NEXT SCIENCE®

Quarterly Activities Report
30 June 2020

Sydney, Australia Thursday, 23 July 2020: Next Science Limited (ASX:NXS) (**Next Science**) today announced its Appendix 4C Quarterly Cash Flow Report for the period 1 April 2020 to 30 June 2020 (**Q2**).

In accordance with Listing Rule 4.7C, set out below is Next Science's activities report for Q2.

Summary

- Q2 revenues impacted by COVID19 shut down of elective surgeries and wound care clinics in US
- Revenues expected to progressively recover as surgeries recommence and when wound care clinics reopen
- XPerience US commercial launch on track for mid 2H 2020, subject to FDA clearance
- Over 200 US sales agents now trained in SurgX and XPerience
- Bactisure approved for launch in Europe and Australia
- BlastX sales to commence in Canada

Key activities

Next Science researches, develops and commercialises products which are based on its proprietary Xbio™ technology 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. Next Science commercialises its products through a range of methods including distribution partnerships, distribution via a network of independent sales agents and direct to consumer online marketing.

Product sales

Q2 was impacted by the COVID19 shutdown in the US of elective medical procedures and closure of outpatient wound care clinics. The shutdown impacted sales of **Bactisure**, **SurgX** and **BlastX**. Next Science expects that the impact on **Bactisure** and **SurgX** sales will continue to recover as the surgeries which would have used these products, take place.

BlastX sales were impacted by the COVID19 shutdown of many US outpatient wound care clinics as chronic wound care was not considered an essential service. These clinics are now slowly re-opening although the possibility of re-openings being disrupted by further COVID19 outbreaks remains.

Online acne sales continued to grow despite the COVID19 shutdown and negotiations are ongoing for the licensing of our Surface Disinfectant.

XPerience launch on track

XPerience is on track to launch in the US in mid H2 of 2020 once FDA clearance is received, as previously advised. Over the quarter, we focused on identifying, hiring and training independent US sales agents. We have successfully developed a sales network of over 71 entities, incorporating more than 200 people and covering most states of the US, all of whom have been trained in XPerience and SurgX and are ready to promote the sale of XPerience. We note that access to certain areas of the US market will be subject to COVID19 restrictions, at least in the short term.

Cash receipts and expenditures

Cash receipts from customers in Q2 2020 were $1,904,000.

Research and development costs were $745,000, a small reduction compared to Q1 2020.

Operating expenses during Q2 2020 (excluding cash receipts from operating activities) remained steady at $3.7M.

Next Science held cash and cash equivalents of $11.9M at the end of June.

Comparison of expenditure against use of funds statement

Set out in Appendix 1 is a comparison of Next Science's estimated use of the funds raised from the IPO Offer, as set out in the "use of funds" statement on page 104 of Next Science's Prospectus, against actual expenditure.

Payments to a related party or their associate

During Q2, payments of $169,000 were made to Directors of Next Science.

Products in Market as at 30 June 2020

Product	**Commercial Pathway**	**Application**	**YTD 2020 Progress**
Bactisure Surgical Lavage 	Global Distribution by Zimmer Biomet	Treatment of infected surgical cavities and implants	CE Mark Received, TGA approval received Australia Launch Q3 Europe Launch Q4 through Zimmer Biomet
BlastX Antimicrobial Wound Gel 	Global distribution by 3M KCI team	Treatment of chronic wounds, Leg & Foot ulcers, bed sores, pressure ulcers	Expansion of the distribution force from 1 January, with the addition of the KCI Advanced Wound Care team
SurgX Sterile Anti-microbial Would Gel 	US wide Agent network	Prevention of infections of the surgical wound. Used in the operating room	Now sold through 71 agencies across 40 states in the US

Acne Creams and Gels and cleanser	Two distributors in Australia, one selling in clinics and the other selling online	Treatment of Chronic Acne	Launched with the online distributor in March

New products to be launched in H2 2020

Product	Commercial Pathway	Application	Update
XPerience Surgical Rinse 	US wide Agent Network	Replaces some of the saline rinses in the surgical procedure to eliminate biofilm, bacteria, viruses and fungus)	Under review by the FDA, planning ongoing for mid H2 launch in the US. Other markets to follow. 110M procedures globally, on an annual basis.
TorrentX Wound Wash 	Partnered with Triad Life Sciences to launch with their new tissue substitute in H2 2020	Topical wash for the treatment of chronic wounds: Leg & Foot ulcers prior to the placement of a tissue substitute	Triad Life Sciences planning H2 launch of their new product paired with TorrentX

Outlook

Over the next 6 months, we expect Bactisure to be launched in Europe and Australia and sales of BlastX to commence in Canada. The business will continue to be very focused on assisting our partners in driving the adoption of our technology through Bactisure, BlastX and SurgX sales and on the launch of XPerience in the US market in mid H2 2020, offering surgeons the first anti-microbial solution that can be left in a surgical cavity.

