Quarterly Cash Flow Report

April 26, 2018 – Melbourne, Australia and Minnesota, United States – Osprey Medical (ASX:OSP) today released its Appendix 4C – Quarterly Cashflow Report for the period ending 31 March 2018.

Key highlights

- **Quarterly revenue of $529k, up 8% quarter-on-quarter, 14th consecutive quarter of growth**
- **DyeVert unit sales of 1430 units, up 4% quarter-on-quarter**
- **DyeTect unit sales of 94 units, up 107% quarter-on-quarter**
- **North Carolina is third territory to turn cash-flow positive, seven quarters after launch**
- **Positive indicators for future growth, with 15 new purchasing hospitals in 1Q and 33% growth in samples compared to the prior quarter**
- **Cash receipts of $502k, up 6% quarter-on-quarter**
- **Strong balance sheet with cash of US$28m at 31 March 2018** (A$36m at FX rate of $0.77)

Mike McCormick, President and CEO of Osprey Medical, commented:

Although this represents our 14th consecutive quarter of revenue and unit growth for Osprey, we are disappointed to record modest levels of growth in the period. Sales trends have been more variable than expected, with usage influenced by slower progress establishing physician consensus on hospital care-path-protocols for Chronic Kidney Disease (CKD) patients, nurse/technician identification of CKD patients, and priming DyeVert Plus for all CKD patients.

Osprey has implemented steps mitigating some of these variables including podium presentations on kidney protection with DyeVert Plus; the introduction of new product DyeVert EZ, which simplifies technician workflow; and nurse/technician continuing education training on the patient/hospital benefits of AKI reduction. Additionally, Osprey has increased its focus on targeting Group Purchasing Organizations who represent an important new sales channel.

We have seen early traction from these efforts and look forward to further acceleration as these programs mature advancing the promotion of DyeVert as the standard of care for CKD patients.

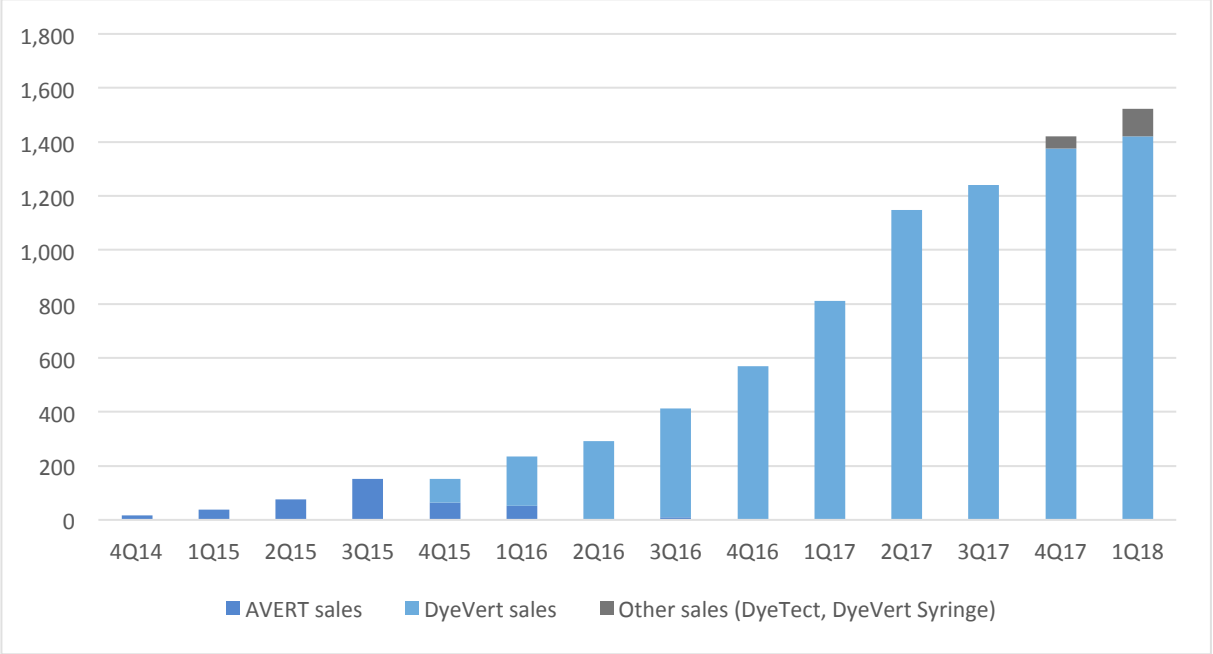
Continued unit sales growth and positive reception to new products

