

## Next Science Limited

ACN: 622 382 549

### Appendix 4D

#### For the Half-Year Ended 30 June 2022

#### Company details

Name of entity: Next Science Limited  
ABN: 47 622 382 549  
Reporting period: For the half-year ended 31 June 2022  
Previous period: For the half-year ended 31 June 2021

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#### Results for announcement to the market

				USD \$
Revenues from ordinary activities	up	38%	to	5,411,124
Loss from ordinary activities after tax attributable to the owners of Next Science Limited	up	57%	to	(6,588,785)
Loss for the year attributable to the owners of Next Science Limited	up	57%	to	(6,588,785)

#### Dividends

No dividend was paid or proposed during the half-year ended 30 June 2022 (2021: 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	5.51	6.91

The net tangible asset per ordinary security is calculated based on 214,790,134 ordinary shares on issue at 30 June 2022 and 197,973,909 shares that were in existence at 30 June 2021 and includes right of use assets.

#### Control gained over entities

Not applicable.

#### Loss of control over entities

Not applicable.

## **Next Science Limited**

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### **Appendix 4D**

#### **For the Half-Year Ended 30 June 2022**

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 2022 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**

A handwritten signature in dark ink, appearing to read 'Mark Compton', followed by a circular stamp or mark.

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Mark Compton AM  
*Chair*

25 August 2022  
Sydney

# **Next Science Limited**

ACN: 622 382 549

## **Interim Financial Report**

**For the Half-Year Ended 30 June 2022**

# Next Science Limited

ACN: 622 382 549

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## Next Science Limited

ACN: 622 382 549

## Directors' Report

30 June 2022

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 2022.

### 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

### 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*

Revenues grew by 38% in 1H of 2022 with sales contributions across all of Next Science's products in market and good progress was made in building market awareness for our X BIO™ brand as an answer to the biofilms and bacteria that directly lead to the need for revision (repeat) joint replacement surgeries and other post operative surgical complications.

In January 2022, Next Science and Zimmer, Inc (Zimmer) revised the term of their existing distribution agreement for Bactisure™. The term will now end on 31 December 2026 with Zimmer, Inc having the option to extend the distribution agreement for an additional five-year period by providing 6 months' prior written notice.

Next Science and Zimmer reached agreement in January 2022, in respect of the 2021 complaint filed in the United States District Court, Northern District of Indiana, alleging that Zimmer had global commercial exclusivity rights over XPERIENCE™ and signed a new US distribution agreement in relation to the supply of a white labelled version of XPERIENCE™ under Zimmer's own labelling. The distribution agreement with Zimmer for XPERIENCE™ has a 5 year term plus a 5 year renewal option and confirms Next Science's intellectual property ownership and rights in respect of XPERIENCE™.

In conjunction with the signing of the new distribution agreement, Zimmer withdrew its District Court proceedings. The complaint was dismissed "with prejudice" (meaning that Zimmer cannot reassert the claims) with each party paying its own costs.

The first shipment to Zimmer of a white labelled version of XPERIENCE™ took place in June 2022 to support a controlled rollout commencing in July 2022 across Zimmer's national sales network.

First US shipments of TridentX™ Wound Wash to Convatec, also took place in June 2022.

## Next Science Limited

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## Directors' Report

30 June 2022

### Significant changes in the state of affairs (continued)

During the half year, Next Science also entered into multiple distribution partnerships in Australia and New Zealand for Next Science's XPERIENCE™, Surg X™ and Blast X™ products. Sales of XPERIENCE™ to New Zealand commenced in Q2 2022 with sales of XPERIENCE™ and Blast X™ in Australia, expected to commence in Q3 2022. Sales of Surg X™ to New Zealand are anticipated commencing in Q3 2022.

Next Science's commercial team, in the United States, is continuing its own XPERIENCE™, Surg X™ and Blast X™ commercialisation efforts with increased customer usage across all products during the half year.

