

Next Science Limited

ACN: 622 382 549

Appendix 4D

For the Half-Year Ended 30 June 2021

Company details

Name of entity: Next Science Limited
ABN: 47 622 382 549
Reporting period: For the half-year ended 31 June 2021
Previous period: For the half-year ended 31 June 2020

Results for announcement to the market

				USD \$
Revenues from ordinary activities	up	271%	to	3,914,671
Loss from ordinary activities after tax attributable to the owners of Next Science Limited	down	37%	to	(4,199,059)
Loss for the year attributable to the owners of Next Science Limited	down	37%	to	(4,199,059)

Dividends

No dividend was paid or proposed during the half-year ended 30 June 2021 (2020: 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/(liabilities) per ordinary security	6.91	5.75

The net tangible asset per ordinary security is calculated based on 197,973,909 ordinary shares on issue at 30 June 2021 and 180,896,678 shares that were in existence at 30 June 2020 and includes right of use assets.

Control gained over entities

Not applicable.

Loss of control over entities

Not applicable.

Next Science Limited

ACN: 622 382 549

Appendix 4D

For the Half-Year Ended 30 June 2021

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 2021 attached to this report.

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

Signed



Mark Compton AM
Chairman

30 August 2021
Sydney

For personal use only

Next Science Limited

ACN: 622 382 549

Interim Financial Report

For the Half-Year Ended 30 June 2021

Next Science Limited

ACN: 622 382 549

Contents

For the Half-Year Ended 30 June 2021

	Page
Interim Financial ReportFinancial Statements	
Directors' Report	1
Auditor's Independence Declaration under Section 307C of the Corporations Act 2001	4
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	5
Condensed Consolidated Statement of Financial Position	6
Condensed Consolidated Statement of Changes in Equity	7
Condensed Consolidated Statement of Cash Flows	9
Notes to the Condensed Consolidated Financial Statements	10
Directors' Declaration	19
Independent Auditor's Review Report	20

Next Science Limited

ACN: 622 382 549

Directors' Report

30 June 2021

The Directors present their report together with the consolidated financial statements of the Group comprising of Next Science Limited ("Next Science" or the "Company"), and the entities it controlled at the end of, or during, the half-year ended 30 June 2021.

Directors

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

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

Resigned 5 May 2021

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 2021 showed signs of recovery from the negative impacts during 2020 brought about by the COVID-19 shutdown in the USA of elective medical procedures and closure of outpatient wound care clinics. Revenues are expected to further increase as the surgeries which use Next Science's products, take place and wound care clinics gradually reopen.

The Group made progress in expanding our addressable market opportunities and taking more direct control of distribution. With the FDA approval of XPerience No Rinse Antimicrobial Solution, Next Science is building an excellent platform for future growth. The Company's focus has been on securing Value Assessment Committee approvals within US hospitals for our XPerience No Rinse Antimicrobial Solution, to facilitate commercial sales.

During March/April 2021, Blast-X transitioned back to Next Science from 3M and Next Science has been selling Blast-X directly to US hospitals and wound care clinics since then.

On 23 April 2021, Next Science received FDA clearance for its XPerience No Rinse Antimicrobial Solution in the USA.

The former Chair of Next Science, George Savvides AM, did not seek re-election at the Annual General Meeting on 5 May 2021 and Professor Mark Compton AM assumed the role of Chair thereafter.

On 26 May 2021, Next Science received TGA clearance for Blast-X permitting sales in Australia.

Next Science Limited

ACN: 622 382 549

Directors' Report

30 June 2021

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

In June 2021, Zimmer, Inc, Next Science's distribution partner for its Bactisure product, filed a complaint in the United States District Court, Northern District of Indiana, alleging that they have global commercial exclusivity rights over XPerience No Rinse Antimicrobial Solution. Next Science denies the allegations. Zimmer Inc has indicated that it will not serve the complaint on Next Science pending the outcome of negotiations between the parties. Refer to Note 12 for further details.