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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.

Forward looking statements

This announcement may contain forward looking statements which may be identified by words such as "believes", "considers", "could", "estimates", "expects", "intends", "may", and other similar words that involve risks and uncertainties. Such statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Next Science or its Directors and management, and could cause Next Science's actual results and circumstances to differ materially from the results and circumstances expressed or anticipated in these statements. The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements

APPENDIX 1

			FX Rate used: 21/2/2019	Apr 2019- Jun 2020	Apr 2019- Jun 2020		
			0.72	A	B	C=B-A	
Table 4: Use of Funds (p.104 of Prospectus)	**Use of funds raised under the Offer**			**Planned Spend**	**Actual spend**	**Variance**	**Notes on material variances** (Planned spend in various sectors is weighted towards the first 12 months from listing as expenditure becomes supplemented by increasing revenue receipts over time.)
Categories	**AUD$'000**	**%**	**USD$'000**	**USD$'000**	**USD$'000**	**USD$'000**	
Regulatory, research and other employee costs	12,580	36%	9,005	9,497	9,359	(138)	Incorporates all employees including R&D, Operations, Regulatory as well as Sales & Marketing and Administration.
Pharmaceutical product development	5,481	16%	3,923	1,537	229	(1,307)	The bulk of expenditure occurs after IND approval to proceed to human trials. Next Science has submitted its pre-IND file for topical treatment of Skin Cancers in Dec 2019. The FDA provided an extensive list of required testing. In the current Covid 19 environment our preferred partner laboratories are currently working on prioritised Covid 19 projects and therefore all tests have been delayed.
Medical device product development	3,896	11%	2,789	3,549	3,617	68	N/A
Manufacturing validations	2,976	9%	2,130	2,238	600	(1,637)	Phasing of expenditure in manufacturing validation has been impacted by the reprioritisation of the medical device development projects.
Clinical Trials	1,348	4%	965	910	313	(597)	Reprioritisation has impacted the timing of expenditure to date. Planned spend on clinical trials has been slowed by Covid 19 as medical resources are diverted.
Working capital and operating costs	5,251	15%	3,759	4,864	5,869	1,006	Spend includes amounts spent on operating costs, advertising & marketing, admin & corporate costs as well as lease costs.
Interest on Converting Notes	367	1%	263	263	214	(49)	Actual result lower than estimate. Settlement earlier than anticipated.
Offer Costs	3,101	9%	2,220	2,220	2,037	(182)	Offer costs lower than budgetted.
Total	35,000	100%	25,052	25,077	22,239	(2,837)	

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity	
Next Science Limited	
ABN	**Quarter ended ("current quarter")**
47 622 382 549	June 2020

Consolidated statement of cash flows		**Current quarter $US'000**	**Year to date (6 months) $US'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	1,904	2,538
1.2	Payments for		
	(a) research and development (inc regulatory)	(745)	(1,503)
	(b) product manufacturing and operating costs	(24)	(106)
	(c) advertising and marketing	(429)	(673)
	(d) leased assets	-	-
	(e) staff costs	(1,761)	(3,668)
	(f) administration and corporate costs	(771)	(1,528)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	43	100
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	45	46
1.9	**Net cash from / (used in) operating activities**	**(1,738)**	**(4,794)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(64)	(144)
	(d) investments	-	-

Consolidated statement of cash flows		Current quarter $US'000	Year to date (6 months) $US'000
	(e) intellectual property & intangible assets	(118)	(308)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(182)**	**(452)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (partly paid shares)	200	200
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	226
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(56)	(107)
3.10	**Net cash from / (used in) financing activities**	**144**	**318**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	**13,368**	**16,911**
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,738)	(4,794)

Consolidated statement of cash flows		Current quarter $US'000	Year to date (6 months) $US'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(182)	(452)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	144	318
4.5	Effect of movement in exchange rates on cash held	315	(76)
4.6	**Cash and cash equivalents at end of period**	**11,907**	**11,907**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $US'000	Previous quarter $US'000
5.1	Bank balances	3,386	3,345
5.2	Term deposits	8,521	10,023
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**11,907**	**13,368**

6.	Payments to related parties of the entity and their associates	Current quarter $US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	169
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $US'000**	**Amount drawn at quarter end $US'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	

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

N/A

8.	**Estimated cash available for future operating activities**	**$US'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	**(1,738)**
8.2	Cash and cash equivalents at quarter end (Item 4.6)	**11,907**
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	**11,907**
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	6

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Compliance statement

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

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

Date: 23 July 2020

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.