During 1H of 2022 Next Science completed a two-tranche placement to institutional and sophisticated investors raising A\$6.0million (US\$4.4million) in March 2022 and a further A\$4.0million (US\$2.9million) in May 2022 before capital raising costs. A Share Purchase Plan was also launched during March 2022 raising A\$4.8million (US\$3.6million) before costs.

The financial position of the Group was affected by the amendment of the US Jacksonville Greystone Park Commercial Lease on 17 June 2022. The amendment included:

- a) Modification of the lease to expand the Premises; and
- b) Extension of the term of the lease by 5 years

The amendment resulted in the recognition of an additional lease liability of \$1,178,751, a right-of-use asset of \$1,025,617 and leasehold improvements of \$160,910 in the Statement of Financial Position.

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 2022 after providing for income tax amounted to \$6,588,785 (2021: \$4,199,059).

Revenue increased by 38% for the period, increasing from \$3,914,671 in the prior corresponding period to \$5,411,124 with increases in product sales being derived from both the signing of new distribution agreements in 1H 2022 as well as increases in direct product sales within the US.

Gross profit was \$4,379,321 compared to \$3,076,581 in the prior corresponding period. Gross margin as a percent of sales was 81% compared with 79% in the prior corresponding period.

Selling and distribution expenses were \$4,684,727, an increase of \$1,631,661 compared with \$3,053,066 in the prior corresponding period. The increase in spend in 2022 mainly related to an increase in headcount, other employee related expenditure including recruitment costs and an increase in travel costs, associated with higher levels of direct sales activity in the US across all Next Science's products as COVID-19 travel related restriction eased in 1H 2022 compared to 1H 2021.

Administration expenses were \$3,300,076, an increase of \$1,506,035 compared with \$1,794,041 in the prior corresponding period. The majority of the expenses in the current period relate to one off costs of defending and settling the 2021 legal suits brought by Irrimax Corporation and Zimmer. The balance of the increase mainly relates to upfront recruitment retainer fees for the US based CEO search, increased executive travel costs with the easing of COVID-19 travel related restrictions, as well as additional strategic and territorial commercialisation consulting advice undertaken in the period.

## Next Science Limited

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## Directors' Report

30 June 2022

Research and development expenses were \$3,001,782 an increase of \$490,790 compared with \$2,510,992 in the prior corresponding period with expenditure in the current period related to ongoing R&D projects and clinical studies as well as regulatory compliance in existing and new jurisdictions (Canada) and increased medical advisory consulting expenses as well as a modest increase in headcount.

Cash and cash equivalents at 30 June 2022 amounted to \$11,024,787 compared to \$7,000,869 at 31 December 2021. Term deposits at 30 June 2022 amounted to \$38,249 compared to \$367,129 at 31 December 2021.

### *Business growth strategy and likely developments*

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

### **Dividends**

No dividends were paid or declared since the commencement of the half-year and the Directors do not recommend the declaration of a dividend.

### **COVID-19**

Revenues continue to be impacted by COVID-19. This impact takes the form of unplanned disruption to surgery schedules due to staff shortages, or additional unplanned illness among patients resulting in surgeries being cancelled or postponed. As a result, surgery levels have not yet recovered to pre-pandemic levels. Despite this, Next Science continued to build its customer base during the first 6 months of 2022 in its direct business, across all of its product lines as Next Science continued to partner with its customers to provide them with the best tools to serve their patients.

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**

In August 2021, Irrimax Corporation, a competitor of Next Science in the wound irrigation sector, filed a complaint and subsequently served on its complaint in the United States District Court for the Northern District of Georgia alleging common law unfair competition and false advertising regarding XPERIENCE™. The complaint settled in July 2022 and was dismissed "with prejudice" (meaning that Irrimax cannot reassert the claims).

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' Report 30 June 2022

### 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 2022 has been received and can be found on page 5 of the financial report.

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

A handwritten signature in black ink, appearing to read 'Mark Compton', followed by a circular stamp or mark.

