

Next Science Limited
Appendix 4D
For the half-year ended 30 June 2020

Company details

Name of entity: Next Science Limited
ABN: 47 622 382 549
Reporting period: For the half-year ended 30 June 2020
Previous period: For the half-year ended 30 June 2019

Results for announcement to the market

				USD \$
Revenues from ordinary activities	down	55%	to	1,053,858
Loss from ordinary activities after tax attributable to the owners of Next Science Limited	down	22%	to	(6,695,078)
Loss for the half-year attributable to the owners of Next Science Limited	down	22%	to	(6,695,078)

Dividends

No dividend was paid or proposed during the half-year ended 30 June 2020 (2019: 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>5.75</u>	<u>12.69</u>

The net tangible asset per ordinary security is calculated based on 180,896,678 ordinary shares on issue at 30 June 2020 and 179,164,575 shares that were in existence at 30 June 2019 and includes right of use assets.

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 2020

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 2020 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

A handwritten signature in black ink that reads "George Savvides". The signature is written in a cursive style with a large initial 'G'.

George Savvides
Chairman

26th August 2020
Sydney

Next Science Limited

ABN 47 622 382 549

Interim Financial Statements

For the half-year ended
30 June 2020

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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 2020.

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 commercialisation of technologies to resolve the issues caused by biofilms and their incumbent bacteria, fungus and viruses and the infections they cause with a focus on human health. The company is headquartered in Sydney, Australia and has a research and development centre in Florida, USA.

Significant changes in the state of affairs and COVID-19 impact

Revenues in the half year to 30 June 2020 were impacted by the COVID-19 shutdown in the USA of elective medical procedures and closure of outpatient wound care clinics. The Group expects that revenues will recover slowly as the surgeries which would have used Next Science's products, take place and wound care clinics gradually reopen.

During the pandemic, Next Science set up a donations program to service patients who were unable to get to wound care clinics during the COVID-19 shut down. Over the longer term, Next Science expects the increase in awareness around the spread of viruses and infection to drive increased demand for its products.

In March 2020, Next Science launched its Acne cream via online skincare direct marketer, tbh Skincare (www.tbhskincare.com) to consumers based in Australia, New Zealand, the UK and parts of Europe.

In March 2020, Next Science's XPerience Surgical Rinse was submitted for regulatory approval to the FDA. The dossier is currently under review.

In April 2020, Next Science received CE Mark for its Bactisure product authorising future sales in Europe through Next Science's distribution partner, Zimmer Biomet.

In April 2020, Next Science also received notification from the US Environmental Protection Agency (EPA) that its Hospital Cleaner Surface Disinfectant has been accepted for registration with clearance for inclusion on the product labelling of a claim for effectiveness against biofilm. Commercial discussions regarding the licensing of this product are ongoing, although lower in priority to our human health product commercialisations.

In June 2020, Next Science received TGA approval for its Bactisure product authorising future sales in Australia through Next Science's distribution partner, Zimmer Biomet.

Directors' report (continued)

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 2020 after providing for income tax amounted to \$6,695,078 (2019: \$8,540,183 restated).

Revenue decreased by 55% for the period, declining from \$2,345,170 in the prior corresponding period to \$1,053,858.

Gross profit was \$921,377 compared to \$1,965,878 in the prior corresponding period. Gross margin as a percent of sales was 87% compared with 84% in the prior corresponding period.

Sales and marketing expenses were \$515,977, an increase of \$154,348 compared with \$361,629 in the prior corresponding period. \$59,049 of the increase relates to donations of Next Science's products to service patients who were unable to get to wound care clinics during the COVID 19 shut down with the balance of the increase relating to partner promotions. In the prior corresponding period, \$48,147 of the expenses relate to IPO investor relations activity.

General and administration expenses were \$1,097,245, a decrease of \$577,590 compared with \$1,674,835 in the prior corresponding period. In the prior corresponding period \$312,106 relates directly to IPO associated expenses. The majority of the decline in general and administration expenses in the current period is attributed to the decline in travel expenditure, particularly international travel, due to COVID 19 travel restrictions.

