africa, Central Asia, and Turkey. GE Healthcare's Pharmaceutical Diagnostics unit develops and supplies imaging agents, and its range of products includes iodinated X-ray contrast media used in interventional and other diagnostic procedures including coronary angiography, making them a well-suited partner for commercialization of the DyeVert System.

In Australia and New Zealand, Osprey partnered with Australian-owned medical distribution company Regional Health Care Group Pty Ltd (RHCG), which will see RHCG exclusively distribute Osprey's products in those regions.

U.S. Sales strategy extended to increase geographic reach

Throughout the period, Osprey also expanded its U.S. sales coverage with the addition of a strategic independent sales agency (ISA) agreement with BioCore Inc., an independent sales group covering 8 states in the northeast part of the United States. In the first quarter of 2021 Osprey added 3 additional ISAs covering 7 states outside of Osprey's existing direct salesforce coverage. Each ISA has been in operation as an independent sales group for over 10 years, selling heart-related products for cardiac surgery, electrophysiology, and the cath lab, making them well suited to represent Osprey Medical's value proposition.

The ISA model significantly increases Osprey's geographic reach and allows the business to offer its products across a much broader hospital universe allowing the business to not only increase unit sales but also extend its brand awareness.

Key clinical and economic outcomes publications

In early 2020, Osprey announced that the National Institute of Health and Care Excellence (NICE) in the UK issued a MedTech Innovation Briefing (MIB) on DyeVert for reducing contrast media in coronary and peripheral angiography. Alongside this, a peer-reviewed publication to accompany the MIB on the cost-utility of DyeVert was published in *The Pharmacoeconomics & Health Economics Journal*. In October, the DyeVert System was selected by NICE for Guidance consideration, which could lead to a recommendation by NICE for the use of DyeVert to reduce contrast-induced acute kidney injury (CI-AKI) in 2021.

Throughout the period, additional clinical and economic data detailing the impact of the use of the DyeVert System to prevent CI-AKI and reduce overall hospital costs was published. At the SCAI 2020 Scientific Session, two abstracts on the topic of procedure-based strategies to reduce contrast-induced acute kidney injury published outcomes of 57% and 84% mean relative CI-AKI reduction with the DyeVert System. In April, an important peer-reviewed manuscript was published on CI-AKI prevention in acute coronary syndrome (heart attack) patients. Professor Briguori et al. published their controlled retrospective two-arm study reporting on a 58% mean relative reduction of CI-AKI in the patient group treated with the DyeVert System.

In July 2020, we were very pleased to receive a Supplier Horizon Award from Premier Inc. We were one of just nine suppliers to win the prestigious award, and we were the only cardiovascular supplier to receive the award this year. The award recognizes suppliers who have made a positive impact on patient care and who lower healthcare costs.

Portfolio expansion

Osprey received CE Marking for our DyeVert Power XT 2nd generation device with the added benefits of displaying the contrast saved throughout the procedure, which allows real-time contrast monitoring. The DyeVert Power XT device is expected to be the core product in the DyeVert portfolio that is being commercialized by GE Healthcare internationally. The DyeVert Power XT is for physicians who prefer a powered injection machine to perform coronary angiograms. Approximately 50% of the European market and 35% of the U.S. market use power injection machines; thus Osprey now has full coverage for both markets with the DyeVert Plus EZ and DyeVert Power XT.

The DyeVert Power XT has been submitted to the United States Food and Drug Administration, and clearance is expected in 2021.

Financial performance

2020 was a year disrupted by the global pandemic, which saw postponement of elective heart procedures, restricted sales representative access to hospitals, and suspension of new technology evaluations. This impact was felt globally, by both our U.S. and International initiatives. From a financial standpoint, we were not immune to the impacts of the global pandemic as elective procedures came to a halt, and as a result, Osprey revenues declined in 2020. Despite this, the business proactively responded through a number of cost reduction initiatives, which have resulted in a 31% decline in total operating expenses compared to 2019. These cost-saving measures will carry through to 2021 and serve as a foundation for the Company's long-term strategy of increasing worldwide sales coverage with cost-effective ISAs in the U.S. and GE distribution of the Osprey portfolio outside of the U.S.

