;

OSPREY MEDICAL, INC.

HALF-YEAR INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2021

PROVIDED TO THE ASX UNDER LISTING RULE 4.2A.3

This half-year financial report is to be read in conjunction with the financial report for the year ended 31 December 2020.

OSPREY MEDICAL, INC.

APPENDIX 4D (RULE 4.2A.3)

HALF-YEAR REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2021

REPORTING PERIOD

Report for the half-year ended 30 June 2021
All comparisons to half-year ended 30 June 2020

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	$USD	up/down	% movement
Revenue from ordinary activities	$1,074,317	up	33.1%
Profit (loss) after tax from ordinary activities attributable to members	($5,181,632)	down	30.3%
Net profit (loss) attributable to members	($5,181,632)	down	30.3%

Dividend information	Amount per security $USD	Franked amount per security $USD	Tax rate for franking credit
Interim dividend	Nil	Nil	N/A
Previous corresponding dividend	Nil	Nil	N/A

Net tangible asset backing	30 June 2021 $USD	30 June 2020 $USD
Net tangible asset per share of common stock	$0.008	$0.012
Net tangible asset per CHESS Depositary Instrument (CDI)	$0.004	$0.006

- **Independent Audit Review:** This report is based on the consolidated 2020 Half-Year Financial Statements which have been reviewed by Baker Tilly US, LLP with the Independent Auditors' Review Report included in the 2021 Consolidated Half-Year Financial Statements.
- **Changes in control over entities:** There were no entities over which control was gained or lost during the period.
- **Details of dividends and dividend reinvestment plans:** No dividends have been declared or proposed.
- **Details of associates or joint ventures:** Not applicable
- **Set of accounting standards use in compiling the report:** The unaudited consolidated financial statement have been prepared in accordance with accounting principles generally accepted in the United States (US GAAP).
- **Details of audit disputes or audit qualification:** The financial report has been independently reviewed and an unqualified opinion has been issued with an Emphasis of Matter in relation to Going Concern.

OSPREY MEDICAL, INC. AND SUBSIDIARY

Minnetonka, Minnesota

CONSOLIDATED FINANCIAL STATEMENTS

Including Independent Auditors' Review Report

As of and for the periods ended June 30, 2021 and 2020

OSPREY MEDICAL, INC. AND SUBSIDIARY

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Independent Auditors' Review 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 reviewed the accompanying consolidated balance sheets of Osprey Medical, Inc. and Subsidiary as of June 30, 2021 and 2020, and the related consolidated statements of operations, shareholders' equity and cash flows for the six-month periods ended June 30, 2021 and 2020.

Management's Responsibility

The Company’s management is responsible for the preparation and fair presentation of the interim financial information in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with accounting principles generally accepted in the United States of America.

Auditors’ Responsibility

Our responsibility is to conduct our reviews in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Going Concern

The accompanying financial statements have been prepared assuming the company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the company's net loss, negative cash flows and need for additional working capital raise substantial doubt about its ability to continue as a going concern. Management's plans with regard to these matters are also described in Note 2 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from this uncertainty. Our opinion is not modified with respect to that matter.

Baker Tilly US, LLP

Minneapolis, Minnesota
August 16, 2021

OSPREY MEDICAL, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
As of June 30, 2021 and 2020

ASSETS

	(Unaudited) 2021	(Unaudited) 2020
CURRENT ASSETS		
Cash and cash equivalents	$ 11,049,416	$ 9,772,389
Accounts receivable, net	166,397	74,089
Prepaid expenses	246,309	79,814
Inventories	674,922	956,408
Total Current Assets	12,137,044	10,882,700
PROPERTY AND EQUIPMENT		
Office and computer equipment	568,530	468,551
Laboratory equipment	1,389,963	1,356,184
Furniture and fixtures	46,103	46,103
Leasehold improvements	212,635	212,635
Less: Accumulated depreciation	(1,706,503)	(1,414,299)
Net Property and Equipment	510,728	669,174
OTHER ASSETS		
Intangible assets, net of accumulated amortization of $174,944 and $162,448 as of June 30, 2021 and 2020, respectively.	52,067	64,563
Right of use operating lease asset	227,289	327,334
Other asset	12,250	12,250
Total Other Assets	291,606	404,147
TOTAL ASSETS	$ 12,939,378	$ 11,956,021

