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NEXT SCIENCE®

Quarterly Activity Report
30 September 2020

Sydney, Australia Tuesday, 27 October, 2020: Next Science Limited (ASX:NXS) (**Next Science**) today announces its Appendix 4C Quarterly Cash Flow Report for the period 1 July 2020 to 30 September 2020 (**Q3**).

In accordance with Listing Rule 4.7C set out below is Next Science's activity report for Q3.

Highlights

- Tests underway to secure FDA clearance to sell XPerience Surgical Rinse in the US; commercial launch on track for H1 2021
- US elective surgeries continued to improve in Q3 2020 compared to Q2 levels
- US wound care clinic based treatments showing some recovery although BlastX sales continue to be impacted
- Bactisure sales commenced in Australia in September 2020 and are expected to commence in Europe by end of 2020
- Successful completion of A$15M capital raise with timing of receipt of funds as follows:
    - September - $8M received from institutional placements
    - October - $5M received from shareholders under share purchase plan
    - November – subject to shareholder approval, $2M to be received from Walker Group Pty Limited

Ms Judith Mitchell, Managing Director said, "We greatly appreciate the support received from our shareholders and new investors for our A$15m capital raise during the quarter. This has secured our working capital needs for the commercial launch of XPerience Surgical Rinse.

The study and test required by the FDA to secure clearance for our XPerience Surgical Rinse are on track to support the lodgement of our 510(k) Class II FDA submission in December 2020, with clearance from the FDA and the launch of commercial sales in the US expected to be in 1H 2021.

XPerience Surgical Rinse is 10 million times more effective at removing MRSA (Golden Staph) than competing products and is the first leave behind surgical rinse, an advantage that is exciting many leading surgeons to whom we have been talking. With an FDA clearance, XPerience Surgical Rinse will be well placed to take advantage of the US surgical site infection market with 48 million surgeries taking place in the US each year."

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 in relation to human health. Next Science commercialises its products through a range of methods including distribution partnerships, distribution via a network of independent sales representatives and a partnership for direct to consumer online marketing.

Market update

Elective surgeries in the US have continued to improve in Q3 as compared to Q2 levels.

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Brian Hanson, CEO of Zimmer Biomet, Next Science's distribution partner for Bactisure Surgical Lavage, addressed the Wells Fargo Healthcare Congress on 3 September and advised that Zimmer expects Q4 2020 to be equivalent in surgical volume to Q4 2019.

Bactisure sales commenced in Australia in September 2020 and are expected to commence in Europe by the end of 2020.

The resumption of clinic based treatments (such as wound care) has been slower than the resumption of surgical activity, and this has continued to impact BlastX sales.

Recent publication - Academy of Otolaryngology Congress

University of Florida **(UF)** presented the outcome of safety studies it has performed using Next Science's Middle Ear Wash (**MEW**) at the recent Academy of Otolaryngology Congress held virtually in September 2020. This UF Institutional Review Board (IRB) approved study used a single dose of the MEW and a saline-treated control and tested hearing at 1 and 8 weeks after treatment. The study procedures conformed to the National Institutes of Health Guidelines for the Care and Use of Laboratory Animals and was peer reviewed by the US Academy of Otolaryngology Scientific Committee for presentation at their recent meeting. The study will be included in the safety dossier for the US 510(k) FDA submission. UF's poster can be viewed via this link: https://lnkd.in/dAZnWAg

Pipeline Update

As advised on 7 September 2020, Next Science has received written notification from the FDA of additional requirements to obtain a 510(k) Class II clearance for its XPerience Surgical Rinse. These tests are underway with the expectation they will be completed by December and that XPerience Surgical Rinse will launch in the US market in 1H 2021.

Cash receipts and expenditures

Cash receipts from customers in Q3 2020 were US$134,000 and operating expenses during Q3 were US$3.9M, with the increase compared to the previous quarter mainly related to R&D expenditure on XPerience Surgical Rinse.

During the quarter, Next Science announced the launch of a capital raising comprising a capital placement to raise A$10M at $1.20 per share and a Share Purchase Plan (**SPP**) to raise up to A$5M. Both the capital placement and the SPP were oversubscribed.