Consulting and regulatory expenses were \$820,195, a decrease of \$397,899 compared with \$1,218,094 in the prior corresponding period. In the prior corresponding period \$451,736 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 2020 were \$1,049,042, an increase of \$12,600 compared with the prior corresponding period of \$1,036,442.

Finance expense for the six months to 30 June 2020 decreased by \$2,103,172 from \$2,115,032 in the prior corresponding period to \$11,860. In the prior period, finance expenses were mainly attributable to notional interest expense recognised in the profit and loss on the non-redeemable converting notes converted to ordinary shares following the Initial Public Offering in April 2019. In the current period, finance expenses relate to property leases.

Cash and cash equivalents at 30 June 2020 amounted to \$11,907,362 compared to \$16,910,605 at 31 December 2019.

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.

Directors' report (continued)

Covid-19

Covid-19 has had an impact on the Group's operations and activities subsequent to the end of the half-year and is expected to continue to affect the Group as discussed earlier in this report. Whilst our research and product development activities continue to operate to near normal levels, the majority of Wound Care clinics are still not treating patients at pre Covid-19 volumes, reducing wound related product sales. Elective surgeries in the USA continue to be impacted with its follow-on impact on surgical product sales. It is not possible to accurately determine the nature or extent of the future impacts or the time over which the Group will continue to be impacted, however it is possible that it will be material to the company as the effects and consequences are outside the company's control and are far reaching in Australia and globally. Based on the current available information, the Directors believe that the Group will remain a going concern given its cash reserves and cost management initiatives.

Matters subsequent to the end of the financial half year

Other than the impacts and potential impacts of Covid-19, 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.

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 2020.

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

On behalf of the directors:



George Savvides
Chairman

Dated at Sydney this 26th day of August 2020



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 review of Next Science Limited for the half-year ended 30 June 2020 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

Tony Nimac
Partner
Sydney
26 August 2020

Consolidated statement of profit or loss and other comprehensive income
For the half-financial year ended 30 June 2020

In USD

	<i>Note</i>	Consolidated Half-year ended	
		30 June 2020	30 June 2019 (Restated)
Revenue	2	1,053,858	2,345,170
Cost of sales		<u>(132,481)</u>	<u>(379,292)</u>
Gross profit		<u>921,377</u>	<u>1,965,878</u>
Other income	4	43,480	35,365
Employee expenses		(4,011,927)	(3,940,091)
Research and development		(1,049,042)	(1,036,442)
Sales and marketing		(515,977)	(361,629)
Consultancy and regulatory		(820,195)	(1,218,094)
General and administration expenses		(1,097,245)	(1,674,835)
Depreciation and amortisation		<u>(343,363)</u>	<u>(260,881)</u>
Results from operating activities		<u>(6,872,892)</u>	<u>(6,490,729)</u>
Finance income		189,674	65,578
Finance expense		<u>(11,860)</u>	<u>(2,115,032)</u>
Net finance income/(expense)		<u>177,814</u>	<u>(2,049,454)</u>
Loss before income tax		<u>(6,695,078)</u>	<u>(8,540,183)</u>
Income tax expense		-	-
Loss for the half-year		<u>(6,695,078)</u>	<u>(8,540,183)</u>
Other comprehensive income			
Foreign currency translation differences for foreign operations		<u>(197,260)</u>	<u>(913,258)</u>
Total comprehensive income for the half-year		<u>(6,892,338)</u>	<u>(9,453,441)</u>
Earnings per share			
From continuing operations		Cents	Cents
Basic earnings	14	<u>(3.70)</u>	<u>(5.61)</u>
Diluted earnings	14	<u>(3.70)</u>	<u>(5.61)</u>

The notes on pages 10 to 17 are an integral part of these financial statements.
Please see note 1 for details of restatement.