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-year.

Review of results and operations

The loss for the Group for the half-year to 30 June 2021 after providing for income tax amounted to \$4,199,059 (2020: \$6,695,078).

Revenue increased by 271% for the period, increasing from \$1,053,858 in the prior corresponding period to \$3,914,671 as the US elective surgical market recovered from the COVID-19 shutdown which particularly negatively impacted Q2 2020.

Gross profit was \$3,076,581 compared to \$921,377 in the prior corresponding period. Gross margin as a percent of sales was 79% compared with 87% in the prior corresponding period, as a result of a change in composition of revenue.

Selling and distribution expenses were \$3,053,066, an increase of \$250,618 compared with \$2,802,448 in the prior corresponding period. The increase in spend in 2021 reflects the increase in advertising and promotional spend on Blast-X which is now being sold directly by Next Science following the termination of the distribution agreement with 3M, as well as promotional spend associated with the launch of Next Science's XPerience No Rinse Antimicrobial Solution in April 2021.

Administration expenses were \$1,794,041, an increase of \$111,412 compared with \$1,682,629 in the prior corresponding period. \$74,492 of the increase in the current period is related to increased travel expenses in 2021 as business travel returns to more normal levels in the USA as vaccination roll out increases and the country begins to open up once more.

Research and development expenses were \$2,510,992 a decrease of \$839,922 compared with \$3,350,914 in the prior corresponding period. 2020 was a year of significant research and development and regulatory investment in the project to bring the XPerience No Rinse Antimicrobial Solution through the FDA 510(k) clearance process. The clearance was obtained in April 2021.

Cash and cash equivalents at 30 June 2021 amounted to \$6,934,276 compared to \$8,100,416 at 31 December 2020. Term deposits at 30 June 2021 amounted to \$6,266,022 compared to \$7,238,986 at 31 December 2020.

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.

Next Science Limited

ACN: 622 382 549

Directors' Report

30 June 2021

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.

Covid-19

Covid-19 has had an impact on the Group's operations and activities during and subsequent to the end of the half-year and is expected to continue to affect the Group whilst the pandemic continues. In the 1H 2021 the US elective surgery market procedure levels returned to 2019 levels and wound care clinics have re-opened and are continuing to increase the number of patients they see, with the expectation that they could be back to 2019 volumes by the end of the year. Whilst our research and product development activities continue to operate to near normal levels, recruitment of some roles is proving more challenging. 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 half-year

After the reporting date, Irrimax Corporation, a competitor of Next Science in the wound irrigation sector, has filed a complaint in the United States District Court for the Northern District of Georgia alleging common law unfair competition and false advertising regarding XPerience No Rinse Antimicrobial Solution. Next Science denies the allegations and intends to vigorously defend the complaint if and when it is served on Next Science. Given the early stage of the matter, the financial impact, if any, is unable to be quantified.

Other than the matter noted above and 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 in future financial periods.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half-year ended 30 June 2021 has been received and can be found on page 4 of the financial report.

This Director's report is signed in accordance with a resolution of the Board of Directors.



Mark Compton AM
Chairman

Dated this 30th day of August 2021



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 2021 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

30 August 2021

Next Science Limited

ACN: 622 382 549

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 30 June 2021

In USD

		30 June 2021	30 June 2020
	Notes	\$	\$
Revenue	2	3,914,671	1,053,858
Cost of sales		(838,090)	(132,481)
Gross profit		3,076,581	921,377
Other income		21,323	43,480
Selling and distribution expenses		(3,053,066)	(2,802,448)
Research and development expenses		(2,510,992)	(3,350,914)
Administration expenses		(1,794,041)	(1,682,629)
Other expenses		(5,735)	(1,758)
Operating loss		(4,265,930)	(6,872,892)
Finance income		75,851	189,674
Finance costs		(8,980)	(11,860)
Net finance income		66,871	177,814
Loss before income tax		(4,199,059)	(6,695,078)
Income tax expense		-	-
Loss for the year		(4,199,059)	(6,695,078)
Other comprehensive loss, net of income tax			
Foreign currency translation differences for foreign operations		(249,425)	(197,260)
Total comprehensive loss for the year		(4,448,484)	(6,892,338)
Earnings per share			
From continuing operations		Cents	Cents
Basic earnings	10	(2.14)	(3.70)
Diluted earnings	10	(2.14)	(3.70)

The accompanying notes form part of these financial statements.