Osprey reported its fourteenth consecutive quarter of unit sales growth for its dye saving technologies, with sales of 1,524 units of its consumable products recorded during the quarter.

DyeVert and DyeVert Plus unit sales grew 4% to 1,430 units in 1Q 2018, compared to 1,376 units sold in 4Q 2017; unit sales were up 76% over the previous year period. In 1Q 2018, revenues reached US$529k, up 82% vs 1Q 2017 (US$290k).

The company's new DyeTect and DyeVert Syringe products received a positive reception and recorded sales of 94 units in the quarter. Following their limited launch in the prior quarter, DyeTect and DyeVert Syringe are currently available in 5 sales territories, with plans for full launch in 2Q18.

Quarterly unit sales since inception



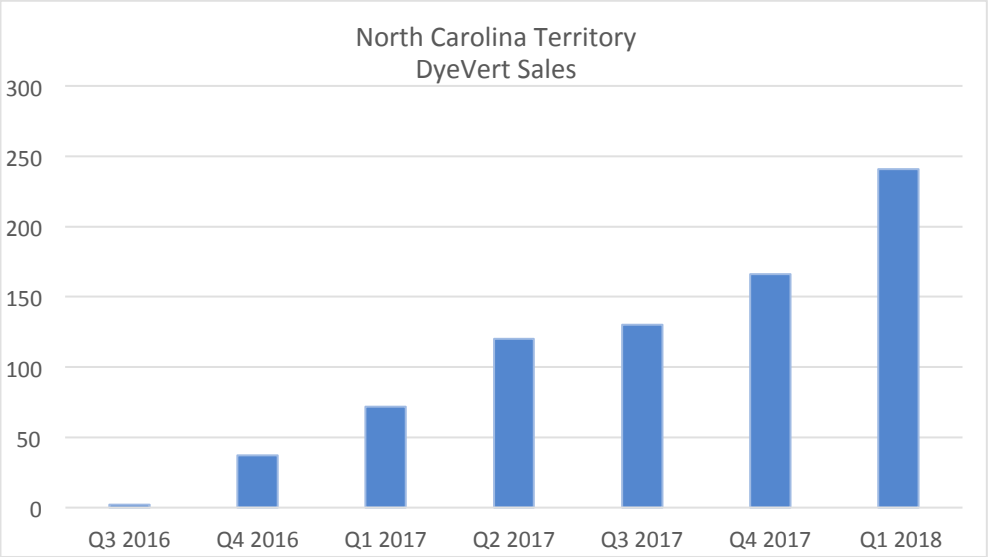
Stable selling price and strong cash conversion

Pleasingly, the average selling price of the DyeVert and DyeVert Plus System increased to US$359, reflecting the higher average selling prices for DyeVert Plus reflecting its strong customer value proposition.

Cash receipts from customers were US$502k in 1Q 2018, up 6% quarter-on-quarter vs 4Q 2017.

Sales territory performance

The Company was pleased to see North Carolina turn cash flow positive in the quarter, taking the number of cash flow positive territories to three. North Carolina followed the playbook established by San Antonio, and Atlanta, and reached cash flow breakeven in seven quarters after launch.



Osprey's overall unit sales growth in the period was impacted by lower than normal sales performance in San Antonio in 1Q 2018. Osprey sold 114 fewer DyeVert Plus units in in San Antonio compared to the prior quarter, the first time in 14 quarters that the business experienced a fall in sales.