Mark Compton AM  
Chair

Dated this 25th day of August 2022





# 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 2022 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

KPMG

Kevin Leighton

*Partner*

Sydney

25 August 2022

# 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 2022

In USD

		30 June 2022	30 June 2021
	Notes	\$	\$
Revenue	2	5,411,124	3,914,671
Cost of sales		(1,031,803)	(838,090)
<b>Gross profit</b>		<b>4,379,321</b>	<b>3,076,581</b>
Other income		27,362	21,323
Selling and distribution expenses		(4,684,727)	(3,053,066)
Research and development expenses		(3,001,782)	(2,510,992)
Administration expenses		(3,300,076)	(1,794,041)
Other expenses		(2,975)	(5,735)
<b>Operating loss</b>		<b>(6,582,877)</b>	<b>(4,265,930)</b>
Finance income		34,920	75,851
Finance costs		(40,828)	(8,980)
<b>Net finance (costs) / income</b>		<b>(5,908)</b>	<b>66,871</b>
<b>Loss before income tax</b>		<b>(6,588,785)</b>	<b>(4,199,059)</b>
Income tax expense		-	-
<b>Loss for the year</b>		<b>(6,588,785)</b>	<b>(4,199,059)</b>
<b>Other comprehensive loss, net of income tax</b>			
Foreign currency translation differences		(408,187)	(249,425)
<b>Total comprehensive loss for the year</b>		<b>(6,996,972)</b>	<b>(4,448,484)</b>
<b>Earnings per share</b>			
From continuing operations		Cents	Cents
Basic earnings	11	(3.20)	(2.14)
Diluted earnings	11	(3.20)	(2.14)

The accompanying notes form part of these financial statements.

## Condensed Consolidated Statement of Financial Position

As At 30 June 2022

In USD

	Notes	30 June 2022 \$	31 December 2021 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	11,024,787	7,000,869
Trade and other receivables		1,992,295	887,211
Inventories		1,067,960	1,500,522
Other current assets - term deposits	5	38,249	367,129
Other current assets - other	5	569,448	476,049
<b>TOTAL CURRENT ASSETS</b>		<b>14,692,739</b>	<b>10,231,780</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables		36,656	36,656
Property, plant and equipment	6	738,228	683,562
Intangible assets	7	2,450,237	2,532,491
Right-of-use assets	8	1,161,319	232,456
<b>TOTAL NON-CURRENT ASSETS</b>		<b>4,386,440</b>	<b>3,485,165</b>
<b>TOTAL ASSETS</b>		<b>19,079,179</b>	<b>13,716,945</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		2,048,234	1,172,996
Lease liabilities		242,060	166,235
Contract liabilities	9	309,736	91,177
Employee benefits		122,456	109,611
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,722,486</b>	<b>1,540,019</b>
<b>NON-CURRENT LIABILITIES</b>			
Contract liabilities	9	962,157	1,283,334
Lease liabilities		1,095,158	109,802
Employee benefits		20,581	17,295
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,077,896</b>	<b>1,410,431</b>
<b>TOTAL LIABILITIES</b>		<b>4,800,382</b>	<b>2,950,450</b>
<b>NET ASSETS</b>		<b>14,278,797</b>	<b>10,766,495</b>
<b>EQUITY</b>			
Share capital	10	113,526,531	102,921,007
Common control reserve	10	(42,596,715)	(42,596,715)
Foreign currency translation reserve		(1,757,330)	(1,349,143)
Share option reserve		2,140,298	2,140,298
Performance rights reserve		-	96,250
Accumulated losses		(57,033,987)	(50,445,202)
<b>TOTAL EQUITY</b>		<b>14,278,797</b>	<b>10,766,495</b>

The accompanying notes form part of these financial statements.