LIABILITIES AND SHAREHOLDERS' EQUITY

	2021	2020
CURRENT LIABILITIES		
Accounts payable	$ 999,552	$ 498,683
Accrued vacation	274,772	276,044
Other accrued expenses	544,943	566,343
Operating lease liability	149,587	125,975
Total Current Liabilities	1,968,854	1,467,045
LONG-TERM LIABILITIES		
Loan payable	1,080,743	1,325,122
Operating lease liability – noncurrent	148,881	309,401
Total Liabilities	3,198,478	3,101,568
SHAREHOLDERS' EQUITY		
Preferred stock, $0.0001 par value; 20,000,000 authorized shares; none issued and outstanding as of June 30, 2021 and 2020	-	-
Common stock, $0.0001 par value; 3,000,000,000 authorized shares; 1,282,890,139 and 749,394,412 shares issued and outstanding as of June 30, 2021 and 2020, respectively.	128,290	74,940
Additional paid-in capital	143,007,584	131,053,371
Accumulated deficit	(133,394,974)	(122,273,858)
Total Shareholders' Equity	9,740,900	8,854,453
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 12,939,378	$ 11,956,021

See accompanying notes to consolidated financial statements and independent auditors' review report.

OSPREY MEDICAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS
For the six-month periods ended June 30, 2021 and 2020

	(Unaudited) Six-month period ended June 30, 2021	(Unaudited) Six-month period ended June 30, 2020
SALES	$ 1,074,317	$ 807,082
COST OF SALES	723,026	638,465
Gross Profit	351,291	168,617
OPERATING EXPENSES		
Sales and marketing	2,725,146	3,374,439
General and administration	1,753,555	1,867,960
Clinical and regulatory	1,347,024	1,152,563
Research and development	1,030,095	1,226,996
Total Operating Expenses	6,855,820	7,621,958
Operating Loss	(6,504,529)	(7,453,341)
OTHER INCOME		
Forgiveness of loan payable	1,325,122	-
Interest income, net	104	15,935
Net Other Income	1,325,226	15,935
Loss Before Income Taxes	(5,179,303)	(7,437,406)
Income taxes	2,329	1,180
NET LOSS	$ (5,181,632)	$ (7,438,586)
EARNINGS PER SHARE:		
Basic and diluted loss per common share	$ (0.00)	$ (0.02)
Basic and diluted weighted average shares outstanding	1,161,741,329	368,006,602

See accompanying notes to consolidated financial statements and independent auditors' review report.

OSPREY MEDICAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the six-month periods ended June 30, 2021 and 2020

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
BALANCES, December 31, 2020	811,673,481	$ 81,168	$ 132,527,022	$(128,213,342)	$ 4,394,848
Issuance of common stock at A$0.028 per share, net of issuance costs of $16,063	471,216,658	47,122	10,218,685	-	10,265,807
Stock-based compensation expense	-	-	261,877	-	261,877
Six-month period ended June 30, 2021 net loss	-	-	-	(5,181,632)	(5,181,632)
BALANCES, June 30, 2021 **(Unaudited)**	1,282,890,139	$ 128,290	$ 143,007,584	$(133,394,974)	$ 9,740,900
BALANCES, December 31, 2019	215,898,685	$ 21,590	$ 122,892,257	$(114,835,272)	$ 8,078,575
Issuance of common stock and options at A$0.024 per share, net of issuance costs of $320,614	533,495,727	53,350	7,880,626	-	7,933,976
Stock-based compensation expense	-	-	280,488	-	280,488
Six-month period ended June 30, 2020 net loss	-	-	-	(7,438,586)	(7,438,586)
BALANCES, June 30, 2020 **(Unaudited)**	749,394,412	$ 74,940	$ 131,053,371	$(122,273,858)	$ 8,854,453

See accompanying notes to consolidated financial statements and independent auditors' review report.

OSPREY MEDICAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six-month periods ended June 30, 2021 and 2020

	(Unaudited) Six-month period ended June 30,2021	**(Unaudited)** Six-month period ended June 30,2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (5,181,632)	$ (7,438,586)
Adjustments to reconcile net loss to net cash flows from operating activities		
Depreciation	151,462	148,447
Amortization	6,248	6,248
Stock-based compensation expense	261,877	280,488
Allowance for doubtful accounts	-	(140,014)
Forgiveness of loan payable	(1,325,122)	-
Changes in operating assets and liabilities		
Accounts receivable	16,642	530,837
Prepaid expenses	(116,672)	20,217
Inventories	152,118	(18,539)
Accounts payable	177,598	(613,542)
Accrued vacation	80,859	87,732
Other accrued expenses	(238,930)	(412,538)
Operating lease	(19,018)	(19,300)
Net Cash Flows from Operating Activities	(6,034,570)	(7,568,550)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(49,594)	(243 940)
Net Cash Flows from Investing Activities	(49,594)	(243,940)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common stock and options, net of issuance costs	10,265,807	7,983,037
Proceeds from issuance of loan payable	1,080,743	1,325,122
Net Cash Flows from Financing Activities	11,346,550	9,308,159
Net Change in Cash and Cash Equivalents	5,262,386	1,495,669
CASH AND CASH EQUIVALENTS - Beginning of Period	5,787,030	8,276,720
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 11,049,416	$ 9,772,389
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash paid for taxes	$ 2,329	$ 1,180
Non-cash investing and financing activities		
Issuance costs included in accounts payable and accrued expenses	$ -	$ 49,061