Next Science Limited

ACN: 622 382 549

Condensed Consolidated Statement of Financial Position

As At 30 June 2021

In USD

	Notes	30 June 2021 \$	31 December 2020 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	6,934,276	8,100,416
Trade and other receivables		789,878	3,388,045
Inventories		1,121,653	1,071,979
Other current assets - term deposits	5	6,266,022	7,238,986
Other current assets - other	5	546,378	452,458
TOTAL CURRENT ASSETS		15,658,207	20,251,884
NON-CURRENT ASSETS			
Trade and other receivables		36,656	36,656
Property, plant and equipment	6	748,652	788,133
Intangible assets	7	2,385,945	2,334,936
Right-of-use assets		328,561	227,265
TOTAL NON-CURRENT ASSETS		3,499,814	3,386,990
TOTAL ASSETS		19,158,021	23,638,874
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		1,153,021	1,064,365
Lease liabilities		218,493	170,946
Contract liabilities	8	91,177	1,909,554
Employee benefits		115,402	81,231
TOTAL CURRENT LIABILITIES		1,578,093	3,226,096
NON-CURRENT LIABILITIES			
Contract liabilities	8	1,328,922	1,374,510
Lease liabilities		169,896	115,889
Employee benefits		11,656	9,385
TOTAL NON-CURRENT LIABILITIES		1,510,474	1,499,784
TOTAL LIABILITIES		3,088,567	4,725,880
NET ASSETS		16,069,454	18,912,994
EQUITY			
Share capital	9	102,921,007	101,281,467
Common control reserve	9	(42,596,715)	(42,596,715)
Foreign currency translation reserve		(1,051,161)	(801,736)
Share option reserve		2,005,633	2,125,541
Performance rights reserve		85,312	-
Accumulated losses		(45,294,622)	(41,095,563)
TOTAL EQUITY		16,069,454	18,912,994

The accompanying notes form part of these financial statements.

Next Science Limited

ACN: 622 382 549

Condensed Consolidated Statement of Changes in Equity

For the Half-Year Ended 30 June 2021

	Share capital	Common control reserve	Foreign currency translation reserve	Share option reserve	Performance rights reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 January 2021	101,281,467	(42,596,715)	(801,736)	2,125,541	-	(41,095,563)	18,912,994
Loss for the half-year	-	-	-	-	-	(4,199,059)	(4,199,059)
<i>Other comprehensive loss</i>							
Foreign currency translation differences	-	-	(249,425)	-	-	-	(249,425)
Total other comprehensive loss	-	-	(249,425)	-	-	-	(249,425)
Total comprehensive loss for the half-year	-	-	(249,425)	-	-	(4,199,059)	(4,448,484)
<i>Transactions with owners in their capacity as owners</i>							
Share-based payments	-	-	-	-	85,312	-	85,312
Share options lapsed without vesting	-	-	-	(119,908)	-	-	(119,908)
Issue of ordinary shares	1,645,770	-	-	-	-	-	1,645,770
Capital raising costs	(6,230)	-	-	-	-	-	(6,230)
Total transactions with owners	1,639,540	-	-	(119,908)	85,312	-	1,604,944
Balance at 30 June 2021	102,921,007	(42,596,715)	(1,051,161)	2,005,633	85,312	(45,294,622)	16,069,454

The accompanying notes form part of these financial statements.