In addition to the above, the Company successfully raised gross proceeds of A$14.7m from an entitlement offer, loan proceeds from the U.S. Paycheck Protection Program, and the exercise of unlisted options issued under the entitlement offer. In the first quarter of 2021, additional funding of A$12.8m was received following the exercise of unlisted options issued under the 2020 entitlement offer and a second loan from the U.S. Paycheck Protection Program. The Company has a strong balance sheet and is well capitalized for future growth.

As we look forward to 2021, sales revenue is expected to grow as elective hospital procedures recover and hospitals shift their focus toward improving patient outcomes and reducing hospital costs. Financial adjustments and distribution-based sales expansion undertaken in 2020 have placed Osprey in a good position to capitalize on the recovery of healthcare in 2021.

The key areas of focus in 2021 include, but are not limited to, the following:

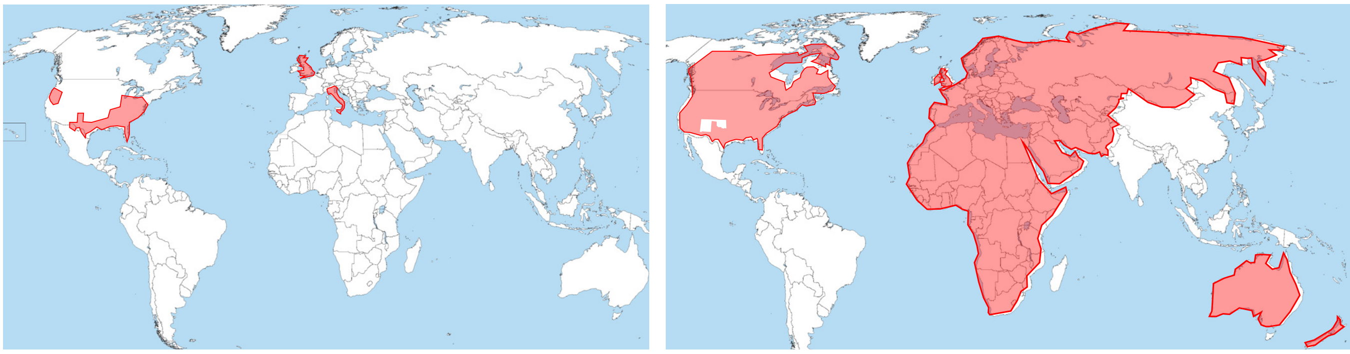
Continued U.S. commercial penetration

The Osprey direct salesforce and ISAs will continue to focus on establishing the DyeVert as part of the standard of care for physicians treating patients at risk of dye-related kidney damage. The Company has successfully executed its ISA commercial strategy to increase its U.S. coverage while maintaining a lean business model. The ISA strategy provides Osprey with a dual-pronged sales approach across the U.S., via both ISAs and direct sales reps, with agreements structured to leverage the key advantages of both these sales forces.

Full European commercial launch with GE Healthcare

As the pandemic eases, we are planning a full launch of the DyeVert System in 2021 throughout Europe with our partner GE Healthcare, which has an established salesforce of over 100 reps throughout Europe, Russia, the Middle East, and Africa. In the UK, the DyeVert Systems were selected by the National Institute of Health and Care Excellence (NICE) for the Medical Technologies Guidance Program. The guidance evaluates new, innovative medical devices with the aim of boosting update of devices and technologies in the NHS. Approximately 15 technologies per year are selected for this review that can lead to recommendation by NICE for device use. Osprey expects the NICE review to be completed in 2021.

The image below demonstrates Osprey's cost-effective growth in worldwide sales coverage from 2020 to 2021.



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 Plus System in Europe and the U.S. in 2021. 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 and published at key heart meetings in the U.S. and Europe.

New product enhancements and developments

We continue to invest in our DyeVert product franchise. In 2021 our top R&D priority is the U.S. launch of the power injector-compatible DyeVert Power XT System with dye savings display technology. This DyeVert Power XT System will allow power injection procedures to have the same dye-saving advantages as manual injection procedures with DyeVert Plus EZ.