Consolidated statement of financial position

As at 30 June 2020

In USD

	Note	30 June 2020	31 Dec 2019
Assets			
Current assets			
Cash and cash equivalents	5	11,907,362	16,910,605
Trade and other receivables		106,131	1,640,382
Inventories		312,447	400,360
Other current assets		473,214	332,504
Total current assets		<u>12,799,154</u>	<u>19,283,851</u>
Non-current assets			
Trade and other receivables		36,656	36,656
Property, plant and equipment	6	842,573	812,587
Intangible assets	7	2,326,292	2,164,345
Right of use asset	8	313,732	402,291
Total non-current assets		<u>3,519,253</u>	<u>3,415,879</u>
Total assets		<u>16,318,407</u>	<u>22,699,730</u>
Liabilities			
Current liabilities			
Trade and other payables		1,095,749	1,076,672
Contract liabilities	10	382,410	375,106
Lease liabilities	9	187,100	196,442
Employee benefits		101,105	69,552
Total current liabilities		<u>1,766,364</u>	<u>1,717,772</u>
Non-current liabilities			
Contract liabilities	10	1,613,116	1,328,809
Lease liabilities	9	198,516	286,012
Employee benefits		5,222	3,691
Total non-current liabilities		<u>1,816,854</u>	<u>1,618,512</u>
Total liabilities		<u>3,583,218</u>	<u>3,336,284</u>
Net assets		<u>12,735,189</u>	<u>19,363,446</u>
Equity			
Share capital	11(a)	90,774,487	90,693,590
Common control reserve	11(b)	(42,596,715)	(42,596,715)
Foreign currency translation reserve		(1,395,834)	(1,198,574)
Share option reserve		1,831,888	1,648,704
Accumulated losses		(35,878,637)	(29,183,559)
Total equity		<u>12,735,189</u>	<u>19,363,446</u>

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

Next Science Limited
For the half-year ended 30 June 2020

Consolidated statement of changes in equity
For the half-financial year ended 30 June 2020

In USD

	Share capital	Common control reserve	Foreign currency translation reserve	Share option reserve	Accumulated losses	Total equity
Balance at 1 January 2020	90,693,590	(42,596,715)	(1,198,574)	1,648,704	(29,183,559)	19,363,446
Loss for half-year	-	-	-	-	(6,695,078)	(6,695,078)
<i>Other comprehensive income</i>						
Foreign currency translation differences	-	-	(197,260)	-	-	(197,260)
Total other comprehensive income	-	-	(197,260)	-	-	(197,260)
Total comprehensive income for the half-year	-	-	(197,260)	-	(6,695,078)	(6,892,338)
<i>Transactions with owners, recorded directly in equity</i>						
Share based payments	-	-	-	183,184	-	183,184
Issue of ordinary shares	280,896	-	-	-	-	280,896
Conversion of partly paid shares to ordinary shares	(199,999)	-	-	-	-	(199,999)
Total transactions with owners	80,897	-	-	183,184	-	264,081
Balance at 30 June 2020	<u>90,774,487</u>	<u>(42,596,715)</u>	<u>(1,395,834)</u>	<u>1,831,888</u>	<u>(35,878,637)</u>	<u>12,735,189</u>

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 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
AASB 16 adjustment	-	-	-	-	-	(85,690)	(85,690)
Loss for half-year	-	-	-	-	-	(6,579,284)	(6,579,284)
Restatement (see note 1)	-	-	-	-	-	(1,960,899)	(1,960,899)
Restated loss for the half-year	-	-	-	-	-	(8,540,183)	(8,540,183)
<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	-	-	(913,258)	-	-	(8,540,183)	(9,453,441)
<i>Transactions with owners, recorded directly in equity</i>							
Share based payments	-	-	-	443,140	-	-	443,140
Converting notes converted into shares	-	-	-	-	(415,562)	-	(415,562)
Issue of ordinary shares	35,047,454	-	-	-	-	-	35,047,454
Capital raising costs	(1,522,369)	-	-	-	-	-	(1,522,369)
Total transactions with owners	33,525,085	-	-	443,140	(415,562)	-	33,552,663
Balance at 30 June 2019 (Restated)	90,114,490	(42,596,715)	(1,140,550)	1,411,971	-	(23,371,927)	24,417,269

Please see note 1 for details of restatement.

