Next Science Limited
(formerly Next Science Group Pty Limited)

ABN 47 622 382 549

Annual Financial Report

31 December 2018

Contents

Directors' report

The Directors present their report together with the consolidated financial statements of the Group comprising of Next Science Limited (the "Company"), and the entities it controlled at the end of, or during, the year ended 31 December 2018.

Directors

The Directors of the Company at any time during or since the end of the financial year are:

Name, title and qualifications	Experience and special responsibilities
George Savvides Appointed 2 July 2018 *Chairman* *BEng (Hons) UNSW* *MBA (UTS), FAICD*	George has 30 years of experience in the Australian & New Zealand healthcare sector. He was CEO of two successful IPO listings on the ASX, being Sigma in 1999 and Medibank Private in 2014. He served as Medibank CEO for 14 years. Prior to Sigma, he was Managing Director Smith & Nephew A/NZ, and GM CIG Healthcare. He serviced in a voluntary capacity on World Vision Governance Boards for 18 years. *Independent Chair of the Board* *Member, Audit and Risk Committee* *Member, Nomination and Remuneration Committee*
Judith Mitchell *Managing Director/CEO and Executive Director* *MBA*	Judith joined the Next Science Group as Managing Director and CEO in August 2017. Previously Judith was President, DePuy Synthes Asia Pacific, the Orthopedics Division of Johnson & Johnson Inc, holding the same role at Synthes GmbH prior to acquisition. Prior to that Judith held various executive management roles at Cochlear and General Electric International Inc. *Managing Director and CEO of the Company*
Bruce Hancox *Non-Executive Director* *B.Com Canterbury University, NZ*	Bruce is currently a director of a number of listed and private Australian and New Zealand companies. He previously held a number of senior roles at Brierley Investments Ltd in New Zealand as General Manager, Group CEO and Chairman, as well as serving on the board of a number of their subsidiaries. *Chair, Audit and Risk Committee*
Daniel Spira *Non-Executive Director* *B.Com UNSW*	Daniel is the CEO of iNova Pharmaceuticals. Previously he was Vice President at Valeant Pharmaceuticals / Bausch + Lomb from 2011 to 2015. Prior to Valeant, Daniel spent over 15 years at Johnson & Johnson Inc progressing through a range of sales, marketing and general management roles. *Chair, Nomination and Remuneration Committee*
Mark Compton Appointed 23 October 2018 *Non-Executive Director* *BSc (Pharmacology)* *MBA, FAICD, FACHSM* *FAIM, FRS (N)*	Mark is an experienced Non-Executive Director and CEO. Currently Chairman and Non-Executive Director of Sonic Healthcare Limited (ASX: SHL), a top 50 ASX listed company. Mark has held various CEO roles including with St Luke's Care, Royal Flying Doctor Service and Alpha Healthcare Limited. He is an adjunct professor at Macquarie University and in 2010 was appointed a Member of the Order of Australia (AM) for his services to healthcare. *Member, Nomination and Remuneration Committee*

Directors' report (continued)

Aileen Stockburger Appointed 23 October 2018 *Non-Executive Director* *MBA Wharton School and CPA*	Aileen is a highly accomplished Corporate Transaction Executive with proven expertise backed by an extensive portfolio of successful business development deals. Aileen spent almost 30 years at Johnson & Johnson Inc where she was the worldwide Vice President, Business Development, and oversaw merger and acquisition activities and completed numerous M&A, licensing agreements and divestitures across the corporation, with cumulative purchase prices in excess of $70 billion. *Member, Audit and Risk Committee*
Gillian Nairn Appointed 21 June 2018 *Company Secretary* BA/LLB, LLM, AGIA	Gillian is an experienced corporate governance professional with more than 15 years legal and company secretarial experience gained in private practice and in-house roles with publicly listed companies.

Meeting of directors
The number of meetings held and attended by each of the Directors of the Company during the year ended 31 December 2018 were as follows:

Name of director	Board meetings		Nomination and Remuneration Committee	
	A	B	A	B
George Savvides	5	5	1	1
Judith Mitchell	5	5	-	-
Bruce Hancox	5	5	-	-
Daniel Spira	5	5	1	1
Mark Compton	3	3	1	1
Aileen Stockburger	3	3	-	-

A – Number of meetings held when director was eligible to attend during the year
B – Number of meetings attended during the time the director held office during the year

During the year an Audit and Risk Committee as well as a Nomination and Remuneration Committee were formed with membership and special responsibilities as noted above. One Nomination and Remuneration Committee meeting was held during year. No Audit and Risk Committee meetings were held during the year.

Principal activities
The principal activities of the Group during the course of the year were the research, development and distribution of technologies which solve bacterial related issues.

Review of operations
The loss for the Group for the financial year to 31 December 2018 after providing for income tax amounted to $13,747,504 (2017: $48,550).

On 22 December 2017, as part of a corporate restructure, the Company acquired Microbial Defense System Holdings LLC and hence became the ultimate parent entity of the Next Science Group. The transaction was accounted for as a common control transaction (see note 24 of the financial statements).

Directors' report (continued)

Significant changes in the state of affairs

In the period June to August 2018, Next Science appointed three experienced Non-Executive Directors and established an Independent Governance Board. The Board appointed members of the Audit and Risk Committee and the Nomination and Remuneration Committee along with their individual charters and work plans.

During the year, 3,226 ordinary shares were issued by the Company raising USD $10,792,100 (see note 19). On 4 December 2018, the Company issued converting notes raising USD $7,743,581 (AUD $11 million).

In the opinion of the Directors, other than the events previously stated, and the successful signing of a global distribution agreement for the Company's wound gel product BlastX, there were no further significant changes in the state of affairs of the Group that occurred during the financial year under review.

Environmental regulation

The Group's operations are not subject to significant environment regulations under both Commonwealth or State legislation. The Board believes that the Group has adequate systems in place for the management of its environmental requirements.

Government regulation

The Group is subject to varying degrees of governmental regulation in the countries in which operations are conducted, and the general trend is toward increasingly stringent regulation. In the U.S., the drug, device, diagnostics and cosmetic industries have long been subject to regulation by various federal and state agencies, primarily as to product safety, efficiency, manufacturing, advertising, labelling and safety reporting. The exercise of broad regulatory powers by the U.S. Food and Drug Administration (the "FDA") results in increases in the amounts of testing and documentation required for FDA clearance of new drugs and devices and a corresponding increase in the expense of product introduction. Similar trends are also evident in major markets outside of the U.S.

The Group relies on global supply chains, and production and distribution processes, that are complex and are subject to increasing regulatory requirements that may affect sourcing, supply and pricing of materials used in the Group's products, and which are subject to lengthy regulatory approvals.

Dividends

No dividends were paid or declared since the commencement of the year and the directors do not recommend the declaration of a dividend.

