

Next Science Limited
Appendix 4D
30 June 2023

Company details

Name of entity: Next Science Limited
ABN: 47 622 382 549
Reporting period: For the half-year ended 30 June 2023
Previous period: For the half-year ended 30 June 2022

Results for announcement to the market

					USD \$
Revenues from ordinary activities	up	87%	to		10,112,775
Loss from ordinary activities after tax attributable to the owners of Next Science Limited	up	31%	to		(8,613,091)
Loss for the year attributable to the owners of Next Science Limited	up	31%	to		(8,613,091)

Dividends

No dividend was paid or proposed during the half-year ended 30 June 2023 (2022: 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	<u>(1.11)</u>	<u>5.51</u>

The net tangible asset per ordinary security is calculated based on 214,790,134 ordinary shares on issue at 30 June 2023 and 214,790,134 shares that were in existence at 30 June 2022 and includes right of use assets.

Control gained over entities

Not applicable.

Loss of control over entities

Not applicable.

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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 2023 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



Aileen Stockburger
Chair

31 August 2023

Next Science Limited

ACN 622 382 549

Interim Report - 30 June 2023

Next Science Limited
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30 June 2023

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Next Science Limited
Directors' report
30 June 2023

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 2023.

Directors

The following persons were directors of Next Science Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mark Compton	(Resigned 23 August 2023)
Judith Mitchell	(Resigned 31 July 2023)
Daniel Spira	
Aileen Stockburger	
Harry Thomas Hall, IV (I.V.)	(Appointed 10 July 2023)
Bruce Hancox	(Resigned 30 June 2023)
Grant Hummel	(Appointed 23 August 2023)

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 and sales and marketing functions located in Florida, USA.

Significant changes in the state of affairs

Revenues grew by 87% in 1H of 2023 with sales contributions from both direct sales within the US and through partner channels. The executive team developed and implemented a strategy to accelerate the growth of Next Science's advanced wound care business in the US. This led to the creation of a Durable Medical Equipment (DME) business unit in which a direct sales team could offer a reimbursable product through Medicare. The DME business is a major contributor to revenue growth in 1H of 2023. The direct sales team have continued to significantly grow the number of physician prescribers in the DME business.

On 2 February 2023, the Company, issued 10,000,000 Secured Convertible Notes with a Face Value of A\$10,000,000 (Notes) to major shareholder, Walker Group Holdings Pty Limited (Walker Group) to strengthen the Company's cash position, support accelerated commercialisation in the US market and general working capital purposes. The issue of the Notes was approved by shareholders at a general meeting held in February 2023.

The Notes have a 21 month term maturing on 11 November 2024 at a conversion price of A\$0.72 per security. Each Note accrues interest at a rate of 10% per annum if the Notes are redeemed (and payable in one instalment only on redemption) or at a rate of 5% per annum if the Notes are converted (and capitalised into additional shares on conversion). Interest accrues on any overdue sum at a rate of 12% per annum from the due date.

In March 2023, recruitment commenced for a 7,600-patient study into periprosthetic joint infection (PJI) through the Ottawa Hospital Research Institute in Canada. The randomised controlled study is being conducted over at least five sites and will be one of the largest orthopaedic studies conducted. The clinical trial will assess the rate of PJI (less than 90 days post-surgery) in patients undergoing primary total knee arthroplasty, total hip arthroplasty or hip resurfacing with XPERIENCE™ Advanced Surgical Irrigation versus dilute Betadine.

In 2022, the Board determined to relocate the Company's CEO role to the US. As part of the process of appointing a new US based Managing Director and CEO, in May 2023, the Company made a strategic decision to move the Chief Financial Officer (**CFO**) role to the Company's office in Florida. The CFO role relocation is designed to support and provide even greater focus on the ongoing growth of the Company's commercial business.

Marc Zimmerman was appointed as CFO on 26 May 2023. Marc has over 29 years' experience holding both CFO and CEO positions.

Next Science Limited
Directors' report
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The Company's Managing Director and Chief Executive Officer (**CEO**) Harry Thomas Hall, IV (**I.V.**) commenced with the Company on 10 July 2023. I.V. has over 28 years' experience in the healthcare industry globally and recently held a senior role as worldwide President of Trauma, Extremities, Craniomaxillofacial and Animal Health at DePuy Synthese, a subsidiary of Johnson and Johnson (NYSE: JNJ). I.V. was responsible for a global portfolio and execution strategy platform including upstream marketing and commercial planning in the Global Orthopaedic Unit of DePuy Synthes. I.V. will be permanently based in Jacksonville, Florida.

The terms of I.V.'s executive services agreement include a sign-on grant of performance rights equivalent in value of US\$500,000, vesting in equal tranches over a three-year period subject to continuous employment through to each vesting date. The Company will seek shareholder approval for the sign-on grant at the 2024 annual general meeting and the rights will be granted following the meeting. If shareholder approval is not obtained, vested rights will be satisfied with Company shares purchased on market.