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 2020

In USD

		Consolidated Half-year ended	
	Note	30 June 2020	30 June 2019
Cash flows used in operating activities			
Receipts from customers		2,537,579	1,936,808
Payments to suppliers and employees		(5,975,108)	(8,065,156)
Payments for research and development		(1,502,922)	(1,036,442)
Interest received		103,197	26,010
Other cash receipts	4	43,480	35,365
Net cash used in operating activities		<u>(4,793,774)</u>	<u>(7,103,415)</u>
Cash flows used in investing activities			
Payments for intangible assets	7	(308,164)	(578,143)
Payments for property, plant and equipment	6	(144,103)	(94,935)
Net cash used in investing activities		<u>(452,267)</u>	<u>(673,078)</u>
Cash flows from financing activities			
Proceeds from issue of ordinary shares		199,999	25,231,169
Proceeds from issue of converting notes		-	70,798
Proceeds from conversion of options to ordinary shares		225,680	100,750
Capital raising costs		-	(1,717,999)
Lease payments		(107,382)	(104,408)
Net cash from financing activities		<u>318,297</u>	<u>23,580,310</u>
Net (decrease)/increase in cash and cash equivalents		(4,927,744)	15,803,817
Cash and cash equivalents at beginning of the half-year		16,910,605	7,211,102
Effect of exchange rate changes on cash and cash equivalents		(75,499)	(34,791)
Cash and cash equivalents at end of the half-year		<u>11,907,362</u>	<u>22,980,128</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 2020

1 Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 30 June 2020 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 2019.

The principal accounting policies adopted are consistent with those of the consolidated financial statements as at and for the year ended 31 December 2019, 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.

Prior period restatement

In these financial statements the Group has restated previously reported balances in respect of the half-year period ended 30 June 2019.

During the preparation of the 31 December 2019 financial report the treatment of the converting notes was reconsidered and it was identified that these contained embedded derivatives that needed to be separately accounted for. This was appropriately reflected in the 31 December 2019 annual financial statements. As such the comparative income statement for the six months ended 30 June 2019 is restated to reflect this accounting which resulted in an increase in financing costs and loss with the embedded derivative associated with the converting note being expensed prior to conversion into ordinary shares at the date of the Group's IPO as follows:

<i>In USD</i>	Reported	30 June 2019 Adjustment	Restated
Other income	173,690	(138,325)	35,365
General and administrative expenses	(1,672,468)	(2,367)	(1,674,835)
Results from operating activities	(6,350,037)	(140,692)	(6,490,729)
Finance expense	(294,825)	(1,820,207)	(2,115,032)
Net finance expense	(229,247)	(1,820,207)	(2,049,454)
Loss before income tax	(6,579,284)	(1,960,899)	(8,540,183)
Loss for the half-year	(6,579,284)	(1,960,899)	(8,540,183)
Total comprehensive loss for the half-year	(7,492,542)	(1,960,899)	(9,453,441)
Earnings per share	(4.32)	(1.29)	(5.61)
Accumulated losses	(21,411,028)	(1,960,899)	(23,371,927)
Share capital	(88,153,591)	(1,960,899)	(90,114,490)

Next Science Limited
Notes to the consolidated financial statements
For the half-financial year ended 30 June 2020

Going concern

The financial report has been prepared on a going concern basis. The Group incurred a loss of \$6,695,078 (with \$4,793,774 net cash outflows used in operating activities) for the half-year ended 30 June 2020 which reflects the fact that the Group is still at an early stage in its lifecycle as it commercialises its current products and develops new products.