Matters subsequent to the end of the financial year

On 24 January 2019, the Company changed its status and name from Next Science Group Pty Limited as a proprietary company to Next Science Limited being a public company. The shareholders also approved the adoption of a new constitution more suitable for a public company.

On 24 January 2019, a share split was completed on the basis that every one ordinary share and each option on issue in the Company be divided into 6,500 ordinary shares and 6,500 ordinary options.

Other than the above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Directors' report (continued)

Likely developments and expected results of operations
Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Shares under option
At the date of this report, and following the share split, there are 10,725,000 options over ordinary shares on issue (2017: 325 options representing 2,112,500 post share split), representing 8.25% (2017: 1.94%) of the Company's undiluted total share capital, granted to employees and directors under an Equity Incentive Plan. The grant dates, vesting dates and exercise prices vary in accordance with the nature of each employee's employment.

Indemnity and insurance of officers
The Group has indemnified the directors and executives of the Group for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Group has paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
The Company and the Group have not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Auditor's independence declaration
The auditor's independence declaration is set out on page 5 and forms part of the directors' report for the financial year ended 31 December 2018.

This report is made in accordance with a resolution of the directors.

On behalf of the directors:

JMitchell

Judith Mitchell
Director

Dated at Sydney this 14th day of February 2019

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Next Science Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Next Science Limited for the financial year ended 31 December 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Chris Allenby

Partner

Sydney

14 February 2019

Consolidated statement of profit or loss and other comprehensive income
For the financial year ended 31 December 2018
In USD

	Note	2018	2017*
Revenue	*6*	2,844,502	-
Cost of sales		(370,489)	-
Gross profit		2,474,013	-
Employee expenses	*7(a)*	(10,380,125)	(28,304)
Research and development		(1,242,452)	-
Sales and marketing		(499,050)	-
Consultancy and regulatory		(1,401,416)	-
General and administration expenses	*7(b)*	(2,521,018)	(7,174)
Depreciation and amortisation expenses	*7(c)*	(244,466)	(2,183)
Results from operating activities		(13,814,514)	(37,661)
Finance income	*7(d)*	145,180	26
Finance expense	*7(d)*	(78,170)	(10,915)
Net finance income/(expense)		67,010	(10,889)
Loss before income tax		(13,747,504)	(48,550)
Income tax expense	*14*	-	-
Loss for the year		(13,747,504)	(48,550)
Other comprehensive income			
Foreign currency translation differences for foreign operations		(249,730)	22,438
Total comprehensive income for the year		(13,997,234)	(26,112)
Earnings per share			
From continuing operations		Cents	Cents
Basic earnings	*28*	(725.39)	(297.10)
Diluted earnings	*28*	(725.39)	(297.10)

The notes on pages 11 to 40 are an integral part of these financial statements.

* The comparative information comprises the period from the Company's date of incorporation, being 20 October 2017, to 31 December 2017. This period incorporates trading for only 5 trading days following the restructure of the Group.

Consolidated statement of financial position
As at 31 December 2018
In USD

	Note	2018	2017
Assets			
Current assets			
Cash and cash equivalents	*8*	7,211,102	2,597,767
Trade and other receivables	*9*	784,358	1,780
Inventories	*10*	308,957	80,140
Other current assets	*11*	379,404	291,095
Total current assets		8,683,821	2,970,782
Non-current assets			
Trade and other receivables	*9*	124,129	191,127
Property, plant and equipment	*12*	638,634	439,923
Intangible assets	*13*	1,183,490	632,682
Total non-current assets		1,946,253	1,263,732
Total assets		10,630,074	4,234,514
Liabilities			
Current liabilities			
Trade and other payables	*15*	1,152,916	555,120
Loans and borrowings	*16*	7,069,417	-
Contract liabilities	*17*	222,130	-
Employee benefits	*18*	108,835	9,190
Total current liabilities		8,553,298	564,310
Non-current liabilities			
Contract liabilities	*17*	1,670,896	-
Employee benefits	*18*	2,143	3,797
Total non-current liabilities		1,673,039	3,797
Total liabilities		10,226,337	568,107
Net assets		403,737	3,666,407
Equity			
Share capital	*19(a)*	56,589,405	46,064,500
Common control reserve	*19(b)*	(42,596,715)	(42,596,715)
Foreign currency translation reserve	*19(b)*	(227,292)	22,438
Share option reserve	*19(b)*	968,831	224,734
Converting notes reserve	*19(b)*	415,562	-
Accumulated losses		(14,746,054)	(48,550)
Total equity		403,737	3,666,407

The notes on pages 11 to 40 are an integral part of these financial statements.

Consolidated statement of changes in equity
For the financial year ended 31 December 2018
In USD

	Share capital	Common control reserve	Foreign currency translation reserve	Share option reserve	Converting notes reserve	Accumulated losses	Total equity
Balance at 1 January 2018	46,064,500	(42,596,715)	22,438	224,734	-	(48,550)	3,666,407
Loss for the year	-	-	-	-	-	(13,747,504)	(13,747,504)
AASB 15 adjustment (Note 5(a))	-	-	-	-	-	(950,000)	(950,000)
Other comprehensive income							
Foreign currency translation differences	-	-	(249,730)	-	-	-	(249,729)
Total other comprehensive income	-	-	(249,730)	-	-	-	(249,729)
Total comprehensive income for the year	46,064,500	(42,596,715)	(227,292)	224,734	-	(14,746,054)	(11,280,827)
Transactions with owners, recorded directly in equity							
Issue of share options	-	-	-	744,097	-	-	744,097
Converting notes issued	-	-	-	-	415,562	-	415,562
Issue of ordinary shares	10,792,100	-	-	-	-	-	10,792,100
Capital raising costs	(267,195)	-	-	-	-	-	(267,195)
Total transactions with owners	10,524,905	-	-	744,097	415,562	-	11,684,564
Balance at 31 December 2018	56,589,405	(42,596,715)	(227,292)	968,831	415,562	(14,746,054)	403,737

Consolidated statement of changes in equity (continued)
For the financial year ended 31 December 2018
In USD

	Share capital	Common control reserve	Foreign currency translation reserve	Share option reserve	Accumulated losses	Total equity
Balance at 20 October 2017	1	-	-	-	-	1
Loss for the year	-	-	-	-	(48,550)	(48,550)
Other comprehensive income						
Foreign currency translation differences	-	-	22,438	-	-	22,438
Total other comprehensive income	-	-	22,438	-	-	22,438
Total comprehensive income for the year	-	-	22,438	-	(48,550)	(26,112)
Transactions with owners, recorded directly in equity						
Issue of ordinary shares	46,064,499	-	-	-	-	46,064,499
Issue of share options	-	-	-	224,734	-	224,734
Acquisition of subsidiary under common control (Note 24(a))	-	(42,596,715)	-	-	-	(42,596,715)
Total transactions with owners	46,064,499	(42,596,715)	-	224,734	-	3,692,518
Balance at 31 December 2017	46,064,500	(42,596,715)	22,438	224,734	(48,550)	3,666,407

The notes on pages 11 to 40 are an integral part of these financial statements.