## Next Science Limited

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### Condensed Consolidated Statement of Changes in Equity

For the Half-Year Ended 30 June 2022

	Share capital	Common control reserve	Foreign currency translation reserve	Share option reserve	Performance rights reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 January 2022</b>	<b>102,921,007</b>	<b>(42,596,715)</b>	<b>(1,349,143)</b>	<b>2,140,298</b>	<b>96,250</b>	<b>(50,445,202)</b>	<b>10,766,495</b>
Loss for the half-year	-	-	-	-	-	(6,588,785)	(6,588,785)
<i>Other comprehensive loss</i>							
Foreign currency translation differences	-	-	(408,187)	-	-	-	(408,187)
Total other comprehensive loss	-	-	(408,187)	-	-	-	(408,187)
Total comprehensive loss for the half-year	-	-	(408,187)	-	-	(6,588,785)	(6,996,972)
<i>Transactions with owners in their capacity as owners</i>							
Share-based payments	-	-	-	-	8,750	-	8,750
Performance rights converted to shares on vesting	-	-	-	-	(105,000)	-	(105,000)
Issue of ordinary shares	10,991,160	-	-	-	-	-	10,991,160
Capital raising costs	(385,636)	-	-	-	-	-	(385,636)
Total transactions with owners	10,605,524	-	-	-	(96,250)	-	10,509,274
<b>Balance at 30 June 2022</b>	<b>113,526,531</b>	<b>(42,596,715)</b>	<b>(1,757,330)</b>	<b>2,140,298</b>	<b>-</b>	<b>(57,033,987)</b>	<b>14,278,797</b>

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 2022

	Share capital	Common control reserve	Foreign currency translation reserve	Share option reserve	Performance rights reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 January 2021</b>	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
<b>Balance at 30 June 2021</b>	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 Cash Flows For the Half-Year Ended 30 June 2022

In USD

	Notes	30 June 2022 \$	30 June 2021 \$
<b>OPERATING ACTIVITIES:</b>			
Receipts from customers		4,185,731	4,640,707
Payments to suppliers and employees		(9,496,053)	(6,923,728)
Payments for research and development		(1,062,909)	(916,146)
COVID-19 government assistance and other income		31,984	-
Interest received		1,654	20,512
Net cash used in operating activities		<u>(6,339,593)</u>	<u>(3,178,655)</u>
<b>INVESTING ACTIVITIES:</b>			
Payments for property, plant and equipment	6	(16,394)	(86,536)
Payments for intangible assets	7	<u>(140,357)</u>	<u>(221,055)</u>
Net cash used in investing activities		<u>(156,751)</u>	<u>(307,591)</u>
<b>FINANCING ACTIVITIES:</b>			
Proceeds from issue of ordinary shares		10,853,400	-
Proceeds from conversion of options to ordinary shares		32,760	1,645,770
Capital raising costs		(385,636)	(6,230)
Payment of lease liabilities		<u>(113,970)</u>	<u>(99,364)</u>
Net cash provided by financing activities		<u>10,386,554</u>	<u>1,540,176</u>
Net increase / (decrease) in cash and cash equivalents held		3,890,210	(1,946,070)
Cash and cash equivalents at beginning of year (including bank term deposits)		7,367,998	15,339,402
Effects of exchange rate changes on cash and cash equivalents		<u>(195,172)</u>	<u>(193,034)</u>
<b>Cash and cash equivalents at end of the half-year (including bank term deposits)</b>		<b>11,063,036</b>	<b>13,200,298</b>
Less bank term deposits classified as other current assets	5	<u>(38,249)</u>	<u>(6,266,022)</u>
<b>Cash and cash equivalents at end of the half-year</b>	4	<b><u>11,024,787</u></b>	<b><u>6,934,276</u></b>

The accompanying notes form part of these financial statements.

## **Notes to the Condensed Consolidated Financial Statements**

### **For the Half-Year Ended 30 June 2022**

#### **1 Basis of Preparation**

These general purpose financial statements for the interim half-year reporting period ended 30 June 2022 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 2021.

The principal accounting policies adopted are consistent with those of the consolidated financial statements as at and for the year ended 31 December 2021, 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 25 August 2022.