Next Science Limited

ACN: 622 382 549

Condensed Consolidated Statement of Changes in Equity

For the Half-Year Ended 30 June 2021

	Share capital	Common control reserve	Foreign currency translation reserve	Share option reserve	Converting notes 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 the half-year	-	-	-	-	-	(6,695,078)	(6,695,078)
<i>Other comprehensive loss</i>							
Foreign currency translation differences	-	-	(197,260)	-	-	-	(197,260)
Total other comprehensive loss	-	-	(197,260)	-	-	-	(197,260)
Total comprehensive loss for the half-year	-	-	(197,260)	-	-	(6,695,078)	(6,892,338)
<i>Transactions with owners in their capacity as owners</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)
Capital raising costs	-	-	-	-	-	-	-
Total transactions with owners	80,897	-	-	183,184	-	-	264,081
Balance at 30 June 2020	90,774,487	(42,596,715)	(1,395,834)	1,831,888	-	(35,878,637)	12,735,189

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows

For the Half-Year Ended 30 June 2021

In USD

	Notes	30 June 2021 \$	30 June 2020 \$
OPERATING ACTIVITIES:			
Receipts from customers		4,640,707	2,537,579
Payments to suppliers and employees		(6,923,728)	(5,931,628)
Payments for research and development		(916,146)	(1,502,922)
Interest received		20,512	103,197
Net cash used in operating activities		<u>(3,178,655)</u>	<u>(4,793,774)</u>
INVESTING ACTIVITIES:			
Payments for property, plant and equipment	6	(86,536)	(144,103)
Payments for intangible assets	7	<u>(221,055)</u>	<u>(308,164)</u>
Net cash used in investing activities		<u>(307,591)</u>	<u>(452,267)</u>
FINANCING ACTIVITIES:			
Proceeds from issue of ordinary shares		-	199,999
Proceeds from conversion of options to ordinary shares		1,645,770	225,680
Capital raising costs		(6,230)	-
Payment of lease liabilities		<u>(99,364)</u>	<u>(107,382)</u>
Net cash provided by financing activities		<u>1,540,176</u>	<u>318,297</u>
Net decrease in cash and cash equivalents held		(1,946,070)	(4,927,744)
Cash and cash equivalents at beginning of year (including bank term deposits)		15,339,402	16,910,605
Effects of exchange rate changes on cash and cash equivalents		<u>(193,034)</u>	<u>(75,499)</u>
Cash and cash equivalents at end of the half-year (including bank term deposits)		13,200,298	11,907,362
Less bank term deposits classified as other current assets	5	<u>(6,266,022)</u>	<u>(5,438,032)</u>
Cash and cash equivalents at end of the half-year	4	<u>6,934,276</u>	<u>6,469,330</u>

The accompanying notes form part of these financial statements.

Notes to the Condensed Consolidated Financial Statements

For the Half-Year Ended 30 June 2021

1 Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 30 June 2021 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 stated.

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 2020.

The principal accounting policies adopted are consistent with those of the consolidated financial statements as at and for the year ended 31 December 2020, 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.

The financial statements were approved by the Board of Directors and authorised for issue on _____ 2021.

Change in estimate

On 23rd November 2020, Next Science announced to the ASX that the distribution agreement with 3M for Blast-X, would not be renewed at the end of 2021. Blast-X was transitioned back to Next Science in the first half of 2021.

As a result of Blast-X returning to Next Science, there has been a change in the time frame for recognition of the performance obligation in relation to milestone payments received from 3M. The milestone payments which previously would have been recognised as revenue over the period until the end of the contract period of 31 December 2021, have now be recognised as revenue over a shorter time period ending 1H 2021, with the full transition of Blast-X back to Next Science complete.

Comparative amounts

The presentation of the condensed consolidated statement of profit or loss and other comprehensive income has been changed such that expenses are now classified based on their function, as this provides information that is more relevant to the Group. When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current year.

