

NEXT SCIENCE®

Quarterly Activity Report 31 March 2020

Sydney, Australia Monday, 20 April 2020: Next Science Limited (ASX:NXS) (**Next Science**) today announced its Appendix 4C Quarterly Cash Flow Report for the period 1 January 2020 to 31 March 2020 (**Q1**).

In accordance with Listing Rule 4.7C, set out below is Next Science's activity report for Q1.

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 direct to consumer online marketing.

Managing Director's comment

Judith Mitchell, Next Science's Managing Director/CEO, said: "2020 is an important year for Next Science as we launch five new products to market. In Q1, we successfully launched online sales of our acne cream and we are on track to launch our four other new products: RipRecovery Skin Repair and Protect cream, XPerience Surgical Rinse, Surface Disinfectant and TorrentX. We are making good progress in developing commercial plans and building market awareness ahead of these launches. XPerience Surgical Rinse, the product with the largest revenue generating potential, is expected to be launched in the second half of this year.


In the first quarter, in addition to launching our online acne cream, we received CE mark for Bactisure enabling its sale in Europe and in April, the EPA approved our hospital grade Surface Disinfectant with a biofilm claim for sale in the US. Moreover, Xbio products are now available in 1464 hospitals, compared to 1350 as at the end of December 2019.

As announced to ASX, the COVID 19 US shutdown has impacted elective surgery volumes and some outpatient wound care centres. This has affected revenues in March and is expected to impact Q2 revenues. Product Sales Revenues for Q1 were \$451,000 (unaudited). We have been able to continue our research, development and regulatory work through this time without interruption, with some staff working from home, and others alternating between working from home and the laboratory on a split roster basis to ensure employee safety.

Our development projects are holding their schedules and all of the US approval authorities (FDA, EPA) are still operating although time extensions are possible.



We have added Home Health networks to our wound care focus and have set up donation programs to service patients who are unable to get to wound care clinics during the COVID19 shut down. Over the longer term, we expect the increase in awareness around the spread of viruses and infection, and the need for clean and safe surfaces, to drive increased demand for our products."

Products in Market as at 31 March 2020




Product	Commercial Pathway	Application	Q1 2020 Progress
Bactisure Surgical Lavage 	Global Distribution by Zimmer Biomet	Treatment of infected surgical cavities and implants	CE Mark Received, Europe Launch post COVID 19 shutdown

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<p>BlastX Anti-Microbial Wound Gel</p> 	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
<p>SurgX Sterile Anti-Microbial Wound Gel</p> 	US wide Agent network	Prevention of infections of the surgical wound. Used in the operating room	Now sold through 34 agents across 20 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 2020

Product	Commercial Pathway	Application	Update
<p>Hospital Grade Surface Disinfectant with Biofilm claim</p>	Distribution and licensing across applications	Cleaning all surfaces including furniture, walls, doors, also useful in Food Preparation areas	Cleared by the EPA on 5 April 2020 for sale in the US. Commercial negotiations ongoing
<p>XPerience Surgical Rinse</p> 	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 H2 launch in the US. Other markets to follow. 110M procedures globally, on an annual basis.
<p>RipRecovery & Protection Hand Cream</p> 	Online in the US	Skin repair and protecting injured skin from infections	Launching 1H 2020
<p>TorrentX Wound Wash</p> 	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

Pharmaceutical products in development

Next Science has a skin cancer treatment project underway, with work ongoing to submit an application for approval for a Phase 2 trial by Q4 2020.

Q1 2020 Revenue and cash

Revenues for Q1 2020 were \$451,000 (unaudited) with cash receipts from customers of \$633,000. Cash receipts in April (from December 2019 Debtors) have already exceeded \$900,000.

Research and developments costs were \$758,000, a small reduction compared to the December 2019 quarter.

\$3.05M in total was used in operating activities, down from \$3.2M in the prior quarter.

Next Science held net cash and cash equivalents of \$13.4M at the end of March.

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.

Outlook

While COVID 19 saw us innovate new ways of working to support our growth initiatives with new customers, we continue to service existing accounts with remote support. The current environment drives an increase in awareness around viruses and infection, and the need for clean and safe surfaces. The work in our research and development, regulatory and quality teams has continued at near normal pace ensuring that Next Science is well positioned for long term growth with key products to address the markets' increased focus on infection as a driver.

Authorised for release by the Chairman and Managing Director.

For further information, please contact:

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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 I

FX Rate used:
21/2/2019

				Apr 2019- Mar 2020	Apr 2019- Mar 2020	
				A	B	C=B-A
				Planned Spend	Actual spend	Variance
				USD\$'000	USD\$'000	USD\$'000
Categories	AUD\$'000	%	USD\$'000	USD\$'000	USD\$'000	USD\$'000
Regulatory, research and other employee costs	12,580	36%	9,005	7,856	7,595	(260)
Pharmaceutical product development	5,481	16%	3,923	1,210	186	(1,024)
Medical device product development	3,896	11%	2,789	2,957	2,992	35
Manufacturing validations	2,976	9%	2,130	1,900	484	(1,416)
Clinical Trials	1,348	4%	965	722	236	(486)
Working capital and operating costs	5,251	15%	3,759	4,188	4,588	400
Interest on Converting Notes	367	1%	263	263	214	(49)
Offer Costs	3,101	9%	2,220	2,220	2,037	(182)
Total	35,000	100%	25,052	21,315	18,332	(2,982)

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.)

Incorporates all employees including R&D, Operations, Regulatory as well as Sales & Marketing and Administration.

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 and expects approval to proceed to Phase II during H2 2020. Skin Cancers have taken priority over previous amounts to be spent on other projects in the Use of Funds estimate.

N/A

Phasing of expenditure in manufacturing validation has been impacted by the reprioritisation of the medical device development projects.

Reprioritisation has impacted the timing of expenditure to date.

Spend includes amounts spent on operating costs, advertising & marketing, admin & corporate costs as well as lease costs.

Actual result lower than estimate. Settlement earlier than anticipated.

Offer costs lower than budgetted.

Appendix 4C

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

Name of entity

Next Science Limited

ABN

47 622 382 549

Quarter ended ("current quarter")

March 2020

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (3 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	633	633
1.2 Payments for		
(a) research and development (inc regulatory)	(758)	(758)
(b) product manufacturing and operating costs	(81)	(81)
(c) advertising and marketing	(244)	(244)
(d) leased assets	-	-
(e) staff costs	(1,908)	(1,908)
(f) administration and corporate costs	(757)	(757)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	59	59
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)	-	-
1.9 Net cash from / (used in) operating activities	(3,056)	(3,056)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(80)	(80)
(d) investments	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
	(e) intellectual property & intangible assets	(190)	(190)
	(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	(270)	(270)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	226	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)	(52)	(52)
3.10	Net cash from / (used in) financing activities	174	174

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	16,911	16,911
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,056)	(3,056)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(270)	(270)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	174	174
4.5	Effect of movement in exchange rates on cash held	(390)	(390)
4.6	Cash and cash equivalents at end of period	13,369	13,369

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	3,345	6,167
5.2	Term deposits	10,024	10,744
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)	13,369	16,911

**6. Payments to related parties of the entity and their
associates**

- 6.1 Aggregate amount of payments to related parties and their
associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their
associates included in item 2

**Current quarter
\$US'000**

142

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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)	(3,056)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	13,369
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	13,369
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	4

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: 20 April 2020

Authorised by: The Chairman and Managing Director

(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.