Consolidated statement of cash flows
For the financial year ended 31 December 2018
In USD

	Note	2018	2017
Cash flows from operating activities			
Receipts from customers		3,133,314	-
Payments to suppliers and employees		(14,276,317)	(108,273)
Payments for research and development		(1,242,452)	-
Interest received		12,573	26
Net cash from operating activities	*8(b)*	(12,372,882)	(108,247)
Cash flows from investing activities			
Acquisition of cash through common control	*24(a)*	-	704,014
Payments for intangible assets	*13*	(647,926)	-
Payments for property, plant and equipment	*12*	(344,849)	-
Net cash from investing activities		(992,775)	704,014
Cash flows from financing activities			
Proceeds from issue of ordinary shares	*19(a)*	10,792,100	2,002,000
Proceeds from issue of converting notes	*16*	7,743,581	-
Capital raising costs		(556,689)	-
Net cash from financing activities		17,978,992	2,002,000
Net increase in cash and cash equivalents		4,613,335	2,597,767
Cash and cash equivalents at beginning of the year	*8(a)*	2,597,767	-
Cash and cash equivalents at end of the year	*8(a)*	7,211,102	2,597,767

The notes on pages 11 to 40 are an integral part of these financial statements.

1 Corporate information

Next Science Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Suite 1902, Level 19, Tower A, The Zenith Building, 821 Pacific Highway, Chatswood, NSW, 2067.

The Group is a for-profit entity and primarily involved in the research, development and distribution of technologies which solve bacterial related issues.

These consolidated financial statements comprise the Company and its subsidiaries (collectively the "Group" and individually "Group companies") for the year ended 31 December 2018. The comparative information comprises of the period from the Company's date of incorporation, 20 October 2017, to 31 December 2017.

On 22 December 2017, as part of a corporate restructure, the Company acquired Microbial Defense System Holdings LLC and hence became the ultimate parent entity of the Next Science Group. The transaction was accounted for as a common control transaction (see note 24).

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with AASBs adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001.* The consolidated financial statements comply with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB").

The financial statements were approved by the Board of Directors and authorised for issue on 13 February 2019.

(b) Basis of measurement

The financial statements have been prepared on a historical cost basis.

(c) Functional and presentation currency

The financial statements are presented in United States Dollars, which is the Group's functional currency and presentation currency.

(d) Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income, expenses and disclosure of contingent liabilities. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

(e) Going concern

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business for a period of at least twelve months from the date this financial report is approved.

For the financial year ended 31 December 2018, the Group incurred a loss of $13,747,504 and had net cash outflows from operations of $12,372,882. As at 31 December 2018, the Group had a minimal net current asset and net asset positions of $130,523 and $403,737 respectively. Included in current liabilities at 31 December 2018 is a liability for converting notes totalling $7,069,417. As described in Note 16, the converting notes are non-redeemable and convert to ordinary shares in December 2019 if not converted to ordinary shares beforehand.

2 Basis of preparation (continued)

(e) Going concern (continued)

The Group is in the process of undertaking a further equity raising process. This is expected to raise sufficient equity to fund its operations and activities for a period of at least twelve months from the date of signing this financial report.

However, in the event that the planned equity raising process does not proceed or that funds raised are significantly lower than targeted, the Group will need to manage its cash outflows, including formalising customer contracts on the commercialisation of its products, and develop plans to raise alternative finance. The Directors are confident that there are a range of alternative options available and believe that the Group has a track record of tightly managing costs and raising finance when required. The Directors have developed plans to undertake these activities, though they have not been enacted as the equity raising process is well advanced.

After considering the above, the Directors have concluded that the Group will be able to fulfil all obligations as and when they fall due for the foreseeable future, being at least twelve months from the date of signing this financial report. However, in the event that the planned equity raising process does not proceed, there will be material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

No adjustments have been made to the financial statements relating to the recoverability and classification of recorded asset amounts or to the amount and classification of liabilities that might be necessary should the Group not continue as a going concern.

3 Significant accounting policies

This is the first set of the Group's annual financial statements in which AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* have been applied. Changes to accounting policies are described in note 5.

The Group has consistently applied the following accounting policies to all periods in these financial statements.

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group, unless it is a combination involving entities or businesses under common control. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Common control transactions record assets and liabilities acquired at their book value at the date of acquisition, rather than their fair value. The difference between the fair value of the consideration given and the carrying value of the assets and liabilities acquired is recognised as a common control reserve.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss with the exception of foreign exchange gains or losses relating to intercompany assets and liabilities that are not eliminated upon consolidation, which are recognised in other comprehensive income ("OCI"). Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

(ii) Foreign currency operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the functional currency at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transaction are used.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve.

(c) Revenue

The Group has initially applied AASB 15 from 1 January 2018. Information about the Group's accounting policies relating to contracts with customers and the effect of initially applying AASB 15 is described in note 5.

3 Significant accounting policies (continued)

(d) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled within 12 months of the end of the financial year in which employees render the related service. Short-term employee benefits include salaries and wages plus related on-costs such as payroll tax, superannuation and workers compensation insurance and are measured at the undiscounted amounts expected to be paid when the obligation is settled.

(ii) Long-term employee benefits

Long-term employee benefits includes employees' long service leave and annual leave entitlements not expected to be settled within 12 months of the end of the financial year in which employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, duration of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on corporate bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

(iii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to employees' defined contribution plans are recognised as an expense as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iv) Share-based payment arrangements

The grant date fair value of options granted to employees (equity-settled) is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become entitled to the options. The amount recognised as an expense is adjusted to reflect the number of options for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of options that meet the related service and non-market performance conditions at the vesting date.

(e) Finance income and finance costs

Finance income comprises interest income, dividend income and foreign currency gains. Interest income is recognised in profit or loss as it accrues using the effective interest method.

The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments to the gross carrying amount of the financial asset or the amortised cost of the financial asset.

In calculating income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

3 Significant accounting policies (continued)

(e) Finance income and finance costs (continued)

Finance costs comprise interest expense on borrowings (including converting notes), foreign currency losses and impairment losses recognised on financial assets. Foreign exchange gains and losses on intercompany assets and liabilities that are not eliminated upon consolidation are recognised in OCI. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(f) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax liability arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, or on taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that could follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

3 Significant accounting policies (continued)

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first in, first out principle.

(h) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and if it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Any gain and loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated based on the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

- Leasehold improvements 5-15 years
- Plant and equipment 5 years
- Furniture and fittings 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Leases

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease.

(ii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3 Significant accounting policies (continued)

(k) Intangible assets

(i) Recognition and measurement

Research and development expenditure

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Patents

Expenditure is capitalised in relation to patent application costs and amortised over the remaining life of the base patent as relevant.