The Group continues to reflect on the potential impacts of COVID-19 which primarily are expected to affect revenue due to the difficulty in accessing end customers and/or the ability for elective surgeries to be performed in selected markets. The Group has considered this impact on the use of the going concern assumption by preparing forecasts covering a range of scenarios. The Group considers that its cash reserves of \$11.9m at 30 June 2020 together with cost management initiatives undertaken are sufficient under each potential scenario to be able to fulfill 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 Revenue

In USD

Disaggregation of revenue

	Half-year ended	
	30 June 2020	30 June 2019
Revenue from contracts with customers	<u>1,053,858</u>	<u>2,345,170</u>

3 Operating segments

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 2020	30 June 2019	30 June 2020	31 Dec 2019
United States of America	1,004,774	2,299,878	1,626,275	1,681,987
Australia	49,084	45,292	1,892,978	1,733,892
	<u>1,053,858</u>	<u>2,345,170</u>	<u>3,519,253</u>	<u>3,415,879</u>

4 Other income

In USD

	As at 30 June 2020	As at 30 June 2019 (restated)
Grant income	-	35,365
Government assistance – Covid-19	43,480	-
	<u>43,480</u>	<u>35,365</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 2020

5 Cash and cash equivalents

In USD

**As at 30
June 2020** **As at 31
Dec 2019**

Cash at bank	11,907,362	16,910,605
	<u>11,907,362</u>	<u>16,910,605</u>

6 Property, plant and equipment

In USD

**As at 30
June 2020** **As at 31
Dec 2019**

Leasehold improvements, at cost	198,473	198,975
Accumulated depreciation	<u>(49,946)</u>	<u>(40,061)</u>
Net book value	<u>148,527</u>	<u>158,914</u>
Plant and equipment, at cost	1,053,316	954,375
Accumulated depreciation	<u>(487,766)</u>	<u>(412,124)</u>
Net book value	<u>565,550</u>	<u>542,251</u>
Furniture and fittings, at cost	244,849	207,025
Accumulated depreciation	<u>(116,353)</u>	<u>(95,603)</u>
Net book value	<u>128,496</u>	<u>111,422</u>
Total	<u>842,573</u>	<u>812,587</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 2019	169,190	345,633	129,349	644,172
Additions	-	277,831	1,917	279,748
Disposals	-	-	-	-
Depreciation expense	(10,146)	(81,213)	(19,844)	(111,203)
Foreign exchange	(130)	-	-	(130)
Balance at 31 December 2019	<u>158,914</u>	<u>542,251</u>	<u>111,422</u>	<u>812,587</u>
Additions	-	104,915	39,188	144,103
Disposals	-	(1,144)	(614)	(1,758)
Depreciation expense	(9,967)	(80,472)	(21,500)	(111,939)
Foreign exchange	(420)	-	-	(420)
Balance at 30 June 2020	<u>148,527</u>	<u>565,550</u>	<u>128,496</u>	<u>842,573</u>

Next Science Limited
Notes to the consolidated financial statements
For the half-financial year ended 30 June 2020

7 Intangible assets

<i>In USD</i>	As at 30 June 2020	As at 31 Dec 2019
Research and development expenditure, at cost	1,601,523	1,369,252
Accumulated amortisation	<u>(159,439)</u>	<u>(81,388)</u>
Net book value	<u>1,442,084</u>	<u>1,287,864</u>
Patents, at cost	1,154,572	1,078,679
Accumulated amortisation	<u>(281,409)</u>	<u>(231,058)</u>
Net book value	<u>873,163</u>	<u>847,621</u>
Computer software, at cost	119,828	121,276
Accumulated amortisation	<u>(108,783)</u>	<u>(92,416)</u>
Net book value	<u>11,045</u>	<u>28,860</u>
Total	<u>2,326,292</u>	<u>2,164,345</u>