See accompanying notes to consolidated financial statements and independent auditors' review report.

NOTE 1 - Summary of Significant Accounting Policies

Nature of Operations

Osprey Medical, Inc. (“Osprey”, “Osprey Medical” or the “Company”) is a US based, commercial stage company focused on protecting patients from the harmful effects of X-ray dye (contrast) used during commonly performed angiographic imaging procedures. Osprey’s mission is to improve outcomes in patients with Chronic Kidney Disease (CKD) by preventing Contrast Induced Acute Kidney Injury (AKI), and lowering hospital costs. The incidence of AKI in the hospital has negative clinical and economic effect on patients, providers, and health care systems. 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 technologies are designed to prevent AKI in patients by minimizing contrast delivered to a patient during angiographic imaging procedures. 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 allows for real-time contrast monitoring throughout the procedure and the ability to track 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. In 2020, Osprey Medical also obtained CE Mark for the DyeVert Power XT System.

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’s Pharmaceutical Diagnostics unit for exclusive distribution rights to Osprey’s product portfolio in Europe, Russia, Middle East, Africa, Central Asia and Turkey. The Company also partnered with Regional Healthcare Group to distribute the DyeVert Systems in Australia.

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

Principles of Presentation

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

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

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

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

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 as of both June 30, 2021 and 2020.

Concentration of Credit and Other Risks

One customer accounted for 11 percent and 11 percent of the total revenue for the six-month periods ended June 30, 2021 and 2020, respectively. The Company does not require collateral to extend credit to an account. Two customers accounted for 33 percent of the total accounts receivable as of June 30, 2021 and three customers accounted for 66 percent of the total accounts receivable as of June 30, 2020.

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 June 30:

	2021	2020
Raw materials	$ 390,387	$ 537,497
Finished goods	284,535	418,911
Totals	$ 674,922	$ 956,408

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.

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

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
Laboratory equipment	5
Furniture and fixtures	7
Leasehold improvements	5

Maintenance and repairs are charged to expense as incurred. Depreciation expense on property and equipment was $151,462 and $148,447 for the six-month periods ended June 30, 2021 and 2020, 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 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. 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.

Costs related to products delivered are recognized in the period incurred, unless criteria for capitalization of costs are met. Cost of sales consist 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 and may be impacted by variable consideration for certain customers which are recorded as a reduction of revenue.

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

Revenue is recognized upon the transfer of control of the products which is based on shipment terms. 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 sales.

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 are less than the carrying amount of that asset. To date, there have been no such losses.

Leases

Operating leases are included in operating lease right of use ("ROU") asset and operating lease liabilities on the balance sheets. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. In determining the present value of lease payments, we use our incremental borrowing rate based on the information available at the lease commencement date as the rate implicit in the lease is not readily determinable. The determination of our incremental borrowing rate requires management judgment based on information available at lease commencement. The operating lease ROU asset also include adjustments for prepayments, accrued lease payments and exclude lease incentives as needed based on the lease agreement. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise such options. Operating lease cost is recognized on a straight-line basis over the expected lease term. Lease agreements that include lease and non-lease components are accounted for as a single lease component. Lease agreements with a noncancelable term of less than 12 months are not recorded on our consolidated balance sheet.

Loan Payable

On April 23, 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 “first PPP Loan”), was disbursed by Silicon Valley Bank on April 23, 2020, pursuant to a Paycheck Protection Program Promissory Note and Agreement. The Company received forgiveness for the full amount of the first PPP Loan and all accrued interest on May 20, 2021 and as a result recorded a gain on the forgiveness of $1,325,122 on the consolidated statements of operations.