Finally, I would like to thank our employees, Board of Directors, and shareholders for your continued support. We look forward to a productive 2021 and believe our 2020 achievements and adjustments have established a strong runway for success in the coming year.

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, 2020 and 2019, 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, 2020 and 2019, and the results of their operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly US, LLP

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Minneapolis, Minnesota
February 24, 2021

OSPREY MEDICAL, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

As of December 31, 2020 and 2019

ASSETS

	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	$ 5,787,030	$ 8,276,720
Accounts receivable,net	183,039	464,912
Prepaid expenses	129,637	100,031
Inventories	827,040	937,869
Total Current Assets	6,926,746	9,779,532
PROPERTY AND EQUIPMENT		
Office and computer equipment	533,942	468,551
Laboratory equipment	1,374,956	1,112,244
Furniture and fixtures	46,103	46,103
Leasehold improvements	212,635	212,635
Less: Accumulated depreciation	(1,555,040)	(1,265,852)
Net Property and Equipment	612,596	573,681
OTHER ASSETS		
Intangible assets, net of accumulated amortization of $168,696 and $156,200 as of December 31, 2020 and 2019, respectively	58,315	70,811
Right of use operating lease asset	278,194	382,394
Other asset	12,250	12,250
Total Other Assets	348,759	465,455
TOTAL ASSETS	**$ 7,888,101**	**$ 10,818,668**

LIABILITIES AND SHAREHOLDERS' EQUITY

	2020	2019
CURRENT LIABILITIES		
Accounts payable	$ 821,954	$ 1,094,309
Other accrued expenses	783,873	947,736
Accrued vacation	193,913	188,312
Loan payable	1,325,122	–
Operating lease liability	131,852	125,241
Total Current Liabilities	3,256,714	2,355,598
LONG-TERM LIABILITIES		
Operating lease liability – noncurrent	236,539	384,495
Total Liabilities	3,493,253	2,740,093
SHAREHOLDERS' EQUITY		
Preferred stock, $0.0001 par value; 20,000,000 authorized shares; none issued and outstanding as of December 31, 2020 and 2019	–	–
Common stock, $0.0001 par value; 3,000,000,000 and 1,130,000,000 authorized shares; 811,673,481 and 215,898,685 shares issued and outstanding as of December 31, 2020 and 2019	81,168	21,590
Additional paid-in capital	132,527,022	122,892,257
Accumulated deficit	(128,213,342)	(114,835,272)
Total Shareholders' Equity	4,394,848	8,078,575
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 7,888,101**	**$ 10,818,668**

See accompanying notes to consolidated financial statements.

OSPREY MEDICAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2020 and 2019

	2020	2019
SALES	$ 1,671,868	$ 3,665,142
COST OF SALES	1,223,687	1,767,868
Gross Profit	448,181	1,897,274
OPERATING EXPENSES		
Sales and marketing	5,730,978	10,702,654
General and administrative	3,464,224	3,871,684
Clinical and regulatory	2,426,700	2,501,866
Research and development	2,215,109	3,061,610
Total Operating Expenses	13,837,011	20,137,814
Operating Loss	(13,388,830)	(18,240,540)
OTHER INCOME		
Interest Income	16,037	173,930
Net Other Income	16,037	173,930
Loss Before Income Taxes	(13,372,793)	(18,066,610)
Income Taxes	5,277	9,773
NET LOSS	$ (13,378,070)	$ (18,076,383)
EARNINGS PER SHARE:		
Basic and diluted loss per common share	$ 0.02	$ 0.08
Basic and diluted weighted average shares outstanding	591,663,330	215,898,685

See accompanying notes to consolidated financial statements.

