

Next Science Half Year Results

Sydney, Australia, Friday, 23 August 2019: Next Science Limited (ASX:NXS) (**Next Science**), a global medical company with a unique platform of technologies to eliminate biofilms, provides its Half Year Report for the six months ended 30 June 2019.

Summary:

- Revenue growth 222% to \$US 2.34M

Comments:

In presenting the results for the 6 months to 30 June 2019, Managing Director, Judith Mitchell, said: "Revenue growth for the 6 months has come predominantly from sales of Blast X and Bactisure in the US market through the partnerships with 3M and Zimmer Biomet respectively. Ms Mitchell also said "Our entry into European markets is being actively pursued. In the period under review, submissions have been made for CE mark approvals for both Bactisure and BlastX along with Middle Ear Wash and SurgX, to allow entry into European markets and widen market access to these technologies."

As Next Science moves forward with further market penetration as well as geographic expansion, gross margins have been maintained and expenses have grown in those areas that support market expansion.

Judith Mitchell will host an investor conference call and webcast at 2.00pm (AEST) today, 23 August 2019.

To access the call, please use the following link:

<https://s1.c-conf.com/diamondpass/nextsciencelimited-10001755-invite.html>

The presentation and audio can also be accessed via a webcast at:

<https://webcast.openbriefing.com/5492/>

Next Science will hold its Annual General Meeting on 25 September 2019.

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For further information, please contact:

Judith Mitchell, Managing Director

Phone: +61 2 9375 7989

Email: investorqueries@nextscience.com

About Next Science

Next Science is a medical technology company headquartered in Sydney, Australia, with a research and development centre in Florida, USA. Established in 2012, the Company's primary focus is on the development and continued commercialisation of its proprietary Xbio technology to reduce the impact of biofilm based infections in human health. Xbio is a unique, non-toxic technology with proven efficacy in eradicating both biofilm based and free-floating bacteria. Next Science owns 100% of the patent protected intellectual property relating to its Xbio technology.

For further information visit: www.nextscience.com.

Next Science Limited
Appendix 4D
For the half-year ended 30 June 2019

Company details

Name of entity: Next Science Limited
ABN: 47 622 382 549
Reporting period: For the half-year ended 30 June 2019
Previous period: For the half-year ended 30 June 2018

Results for announcement to the market

				USD \$
Revenues from ordinary activities	up	222%	to	2,345,170
Loss from ordinary activities after tax attributable to the owners of Next Science Limited	up	10%	to	(6,579,284)
Loss for the half-year attributable to the owners of Next Science Limited	up	10%	to	(6,579,284)

Dividends

No dividend was paid or proposed during the half-year ended 30 June 2019 (2018: USD \$nil)

Refer to the Operating and Financial Review within the Directors' Report for further commentary on the half-year's results, financial position and likely developments in future years.

Net tangible assets

	Reporting period USD Cents	Previous period USD Cents
Net tangible assets per ordinary security	<u>12.69</u>	<u>(6.45)</u>

The net tangible asset per ordinary security is calculated based on 179,164,575 ordinary shares on issue at 30 June 2019 and 129,701,000 shares that were in existence at 30 June 2018 (post share split).

Control gained over entities

Not applicable.

Loss of control over entities

Not applicable.

Next Science Limited
Appendix 4D
For the half-year ended 30 June 2019

Other information requiring disclosure to comply with ASX listing rule 4.2A.3 is contained in, and should be read in conjunction with the Financial Statements, the notes to the Financial Statements and the Directors' Report for the half-year ended 30 June 2019 attached to this report.

This report is based on the Consolidated Financial Statements and Notes of Next Science Limited which have been reviewed by KPMG.

Signed



Judith Mitchell
Managing Director

23rd August 2019
Sydney

Next Science Limited

ABN 47 622 382 549

Interim Financial Statements

For the half-year ended
30 June 2019

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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 half-year ended 30 June 2019.

Directors

The following persons were directors of Next Science Limited during the half-year and up to the date of this report:

George Savvides
Judith Mitchell
Bruce Hancox
Daniel Spira
Mark Compton
Aileen Stockburger

Operating and financial review

Principal activities

The principal activities of the Group during the course of the half-year were the research, development and distribution of technologies which solve issues in human health caused by biofilms.