#### *Change in estimate*

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

As a result of BlastX® returning to Next Science, there was a change in the time frame for recognition of the performance obligation in relation to milestone payments received from 3M. The milestone payments which were previously 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 BlastX® back to Next Science complete.

In January 2022, Next Science and Zimmer, Inc revised the term of their existing distribution agreement for Bactisure™. The term will now end on 31 December 2026 with Zimmer, Inc having the option to extend the distribution agreement for an additional five-year period by providing 6 months' prior written notice. As a result of this amendment, there has been a change in the time frame for recognition of the performance obligation in relation to milestone payments previously received from Zimmer, Inc. The milestone payments which previously would have been recognised as revenue over the period until the end of the contract period of 28 February 2037, will now be recognised as revenue over a shorter time period ending 31 December 2026.

## Notes to the Condensed Consolidated Financial Statements

### For the Half-Year Ended 30 June 2022

#### 1 Basis of Preparation (continued)

##### *Going concern*

The financial report has been prepared on a going concern basis. The Group incurred a loss of \$6,588,785 and had net cash outflows from operations of \$6,339,593 for the half-year ended 30 June 2022 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 totalling \$11.1 million at 30 June 2022 together with potential cost management initiatives are sufficient to enable the Group to continue as a going concern for the foreseeable future, being at least twelve months from the date of signing this financial report.

#### 2 Revenue

	Half-year ended 30 June 2022	Half-year ended 30 June 2021
In USD	\$	\$
Revenue from contracts with customers	<u>5,411,124</u>	<u>3,914,671</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.

	United States of America	Australia and New Zealand	Total
	\$	\$	\$
<b>Half-year ended 30 June 2022</b>			
<b>In USD</b>			
Revenue from contracts with customers	5,350,009	61,115	5,411,124
Geographical non-current assets	2,197,164	2,189,277	4,386,441
Segment loss	(3,918,595)	(2,670,190)	(6,588,785)
<b>Half-year ended 30 June 2021</b>			
<b>In USD</b>			
Revenue from contracts with customers	3,837,089	77,582	3,914,671
Geographical non-current assets	1,205,596	2,279,570	3,485,166
Segment loss	(2,539,997)	(1,659,062)	(4,199,059)



## Next Science Limited

ACN: 622 382 549

### Notes to the Condensed Consolidated Financial Statements For the Half-Year Ended 30 June 2022

#### 4 Cash and Cash Equivalents

	As at 30 June 2022 \$	As at 31 December 2021 \$
<b>In USD</b>		
Cash at bank	11,024,787	7,000,869
	<u>11,024,787</u>	<u>7,000,869</u>

#### 5 Other Current Assets

	As at 30 June 2022 \$	As at 31 December 2021 \$
<b>In USD</b>		
CURRENT		
Prepayments and other assets	569,448	476,049
Term deposits	38,249	367,129
	<u>607,697</u>	<u>843,178</u>

## Notes to the Condensed Consolidated Financial Statements

### For the Half-Year Ended 30 June 2022

#### 6 Property, Plant and Equipment

	As at 30 June 2022 \$	As at 31 December 2021 \$
<b>In USD</b>		
Plant and equipment		
At cost	1,156,841	1,158,763
Accumulated depreciation	(760,323)	(680,804)
Total plant and equipment	396,518	477,959
Furniture and fittings		
At cost	250,905	250,905
Accumulated depreciation	(189,339)	(170,445)
Total furniture and fittings	61,566	80,460
Leasehold improvements		
At cost	359,504	199,754
Accumulated amortisation	(79,360)	(74,611)
Total leasehold improvements	280,144	125,143
<b>Total property, plant and equipment</b>	<b>738,228</b>	<b>683,562</b>