OSPREY MEDICAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the Years Ended December 31, 2020 and 2019

	Common Stock		Additional	Accumulated	Total Shareholders'
	Shares	Amount	Paid-in Capital	Deficit	Equity
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
Issuance of common stock at $0.02, per share, net of issuance costs of $320,614	533,495,727	53,350	7,880,626	–	7,933,976
Issuance of common stock at $0.02, per share, net of issuance costs of $12,167	62,279,069	6,228	1,214,830	–	1,221,058
Stock-based compensation expense	–	–	539,309	–	539,309
2020 net loss	–	–	–	(13,378,070)	(13,378,070)
BALANCES, December 31, 2020	811,673,481	$ 81,168	$ 132,527,022	$ (128,213,342)	$ 4,394,848

See accompanying notes to consolidated financial statements.

OSPREY MEDICAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$ (13,378,070)	$ (18,076,383)
Adjustments to reconcile net loss to net cash flows from operating activities		
Depreciation	289,188	265,571
Amortization	12,496	12,496
Stock-based compensation expense	539,309	620,364
Change in allowance for doubtful accounts	140,014	–
Changes in operating assets and liabilities		
Accounts receivable	141,859	(72,278)
Prepaid expenses	8,839	191,347
Inventories	6,992	(166,027)
Accounts payable	(272,355)	218,504
Other accrued expenses	(163,863)	278,891
Operating lease	(37,145)	(158,201)
Accrued vacation	5,601	19,129
Net Cash Flows from Operating Activities	(12,707,135)	(16,866,587)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(262,711)	(108,483)
Net Cash Flows from Investing Activities	(262,711)	(108,483)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock, net of issuance costs	9,155,034	–
Loan payable	1,325,122	–
Net Cash Flows from Financing Activities	10,480,156	–
Net Change in Cash and Cash Equivalents	(2,489,690)	(16,975,070)
CASH AND CASH EQUIVALENTS - Beginning of Year	8,276,720	25,251,790
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 5,787,030	$ 8,276,720
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash paid for taxes	$ 5,227	$ 9,773
Transfer of inventory to fixed assets	$ 65,392	$ –

See accompanying notes to consolidated financial statements.

OSPREY MEDICAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 1 - Summary of Significant Accounting Policies

Nature of Operations

Osprey Medical, Inc. ("Osprey," "Osprey Medical," or the "Company") is a U.S.-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 (AKI), and lowering hospital costs. The incidence of AKI also has a negative economic impact on the health care 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.

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, 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.

The Company signed a four-year strategic alliance with GE Healthcare for exclusive distribution rights to Osprey's product portfolio in Europe, Russia, Middle East, Africa, Central Asia, and Turkey, GE Healthcare's Pharmaceutical Diagnostics unit.

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 U.S. 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 three months or less from their date of purchase. The Company maintains cash balances that exceed federally insured limits; however, it has not incurred losses on such amounts 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 an allowance for doubtful accounts of $140,014 and $0 as of December 31, 2020 and 2019, respectively.

Concentration of Credit and Other Risks

One customer accounted for 11 percent and 10 percent of the total revenue for the years ended December 31, 2020 and 2019, respectively. The Company does not require collateral to extend credit to an account. One customer accounted for 10 percent of the total accounts receivable as of December 31, 2020, and one customer accounted for 30 percent of the total accounts receivable as of December 31, 2019.

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:

	2020	**2019**
Raw Materials	$ 443,619	$ 524,107
Finished Goods	383,421	413,762
Total	$ 827,040	$ 937,869

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 $289,188 and $265,571 for the years ended December 31, 2020 and 2019, 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 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 one year. The Company adopted Topic 842 with a date of initial application of January 1, 2019, which resulted in the recording of an initial operating lease liability and an operating lease asset of $610,000 and $463,000, respectively and an operating lease liability and right of use operating lease asset of $368,000 and $278,000, respectively, as of December 31, 2020, and $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.)

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 operating lease liability and a right of use operating lease asset.

Loan Payable

On April 24, 2020, the Company entered into a loan pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), as administered by the U.S. Small Business Administration (the "SBA"). The loan, in the principal amount of $1,325,122 (the "PPP Loan"), was disbursed by Silicon Valley Bank ("Lender") on April 23, 2020, pursuant to a Paycheck Protection Program Promissory Note and Agreement (the "Note and Agreement").