Significant changes in the state of affairs

On 24 January 2019, the Company changed from being a proprietary company with the name Next Science Group Pty Limited to being a public company with the name Next Science Limited. The Company also adopted, with effect from this date, a new constitution suitable for a public ASX listed company pursuant to shareholder approval obtained at a general meeting held on 14 December 2018.

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 respectively.

On 8 April 2019, the non-redeemable converting notes converted to ordinary shares on the occurrence of an Initial Public Offering event. The conversion price of converting notes to ordinary shares was AUD\$0.80.

On 16 April 2019, Next Science Limited was admitted to the Official List of the ASX Limited ('ASX') and commenced trading on 18 April 2019 after successfully completing an Initial Public Offering ('IPO') of 35 million ordinary shares to raise AUD\$35 million.

In the opinion of the Directors, other than the events previously stated, there were no further significant changes in the state of affairs of the Group that occurred during the half-financial year.

Review of results and operations

The loss for the Group for the half-financial year to 30 June 2019 after providing for income tax amounted to \$6,579,284 (2018: \$5,960,277).

Revenue more than tripled for the period, increasing from \$727,563 in the prior corresponding period to \$2,345,170.

Gross profit was \$1,965,878 compared to \$622,254 in the prior corresponding period. Gross margin as a percent of sales was 84% compared with 86% in the prior corresponding period as a result of a change in product sales mix and some discounted sample sales activity.

Directors' report (continued)

Sales and marketing expenses were \$361,629, an increase of \$172,669 compared with \$188,960 in the prior corresponding period. \$48,147 of the expenses relate to IPO investor relations activity, with the balance of the increase resulting from a strengthened focus on customer education and training programs for existing and upcoming products.

General and administration expenses were \$1,672,468, an increase of \$459,022 compared with \$1,213,446 in the prior corresponding period. This comprises of \$312,106 which relates directly to IPO associated expenses, with further increases associated with the additional costs of compliance required for a listed entity.

Consulting and regulatory expenses were \$1,218,094, an increase of \$560,458 compared with \$657,636 in the prior corresponding period. This comprises of \$451,736 which relates to IPO associated expenses and expenses related to the pre-IPO capital raising, with the balance of increased spend relating to increased regulatory costs.

Research and development expenses for the six months to 30 June 2019 were \$1,036,442, an increase of \$339,820 compared with the prior corresponding period, reflecting an increase in product development activity and associated product validation costs.

Finance expenses of \$294,825 in the current period are mainly attributable to interest expense recognised in the profit and loss on the converting notes, for the period prior to their conversion to ordinary shares on 8 April 2019.

Cash and cash equivalents at 30 June 2019 amounted to \$22,980,128 compared to \$7,211,102 at 31 December 2018.

Business growth strategy and likely developments

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.

Dividends

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

Matters subsequent to the end of the financial year

There has not arisen in the interval between the end of the half-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.

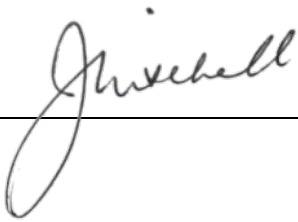
Directors' report (continued)

Auditor's independence declaration

The auditor's independence declaration is set out on page 4 and forms part of the directors' report for the half-financial year ended 30 June 2019.

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

On behalf of the directors:

A handwritten signature in black ink that reads "Judith Mitchell". The signature is written in a cursive style and is positioned above a horizontal line.

Judith Mitchell
Director

Dated at Sydney this 23rd day of August 2019



Lead Auditor's Independence Declaration under Section 307C of the 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 review of Next Science Limited for the interim period ended 30 June 2019 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Chris Allenby

Partner

Sydney

23 August 2019

Consolidated statement of profit or loss and other comprehensive income
For the half-financial year ended 30 June 2019