Computer software

Computer software comprises computer application system software and licenses. Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to computer software. Costs capitalised include external direct costs of materials and services, direct payroll and payroll-related costs.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iii) Amortisation

Amortisation is calculated based on the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives of intangible assets are as follows:

• Research and development expenditure	8 years
• Computer software	2-3 years
• Patents	8-15 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets, other than goodwill, have finite useful lives.

(l) Financial instruments

(i) Recognition and initial measurement

The Group initially recognises trade receivables issued on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date.

3 Significant accounting policies (continued)

(l) Financial instruments (continued)

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost or fair value through profit or loss ("FVTPL").

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(m) Impairment

(i) Non-derivative financial assets

The Group recognises loss allowances for expected credit losses ("ECL") on financial assets and contract assets. Loss allowances are measured at an amount equal to a lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL's, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

3 Significant accounting policies (continued)

(m) Impairment (continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its obligations to the Group in full or the financial asset is more than 130 days past due.

ECLs are a probability-weighted estimate of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount.

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired can include:

- default or delinquency by a debtor,
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise,
- indications that a debtor or issuer will enter bankruptcy or economic conditions that correlate with defaults,
- adverse changes in the payment status of borrowers or issuers,
- the disappearance of an active market for a security, or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(n) Share capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

3 Significant accounting policies (continued)

(o) Converting notes

Converting notes issued by the Company will be converted to ordinary shares in accordance with the terms detailed in note 16.

The liability component of the converting notes is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the converting note as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a converting note is measured at amortised cost using the effective interest method. The equity component of a converting note is not remeasured.

Interest related to the financial liability is recognised in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognised.

(p) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When one is available, the Group measures the fair value using the quoted price in an active market. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

(q) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The CODM is responsible for allocating resources and assessing performance of the operating segments.

(r) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to the owners of the Company excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

4 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Of those standards that are not yet effective, IFRS 16 is the only new standard expected to an impact on the Group's financial statements in the period of initial application.

(a) AASB 16

The Group is required to adopt AASB 16 *Leases* from 1 January 2019. The Group has assessed the estimated impact that initial application of AASB 16 will have on its consolidated financial statements, as described below.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

AASB 16 replaces existing leases guidance, including AASB 117, *Leases,* IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluation the Substance of Transactions Involving the Legal Form of a Lease.*

Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases of rented premises. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease.

The Group plans to apply AASB 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

Based on the information currently available, the Group estimates that it will recognise additional lease liabilities of $668,435 and corresponding right of use assets of $582,300 with the balance being recognised in retained earnings.

5 Changes to significant accounting policies

The Group has initially adopted AASB 15 and AASB 9 from 1 January 2018.

(a) AASB 15 *Revenue from Contracts with Customers*

AASB 15 establishes a framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 *Revenue* and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted AASB15 using the cumulative effect method with the effect of initially applying this standard recognised at the date of initial applications (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated and the disclosure requirements in AASB 15 have not been applied to comparative information.

5 Changes to significant accounting policies (continued)

(a) AASB 15 *Revenue from Contracts with Customers (continued)*

Accounting treatment under AASB 15

The key considerations of contracts in place include the following elements:

(i) Identification of distinct elements and separate performance obligations

In the case where there the customer contract includes a sublicense and transfer of goods the assessment must be made as to whether a separate performance obligation exists for each element. For current contracts held, whilst a license to specific IP has been given related to the Group's product, this only includes rights to distribute, not to use, the IP to manufacture the product.

Therefore, in accordance with AASB 15, the licence transferred is not deemed to be a distinct element of the contract and only one performance obligation exists.

(ii) Transfer of goods

Title and control pass to the customer at the point when the Group fulfils its obligation to deliver and goods are available at the customer's premises. As such, the performance obligation (including the license) transfers at the point in time when each good is delivered.

Therefore, revenue is recognised over the life of the contract at the point in time when the product is delivered.

(iii) Measurement of transaction price

Consideration of the contract can comprise a fixed element (upfront payment plus minimum annual purchase amounts) and variable elements (milestone payments).

Under AASB 15 the variable consideration is only included in the transaction price if it is 'highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur'.

In the case where milestone payments are received upon signing the contract and are not subject to regulatory approval, these amounts will be initially recognised as contract liabilities to be recognised over the life of the contract once product sales have commenced. However, where the milestone payments are subject to regulatory approval, for the variable consideration to be deemed 'most likely', this will only be included once regulatory approval has been received.

(iv) Adjustments under AASB 15

During the year ended 31 December 2016, revenue of $1,000,000 was previously recognised (under AASB 118) in relation to a regulatory approved milestone. Under AASB 15, the transfer of license is not considered to be a distinct and separate performance obligation, to the promise to deliver goods.

Accordingly, this revenue would not be recognised upfront but instead be allocated over the remaining life of the contract and over the remaining period over which the goods are being delivered. An adjustment has been made to the opening balances for the current financial year to reduce retained earnings with a corresponding increase to contract liabilities (deferred income) of $950,000.

There are no other significant adjustments required in relation to the adoption of AASB 15 for the current financial year.

5 Changes to significant accounting policies (continued)

(b) AASB 9 *Financial Instruments*

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial assets. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement.*

As a result of the adoption of AASB 9, where relevant, the Group has adopted amendments to AASB 1 *Presentation of Financial Statements,* which require impairment of financial assets to be presented in a separate line item in the statement of the profit or loss or other comprehensive income.

Impairment of trade receivables which would previously have been included in other expenses is now stated as 'impairment loss on trade receivables'. Any impairment losses on other financial assets are presented under 'finance costs' and not presented separately in the statement of profit or loss and other comprehensive income.

There were no significant amendments required upon the adoption of AASB 9 for the Group.

6 Revenue

The effect of initially applying AASB 15 on the Group's revenue from contracts with customers is described in note 5.

In USD

	2018	**2017**
Products transferred at a point in time	2,730,011	-
Products transferred over time	57,755	-
Other revenue	56,736	-
Revenue from contracts with customers	2,844,502	-

Identification of reporting operating segments

The Group operates in one segment, based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers (CODM)) in assessing performance and in determining the allocation of resources. The geographical non-current assets below are exclusive of, where applicable, financial instruments, deferred tax assets and post-employment benefits assets.