The PPP Loan matures on the two-year anniversary of the funding date and bears interest at a fixed rate of 1.00% per annum. Monthly principal and interest payments with the amendments in August that got them extended to 10 months after the covered period (an automatic extension) less the amount of any potential forgiveness (discussed below) will commence after the six-month anniversary of the funding date. The Company did not provide any collateral or guarantees for the PPP Loan, nor did the Company pay any facility charge to obtain the PPP Loan. The Note and Agreement provides for customary events of default, including those relating to failure to make payment, bankruptcy, breaches of representations, and material adverse effects. The Company may prepay the principal of the PPP Loan at any time without incurring any prepayment charges.

All or a portion of the PPP Loan may be forgiven by the SBA and the Lender upon application by the Company.

The Company has accounted for the PPP Loan as debt in accordance with FASB ASC 470, Debt and accrues interest in accordance with the interest method under FASB ASC 835-30. If the loan is forgiven in part or in whole, and legal release is received, the Company would reduce the liability by the amount forgiven and record a gain on extinguishment in the statement of operations. Based on the uncertainty surrounding the amount and timing of potential forgiveness, governmental determined changes in the Paycheck Protection Program from the original provisions, and two-year maturity of the unforgivable portion, the Company has classified all amounts outstanding as current liabilities on the consolidated balance sheets.

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.

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

Issuance of Stock

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

Recent Accounting Pronouncements

ASU No. 2016-13—Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses previously defined on Financial Instruments and Other ASUs Issued Amending Topic 326. During June 2016, the FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments." ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. During November 2018, April 2019, May 2019, and November 2019, the FASB also issued ASU No. 2018-19, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses"; ASU No. 2019-04, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses"; ASU No. 2019-05 "Targeted Transition Relief"; and ASU No. 2019-11, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses." ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022. Early adoption is permitted for annual and interim periods beginning after December 15, 2018. The Company does not believe that the adoption of ASU No. 2016-13 (as amended) will have a material effect on its results of operations, financial position, or cash flows.

Subsequent Events

For the year ended December 31, 2020, the Company has evaluated, for potential recognition and disclosure, events that occurred prior to the issuance of the consolidated financial statements for the year ended December 31, 2020, on February 24, 2021. On February 15, 2021, the Company closed on the final funding associated with the Entitlement Offer in April 2020. As a result of the financing, the Company raised $9,961,277, or through the issuance of 456,394,993 common shares. The remaining common shares available from the Entitlement Offer of 14,821,665 have an associated underwriting agreement to purchase these remaining shares as of March 3, 2021, for a value of $0.03 per common share. On February 10, 2021, the Company issued a promissory note for $1,080,743 under the Paycheck Protection Program through the SBA. The loan was authorized in the Consolidated Appropriations Act (CAA). The promissory note is uncollateralized and is fully guaranteed by the federal government. The promissory note bears interest at 1% per annum and is due on February 10, 2026. Per the Paycheck Protection Program's terms, some or all of the debt may be forgiven based upon the Company's use of the funds.

Going Concern

The financial statements are prepared on a going concern basis. Management evaluates the ability for the entity to continue as a going concern for at least twelve months from the date the financial statements are issued. In the event management concludes that there is substantial doubt regarding the Company's ability to continue as a going concern, the assumption is emphasized in the consolidated 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.

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, 2020, had an accumulated deficit as of December 31, 2020, and does have adequate liquidity to fund its operations twelve months from the report date February 24, 2021, as noted in the 2021 subsequent events that have provided additional cash.

NOTE 3 - Fair Value Measurements

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

> Level 1: Observable inputs such as quoted prices in active markets
> Level 2: Inputs other than the quoted prices in active markets that are observable either directly or indirectly
> Level 3: Unobservable inputs in which there is little or no market data, which requires 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, 2020:				
Cash and cash equivalents – money market securities	$ 783,753	$ 783,753	$ –	$ –
As of December 31, 2019:				
Cash and cash equivalents – money market securities	$ 6,769,121	$ 6,769,121	$ –	$ –

NOTE 4 - Leases

The Company leases space for our corporate headquarters in Minnetonka, Minnesota under a non-cancelable operating lease which 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 corporate headquarters operating leases were as follows for the periods ended December 31, 2020 and 2019:

	2020	2019
Operating lease cost	$ 120,699	$ 120,699
Variable lease cost	81,868	94,197
Totals	$ 202,567	$ 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.