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 \$
<b>In USD</b>				
Balance at 1 January 2022	477,959	80,460	125,143	683,562
Additions	16,394	-	160,910	177,304
Disposals	(2,975)	-	-	(2,975)
Depreciation expense	(94,860)	(18,894)	(5,909)	(119,663)
<b>Closing value at 30 June 2022</b>	<b>396,518</b>	<b>61,566</b>	<b>280,144</b>	<b>738,228</b>
<b>In USD</b>				
Balance at 1 July 2021	535,709	81,892	131,051	748,652
Additions	36,577	17,380	-	53,957
Disposals	(2,113)	(210)	-	(2,323)
Depreciation expense	(92,213)	(18,602)	(5,908)	(116,723)
Foreign exchange movements	(1)	-	-	(1)
<b>Closing value at 30 December 2021</b>	<b>477,959</b>	<b>80,460</b>	<b>125,143</b>	<b>683,562</b>

## Notes to the Condensed Consolidated Financial Statements

### For the Half-Year Ended 30 June 2022

#### 7 Intangible Assets

	As at 30 June 2022 \$	As at 31 December 2021 \$
<b>In USD</b>		
Patents and trade marks		
Cost	1,582,948	1,507,814
Accumulated amortisation	(543,932)	(461,218)
<b>Net book value</b>	<b>1,039,016</b>	<b>1,046,596</b>
Capitalised development		
Cost	2,037,278	1,972,054
Accumulated amortisation	(626,193)	(486,796)
<b>Net book value</b>	<b>1,411,085</b>	<b>1,485,258</b>
Computer software		
Cost	118,354	121,701
Accumulated amortisation	(118,218)	(121,064)
<b>Net book value</b>	<b>136</b>	<b>637</b>
<b>Total intangible assets</b>	<b>2,450,237</b>	<b>2,532,491</b>

	Patents and trade marks \$	Capitalised development \$	Computer software \$	Total \$
<b>In USD</b>				
Balance at 1 January 2022	1,046,596	1,485,258	637	2,532,491
Additions	75,133	65,224	-	140,357
Amortisation expense	(82,713)	(139,397)	(501)	(222,611)
<b>Closing value at 30 June 2022</b>	<b>1,039,016</b>	<b>1,411,085</b>	<b>136</b>	<b>2,450,237</b>
<b>In USD</b>				
Balance at 1 July 2021	984,570	1,400,239	1,136	2,385,945
Additions	134,221	220,992	-	355,213
Impairment loss	-	(7,576)	-	(7,576)
Amortisation expense	(72,194)	(128,395)	(499)	(201,088)
Foreign exchange movements	(1)	(2)	-	(3)
<b>Closing value at 31 December 2021</b>	<b>1,046,596</b>	<b>1,485,258</b>	<b>637</b>	<b>2,532,491</b>

## Notes to the Condensed Consolidated Financial Statements

### For the Half-Year Ended 30 June 2022

#### 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 Right-of-Use Assets

The Group holds leases for properties with lease terms ranging from 3 to 5 years.

	As at 30 June 2022	As at 31 December 2021
<b>In USD</b>	<b>\$</b>	<b>\$</b>
Property - right-of-use asset	1,684,335	668,314
Accumulated depreciation	(523,016)	(435,858)
	<b>1,161,319</b>	<b>232,456</b>

There was a significant change in the current period with an amendment to the US Jacksonville Greystone Park Commercial Lease on 17 June 2022. The amendment resulted in the recognition of an additional right-of-use asset of \$1,025,617. The movement below is presented for the current period only as there were no significant changes in the prior period that require additional disclosure.