As announced on 17 September 2020, Next Science raised A$8M through the placement, allowing the addition of two overseas institutions to the share register, and received an additional A$2M commitment from Walker Group Holdings Pty Limited, with completion conditional upon shareholder approval. A Notice has been despatched convening a General Meeting on 18 November 2020 to seek approval to make the A$2M placement to Walker Group Holdings Pty Limited.

Next Science received valid SPP applications totalling approximately A$9.2 million, with the A$4.2M oversubscription necessitating a scale back of applications. The issue price under the SPP was set at $1.18 per share, a 2% discount to the VWAP of Next Science shares on the ASX over the five trading days up to, and including, the closing date of the SPP.

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Whilst A$8M of the capital raise funds was received during the quarter, the balance will be received post quarter end with timing as follows:

- September - A$8M received from institutional placements
- October - A$5M received from shareholders under share purchase plan
- November – subject to shareholder approval, A$2M to be received from Walker Group Pty Limited

Next Science held cash of US$13.6 million at 30 September 2020.

Payments to a related party or their associate

During Q3, payments of US$185,000 were made to Directors of Next Science.

Comparison of expenditure against the use of funds statement

Set out in Appendix 1 is a comparison of Next Science's estimated use of funds raised from the IPO offer in April 2019, as set out in the use of funds statement on page 104 of Next Science's Prospectus, against actual expenditure.

Outlook

The main focus for the business in Q4 is continuing to drive market adoption of SurgX (Next Science's sterile wound gel to reduce surgical site infection) and continuing to build market awareness of Xbio™ technology in preparation for the XPerience launch in 1H 2021.

We are also assisting Zimmer Biomet with launch activities for Bactisure in Australia and Europe and we are working with 3M to widen market access to BlastX with further programs targeting home health and long term acute care settings.

Further information:

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Approved and authorised for release by the Board of Directors.

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

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APPENDIX 1

			FX Rate used: 21/2/2019	Apr 2019- Sept 2020	Apr 2019- Sept 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	11,157	11,176	19	Incorporates all employees including R&D, Operations, Regulatory as well as Sales & Marketing and Administration.
Pharmaceutical product development	5,481	16%	3,923	2,226	260	(1,966)	The bulk of expenditure occurs after IND approval to proceed to human trials. Next Science 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	4,142	4,575	433	Additional expenditure mainly relates to further costs associated with additional test for XPerience Surgical Rinse.
Manufacturing validations	2,976	9%	2,130	2,575	669	(1,906)	Phasing of expenditure in manufacturing validation has been impacted by the reprioritisation of the medical device development projects and regulatory approval delays .
Clinical Trials	1,348	4%	965	1,097	335	(763)	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	5,521	7,310	1,789	Spend (excluding wages & salaries) 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 budgeted.
Total	35,000	100%	25,052	29,201	26,575	(2,625)	

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Appendix 4C

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

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

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	134	2,671
1.2	Payments for		
	(a) research and development	(995)	(2,498)
	(b) product manufacturing and operating costs	(564)	(669)
	(c) advertising and marketing	(375)	(1,048)
	(d) leased assets	-	-
	(e) staff costs	(1,753)	(5,422)
	(f) administration and corporate costs	(553)	(2,082)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	8	112
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (including $298k of Covid related government relief)	292	335
1.9	**Net cash from / (used in) operating activities**	**(3,806)**	**(8,601)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(64)	(208)
	(d) investments	-	-
	(e) intellectual property & intangible assets	(83)	(391)

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
	(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**	**(147)**	**(599)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5,628	5,828
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	237	463
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(320)	(320)
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)	(163)
3.10	**Net cash from / (used in) financing activities**	**5,489**	**5,808**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	**11,907**	**16,911**
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,806)	(8,601)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(147)	(599)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,489	5,808
4.5	Effect of movement in exchange rates on cash held	124	48
4.6	**Cash and cash equivalents at end of period**	**13,567**	**13,567**

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 $A'000	Previous quarter $A'000
5.1	Bank balances	8,504	3,386
5.2	Term deposits	5,063	8,521
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)**	**13,567**	**11,907**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	185
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.

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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 $A'000**	**Amount drawn at quarter end $A'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.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(3,806)
8.2	Cash and cash equivalents at quarter end (item 4.6)	13,567
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	13,567
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	3.6

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

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

8.6.1 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

8.6.2 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

8.6.3 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

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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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: 27 October 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.

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