In USD

		Consolidated	
	Note	Half-year ended	
		30 June	30 June
		2019	2018
Revenue	3	2,345,170	727,563
Cost of sales		<u>(379,292)</u>	<u>(105,309)</u>
Gross profit		<u>1,965,878</u>	<u>622,254</u>
Other income	4	173,690	-
Employee expenses		(3,940,091)	(3,844,391)
Research and development		(1,036,442)	(696,622)
Sales and marketing		(361,629)	(188,960)
Consultancy and regulatory		(1,218,094)	(657,636)
General and administration expenses		(1,672,468)	(1,213,446)
Depreciation and amortisation		<u>(260,881)</u>	<u>(100,166)</u>
Results from operating activities		<u>(6,350,037)</u>	<u>(6,078,967)</u>
Finance income		65,578	118,690
Finance expense		<u>(294,825)</u>	<u>-</u>
Net finance income/(expense)		<u>(229,247)</u>	<u>118,690</u>
Loss before income tax		<u>(6,579,284)</u>	<u>(5,960,277)</u>
Income tax expense		-	-
Loss for the half-year		<u>(6,579,284)</u>	<u>(5,960,277)</u>
Other comprehensive income			
Foreign currency translation differences for foreign operations		<u>(913,258)</u>	<u>(179,545)</u>
Total comprehensive income for the half-year		<u>(7,492,542)</u>	<u>(6,139,822)</u>
Earnings per share			
From continuing operations		Cents	Cents
Basic earnings	14	<u>(4.32)</u>	<u>(5.12)</u>
Diluted earnings	14	<u>(4.32)</u>	<u>(5.12)</u>

The notes on pages 10 to 17 are an integral part of these financial statements.

Consolidated statement of financial position

As at 30 June 2019

In USD

	Note	30 June 2019	31 Dec 2018
Assets			
Current assets			
Cash and cash equivalents	5	22,980,128	7,211,102
Trade and other receivables		1,107,694	784,358
Inventories		381,577	308,957
Other current assets		507,273	379,404
Total current assets		<u>24,976,672</u>	<u>8,683,821</u>
Non-current assets			
Trade and other receivables		124,841	124,129
Property, plant and equipment	6	644,172	638,634
Intangible assets	7	1,676,020	1,183,490
Right of use asset	8	490,285	-
Total non-current assets		<u>2,935,318</u>	<u>1,946,253</u>
Total assets		<u>27,911,990</u>	<u>10,630,074</u>
Liabilities			
Current liabilities			
Trade and other payables		1,074,207	1,152,916
Loans and borrowings	10	-	7,069,417
Contract liabilities	11	289,757	222,130
Lease liabilities	9	187,676	-
Employee benefits		112,667	108,835
Total current liabilities		<u>1,664,307</u>	<u>8,553,298</u>
Non-current liabilities			
Contract liabilities	11	1,440,672	1,670,896
Lease liabilities	9	386,428	-
Employee benefits		3,314	2,143
Total non-current liabilities		<u>1,830,414</u>	<u>1,673,039</u>
Total liabilities		<u>3,494,721</u>	<u>10,226,337</u>
Net assets		<u>24,417,269</u>	<u>403,737</u>
Equity			
Share capital	12(a)	88,153,591	56,589,405
Common control reserve	12(b)	(42,596,715)	(42,596,715)
Foreign currency translation reserve		(1,140,550)	(227,292)
Share option reserve		1,411,971	968,831
Converting notes reserve		-	415,562
Accumulated losses		(21,411,028)	(14,746,054)
Total equity		<u>24,417,269</u>	<u>403,737</u>

The notes on pages 10 to 17 are an integral part of these financial statements.

Consolidated statement of changes in equity
For the half-financial year ended 30 June 2019

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 2019	56,589,405	(42,596,715)	(227,292)	968,831	415,562	(14,746,054)	403,737
Loss for half-the year	-	-	-	-	-	(6,579,284)	(6,579,284)
AASB 16 adjustment	-	-	-	-	-	(85,690)	(85,690)
<i>Other comprehensive income</i>							
Foreign currency translation differences	-	-	(913,258)	-	-	-	(913,258)
Total other comprehensive income	-	-	(913,258)	-	-	-	(913,258)
Total comprehensive income for the half-year	56,589,405	(42,596,715)	(1,140,550)	968,831	415,562	(21,411,028)	(7,174,495)
<i>Transactions with owners, recorded directly in equity</i>							
Issue of share options	-	-	-	443,140	-	-	443,140
Converting notes converted into shares	-	-	-	-	(415,562)	-	(415,562)
Issue of ordinary shares	33,086,555	-	-	-	-	-	33,086,555
Capital raising costs	(1,522,369)	-	-	-	-	-	(1,522,369)
Total transactions with owners	31,564,186	-	-	443,140	(415,562)	-	31,591,764
Balance at 30 June 2019	88,153,591	(42,596,715)	(1,140,550)	1,411,971	-	(21,411,028)	24,417,269

The notes on pages 10 to 17 are an integral part of these financial statements.