San Antonio volumes were primarily impacted by three key issues. First, we experienced unusually high levels of turnover of hospital technicians trained in the use of DyeVert, requiring efforts to train new staff on the identification of CKD patients and DyeVert Plus priming. Second, three high-usage physicians moved between hospitals. Third, we experienced seasonality in case volume.

Pleasingly, 83% (19 of 23) of hospitals in San Antonio continue to purchase DyeVert and physicians in these hospitals continue to use DyeVert to reduce the risk of dye complications for poor kidney function patients. The Company expects unit sales in San Antonio to recover in 2Q18 as DyeVert case volumes stabilize to traditional levels and we complete retaining of relevant technical staff in our client hospitals.

After the first 15 business days of April 2018, DyeVert Plus unit sales in San Antonio is running at levels approximately 3x higher than in the first 15 business days of January 2018. We are confident in the underlying performance of our team in San Antonio and see additional opportunities to expand the territory into the adjacent geographies of Austin and the Rio Grande Valley of Texas.

Strong leading indicators for future growth

Osprey continued to add new hospitals to its client base in 1Q 2018, with a total of 114 hospitals having purchased DyeVert or DyeVert Plus – an 84% increase over 1Q 2017. There are currently 45 hospitals in the evaluation-to-purchase stage reflecting a strong pipeline of future customers. The growth of new customers and strong pipeline of evaluating customers demonstrates physicians' desire to reduce contrast related complications.

To support our continued growth, the company has increased its focus on three key sales strategies.

1. *Focus on hospital-wide adoption of the DyeVert Plus system*

Osprey's products are focused on reducing patient complications from heart procedures. Commonly, in hospitals the commercialization process for "complication reduction products" starts with a lead physician(s) followed by hospital purchase approval.

Full hospital adoption and protection of all CKD patients requires a consensus from physicians, nurses and technicians. The more disruptive a technology is to these professionals' normal patient care work flow, the more difficult adoption is and longer it takes. Pleasingly, DyeVert Plus has minimal disruption to normal work flow and it is aligned with physician society guidelines for AKI reduction.

We continue to focus on institutionalising the use of DyeVert Plus at a hospital level, both to improve outcomes for all CKD patients and to reduce the risk to Osprey of key hospital personal turnover.

2. Focus on accelerating national accounts strategy

Osprey's value proposition is well aligned for the transition of the US healthcare system from fee-for-service to value-based care. Group Purchasing Originations (GPOs) are at the forefront of the move to value-based care and we have aligned our clinical trial efforts with GPOs to demonstrate physician consensus care-path protocols for CKD patients lead to improved outcomes and lower cost.

In addition, Osprey has aligned its product pricing model for GPO's, offering value-based pricing with care-path protocols that are focused on AKI related cost reduction that offsets DyeVert Plus cost. This offers GPO member hospitals improved outcomes and lower costs.

As scholarly works are completed and published from GPO members demonstrating improved outcomes and lower costs they will be socialized jointly by our sales reps and the GPO best practices team.

Osprey is currently working with two of the leading GPOs, Premier and HCA, on scholarly works within member hospitals utilizing DyeVert Plus as a part of their CKD care-path protocol for AKI reduction:

- Premier Inc. is a healthcare improvement company representing an alliance of approximately 3,900 U.S. hospitals and more than 150,000 other provider organizations
- HCA is a leading provider of healthcare services made up of locally managed facilities including 177 hospitals located in 20 U.S. states and in the United Kingdom

Osprey currently expects to complete and publish scholarly works with both Premier and HCA within calendar year 2018.

Osprey is engaged in national contract applications with GPOs, with results from these applications expected in CY2018. National contracts would allow member hospitals to purchase the DyeVert Plus with a less time consuming new technology approval cycle, which can add 3-4 months to the procurement process.