In USD

Country	**Revenue from contracts with customers**		**Geographical non-current assets**	
	2018	**2017**	**2018**	**2017**
United States of America	2,844,502	-	722,946	-
Australia	-	-	1,233,307	-
	2,844,502	-	1,946,253	-

7 Expenses

In USD

	Note	2018	2017
(a) Employee expenses			
Salaries and wages		9,571,671	24,924
Contributions to defined contribution funds		73,589	301
Share-based payment		734,865	3,079
		10,380,125	28,304
(b) General and administration expenses			
Insurance		96,574	917
Rent and utilities		323,823	2,716
Travel and entertainment		987,652	-
Accounting fees		205,838	2,250
Directors' fees		128,710	-
Product scrap		104,713	-
Telecommunications and software license fees		154,161	352
Other expenses		519,547	938
		2,521,018	7,173
(c) Depreciation and amortisation expenses			
Depreciation expense	*12*	146,259	1,448
Amortisation expense	*13*	98,207	735
		244,466	2,183
(d) Net finance expense			
Interest income		12,583	26
Interest income (loan to shareholder)		4,145	-
Net foreign exchange gain		128,452	-
Finance income		145,180	26
Interest expense		-	(10,915)
Interest on converting note		(78,170)	-
Finance expense		(78,170)	(10,915)
Net finance income/(expense) recognised in profit or loss		67,010	(10,889)

8 Cash and cash equivalents

(a) Cash and cash equivalents in statement of cash flows

In USD	**2018**	**2017**
Cash at bank	7,211,102	2,597,767
	7,211,102	2,597,767

(b) Reconciliation of cash flows from operating activities

In USD

	Note	**2018**	**2017**
Loss for the year		(13,747,504)	(48,550)
Adjustments for:			
Depreciation and amortisation	*7(c)*	244,466	2,183
Interest income	*7(d)*	(4,145)	10,915
Accrued interest on converting notes	*7(d)*	78,170	-
Share based payments	*7(a)*	734,865	-
Unrealised foreign currency translation (gain)/loss		(35,134)	3,054
Operating profit before changes in working capital and provisions		(12,729,282)	(32,398)
Change in operating assets and liabilities			
Change in trade and other receivables		(692,536)	-
Change in inventories		(228,817)	-
Change in other current assets		(315,553)	-
Change in trade and other payables		552,288	(75,849)
Change in employee benefits		97,992	-
Change in contract liabilities*		943,026	-
		356,400	(75,849)
Net cash from operating activities		(12,372,882)	(108,247)

***** Net of $950,000 adjustment to retained earnings as detailed in note 5(a).

9 Trade and other receivables

In USD	**2018**	**2017**
Current		
Trade and other receivables	694,847	1,780
Loan to shareholders	89,511	-
	784,358	1,780
Non-current		
Loan to shareholders	87,473	191,127
Security deposit	36,656	-
	124,129	191,127

The carrying value of receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

10 Inventories

In USD

	2018	2017
Raw materials – at cost	77,550	21,131
Finished goods – at cost	241,407	59,009
	318,957	80,140
Less provision for obsolete stock	(10,000)	-
	308,957	80,140

11 Other assets

In USD

	2018	2017
Current		
Prepayments and other assets	379,404	291,095

12 Property, plant and equipment

In USD

	2018	2017
Leasehold improvements, at cost	194,607	160,015
Accumulated depreciation	(14,575)	(5,592)
Net book value	180,032	154,423
Plant and equipment, at cost	458,511	381,880
Accumulated depreciation	(106,189)	(198,258)
Net book value	352,322	183,622
Furniture and fittings, at cost	133,102	141,422
Accumulated depreciation	(26,822)	(39,544)
Net book value	106,280	101,878
Total	638,634	439,923

12 Property, plant and equipment (continued)

Reconciliations of the written down values at the beginning and end of the current financial year and previous financial period are set out below.

In USD	**Leasehold improvements**	**Plant and equipment**	**Furniture and fittings**	**Totals**
Balance at 20 October 2017	-	-	-	-
Additions through common control transaction (note 24)	154,498	184,783	102,090	441,371
Depreciation expense	(75)	(1,161)	(212)	(1,448)
Balance at 31 December 2017	154,423	183,622	101,878	439,923
Additions	40,109	273,728	31,012	344,849
Depreciation expense	(14,580)	(105,069)	(26,610)	(146,259)
Foreign exchange	80	41	-	121
Balance at 31 December 2018	180,032	352,322	106,280	638,634

13 Intangible assets

In USD	**2018**	**2017**
Research and development expenditure, at cost	393,180	-
Accumulated amortisation	(14,201)	-
Net book value	378,979	-
Computer software, at cost	92,564	29,452
Accumulated amortisation	(26,997)	(223)
Net book value	65,567	29,229
Patents, at cost	795,599	603,965
Accumulated amortisation	(56,655)	(512)
Net book value	738,944	603,453
Total	1,183,490	632,682

13 Intangible assets (continued)

	R&D	Computer software	Patents	Totals
Balance at 20 October 2017	-	-	-	-
Additions through common control transaction (note 24)	-	29,452	603,965	633,417
Amortisation expense	-	(223)	(512)	(735)
Balance at 31 December 2017	-	29,229	603,453	632,682
Additions	393,180	63,112	191,634	647,926
Amortisation expense	(14,714)	(27,010)	(56,483)	(98,207)
Foreign exchange	513	236	340	1,089
Balance at 31 December 2018	378,979	65,567	738,944	1,183,490

14 Income tax expense

Income tax expense comprises current and deferred tax expense and is recognised in profit or loss, except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income. The components of tax expense comprise:

In USD

	2018	2017
Income tax (expense)/benefit		
Current tax	-	-
Deferred tax	-	-
Aggregate income tax (expense)/benefit	-	-

The prima facie tax on loss before income tax is reconciled to the income tax expense as follows:

In USD	2018	2017
Loss before income tax	(13,747,504)	(48,550)
Tax using the Company's domestic Australian tax rate of 30%	(4,124,251)	(14,565)
Non-deductible expenses	14,398	-
	(4,109,853)	(14,565)
Tax losses not brought to account	4,109,853	14,565
Total income tax expense	-	-

There were deductible temporary differences of USD $47,992 (2017: nil) and unused tax losses of USD $4,590,052 (2017: USD $512,612) for which no deferred tax asset has been recorded.

The unused tax losses as at 31 December were as follows:

In USD	2018	2017
Australia unused tax losses (in AUD)	6,881,124	3,121
USD unused tax losses (in USD)	18,125,437	11,090,126

15 Trade and other payables

In USD

	2018	2017
Current		
Trade payables	522,141	379,234
Other payables and accrued expenses	630,775	175,886
	1,152,916	555,120

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value

16 Loans and borrowings

Converting notes

In USD	2018	2017
Proceeds from issue of convertible notes	7,743,581	-
Less: transaction costs	(289,493)	-
Net proceeds at the date of issue	7,454,088	-
Interest expense accrued	30,891	-,
	7,484,979	-
Amount classified as equity (net of transaction costs)	(415,562)	-
Carrying amount of liability at 31 December 2018	7,069,417	-

The parent entity, Next Science Group Pty Limited, issued non-redeemable converting notes to 92 noteholders during December 2018. The converting notes mature 12 months after issue. Interest on the converting notes is payable at 8% per annum.