Notes to the Condensed Consolidated Financial Statements

For the Half-Year Ended 30 June 2021

1 Basis of Preparation (continued)

Going concern

The financial report has been prepared on a going concern basis. The Group incurred a loss of \$4,199,059 and had net cash outflows from operations of \$3,178,655 for the half-year ended 30 June 2021 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 continued 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 and term deposits totaling to \$13.2 million at 30 June 2021 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

	Half-year ended 30 June 2021	Half-year ended 30 June 2020
In USD	\$	\$
Revenue from contracts with customers	<u>3,914,671</u>	<u>1,053,858</u>

3 Operating segments

Identification of reportable 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.

	Revenue from contracts with customers		Geographical non-current assets	
	30 June 2021	30 June 2020	30 June 2021	31 December 2020
In USD	\$	\$	\$	\$
Country				
United States of America	3,837,089	1,004,774	1,359,400	1,486,004
Australia	77,582	49,084	2,140,414	1,900,986
	<u>3,914,671</u>	<u>1,053,858</u>	<u>3,499,814</u>	<u>3,386,990</u>

Notes to the Condensed Consolidated Financial Statements

For the Half-Year Ended 30 June 2021

4 Cash and Cash Equivalents

	As at 30 June 2021 \$	As at 31 December 2020 \$
In USD		
Cash at bank	6,934,276	8,100,416
	<u>6,934,276</u>	<u>8,100,416</u>

Term deposits have been reclassified from cash to other current assets for the prior half-year. Refer to note 5.

5 Other Current Assets

	As at 30 June 2021 \$	As at 31 December 2020 \$
In USD		
CURRENT		
Prepayments and other assets	546,378	452,458
Term deposits (i)	6,266,022	7,238,986
	<u>6,812,400</u>	<u>7,691,444</u>

(i) Term deposits with a maturity of greater than 3 months have been reclassified from cash to other current assets for the prior half-year.

Notes to the Condensed Consolidated Financial Statements

For the Half-Year Ended 30 June 2021

6 Property, Plant and Equipment

	As at 30 June 2021 \$	As at 31 December 2020 \$
In USD		
Plant and equipment		
At cost	1,128,502	1,120,117
Accumulated depreciation	(592,793)	(572,261)
Total plant and equipment	535,709	547,856
Furniture and fittings		
At cost	236,866	236,866
Accumulated depreciation	(154,974)	(135,140)
Total furniture and fittings	81,892	101,726
Leasehold improvements		
At cost	200,488	201,121
Accumulated amortisation	(69,437)	(62,570)
Total leasehold improvements	131,051	138,551
Total property, plant and equipment	748,652	788,133

Reconciliations of the written down values at the beginning and end of the current half-year and previous half-year periods are set out below.

	Plant and equipment \$	Furniture and fittings \$	Leasehold improvements \$	Total \$
In USD				
Balance at 1 January 2021	547,856	101,726	138,551	788,133
Additions	86,536	-	-	86,536
Disposals	(5,735)	-	-	(5,735)
Depreciation expense	(92,951)	(19,834)	(7,502)	(120,287)
Foreign exchange movements	3	-	2	5
Closing value at 30 June 2021	535,709	81,892	131,051	748,652
In USD				
Balance at 1 July 2020	565,550	128,496	148,527	842,573
Additions	69,141	-	-	69,141
Disposals	-	(1,038)	-	(1,038)
Depreciation expense	(86,835)	(22,781)	(10,414)	(120,030)
Impairment loss	-	(2,951)	-	(2,951)
Foreign exchange movements	-	-	438	438
Closing value at 31 December 2020	547,856	101,726	138,551	788,133

Notes to the Condensed Consolidated Financial Statements

For the Half-Year Ended 30 June 2021

7 Intangible Assets

	As at 30 June 2021 \$	As at 31 December 2020 \$
In USD		
Patents and trade marks		
Cost	1,373,594	1,288,497
Accumulated amortisation	(389,024)	(326,387)
Net book value	984,570	962,110
Research and development		
Cost	1,759,288	1,623,330
Accumulated amortisation	(359,049)	(252,141)
Net book value	1,400,239	1,371,189
Computer software		
Cost	123,820	125,646
Accumulated amortisation	(122,684)	(124,009)
Net book value	1,136	1,637
Total intangible assets	2,385,945	2,334,936