Consolidated statement of changes in equity (continued)

For the half-financial year ended 30 June 2018

In USD

	Share capital	Common control reserve	Foreign currency translation reserve	Share option 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 half-year	-	-	-	-	(5,960,277)	(5,960,277)
AASB 15 adjustment	-	-	-	-	(950,000)	(950,000)
<i>Other comprehensive income</i>						
Foreign currency translation differences	-	-	(179,545)	-	-	(179,545)
Total other comprehensive income	-	-	(179,545)	-	-	(179,545)
Total comprehensive income for the half-year	46,064,500	(42,596,715)	(157,107)	224,734	(6,958,827)	(3,423,415)
<i>Transactions with owners, recorded directly in equity</i>						
Issue of ordinary shares	10,609,600	-	-	-	-	10,609,600
Capital raising costs	(249,325)	-	-	-	-	(249,325)
Issue of share options	-	-	-	565,435	-	565,435
Total transactions with owners	10,360,275	-	-	565,435	-	10,925,710
Balance at 30 June 2018	56,424,775	(42,596,715)	(157,107)	790,169	(6,958,827)	7,502,295

The notes on pages 10 to 17 are an integral part of these financial statements.

Consolidated statement of cash flows
For the half-financial year ended 30 June 2019

In USD

	Note	Consolidated Half-year ended 30 June 2019	30 June 2018
Cash flows used in operating activities			
Receipts from customers		1,936,808	250,632
Payments to suppliers and employees		(8,099,948)	(5,885,159)
Payments for research and development		(1,036,442)	(98,143)
Interest received		26,010	6,417
Grant income	4	35,366	-
Net cash used in operating activities		<u>(7,138,206)</u>	<u>(5,726,253)</u>
Cash flows used in investing activities			
Payments for intangible assets	7	(578,143)	(274,370)
Payments for property, plant and equipment	6	(94,935)	(222,577)
Net cash used in investing activities		<u>(673,078)</u>	<u>(496,947)</u>
Cash flows from financing activities			
Proceeds from issue of ordinary shares		25,231,169	10,609,600
Proceeds from issue of converting notes	10	70,798	-
Capital raising costs		(1,717,999)	(249,325)
Other		(3,658)	-
Net cash from financing activities		<u>23,580,310</u>	<u>10,360,275</u>
Net increase in cash and cash equivalents		15,769,026	4,137,075
Cash and cash equivalents at beginning of the half-year		<u>7,211,102</u>	<u>2,597,767</u>
Cash and cash equivalents at end of the half-year		<u>22,980,128</u>	<u>6,734,842</u>

The notes on pages 10 to 17 are an integral part of these financial statements.

Next Science Limited
Notes to the consolidated financial statements
For the half-financial year ended 30 June 2019

1 Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 30 June 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, as appropriate for for-profit orientated entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The financial statements have been prepared on the basis of historical cost with cost based on the fair values of consideration given in exchange for assets. All amounts are presented in United States Dollars unless otherwise instructed.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the Directors' report and financial statements for the year ended 31 December 2018.

The principal accounting policies adopted are consistent with those of the consolidated financial statements as at and for the year ended 31 December 2018, unless otherwise stated.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year. Changes to accounting policies are described in note 2.

The financial report has been prepared on a going concern basis. Whilst the Group incurred a loss of \$6,579,284 (with similar net cash outflows from operations) for the half-year ended 30 June 2019 there are sufficient cash reserves to 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.

2 Changes to significant accounting policies

AASB 16 Leases

The Group has initially adopted AASB 16 *Leases* from 1 January 2019 using the modified retrospective approach with no adjustment to comparative information.

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.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16.

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*.