Converting notes convert to ordinary shares on the occurrence of a Conversion Event being; either an Initial Public Offering event, a Capital Raising Event or a Control Event. An Initial Public Offering Event means receipt by the Company of conditional approval from either the Australia Stock Exchange or any other financial market, as applicable. A Capital Raising Event means a capital raising undertaken by the Company to raise a minimum of AUD $5,000,000, but does not include any capital raising undertaken by the Company as part of an Initial Public Offering. A Control Event is any event which has the effect of a change in Control of the Company.

16 Loans and borrowings (continued)

The conversion price of converting notes to ordinary shares is:

(a) if the converting notes convert on the occurrence of an Initial Public Offering Event, the lesser of the price per share equal to 80% of the issue price of shares under the prospectus and the Maximum Conversion Price (see below);

(b) if the converting notes convert on the occurrence of a Capital Raising Event, the lesser of the price per share equal to 80% of the price at which shares are offered under the capital raising and the Maximum Conversion Price (see below);

(a) if the converting notes convert on the occurrence of a Control Event, the lesser of the price per Share equal to 80% of the last price per share at which the Control Event occurred and the Maximum Conversion Price (see below); or

(b) if the converting notes convert at maturity, the lesser of the price per share equal to 70% of the fair market value and the Maximum Conversion Price (see below).

The Maximum Conversion Price means:

(a) if the converting notes convert on the occurrence of an Initial Public Offering Event, a Capital Raising Event or a Control Event, the price per share equal to 80% of AUD$135,000,000 divided by the number of Shares on issue immediately prior to the occurrence of the Conversion Event; or

(b) if the converting notes convert on maturity, means the price per share equal to 70% of AUD$135,000,000 divided by the number of shares on issue immediately prior to the occurrence of the Conversion Event.

The initial fair value of the liability portion of the converting notes issued were determined using an estimated market interest rate of 14% which was determined to be an estimate of the benchmark rate for a similar organisation.

Converting notes are classified as level 3 in the fair value hierarchy due to the use of unobservable inputs including own credit risk.

17 Contract liabilities

In USD

	2018	**2017**
Contract liabilities - current	222,130	-
Contract liabilities – non-current	1,670,896	-

Contract liabilities relate to consideration received in advance from customers for which revenue is recognised over time, including a reduction to opening accumulated losses and an increase to contract liabilities for the year of $950,000, as described in note 5(a).

18 Employee benefits

In USD

	2018	2017
Current		
Liability for annual leave	108,835	9,190
	108,835	9,190
Non-current		
Liability for long service leave	2,143	3,797
	2,143	3,797

19 Capital and reserves

(a) Share capital

In number of shares	Fully paid	Partly paid	Total
Shares issued on 22 December 2017	15,950	100	16,050
Shares issued on 28 December 2017	728	-	728
Balance at 31 December 2017	16,678	100	16,778
Shares issued 2 February 2018	364	-	364
Shares issued 28 February 2018	728	-	728
Shares issued 25 May 2018	1,587	-	1,587
Shares issued 26 June 2018	497	-	497
Shares issued 25 September 2018	50	-	50
Balance at 31 December 2018	19,904	100	20,004

In USD	Fully paid	Partly paid	Total
Shares issued on 22 December 2017	43,862,501	199,999	44,062,500
Shares issued on 28 December 2017	2,002,000	-	2,002,000
Balance at 31 December 2017	45,864,501	199,999	46,064,500
Shares issued 2 February 2018	1,001,000	-	1,001,000
Shares issued 28 February 2018	2,002,000	-	2,002,000
Shares issued 25 May 2018	5,792,550	-	5,792,550
Shares issued 26 June 2018	1,814,050	-	1,814,050
Shares issued 25 September 2018	182,500	-	182,500
Balance at 31 December 2018, pre-costs	56,656,601	199,999	56,856,600
Capital raising costs	(267,195)	-	(267,195)
Balance at 31 December 2018	56,389,406	199,999	56,589,405

Ordinary shares
Fully paid ordinary shares
Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called.

19 Capital and reserves (continued)

(a) Share capital

Partly paid ordinary shares

The partly paid ordinary shares are called on in accordance with their underlying arrangements and as required by the Company. In any case, on winding up the company, the balance of partly paid shares, if any, may be called up. The proceeds on winding up are proportional to the amounts paid on partly paid shares. Partly paid shares carry equal dividend participation and voting rights as fully paid shares, although any dividends must be first be applied to the unpaid balance on the shares.

(b) Reserves

In USD	2018	2017
Foreign currency translation reserve	(227,292)	22,438
Common control reserve	(42,596,715)	(42,596,715)
Share option reserve	968,831	224,734
Converting notes reserve	415,562	-
	(41,439,614)	(42,349,543)

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the Group's presentation currency.

Common control reserve

The acquisition of the share capital of Microbial Defense Systems Holdings Inc ("MDS") by the Company on 22 December 2017 was accounted for as a common control transaction. As a consequence, the difference between the fair value of the consideration paid and the existing book values of assets and liabilities of MDS were debited to a common control reserve, directly within equity.

The common control reserve is comprised of:

Fair value of consideration paid for shares in MDS	43,862,500
Less: Book values of assets and liabilities of MDS (refer to note 24)	(1,507,860)
Add: Option reserve	224,734
Add: Foreign exchange translation	17,341
Common control reserve	42,596,715

Share option reserve

The share option reserve comprises the value of the share-based payment arrangements recognised in equity.

Converting notes reserve

The reserve for converting notes comprises the amount allocated to the equity component for the converting notes issued by the Group in December 2018 (see note 16).

(c) Dividends

No dividends were paid or declared by the Company during the period.

(d) Dividend franking account

The Company has franking credits available to shareholders of Nil.

19 Capital and reserves (continued)

(e) Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, maintain sufficient financial flexibility to pursue its growth objectives and maintain an optimal capital structure to reduce the cost of capital.

20 Parent entity information

As at, and throughout, the financial year to 31 December 2018 the parent entity of the Group was Next Science Group Pty Limited.