<i>In USD</i>	R&D	Patents	Computer software	Total
Balance at 1 July 2019	782,191	850,410	43,419	1,676,020
Additions	548,985	103,214	3,000	655,199
Impairment	-	(60,603)	-	(60,603)
Amortisation expense	(43,313)	(45,400)	(17,111)	(105,824)
Foreign exchange	-	-	(448)	(448)
Balance at 31 December 2019	<u>1,287,864</u>	<u>847,621</u>	<u>28,860</u>	<u>2,164,345</u>
Additions	232,271	75,893	-	308,164
Amortisation expense	(78,051)	(50,351)	(16,601)	(145,003)
Foreign exchange	-	-	(1,214)	(1,214)
Balance at 30 June 2020	<u>1,442,084</u>	<u>873,163</u>	<u>11,045</u>	<u>2,326,292</u>

Development costs are capitalised when the costs can be measured reliably, the product or process is technically and commercially feasible with regulatory approvals received, future economic benefits are probable, the Group intends to and has sufficient resources to complete development and to use or market the asset. The Group continues to commercialise its existing approved products with some products yet to receive regulatory approval in certain jurisdictions. No impairment has been recognised in this half-year in relation to intangibles as the Group believes that future cash inflows in the medium term support the carrying value of the Group's intangible assets.

Next Science Limited
Notes to the consolidated financial statements
For the half-financial year ended 30 June 2020

8 Right-of-use assets

The Group holds leases for properties with lease terms ranging from 3 to 4.5 years.

<i>In USD</i>	As at 30 June 2020	As at 31 Dec 2019
Right-of-use assets: property	400,153	577,734
Less: depreciation	<u>(86,421)</u>	<u>(175,443)</u>
Net carrying value	<u>313,732</u>	<u>402,291</u>

<i>Amounts recognised in profit or loss In USD</i>	As at 30 June 2020	As at 31 Dec 2019
Depreciation expensed for the half-year	86,421	175,443
Interest expense	11,860	28,281
Expense relating to variable lease payments not included in the measurement of the lease liability	<u>45,200</u>	<u>84,290</u>
	<u>143,481</u>	<u>288,014</u>

The total cash outflow in relation to lease payments amounted to USD \$107,382 (2019: USD\$104,408).

9 Lease liabilities

<i>In USD</i>	As at 30 June 2020	As at 31 Dec 2019
Amounts due for settlement within less than 12 months (current liabilities)	187,100	196,442
Amounts due for settlement in more than 12 months (non-current liabilities)	<u>198,516</u>	<u>286,012</u>
	<u>385,616</u>	<u>482,454</u>

<i>Maturity analysis In USD</i>	As at 30 June 2020	As at 31 Dec 2019
Not later than 1 year	187,100	196,442
Later than 1 year but not later than 5 years	198,516	286,012
Later than 5 years	<u>-</u>	<u>-</u>
	<u>385,616</u>	<u>482,454</u>

Next Science Limited
Notes to the consolidated financial statements
For the half-financial year ended 30 June 2020

10 Contract liabilities

In USD

	As at 30 June 2020	As at 31 Dec 2019
<i>Deferred revenue arising from contracts with customers</i>		
Current	382,410	375,106
Non-current	<u>1,613,116</u>	<u>1,328,809</u>
Total	<u>1,995,526</u>	<u>1,703,915</u>

11 Capital and reserves

(a) Share capital

In number of shares

	Note	Fully paid	Partly paid	Total
Balance at 1 July 2019		178,514,575	650,000	179,164,575
Shares issued in September 2019 (on conversion of employee share options)		650,000	-	650,000
Shares issued in September 2019 in lieu of Non-Executive Director fees		53,441	-	53,441
Shares issued in December 2019 (on conversion of employee share options)		565,500	-	565,500
Shares issued in December 2019 in lieu of Non-Executive Director fees		16,842	-	16,842
Shares issued in December 2019 (on conversion of employee share options)		260,000	-	260,000
Balance at 31 December 2019		<u>180,060,358</u>	<u>650,000</u>	<u>180,710,358</u>
Shares issued in March 2020 (on conversion of employee share options)	(i)	162,500	-	162,500
Partly paid shares converted into fully paid shares in April 2020		650,000	(650,000)	-
Shares issued in May 2020 in lieu of Non-Executive Director fees	(ii)	23,820	-	23,820
Balance as at 30 June 2020		<u>180,896,678</u>	<u>-</u>	<u>180,896,678</u>