Maturities of our lease liabilities for our corporate headquarters operating lease are as follows at December 31, 2020:

2021		159,908
2022		164,704
2023		69,960
Total lease payments		394,572
Less: interest		(26,181)
Present value of lease liabilities	$	368,391

The remaining lease term as of December 31, 2020, is 2.4 years, and the discount rate was 5.5%. The cash outflow for operating leases for the year ended in December 31, 2020, was $155,250.

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. The Company discontinued the company match as of March 31, 2020. Company contributions to the plan were $62,881 and $246,046 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019. Amortization expense will approximate $12,496 in each of the next five years and fully amortized in the fifth year, resulting in less than full amount of amortization.

NOTE 7 - Income Taxes

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

The Company incurred income tax expense of $5,277 and $9,773 for the years ended December 31, 2020 and 2019, respectively.

As of December 31, 2020 and 2019, 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 $119,531,585 applicable to income subject to federal income tax and $100,748,157 applicable to income subject to state income tax as of December 31, 2020. 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:

NOTE 7 - Income Taxes (cont.)

	2020	2019
Current:		
Federal	$ –	$ –
State	5,277	9,773
Foreign	–	–
	5,277	9,773
Deferred:		
Federal	2,828,000	3,540,000
State	(27,000)	1,185,000
Foreign	–	–
	2,855,000	4,725,000
Deferred tax asset valuation allowance	(2,855,000)	(4,725,000)
Total provision	$ 5,277	$ 9,773

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:

	2020	2019
Deferred tax assets:		
Net operating loss carryforwards	$ 28,800,000	$ 26,126,000
Research and development credit	1,575,000	1,521,000
Organization costs	–	1,000
Accrued vacation	117,000	46,000
Deferred rent	–	–
Stock-based compensation expense	173,000	141,000
	30,665,000	27,835,000
Deferred tax liability:		
Intangible assets	(13,000)	(45,000)
Property and equipment	(7,000)	–
	(20,000)	(45,000)
Net deferred tax asset	30,645,000	27,790,000
Valuation allowance	(30,645,000)	(27,790,000)
	$ –	$ –

The valuation allowance for deferred tax assets changed by $2,855,000 and $4,725,000 for the years ended December 31, 2020 and 2019, respectively.

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

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

NOTE 8 - Common Stock

During the years ended December 31, 2020 and 2019, there were no options exercised.

In May 2020, the Company authorized an additional 1,870,000,000 shares of common stock resulting in a total amount authorized of 3,000,000,000 as of December 31, 2020.

In April 2020 and June 2020, the Company issued 533,495,727 shares of common stock at a price of $0.02 per share. As a result of the total financing, the Company raised approximately $8,254,590 in gross proceeds, before issuance costs of $320,614. Included in the issuance costs were $31,145 paid to Brandon Capital Partners, a related party with ownership in the Company. As part of the issuance of common stock, the Company also offered each common stockholder that participated in the raise the option to purchase additional shares of common stock through February 15, 2021, at a share price of $0.03 per share. On October 15, 2020, the Company issued 62,279,069 shares of common stock at a price of $0.03 per share. As a result of the financing the Company raised approximately $1,233,225 in gross proceeds before issuance costs of $12,167. The total common stock available for purchase was 533,495,727, and as of the year ended December 31, 2020, 471,216,658 remain available to purchase shares of common stock, and all remain outstanding as of December 31, 2020. The options are accounted for within equity in the consolidated financial statements.