Statement of profit or loss and other comprehensive income
In USD

	Parent 2018	Parent 2017*
Loss after income tax	(13,965,244)	(15,367,165)
Other comprehensive income	(73,943)	-
Total comprehensive income	(14,039,187)	(15,367,165)

Statement of financial position
In USD

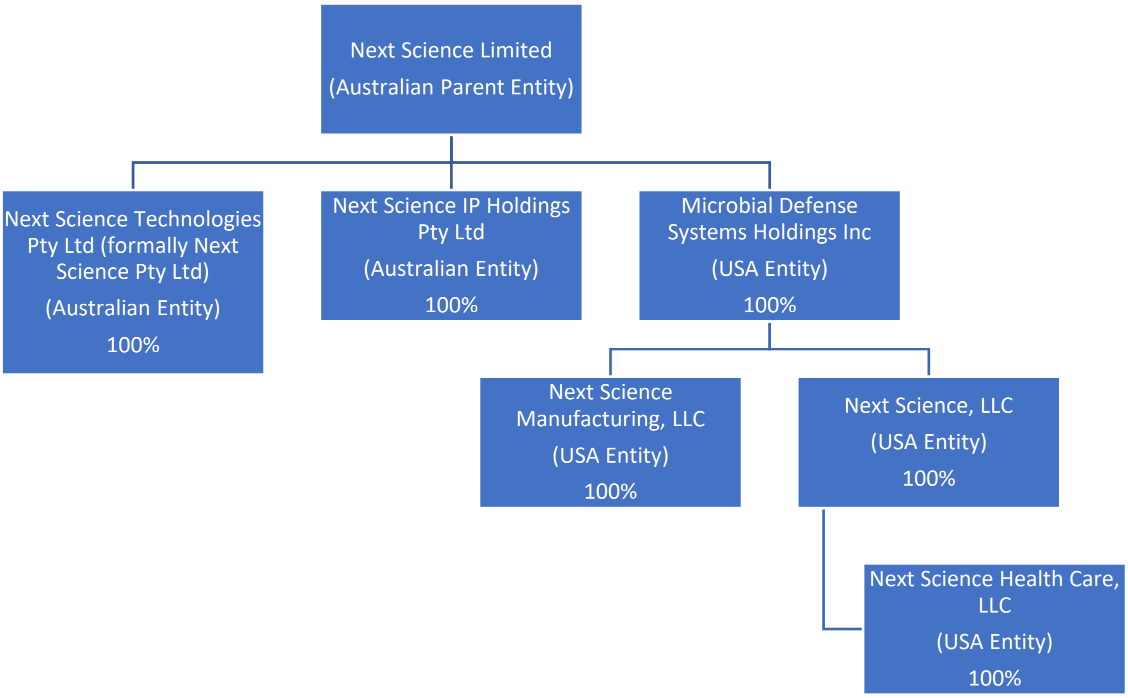
	2018	2017*
Assets		
Total current assets	934,834	-
Total non-current assets	8,227,347	3,666,407
Total assets	9,162,181	3,666,407
Liabilities		
Total current liabilities	(7,852,288)	(155)
Total non-current liabilities	-	-
Total liabilities	(7,852,288)	(155)
Total net assets	1,309,893	3,666,252
Equity		
Share capital	56,589,406	46,064,499
Common control reserve	(27,257,549)	(27,257,549)
Foreign currency translation reserve	(73,947)	1,733
Share option reserve	968,830	224,734
Converting notes reserve	415,562	-
Accumulated losses	(29,332,409)	(15,367,165)
Total equity	1,309,893	3,666,252

* The comparative information for 2017 have been restated for inter-group loan impairment provisions, consistent with 2018.

The parent entity did not have any contingent liabilities or capital commitments as at 31 December 2018. The parent entity had not entered into a deed of cross guarantee as at 31 December 2018.

21 Group entities

Set out below is the Group structure listing all subsidiaries as at 31 December 2018.



22 Related parties

(a) Key management personnel compensation

Key management personnel ("KMP") are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly, and include the Directors, executive and non-executive, as well as certain other senior executives. The totals of remuneration of the KMP of the Company included within employee expenses are as follows:

In USD	**2018**	**2017**
Short term employee benefits	1,010,069	7,334
Post employment benefits	28,245	70
Share-based payment benefits	362,810	-
Total KMP remuneration	1,401,124	7,404

Short term employee benefits

Short term employee benefits include fees and benefits paid to the executive directors and other KMP as well as salary, fringe benefits and cash bonuses awarded to the non-executive directors.

Post-employment benefits

Post-employment benefits are the cost of superannuation contributions made during the year.

22 Related parties (continued)

(b) Key management personnel transactions

Directors of the Company hold 3.6% of the controlling interest in the shares of the Company as at 31 December 2018.

(c) Other related party transactions

In the prior year, the Company acquired 100% of the shares and voting interest in a related entity, Microbial Defense Systems Holdings Inc ("MDS"), for $43,862,500, as described in Note 24.

23 Share-based payment arrangement

Equity Incentive Plan (equity-settled)

The Group has established an Equity Incentive Plan. The purpose of the Plan is to attract and retain the types of employees, consultants and directors who will contribute to the Company's long term success; provide incentives that align the interests of Employees, Consultants and Directors with those of the stockholders of the Company; and promote the success of the Company's business. As at 31 December 2018, there are 1,690 options over ordinary shares (2017: 325 options), representing 8.45% (2017:1.94%) of the Company's total share capital, granted to the employees of the Company.

The grant dates, vesting dates and exercise prices vary in accordance with the nature of each employee's employment and are as follows:

Grant date	Number of options	Vesting conditions	Expiry date	Exercise price in USD	Spot price USD
9-Nov-16	87	1 yr service from grant date	9-Nov-19	2,000	2,000
9-Nov-16	88	2 yrs services from grant date	9-Nov-20	2,000	2,000
1-Mar-17	50	1 yr service from grant date	1-Mar-20	2,000	2,000
1 Mar-17	50	2 yrs service from grant date	1-Mar-21	2,000	2,000
1-Sep-17	25	1 yr service from grant date	1-Sep-20	2,750	2,750
1-Sep-17	25	2 yrs service from grant date	1-Sep-21	2,750	2,750
At 31 Dec 2017	**325**				
16-Apr-18	153	1 yr service from grant date	16-Apr-21	2,750	2,750
16-Apr-18	360	Various, including financial & non-financial conditions	16-Apr-21	2,750	2,750
16-Apr-18	160	Immediately upon grant	16-Apr-21	2,750	2,750
16-Apr-18	12	2 yrs service from grant date	16-Apr-22	2,750	2,750
17-Dec-18	380	3 yrs service from grant date	17-Dec-23	3,650	3,650
17-Dec-18	300	2 yrs service from grant date	17-Dec-23	3,650	3,650
At 31 Dec 2018	**1,690**				

23 Share-based payment arrangement (continued)

As at 31 December 2018, 410 options have vested (2017: 87). There have been no share options which have been forfeited, lapsed or exercised during the financial year.

The fair value has been measured using the Black-Scholes formula. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

The inputs used in the measurement of the fair values at grant date and measurement date were as follows:

	2018	**2017**
Expected volatility	91%	91%
Expected life	3-4 years	3-4 years
Risk-free interest rate (based on government bonds)	2.25%-5.50%	1.81%

Expected volatility is measured based on peer companies and expected life is the number of days until expiry.

24 Acquisition of subsidiaries

(a) Acquisition of Microbial Defense Systems Holdings Inc – common control transaction

This transaction occurred in the prior financial period.

Summary

On 22 December 2017, the Company acquired 100% of the issued shares and voting interest in Microbial Defense Systems Holdings Inc ("MDS").

Consideration transferred

The value of consideration transferred to the selling shareholders on 22 December 2017 was $43,862,500.