Previously, the Group recognised operating lease expenses on a straight-line basis over the term of the lease. Under AASB 16, 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, included in finance costs, based on the interest rate implicit in the contract.

Following the adoption of AASB 16, the Group has recognised additional lease liabilities of \$668,181 and corresponding right of use assets of \$581,602 with the balance being recognised in retained earnings.

Next Science Limited
Notes to the consolidated financial statements
For the half-financial year ended 30 June 2019

3 Revenue

In USD

Disaggregation of revenue

	Half-year ended	
	30 June 2019	30 June 2018
Products transferred at a point in time	2,151,528	697,737
Products transferred over time	172,755	25,348
Other revenue	20,887	4,478
Revenue from contracts with customers	<u>2,345,170</u>	<u>727,563</u>

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.

<i>In USD</i>	Revenue from contracts with customers		Geographical non-current assets	
	Half-year ended		As at	As at
Country	30 June 2019	30 June 2018	30 June 2019	31 Dec 2018
United States of America	2,299,878	727,563	1,620,164	1,223,307
Australia	45,292	-	1,315,154	722,946
	<u>2,345,170</u>	<u>727,563</u>	<u>2,935,318</u>	<u>1,946,253</u>

4 Other income

In USD

		As at 30 June 2019	As at 31 Dec 2018
Grant income		35,366	-
Gain on conversion of notes	10	140,692	-
Loss on disposal of fixed asset	6	(2,368)	-
		<u>173,690</u>	<u>-</u>

Income received in relation to grants will only be recognised when there is reasonable assurance when all conditions attaching to the grant have been complied with and upon receipt of cash.

Next Science Limited
Notes to the consolidated financial statements
For the half-financial year ended 30 June 2019

5 Cash and cash equivalents

In USD

	As at 30 June 2019	As at 31 Dec 2018
Cash at bank	22,980,128	7,211,102
	<u>22,980,128</u>	<u>7,211,102</u>

6 Property, plant and equipment

In USD

	As at 30 June 2019	As at 31 Dec 2018
Leasehold improvements, at cost	199,009	200,124
Accumulated depreciation	(29,819)	(20,092)
Net book value	<u>169,190</u>	<u>180,032</u>
Plant and equipment, at cost	688,534	649,963
Accumulated depreciation	(342,901)	(297,641)
Net book value	<u>345,633</u>	<u>352,322</u>
Furniture and fittings, at cost	207,422	172,434
Accumulated depreciation	(78,073)	(66,154)
Net book value	<u>129,349</u>	<u>106,280</u>
Total	<u>644,172</u>	<u>638,634</u>

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

<i>In USD</i>	Leasehold improvements	Plant and equipment	Furniture and fittings	Total
Balance at 1 July 2018	167,077	344,325	89,277	600,679
Additions	21,873	69,428	31,012	122,313
Disposals	-	-	-	-
Depreciation expense	(8,998)	(61,431)	(14,009)	(84,438)
Foreign exchange	80	-	-	80
Balance at 31 December 2018	<u>180,032</u>	<u>352,322</u>	<u>106,280</u>	<u>638,634</u>
Additions	-	54,590	40,345	94,935
Disposals	(400)	(1,968)	-	(2,368)
Depreciation expense	(10,382)	(59,311)	(17,276)	(86,969)
Foreign exchange	(60)	-	-	(60)
Balance at 30 June 2019	<u>169,190</u>	<u>345,633</u>	<u>129,349</u>	<u>644,172</u>

Next Science Limited
Notes to the consolidated financial statements
For the half-financial year ended 30 June 2019

7 Intangible assets

<i>In USD</i>	As at 30 June 2019	As at 31 Dec 2018
Development expenditure, at cost	820,267	393,180
Accumulated amortisation	<u>(38,076)</u>	<u>(14,201)</u>
Net book value	<u>782,191</u>	<u>378,979</u>
Patents, at cost	1,043,933	892,878
Accumulated amortisation	<u>(193,523)</u>	<u>(153,934)</u>
Net book value	<u>850,410</u>	<u>738,944</u>
Computer software, at cost	118,376	119,987
Accumulated amortisation	<u>(74,957)</u>	<u>(54,420)</u>
Net book value	<u>43,419</u>	<u>65,567</u>
Total	<u>1,676,020</u>	<u>1,183,490</u>