	Patents and trade marks \$	Research and development \$	Computer software \$	Total \$
In USD				
Balance at 1 January 2021	962,110	1,371,189	1,637	2,334,936
Additions	85,096	135,959	-	221,055
Amortisation expense	(62,636)	(106,909)	(501)	(170,046)
Closing value at 30 June 2021	984,570	1,400,239	1,136	2,385,945

In USD				
Balance at 1 July 2020	873,163	1,442,084	11,045	2,326,292
Additions	141,324	21,807	-	163,131
Impairment loss	(5,345)	-	-	(5,345)
Amortisation expense	(47,032)	(92,702)	(9,779)	(149,513)
Foreign exchange movements	-	-	371	371
Closing value at 31 December 2020	962,110	1,371,189	1,637	2,334,936

Notes to the Condensed Consolidated Financial Statements

For the Half-Year Ended 30 June 2021

7 Intangible Assets (continued)

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.

8 Contract Liabilities

	As at 30 June 2021 \$	As at 31 December 2020 \$
In USD		
<i>Contract liabilities arising from contracts with customers</i>		
CURRENT		
Contract liabilities	<u>91,177</u>	<u>1,909,554</u>
NON-CURRENT		
Contract liabilities	<u>1,328,922</u>	<u>1,374,510</u>

Notes to the Condensed Consolidated Financial Statements

For the Half-Year Ended 30 June 2021

9 Capital and Reserves

(a) Share capital

In number of shares

	Fully paid
Balance as at 1 July 2020	180,896,678
Shares issued in July 2020 (on conversion of employee share options) (i)	325,000
Shares issued in July 2020 (on conversion of employee share options) (ii)	325,000
Placement in September 2020 (iii)	6,666,666
Share purchase plan in October 2020 (iv)	4,236,898
Shares issued in October 2020 (on conversion of employee share options) (v)	84,500
Placement in November 2020 (vi)	1,666,667
Balance as at 31 December 2020	194,201,409
Shares issued in March 2021 on conversion of employee share options (vii)	84,500
Shares issued in April 2021 on conversion of employee share options (viii)	3,250,000
Shares issued in May 2021 on conversion of employee share options (ix)	438,000
Balance as at 30 June 2021	197,973,909

In USD

	Fully paid \$
Balance at 1 July 2020	90,774,487
Shares issued in July 2020 (on conversion of employee share options) (i)	100,750
Shares issued in July 2020 (on conversion of employee share options) (ii)	136,500
Placement in September 2020 (iii)	5,627,879
Share purchase plan in October 2020 (iv)	3,550,085
Shares issued in October 2020 (on conversion of employee share options) (v)	26,195
Placement in November 2020 (vi)	1,453,310
Capital raising costs	(387,739)
Balance at 31 December 2020	101,281,467
Shares issued in March 2021 on conversion of employee share options (vii)	35,490
Shares issued in April 2021 on conversion of employee share options (viii)	1,365,000
Shares issued in May 2021 on conversion of employee share options (ix)	245,280
Capital raising costs	(6,230)
Balance at 30 June 2021	102,921,007