3. Focus on continuing education and new technologies

To educate nurses and technicians on the patient benefits of AKI reduction Osprey launched a Continuing Education Credit course on preventing AKI in March 2018. (Further details can be found here: https://www.naccme.com/program/2018-819)

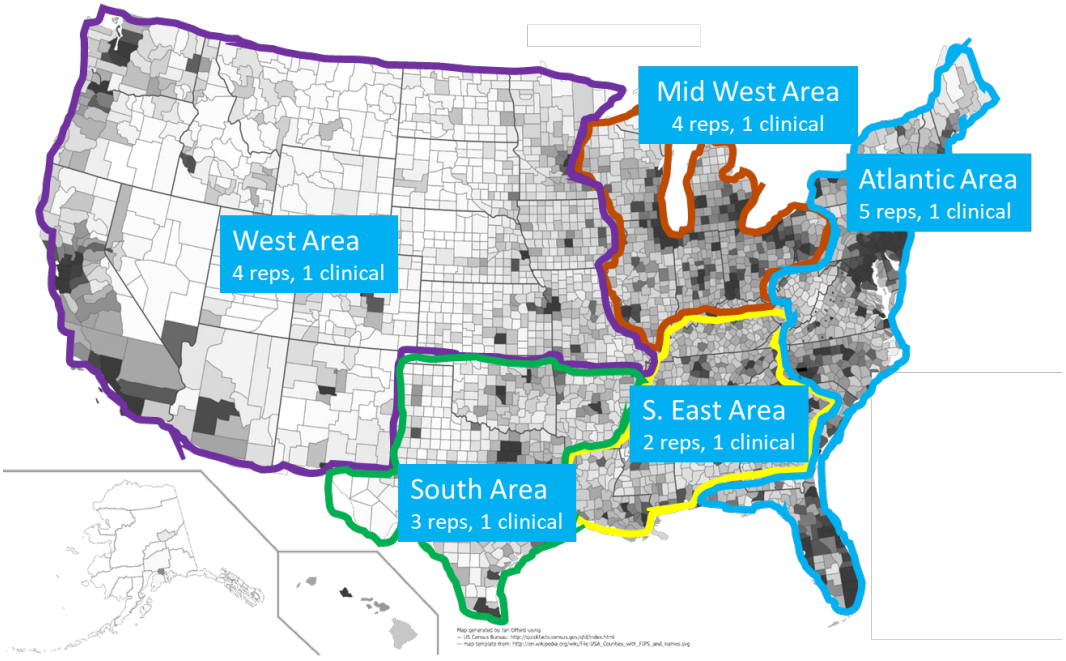
To facilitate priming of our device we added a tutorial to our monitor display that reminds nurses and technicians of the 4-step, two-minute priming process.

In 3Q 2018 Osprey will launch the DyeVert EZ product which will reduce priming time from 2 minutes to 30 seconds, reducing the 4-step priming process to 1-step. Osprey's customers will be able to choose between purchasing DyeVert Plus and DyeVert EZ, with both products selling for the same price. Additionally, we are focused on establishing physician consensus care-path-protocols for CKD patients with clinical trials demonstrating improved patient outcomes and lower hospital cost. Care-path protocols ensures consistency in treatment of CKD patients and alignment with professional society guidelines that specify dye reduction for AKI avoidance. Osprey expects two publications in CY18 from Physicians/Hospitals studying CKD patient care-path protocols and their impact in reducing AKI.

Continued sales force expansion

Osprey's sales team is comprised of 18 Sales representatives who are seasoned medical device professionals with at least ten years of previous selling experience and clinical specialists (5) are registered nurses or certified technologists. Sales reps focus on opening new hospitals and clinical specialists focus on expanding utilization in new hospitals. This sales approach allows for education on disease prevention and product training to ensure rapid adoption and patients protection.

In 2018 Osprey intends to hire and additional 6 reps and 3 clinical specialists where there is a high incidence of chronic kidney disease. Three new sales representatives will start May 1, 2018 and be trained on best practices to insure rapid scale of their selling efforts in these new areas. Osprey's sales management team is aligned in geographic 5 areas with sales managers leading teams of 4-8 direct reports. The map below indicates the sales areas and representatives in each area. The sales team is on track to grow to approximately 42 people including sales management, by the end of 2018.