<i>In USD</i>	Development expenditure	Patents	Computer software	Total
Balance at 1 July 2018	193,505	655,453	19,749	868,707
Additions	195,926	114,594	63,112	373,632
Amortisation expense	(10,912)	(31,419)	(17,531)	(59,862)
Foreign exchange	460	316	237	1,013
Balance at 31 December 2018	<u>378,979</u>	<u>738,944</u>	<u>65,567</u>	<u>1,183,490</u>
Additions	427,088	151,055	-	578,143
Amortisation expense	(24,082)	(39,722)	(21,997)	(85,801)
Foreign exchange	206	133	(151)	188
Balance at 30 June 2019	<u>782,191</u>	<u>850,410</u>	<u>43,419</u>	<u>1,676,020</u>

Next Science Limited
Notes to the consolidated financial statements
For the half-financial year ended 30 June 2019

8 Right-of-use assets

The Group holds leases for properties with lease terms ranging from 3 to 4.5 years. AASB 16, *Leases*, has been adopted with a modified retrospective transition approach so there are no right-of-use assets recognised for the comparative half year to 31 December 2018.

<i>In USD</i>	As at 30 June 2019	As at 31 Dec 2018
Right-of-use assets: property		
Net carrying value	<u>490,285</u>	<u>-</u>
	<u>490,285</u>	<u>-</u>
<i>Amounts recognised in profit or loss In USD</i>	As at 30 June 2019	As at 31 Dec 2018
Depreciation expensed for the half-year	88,111	-
Interest expense	13,888	-
Expense relating to variable lease payments not included in the measurement of the lease liability	<u>38,019</u>	<u>-</u>
	<u>140,018</u>	<u>-</u>

The total cash outflow in relation to lease payments amounted to USD \$104,408.

9 Right-of-use lease liabilities

AASB 16 *Leases* has been adopted with a modified retrospective transition approach so there are no disclosures for the comparative period.

<i>In USD</i>	As at 30 June 2019	As at 31 Dec 2018
Amounts due for settlement within less than 12 months (current liabilities)	187,676	-
Amounts due for settlement in more than 12 months (non-current liabilities)	386,428	-
	<u>574,104</u>	<u>-</u>
<i>Maturity analysis In USD</i>	As at 30 June 2019	As at 31 Dec 2018
Not later than 1 year	187,676	-
Later than 1 year but not later than 5 years	386,428	-
Later than 5 years	<u>-</u>	<u>-</u>
	<u>574,104</u>	<u>-</u>

Next Science Limited
Notes to the consolidated financial statements
For the half-financial year ended 30 June 2019

10 Loans and borrowings

In USD

Converting notes

Proceeds from issue of convertible notes	7,743,581
Less: transaction costs	<u>(289,493)</u>
Net proceeds at the date of issue	7,454,088
Interest expense accrued	<u>30,891</u>
	7,484,979

Amount classified as equity (net of transaction costs)	<u>(415,562)</u>
Carrying amount of liability as at 31 Dec 2018	7,069,417

Proceeds from issue of convertible notes	70,798
Interest expense accrued	109,772
Amounts classified as equity	(3,741)
Transaction costs recognised in profit or loss	289,493
Derecognition of amounts classified as equity	419,303
Gain on conversion recognised in profit or loss	(140,692)
Effect of movement in exchange rates	41,036
Issue of ordinary shares upon conversion in April 2019	<u>(7,855,386)</u>
Carrying amount of liability as at 30 June 2019	-

11 Contract liabilities

In USD

	As at 30 June 2019	As at 31 Dec 2018
<i>Deferred revenue arising from contracts with customers</i>		
Current	289,757	222,130
Non-current	<u>1,440,672</u>	<u>1,670,896</u>
Total	<u><u>1,730,429</u></u>	<u><u>1,893,026</u></u>