As of both December 31, 2020 and 2019, the common shares outstanding were 811,673,481 and 215,898,685. As of December 31, 2020 and 2019, 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, 2020 and 2019, are as follows:

	2020	2019
Weighted average common shares outstanding – basic	591,663,330	215,898,685
Dilutive effect of stock option and warrants	–	–
Weighted average common shares outstanding – diluted	591,663,330	215,898,685

As of December 31, 2020 and 2019, stock options shares of 16,954,364 and 18,372,846, respectively, were not included as their effect is anti-dilutive due to the loss for the years. In addition, options for the purchase of additional common stock granted to common stockholders that participated in the raise during the year ended December 31, 2020, of 471,216,658 were not included as their effect is anti-dilutive due to the loss for the year ended December 31, 2020.

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, 2020. On August 29, 2016, the Company's stockholders approved a new stock option plan (the 2016 Plan) with the same directive as the old plan. Under the 2016 Plan, incentive stock options must be granted at exercise prices not less than 100% of the fair value of the Company's stock as of the grant date. If incentive options are granted to persons owning more than 10% of the voting stock of the Company, the Plan provides that the exercise price shall not be less than 110% of the fair value of the Company's stock as of the grant date. These options have exercise and vesting terms established by the Option Committee of the Company's Board of Directors at the time of each grant, but in no event are the options exercisable after ten years from the date of grant. The options granted are subject to time-based vesting ranging from immediate vesting to vesting 48 months after the date of grant. The Board of Directors approved an increase in the 2016 Plan of 44,000,000 shares in June 2020 and evergreen adjustment of 4% on December 31, 2020, or 2,465,142 shares. The Company has reserved 64,093,683 shares of common stock for issuance under the 2016 Plan as of December 31, 2020. As of December 31, 2020, options issued under the 2016 Plan were 15,148,133.

NOTE 10 - Stock-Based Compensation (cont.)

Effective April 5, 2019, the ASX Limited ("ASX") permitted the Company to cancel 9,215,104 stock options issued to its 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 the CHESS Depositary Interests, 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 one 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 U.S. Treasury yield curve in effect at the time of grant. The expected life and expected volatility are based on the average reported lives and volatilities of our company.

	Year Ended December 31, 2020	Year Ended December 31, 2019
Risk-free interest rate	0.30%–1.46%	1.71%–2.62%
Expected volatility	72.81%–73.81%	73.28%–74.28%
Expected life (in years)	5.92	5.92
Dividend yield	0.00%	0.00%
Weighted average estimated fair value of options granted	$0.04	$0.23

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, 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	$ –
Granted	135,500	0.04		
Expired	–	–		
Cancelled	(1,553,982)	(0.16)		
Balance as of December 31, 2020	16,954,364	$ 0.21	7.38	$ –
Exercisable as of December 31, 2019	6,607,271	$ 0.20	6.07	$ –

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, 2020.

The Company recognized stock-based compensation expense related to stock options of $539,309 and $620,364 for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020, $799,316 of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted average period of 2.22 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 2 CDIs.

The shareholder information below was applicable as at 4 March 2021.

The Company's corporate Governance Statement approved by the Board on 16 February 2021 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)	1,282,890,139
Total number of issued CDIs	2,565,780,278

(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
MRCF3 SERVICES (H) PTY LTD ATF MRCF3 (H) TRUST	702,144,984	27.37%
MRCF3 SERVICES (SW) PTY LTD ATF MRCF3 (SW) TRUST	422,849,954	16.48%
Funds and investment mandates for which Allan Gray Australia Pty Ltd acts as investment manager	340,612,294	13.28%
MRCF3 SERVICES (HP) PTY LTD ATF MRCF3 (HP) TRUST	236,891,133	9.23%
CITICORP NOMINEES PTY LIMITED (1)	144,332,175	5.63%

(1) The Company is not aware of the extent (if any) to which the holdings of Citicorp Nominees Pty 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	160	4.07
1,001–5,000	413	10.49
5,001–10,000	245	6.22
10,001–100,000	1,910	48.51
100,001 and over	1,209	30.71
Total	**3,937**	**100**

The above holdings do not include CDN.