#### Movement

	Property
<b>In USD</b>	<b>\$</b>
Balance at 1 January 2022	232,456
Additions	1,025,617
Depreciation expense	(90,276)
Foreign exchange movements	(6,478)
<b>Closing value at 30 June 2022</b>	<b>1,161,319</b>

#### 9 Contract Liabilities

	As at 30 June 2022	As at 31 December 2021
<b>In USD</b>	<b>\$</b>	<b>\$</b>
<i>Contract liabilities arising from contracts with customers</i>		
<b>CURRENT</b>		
Contract liabilities	309,736	91,177
<b>NON-CURRENT</b>		
Contract liabilities	962,157	1,283,334

## Notes to the Condensed Consolidated Financial Statements

### For the Half-Year Ended 30 June 2022

#### 10 Capital and Reserves

##### (a) Share capital

In number of shares	Fully paid
Balance as at 1 July 2021	197,973,909
<b>Balance as at 31 December 2021</b>	<b>197,973,909</b>
Shares issued in February 2022 on conversion of employee performance shares (i)	113,534
Shares issued in February 2022 on conversion of employee share options (ii)	78,000
Placement in March 2022 (iii)	6,666,667
Shares purchase plan in March 2022 (iv)	5,513,579
Placement in May 2022 (v)	4,444,445
<b>Balance as at 30 June 2022</b>	<b>214,790,134</b>

  

In USD	Fully paid \$
Balance at 1 July 2021	102,921,007
<b>Balance at 31 December 2021</b>	<b>102,921,007</b>
Shares issued in February 2022 on conversion of employee performance shares (i)	105,000
Shares issued in February 2022 on conversion of employee share options (ii)	32,760
Placement in March 2022 (iii)	4,382,730
Shares purchase plan in March 2022 (iv)	3,597,370
Placement in May 2022 (v)	2,873,300
Capital raising costs	(385,636)
<b>Balance at 30 June 2022</b>	<b>113,526,531</b>

(i) In February 2022, 113,534 performance rights converted into 113,534 ordinary shares at a fair value of USD\$0.92 per share.

(ii) In February 2022, 78,000 round 3 Equity Incentive Plan (ECP) employees share options converted to 78,000 ordinary shares at a price of A\$0.58.

(iii) In March 2022, Next Science raised A\$6,000,000 via a Placement at A\$0.90 per share.

(iv) In March 2022, Next Science raised A\$4,796,814 via a Share Purchase Plan at A\$0.87 per share.

(v) In May 2022, Next Science raised A\$4,000,000 via a Placement at A\$0.90, approved by shareholders at the annual general meeting held on 27 May 2022

## Notes to the Condensed Consolidated Financial Statements

### For the Half-Year Ended 30 June 2022

#### 10 Capital and Reserves (continued)

##### (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.

#### 11 Earnings Per Share

Reconciliation of earnings to profit or loss from continuing operations

	Half-year ended 30 June 2022	Half-year ended 30 June 2021
	\$	\$
<b>In USD</b>		
Loss after tax	(6,588,785)	(4,199,059)
Basic and diluted earnings per share (USD cents)	(3.20)	(2.14)
Weighted average number of shares	<u>206,074,319</u>	<u>195,773,630</u>

#### 12 COVID-19

Revenues continue to be impacted by COVID-19. This impact takes the form of unplanned disruption to surgery schedules due to staff shortages, or additional unplanned illness among patients resulting in surgeries being cancelled or postponed. As a result, surgery levels have not yet recovered to pre-pandemic levels. Despite this, Next Science continued to build its customer base during the first 6 months of 2022 in its direct business, across all of its product lines as Next Science continued to partner with its customers to provide them with the best tools to serve their patients.

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.

## **Notes to the Condensed Consolidated Financial Statements**

### **For the Half-Year Ended 30 June 2022**

#### **13 Events Occurring After the Half-Year**

In August 2021, Irrimax Corporation, a competitor of Next Science in the wound irrigation sector, filed a complaint and subsequently served on its complaint in the United States District Court for the Northern District of Georgia alleging common law unfair competition and false advertising regarding XPERIENCE™. The complaint settled in July 2022 and was dismissed “with prejudice” (meaning that Irrimax cannot reassert the claims).

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 6 - 19, 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 2022 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  
Chair

Dated: 25 August 2022





# 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 2022 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 2022
- 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
- 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 2022 to 30 June 2022.

## 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 audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

## 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 2022 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.



KPMG



Kevin Leighton

*Partner*

Sydney

25 August 2022