On February 10, 2021, the Company entered into a loan pursuant to the Paycheck Protection Program under the CARES Act, as administered by the SBA. The loan, in the principal amount of $1,080,743 (the “second PPP Loan”), was disbursed by Platinum Bank on February 10, 2021, pursuant to a Paycheck Protection Program Promissory Note and Agreement (the “Note and Agreement”).

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

The second PPP Loan matures on the five-year anniversary of the funding date and bears interest at a fixed rate of 1.00% per annum. The Company did not provide any collateral or guarantees for the PPP Loan, nor did the Company pay any facility charge to obtain the second 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 second PPP Loan at any time without incurring any prepayment charges.

The Company met the PPP's loan forgiveness requirements and received forgiveness for the full amount of the second PPP Loan on August 5, 2021.

The Company is accounting for its PPP Loans as debt in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 470, Debt and accrue 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. The Company has classified all amounts outstanding as long-term liabilities on the consolidated balance sheets based on the original maturity dates of the PPP loans.

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 and issuance of 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.

Reclassifications

For comparability, certain 2020 amounts have been reclassified to conform with classifications adopted in 2021. The reclassifications did not have an impact to net loss or shareholders' equity.

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

Stock-Based Compensation

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

The Company evaluates any 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. There were no modifications to any stock options for both years ended June 30, 2021 and 2020.

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 Accounting Standards Update (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. 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 six-month period ended June 30, 2021, the Company has evaluated, for potential recognition and disclosure, events that occurred prior to the issuance of the consolidated financial statements for the six-month period ended June 30, 2021 through August 16, 2021.

Going Concern

The consolidated 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 consolidated 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 – Going Concern

The Company has an accumulated deficit, operating losses and has not generated positive cash flows from operations since its inception. These conditions raise substantial doubt regarding the Company's ability to continue as a going concern for at least 12 months from report issuance and the Company expects to need additional working capital to support operations.

The Company is working on profitable commercialization of its current products with current and additional customers, and finalizing development and commercialization of new products, however, there are various risks involved in profitable commercialization. Management plans to pursue additional financing to fund operations at least until operations are profitable. However, there can be no assurance that related financing can be obtained, or the terms of the financing arrangements will be favorable to the Company. The Company is subject to risks common to companies in the medical device industry including, but not limited to, new technological innovations, dependence on key personnel, protection of proprietary technology, compliance with government regulations, uncertainty of market acceptance of products, product liability and the need to obtain additional financing.

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 require the reporting entity to develop its own assumptions

This 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 June 30, 2021:				
Cash and cash equivalents - money market securities	$ 783,606	$ 783,606	$ -	$ -
As of June 30, 2020:				
Cash and cash equivalents - money market securities	$ 783,900	$ 783,900	$ -	$ -

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 cost components of our corporate headquarters operating leases were as follows for the period ended June 30, 2021 and 2020:

	June 30, 2021	June 30, 2020
Operating lease cost	$ 60,350	$ 60,350
Variable lease cost	34,197	39,893
Totals	$ 94,547	$ 100,243

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 is as follows at June 30, 2021:

2021	$ 80,540
2022	164,704
2023	69,960
Total lease payments	315,204
Less: interest	(16,736)
Present value of lease liabilities	$ 298,468

The remaining lease term as of June 30, 2021 is 1.9 years and the discount rate was 5.5%. The cash outflow for operating leases for the six months ended in June 30, 2021 and 2020 was $79,367 and $77,056, respectively.

NOTE 5 - Employee Benefits

The Company provides a 401k plan as a benefit to its employees. The Company matches 5% of qualified payments under the 401K 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 $0 and $62,881 for the six-months ended June 30, 2021 and 2020, 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) and Brandon Capital Partners (BCP). 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

NOTE 6 - Intangible Assets (cont.)

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 $6,248 for both the sixth-month periods ended June 30, 2021 and 2020. Amortization expense will approximate $12,496 in each of the next four twelve-month periods.

NOTE 7 - Income Taxes

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

The Company incurred income tax expense of $2,329 and $1,180 for the six-month periods ended June 30, 2021 and 2020, respectively.

As of June 30, 2021 and June 30, 2020, 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 $124,009,000 applicable to income subject to federal income tax and $109,057,000 applicable to income subject to state income tax as of June 30, 2021. 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:

	Six-month period ended June 30, 2021	Six-month period ended June 30, 2020
Current:		
Federal	$ -	$ -
State	2,329	1,180
Foreign	-	-
	2,329	1,180
Deferred:		
Federal	(779,000)	(1,496,000)
State	(84,000)	(272,000)
Foreign	-	-
	(863,000)	(1,768,000)
Deferred tax asset valuation allowance	863,000	1,768,000
Total provision	$ 2,329	$ 1,180

NOTE 7 - Income Taxes (cont.)