Next Science Limited
Notes to the consolidated financial statements
For the half-financial year ended 30 June 2020

11 Capital and reserves (continued)

(a) Share capital (continued)

In USD

		Fully paid	Partly paid	Total
Balance at 1 July 2019 (restated)		91,436,860	199,999	91,636,859
Shares issued in September 2019 (on conversion of employee share options)		201,500	-	201,500
Shares issued in September 2019 in lieu of Non-Executive Director fees		60,443	-	60,443
Shares issued in December 2019 (on conversion of employee share options)		175,305	-	175,305
Shares issued in December 2019 in lieu of Non-Executive Director fees		32,652	-	32,652
Shares issued in December 2019 (on conversion of employee share options)		109,200	-	109,200
Capital raising costs		<u>(1,522,369)</u>	-	<u>(1,522,369)</u>
Balance at 31 December 2019		90,493,591	199,999	90,693,590
Shares issued in March 2020 (on conversion of employee share options)	(i)	50,377		50,377
Partly paid shares converted into fully paid shares in April 2020		199,999	(199,999)	-
Shares issued in May 2020 in lieu of Non-Executive Director fees	(ii)	30,520	-	30,520
Balance at 30 June 2020		<u>90,774,487</u>	<u>-</u>	<u>90,774,487</u>

- (i) On 2 March 2020, 162,500 round 2 Equity Incentive Plan (ECP) employee share options converted to 162,500 ordinary shares at a price of AUD\$0.47.
- (ii) On 6 May 2020, the following ordinary shares were issued in lieu of non-executive directors fees:
- 12,537 ordinary shares were issued at a price of AUD\$1.99 to Daniel Spira
 - 11,283 ordinary shares were issued at a price of AUD\$1.99 to Aileen Stockburger

(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 2020

12 Covid-19

Covid-19 has had an impact on the Group's operations and activities subsequent to the end of the half-year and is expected to continue to affect the Group. Whilst our research and product development activities continue to operate to near normal levels, the majority of Wound Care clinics are still not treating patients at pre Covid-19 volumes, reducing wound related product sales. Elective surgeries in the USA continue to be impacted with its follow-on impact on surgical product sales. It is not possible to accurately determine the nature or extent of the future impacts or the time over which the Group will continue to be impacted, however it is possible that it will be material to the company as the effects and consequences are outside the company's control and are far reaching in Australia and globally. Based on the current available information, the Directors believe that the Group will remain a going concern given its cash reserves and cost management initiatives.

13 Events after the reporting period

Other than the impacts and potential impacts of Covid-19, 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 2020	30 June 2019 (restated)
<i>Loss after tax</i>	(6,695,078)	(8,540,183)
Basic and diluted earnings per share (USD cents)	<u>(3.70)</u>	<u>(5.61)</u>
Weighted average number of shares	<u>180,825,331</u>	<u>152,132,977</u>

Next Science Limited
Notes to the consolidated financial statements
For the half-financial year ended 30 June 2020

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 2020 and of its performance for the half-year ended on that date; and

(ii) complying with Australian Accounting Standards "AASB 134 *Interim Financial Reporting*" 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 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of directors:



George Savvides
Chairman

Dated at Sydney this 26th day of August 2020



Independent Auditor's Review Report

To the shareholders of Next Science Limited

Report on the Interim Financial Report

Conclusion

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

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 Next Science Limited 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 2020 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 2020
- 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
- The Directors' Declaration.

The **Group** comprises Next Science Limited (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 2020 to 30 June 2020.

Emphasis of matter – Restatement of comparative balances

We draw attention to Note 1 of the interim financial report, which describes that comparative information has been restated. Our opinion is not modified in respect of this matter.



Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company 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*
- 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.

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 2020 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

Tony Nimac
Partner
Sydney
26 August 2020