Identifiable assets acquired and liabilities assumed

The acquisition of MDS was accounted for as a common control transaction and as such the requirements of AASB 3 *Business Combinations* did not apply to this transaction. As a common control transaction, the assets and liabilities acquired are recorded at their book value at the date of acquisition, as described in Note 3(a)(i).

At the date of acquisition the net equity of MDS acquired is represented by the following items:

Share capital and reserves of MDS	16,829,685
Accumulated losses of MDS	(15,342,176)
Foreign exchange differences	20,351
Net equity of MDS	1,507,860

24 Acquisition of subsidiaries (continued)

(a) Acquisition of Microbial Defense Systems Holdings Inc – common control transaction

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

In USD

Cash and cash equivalents	704,014
Trade and other receivables	292,875
Inventories	80,410
Property, plant and equipment	441,371
Intangibles	633,417
Trade and other payables	(630,970)
Provisions	(12,987)
Total identifiable net assets acquired from MDS	1,507,860

Common control reserve

Common control reserve arising from the acquisition has been recognised as follows:

In USD

Consideration transferred	43,862,500
Less: Book value of identifiable net assets	(1,507,860)
Add: Option reserve	224,734
Add: Foreign exchange transaction	17,341
Common control reserve	42,596,715

Purchase consideration – cash outflow

Payments for the acquisition of MDS are reconciled to the statement of cash flows as follows:

In USD

Outflow of cash to selling shareholders	-
Less: Cash and cash equivalents acquired	(704,014)
Payments for acquisition of MDS net of cash acquired	(704,014)

25 Commitments and contingencies

(a) Lease as lessee

At 31 December 2018, the future minimum lease payments under non-cancellable leases were payable as follows:

In USD

	2018	**2017**
Within one year	212,519	158,195
Later than one year but not later than five years	519,168	621,899
	731,687	780,094

Operating leases related to rented premises. Leases have various terms, including some options to extend the terms. A lease expense of $285,616 (2017: $185,214) were recognised in other expenses in the profit and loss statement.

Other than the lease commitments disclosed the Group has no other commitments or contingencies as at 31 December 2018.

26 Events after the reporting period

On 24 January 2019, the Company changed its status and name from Next Science Group Pty Limited as a proprietary company to Next Science Limited being a public company and the shareholders approved the adoption of a new constitution.

On 24 January 2019, a share split was completed on the basis that every one ordinary share and each option on issue in Next Science be divided into 6,500 ordinary shares.

Other than the above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

27 Auditor's remuneration

In USD

	2018	2017
Audit and assurance related services		
KPMG Australia		
Audit of financial statements	73,958	30,616
Total audit and assurance services	73,958	30,616
Other services		
KPMG Australia		
Taxation services	33,228	132,453
Other services	151,305	3,885
Total other services	184,533	136,338
Total auditor's remuneration	258,491	166,954

28 Earnings per share

	2018	2017
Loss after tax	(13,747,504)	(48,550)
Basic and diluted earnings per share (USD cents)	(725.39)	(297.10)
Weighted average number of shares	18,952	16,341

29 Financial risk management

(a) Overview

The Group's activities expose it to various financial risk: credit risk, liquidity risk and market risk.

This note presents information about the Group's exposure to each of these risks, its objectives, policies and processes for measuring and managing risk.

29 Financial risk management (continued)

(b) Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its standards and procedures, aims to maintain an effective control environment in which all employees understand their roles and obligations.

(c) Credit risk

Cash and cash equivalents

The Group held cash and cash equivalents of USD $7,211,102 at 31 December 2018 (2017: USD $2,597,767). The cash and cash equivalents are held with credit worthy bank and financial institution counterparties.

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by monitoring net cash balances, actual and forecast operating cash flows.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include estimated interest payments and exclude the impact of netting agreements.

At 31 December 2018	**Less than 6 months**	**Between 6 and 12 months**	**Between 1 and 5 years**	**Total contracted amounts**
In USD				
Trade and other payables	1,152,916	-	-	1,152,916
	1,152,916	-	-	1,152,916

At 31 December 2017	**Less than 6 months**	**Between 6 and 12 months**	**Between 1 and 5 years**	**Total contracted amounts**
In USD				
Trade and other payables	555,120	-	-	555,120
	555,120	-	-	555,120

The cash flows in the maturity analysis are not expected to occur significantly earlier or be for a significantly different amount than contractually disclosed above.

29 Financial risk management (continued)

(e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Group is not exposed to any significant interest rate risk. There is minimal exposure to the impact of adverse changes in benchmark interest rates. The Group is exposed to variable interest rate risks at the reporting date on the cash and short-term deposits. A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased or decreased profit after tax by $66,336 (2017: $25,978). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The source and nature of this risk arise from operations and translation risks. The Group's reporting currency is United States Dollars ("USD"). However, the international operations give rise to an exposure to changes in foreign exchange rates as amounts of expenditure are from Australia and denominated in currencies other than USD.

The carrying amounts of the Group's foreign currency denominated financial assets (trade and other receivables including accrued income) and financial liabilities (trade and other payables) at the reporting date were as follows:

In Australian Dollars	**2018**	**2017**
Financial assets	6,633,702	1,633,430
Financial liabilities	(276,513)	(179,133)
Net exposure in statement of financial position	6,357,189	1,454,297

A reasonably possible strengthening (weakening) of the Unites States Dollar against all other currencies at 31 December 2017 would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	% change	**Profit before tax**		**Equity**	
		Strengthen	**Weaken**	**Strengthen**	**Weaken**
2018					
Australian Dollars	10%	(100,172)	100,172	(100,172)	100,172
2017					
Australian Dollars	10%	145,429	(145,429)	145,429	(145,429)

The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months and the spot rate at each reporting date.

Directors' declaration

In the opinion of the directors of Next Science Limited (the "Company"):

(a) the consolidated financial statements and notes that are set out on pages 6 to 40, are in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the financial position of the Group as at 31 December 2018 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001;* and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors draw attention to Note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of directors:

Judith Mitchell
Director

Dated at Sydney this 14th day of February 2019

Independent Auditor's Report

To the shareholders of Next Science Limited

Opinion

We have audited the ***Financial Report*** of Next Science Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 31 December 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2018;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Independent auditor's report to the shareholders of Next Science Limited (continued)

Material uncertainty related to going concern

We draw attention to Note 2(e) of the financial statements which describes that the Group incurred a loss of $13,747,504 and had net cash outflows from operations of $12,372,882 during the financial year ended 31 December 2018 and needs to raise additional equity. These conditions, along with other matters as set forth in Note 2(e), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Other Information is financial and non-financial information in Next Science Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information. The Other Information we obtained prior to the date of this Auditor's Report was the Directors Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of an Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

KPMG

Independent auditor's report to the shareholders of Next Science Limited (continued)

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

Chris Allenby

Partner

Sydney

14 February 2019