4 reps, 1 clinical 4 reps, 1 clinical

Osprey Medical is hosting an investor conference call on Thursday 26 April 2018 at 11.00am Australian Eastern Standard Time (9.00am Hong Kong/Singapore, 8pm Wednesday 25 April 2018 US Minneapolis, MN).

Call details:

Australia Toll Free	1 800 558 698
Alternate Australia Toll Free	1 800 809 971
Australia Local Number	+612 9007 3187
Hong Kong	800 966 806
Singapore	800 101 2785
United States	855 881 1339

Conference Identification: 965845

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About Osprey

Osprey Medical is focused on protecting patients from the harmful effects of X-ray dye (contrast) used during commonly performed angiographic imaging procedures. The Company's core technologies originated from research conducted by Dr David Kaye at Melbourne's Baker IDI Heart and Diabetes Institute. Its proprietary dye reduction and monitoring technologies are designed to help physicians minimize dye usage. The Company's DyeVert™ System is a next-generation product that reduces contrast while maintaining image quality in a self-adjusting easy-to-use design. Osprey Medical's Board and Management are comprised of experienced and successful personnel with established track records covering medical device development, regulatory approvals, sales and marketing, and mergers-acquisitions. Osprey Medical's advisory board comprises world-recognised experts in heart and kidney diseases.

Forward-Looking Statements

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

projections or expectations disclosed in forward-looking statements, and actual results, developments or events could differ materially from those disclosed in the forward-looking statements.

Foreign Ownership Restriction

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

+Rule 4.7B

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Osprey Medical, Inc.

ABN	**Quarter ended ("current quarter")**
152 854 923	March 31, 2018

Consolidated statement of cash flows		**Current quarter Q1 $'000 USD**	**Year to date 3 Months $'000 USD**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	502	502
1.2	Payments for		
	(a) research and development	(539)	(539)
	(b) product manufacturing and operating costs	(221)	(221)
	(c) advertising and marketing	(785)	(785)
	(d) leased assets	-	-
	(e) staff costs	(3,155)	(3,155)
	(f) administration and corporate costs	(321)	(321)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	81	81
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(4,438)**	**(4,438)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(43)	(43)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-

Consolidated statement of cash flows		**Current quarter Q1 $'000 USD**	**Year to date 3 Months $'000 USD**
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(43)**	**(43)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**-**	**-**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of quarter/year to date	32,135	32,135
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,438)	(4,438)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(43)	(43)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		**Current quarter Q1 $'000 USD**	**Year to date 3 Months $'000 USD**
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of quarter**	**27,654**	**27,654**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $'000 USD**	**Previous quarter $'000 USD**
5.1	Bank balances	27,654	32,135
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**27,654**	**32,135**

6.	**Payments to directors of the entity and their associates**	**Current quarter $'000 USD**
6.1	Aggregate amount of payments to these parties included in item 1.2	317
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Payments represent remuneration paid to executive and non-executive directors.

7.	**Payments to related entities of the entity and their associates**	**Current quarter $'000 USD**
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $'000 USD**	**Amount drawn at quarter end $'000 USD**
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-

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

9.	**Estimated cash outflows for next quarter**	**$'000 USD**
9.1	Research and development	(500)
9.2	Product manufacturing and operating costs	(200)
9.3	Advertising and marketing	(700)
9.4	Leased assets	-
9.5	Staff costs	(2,500)
9.6	Administration and corporate costs	(300)
9.7	Other	-
9.8	**Total estimated cash outflows**	**(4,200)**

10.	**Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)**	**Acquisitions**	**Disposals**
10.1	Name of entity	n/a	n/a
10.2	Place of incorporation or registration	n/a	n/a
10.3	Consideration for acquisition or disposal	n/a	n/a
10.4	Total net assets	n/a	n/a
10.5	Nature of business	n/a	n/a

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: Australian Secretary Date: 26 April 2018

Print name: Brendan Case

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
5. Accounting Standards. ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.