12 Capital and reserves

(a) Share capital

In number of shares

	Note	Fully paid	Partly paid	Total
Balance at 1 July 2018		19,854	100	19,954
Shares issued 25 September 2018		50	-	50
Balance at 31 December 2018		<u>19,904</u>	<u>100</u>	<u>20,004</u>
Share split on 24 January 2019	(i)	129,376,000	650,000	130,026,000
Shares issued in February 2019 (on conversion of employee share options)	(ii)	314,502	-	314,502
Shares issued in April 2019 on conversion of converting notes to shares	(iii)	13,824,063	-	13,824,063
Shares issued in April 2019 upon IPO	(iv)	35,000,010	-	35,000,010
Balance as at 30 June 2019		<u><u>178,514,575</u></u>	<u><u>650,000</u></u>	<u><u>179,164,575</u></u>

Next Science Limited
Notes to the consolidated financial statements
For the half-financial year ended 30 June 2019

12 Capital and reserves (continued)

(a) Share capital (continued)

In USD

	Fully paid	Partly paid	Total
Balance at 1 July 2018	56,474,101	199,999	56,674,100
Shares issued 25 September 2018	182,500	-	182,500
Capital raising costs	(267,195)	-	(267,195)
Balance at 31 December 2018	56,389,406	199,999	56,589,405
Shares issued in February 2019 (on conversion of employee share options)	178,856	-	178,856
Shares issued in April 2019 on conversion of converting notes to shares	7,855,386	-	7,855,386
Shares issued in April 2019 upon IPO	25,052,313	-	25,052,313
Capital raising costs	(1,522,369)	-	(1,522,369)
Balance at 30 June 2019	87,953,592	199,999	88,153,591

- (i) On 24 January 2019, a share split was completed on the basis that every one ordinary share on issue in the Company be divided into 6,500 ordinary shares.
- (ii) During February 2019 the following employee share options were converted into ordinary shares:
- On 22 February, part A of round 5 NSG options converted to 173,299 ordinary shares at a price of AUD \$0.80;
 - On 25 February, part B of round 5 NGS options converted to 134,784 ordinary shares at a price of AUD \$0.80; and
 - On 26 February, part C of round 5 NSG options converted to 6,419 ordinary shares at a price of AUD \$0.80.
- (iii) On 8 April 2019, the non-redeemable Converting notes converted to ordinary shares on the occurrence of an Initial Public Offering event. The conversion price of converting notes to ordinary shares was AUD\$0.80
- (iv) On 16 April 2019, Next Science Limited was admitted to the Official List of the ASX Limited ('ASX') and commenced trading on 18 April 2019 after successfully completing an Initial Public Offering ('IPO') of 35 million shares to raise AUD\$35 million.

(b) Reserves

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 (\$43,862,500) and the existing book values of assets and liabilities of MDS (\$1,265,785) was debited to a common control reserve, directly within equity.

Next Science Limited
Notes to the consolidated financial statements
For the half-financial year ended 30 June 2019

13 Events after the reporting period

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.

14 Earnings per share

	Half-year ended	
	30 June 2019	30 June 2018
<i>Loss after tax</i>	(6,579,284)	(5,960,277)
Basic and diluted earnings per share (USD cents)	<u>(4.32)</u>	<u>(5.12)</u>
Weighted average number of shares	<u>152,132,977</u>	<u>116,392,160</u>

Next Science Limited
Notes to the consolidated financial statements
For the half-financial year ended 30 June 2019

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 5 to 17, are in accordance with the *Corporations Act 2001*, including:

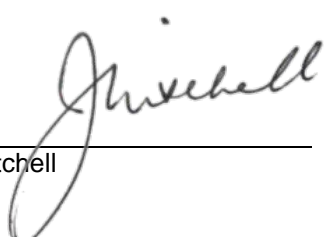
(i) giving a true and fair view of the financial position of the Group as at 30 June 2019 and of its performance for the half-year ended on that date; and

(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 1(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 23rd day of August 2019



Independent Auditor's Review Report

To the shareholders of Next Science Limited

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Next Science Limited (the Company).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of the Company is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the **Interim Period** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2019;
- Consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the interim period ended on that date;
- Notes comprising a summary of significant accounting policies and other explanatory information
- Directors' Declaration.

The **Group** comprises of the Company and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The **Interim Period** is the period from 1 January 2019 to 30 June 2019.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Group are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.



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

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2019 and its performance for the interim period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Next Science Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Period Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



KPMG



Chris Allenby

Partner

Sydney

23 August 2019