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 June 30 are as follows:

	2021	2020
Deferred tax assets:		
Net operating loss carryforwards	$ 29,789,000	$ 27,741,000
Research and development credit	1,344,000	1,631,000
Accrued wages & other	194,000	46,000
Stock-based compensation expense	196,000	163,000
	31,523,000	29,581,000
Deferred tax liability:		
Intangible assets	(12,000)	(23,000)
Property and equipment	(3,000)	-
	(15,000)	(23,000)
Net deferred tax asset	31,508,000	29,558,000
Valuation allowance	(31,508,000)	(29,558,000)
	$ -	$ -

The valuation allowance for deferred tax assets changed by $863,000 and $1,768,000 for the sixth-month periods ended June 30, 2021 and 2020, 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 consolidated 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 any related interest and penalties as income tax expense on the Company's consolidated statement of operations.

NOTE 8 - Common Stock

During the six-month period ended June 30, 2021 and 2020, respectively, 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 both June 30, 2021 and 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 $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 shareholder 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 $1,233,225 in gross proceeds before issuance costs of $12,167.

In February 2021, the Company issued 456,394,993 shares of common stock at a price of $0.03 per share. An additional 14,821,665 shares of common stock were issued at a price of $0.03 per share in March 2021. As a result of the total financing, the Company raised $10,281,870 in gross proceeds, before issuance costs of $16,063. No additional shares remain available to purchase shares as of June 30, 2021.

As of June 30, 2021 and 2020, the common shares outstanding were 1,282,890,139 and 749,394,412, respectively. As of June 30, 2021 and 2020, there were 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 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 six-month periods ended June 30, are as follows:

	2021	2020
Weighted average common shares outstanding – basic	1,161,741,329	368,006,602
Dilutive effect of stock options	-	-
Weighted average common shares outstanding – diluted	1,161,741,329	368,006,602

As of June 30, 2021 and 2020, stock options outstanding of 68,187,806 and 17,017,514, respectively, were not included as their effect is anti-dilutive due to the loss for the periods. In addition, options for the purchase of additional common stock granted to common stockholders that participated in the raise during the six-months ended June 30, 2020 of 533,495,727 were not included as their effect is anti-dilutive due to the loss for the six-month period ended June 30, 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 329,500 shares then outstanding remain available for exercise as of June 30, 2021. On August 29, 2016, the Company's shareholders 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 ("BOD") 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 BOD approved an increase in the 2016 Plan of 44,000,000 shares in June 2020 and an evergreen adjustment of 4% on December 31, 2020 or 2,465,142 shares. An additional 60,000,000 shares was approved by the BOD in May 2021. The Company has reserved 124,093,683 shares of common stock for issuance under the 2016 Plan as of June 30, 2021. As of June 30, 2021, options issued under the 2016 and 2006 plans were 68,187,806.

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 historical expected lives and volatilities of our Company. The Company estimates the dividend yield to be 0% as the Company has not historically paid dividends and has no intention to in the immediate future.

	Six-month period ended June 30, 2021	Six-month period ended June 30, 2020
Risk-free interest rate	0.51 – 1.16%	0.44 – 1.46%
Expected volatility	84.91 – 85.68%	72.81 – 73.81%
Expected life (in years)	5.92	5.92
Dividend yield	0.00 %	0.00 %
Weighted-average estimated fair value of options granted during the period	$ 0.02	$ 0.02

NOTE 10 - Stock-Based Compensation (cont.)

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, 2020	16,954,364	$ 0.21		
Granted	52,759,673	0.03		
Exercised	-	-		
Expired/Cancelled	(1,526,231)	0.25		
Balance as of June 30, 2021	68,187,806	0.07	9.36	$ -
Exercisable as of June 30, 2021	9,913,747	$ 0.20	7.74	$ -

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance as of December 31, 2019	18,372,846	$ 0.21		
Granted	68,000	0.02		
Exercised	-	-		
Expired/Cancelled	(1,423,332)	0.16		
Balance as of June 30, 2020	17,017,514	0.20	7.88	$ -
Exercisable as of June 30, 2020	6,606,459	$ 0.20	6.40	$ -

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 June 30, 2021.

The Company recognized stock-based compensation expense related to stock options of $261,877 and $280,488 for the sixth-month periods ended June 30, 2021 and 2020, respectively. As of June 30, 2021, $1,616,471 of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted average life of 1.59 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.