Unmarketable Parcels

Based on the market price on 3 March 2021, there were 1,636 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 4 March 2021. [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.	MRCF3 SERVICES (H) PTY LTD ATF MRCF3 (H) TRUST	702,144,984	27.37
2.	MRCF3 SERVICES (SW) PTY LTD ATF MRCF3 (SW) TRUST	422,849,954	16.48
3.	MRCF3 SERVICES (HP) PTY LTD	236,891,133	9.23
4.	CITICORP NOMINEES PTY LIMITED	144,332,175	5.63
5.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	117,315,681	4.57
6.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	77,154,510	3.01
7.	NATIONAL NOMINEES LIMITED	42,046,113	1.64
8.	PAUL MCCARTHY NOMINEES PTY LIMITED	20,000,000	0.78
9.	DIXSON TRUST PTY LIMITED	20,000,000	0.78
9.	BNP PARIBAS NOMINEES PTY LTD	12,132,908	0.47
10.	SACAVIC PTY LTD	12,000,000	0.47
11.	MR AMIRPOYA ERBEZIN ZANJANI	11,400,000	0.44
12.	BBF1 IIF PARTNERSHIP LP	10,842,156	0.42
13.	78 QUARRY ROAD PTY LTD	9,450,000	0.37
14.	MRCF PTY LTD	9,134,673	0.36
15.	MR BAHRAM REZAEI	8,600,000	0.34
16.	HENDERSON INTERNATIONAL PTY LTD	8,333,332	0.32
17.	DRUPKELDERS PTY LTD	8,012,000	0.31
18.	S F CAPITAL PTY LTD	7,511,761	0.29
19.	MR SUNDEEP KALRA & MR ANOOP KALRA & MRS SHIKHA MOHANTY	7,362,144	0.29
20.	MR BRIAN TULLY & MRS MARGARET TULLY	6,000,000	0.23
Total CDIs held by top 20 CDI holders		**1,893,513,524**	**73.80**
Total CDIs held by all other CDI holders		**672,266,754**	**26.20**
Total CDIs		**2,565,780,278**	**100.00**

Options (not listed on ASX)

As at 4 March 2021, there were 18,391,786 options on issue to purchase shares of common stock (equivalent to 36,783,572 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 4 March 2021:

Category	Number of holders
1–1,000	4
1,001–5,000	11
5,001–10,000	4
10,001–100,000	12
100,001 and over	17
Total	**48**

Restricted Securities

There were no ASX restricted securities or securities subject to voluntary escrow as at 4 March 2021.

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 U.S. 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 Corporate Governance Council's *Corporate Governance Principles and Recommendations* (4th 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 U.S. 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 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 Nancy Ness, CFO Mr Doug Schoenberg, VP Marketing, Education, & Reimbursement Ms Sarah Runde, Senior Director of Clinical Affairs
Company – U.S. Office & Headquarters 5600 Rowland Drive, Suite 250 Minnetonka, MN 55343 United States of America +1 952 955 8230	**Company – Registered Office in Australia** Level 13, 41 Exhibition Street Melbourne, Victoria 3000 + 61 410 442 393
Auditor Baker Tilly Virchow Krause, LLP 225 S Sixth Street, Ste 2300 Minneapolis, Minnesota 55402-4661 USA Telephone: + 1 612 876 4500 Facsimile: +1 612 238 8900 www.bakertilly.com	**Share Registry** Link Market Services Level 1, 333 Collins Street Melbourne, Victoria 3000 Australia Telephone: + 61 3 9615 9800 Facsimile: + 61 2 9287 0303 www.linkmarketservices.com.au
Investor Relations Mr Leijie Li Vesparum Capital T: (61) 3 8582 4800 ospreymed@vesparum.com Mr Doug Schoenberg VP of Marketing, Education, & Reimbursement T: (952) 955 8234 dschoenberg@ospreymed.com	**Annual Meeting of Stockholders Date** The Annual Meeting of stockholders will be held as a virtual meeting on Tuesday, 11 May 2021 at 10.00am Australian Eastern Standard Time (Monday, 10 May 2021 at 7.00pm U.S. Central Time).
ASX Code OSP	

www.ospreymed.com