Notes to the Condensed Consolidated Financial Statements

For the Half-Year Ended 30 June 2021

9 Capital and Reserves (continued)

- (i) On 2 July 2020, 325,000 round 2 Equity Incentive Plan (ECP) employee share options converted to 325,000 ordinary shares at a price of AUD\$0.45.
- (ii) On 2 July 2020, 325,000 round 2 Equity Incentive Plan (ECP) employee share options converted to 325,000 ordinary shares at a price of AUD\$0.61.
- (iii) On 24 September 2020, Next Science raised AUD\$7,999,999 via a Placement at AUD\$1.20 per share.
- (iv) On 19 October 2020, Next Science raised AUD\$4,999,663 via a Share Purchase Plan at AUD\$1.18 per share.
- (v) On 23 October 2020, 84,500 round 2 Equity Incentive Plan (ECP) employee share options converted to 84,500 ordinary shares at a price of AUD\$0.44.
- (vi) On 19 November 2020, Next Science raised AUD\$2,000,000 via a Placement at AUD\$1.20, approved by shareholders at a general meeting held on 18 November 2020.
- (vii) On 18 March 2021, 84,500 round 3 Equity Incentive Plan (ECP) employee share options converted to 84,500 ordinary shares at a price of AUD\$0.54.
- (viii) Between 13 April 2021 and 15 April 2021, 3,250,000 round 3 Equity Incentive Plan (ECP) employee share options converted to 3,250,000 ordinary shares at a price of AUD\$0.55
- (ix) On 3 May 2021, 438,000 round 4 Equity Incentive Plan (ECP) employee share options converted to 438,000 ordinary shares at a price of AUD\$0.72.

(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.

Notes to the Condensed Consolidated Financial Statements

For the Half-Year Ended 30 June 2021

10 Earnings Per Share

Reconciliation of earnings to profit or loss from continuing operations

	Half-year ended 30 June 2021	Half-year ended 30 June 2020
	\$	\$
In USD		
Loss after tax	(4,199,059)	(6,695,078)
Basic and diluted earnings per share (USD cents)	(2.14)	(3.70)
Weighted average number of shares	195,773,630	180,825,331

11 Covid-19

Covid-19 has had an impact on the Group's operations and activities during and subsequent to the end of the half-year and is expected to continue to affect the Group whilst the pandemic continues. In the 1H 2021 the US elective surgery market procedure levels returned to 2019 levels and wound care clinics have re-opened and are continuing to increase the number of patients they see, with the expectation that they could be back to 2019 volumes by the end of the year. Whilst our research and product development activities continue to operate to near normal levels, recruitment of some roles is proving more challenging. 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.

12 Contingent Liability

In June 2021, Zimmer, Inc, Next Science's distribution partner for its Bactisure product, filed a complaint in the United States District Court, Northern District of Indiana, alleging that they have global commercial exclusivity rights over XPerience No Rinse Antimicrobial Solution. Next Science denies the allegations. Zimmer, Inc has indicated that it will not serve the complaint on Next Science pending the outcome of negotiations between the parties. If negotiations fail, Next Science intends to vigorously defend the complaint if and when it is served on Next Science. Negotiations are ongoing.

13 Events Occurring After the Half-Year

After the reporting date, Irrimax Corporation, a competitor of Next Science in the wound irrigation sector, has filed a complaint in the United States District Court for the Northern District of Georgia alleging common law unfair competition and false advertising regarding XPerience No Rinse Antimicrobial Solution. Next Science denies the allegations and intends to vigorously defend the complaint if and when it is served on Next Science. Given the early stage of the matter, the financial impact, if any, is unable to be quantified.

Other than the matter noted above and 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 in future financial periods.

Next Science Limited

ACN: 622 382 549

Directors' Declaration

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

1. the condensed consolidated financial statements and notes that are set out on pages 5 - 18, are in accordance with the *Corporations Act 2001*, including:
 - a. giving a true and fair view of the financial position of the Group as at 30 June 2021 and of its performance for the half-year ended on that date; and
 - b. complying with Australian Accounting Standards "AASB 134 *Interim Financial Reporting*" and the *Corporations Regulations 2001*; and
2. 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 condensed consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Board of Directors.



Mark Compton AM

Chairman

Dated: 30 August 2021

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.

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 does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2021 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:

- Condensed consolidated statement of financial position as at 30 June 2021;
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed 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; and
- 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 2021 to 30 June 2021.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our review of the interim financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2021 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*.

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

30 August 2021