On 23 August 2023, Mark Compton AM resigned as a Director and Chair of the Board of Directors. The Board appointed independent Non-Executive Director, Aileen Stockburger, to the role of Chair and in addition, appointed a new independent Non-Executive Director, Grant Hummel, effective 23 August 2023.

On 31 August 2023, the Company announced the completion of a placement to institutional and sophisticated investors (**Placement**) raising A\$12,000,000 at a price of A\$0.42 per share and that it intends to launch, on 1 September 2023, a Share Purchase Plan to raise up to A\$5,000,000 and an offer to US accredited investors to raise up to A\$1,500,000 at the same price as the Placement.

On 31 August 2023, the Company announced that it had entered into an agreement with Walker Group to redeem all of the Notes and for Walker Group to apply all of the redemption proceeds to subscribing for new shares at the same price as the Placement, subject to shareholder approval. Upon settlement of the redemption and subscription, if approved by shareholders, the removal of US\$6,428,939 in interest bearing debt will significantly improve the balance sheet and capitalisation of the Company moving forward.

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 2023 after providing for income tax amounted to \$8,613,091 (2022: \$6,588,785).

Revenue increased by 87% for the period, increasing from \$5,411,124 in the prior corresponding period to \$10,112,775. Major contributors to increases in product sales included the newly launched DME business which launched in October 2022 and increased contributions from XPERIENCE™ and BlastX within the US through both the direct sales teams and external partnerships.

Gross profit was \$6,828,140 compared to \$4,379,321 in the prior corresponding period. Gross margin as a percent of sales was 68% compared with 81% in the prior corresponding period, with a strategic shift from a majority partnership led business in HY 2022 to a majority direct sales focused business in HY 2023 contributing to this.

Selling and distribution expenses were \$9,103,435, an increase of \$4,418,708 compared with \$4,684,727 in the prior corresponding period. The increase in spend in 2023 mainly relates to an increase in the direct sales and indirect headcount associated with growing the DME business in 1H of 2023 and the associated increases in US domestic travel and entertainment expenses.

Administration expenses were \$2,631,541, a decrease of \$668,535 compared with \$3,300,076 in the prior corresponding period. The decrease mainly relates to decreased professional fees which were incurred in the prior corresponding period relating to strategic and territorial commercialisation consulting advice and legal fees defending law suits (see prior year half year report).

Research and development expenses were \$3,362,709, an increase of \$360,927 compared with \$3,001,782 in the prior corresponding period with expenditure in the current period related to continued spend on R&D projects and clinical studies including increased expenditure relating to the major Canada study covering 7,600 patients being conducted by the Ottawa Hospital Research Institute.

Next Science Limited
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Cash and cash equivalents at 30 June 2023 amounted to \$3,483,501 compared to \$5,073,625 at 31 December 2022. Term deposits at 30 June 2023 amounted to \$36,778 compared to \$37,789 at 31 December 2022.

The Directors have considered the global effects of the Russian Federation's invasion of Ukraine and the subsequent response global response to those military actions, the post-COVID impacts, uncertain interest rates and inflation outlook and climate-related risks and note there is no significant impact on the Group.

Business growth strategy and likely developments

As noted above, on 31 August 2023, the Company completed a placement to institutional and sophisticated investors (**Placement**) raising A\$12,000,000 at a price of A\$0.42 per share and that it intends to launch, on 1 September 2023, a Share Purchase Plan to raise up to A\$5,000,000 and an offer to US accredited investors to raise up to A\$1,500,000 at the same price as the Placement.

Funds raised from the Placement will be used to provide funding to:

- promote XPERIENCE™ research
- service the HealthTrust opportunity
- expand the DME sales force
- a second fulfillment site for the DME
- provide general working capital

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.

Matters subsequent to the end of the financial half-year

Judith Mitchell resigned as the Company's Managing Director and Chief Executive Officer on 9 July 2023 and resigned as a Director of the Company on 31 July 2023.

Harry Thomas Hall, IV (**I.V.**) was appointed by the Company on 10 July 2023 as the Managing Director and Chief Executive Officer.

On 24 July 2023, 2,629,928 performance rights were issued to members of the executive team.

On 23 August 2023, Mark Compton AM resigned as a Director and Chair of the Board of Directors. The Board appointed independent Non-Executive Director, Aileen Stockburger, to the role of Chair and in addition, appointed a new independent Non-Executive Director, Grant Hummel, effective 23 August 2023.

On 31 August 2023, the Company announced the completion of a placement to institutional and sophisticated investors (**Placement**) raising A\$12,000,000 at a price of A\$0.42 per share and that it intends to launch, on 1 September 2023, a Share Purchase Plan to raise up to A\$5,000,000 and an offer to US accredited investors to raise up to A\$1,500,000 at the same price as the Placement.

The Company also announced on 31 August 2023, that it had entered into an agreement with Walker Group to redeem all of the Notes and for Walker Group to apply all of the redemption proceeds to subscribing for new shares at the same price as its Placement, subject to shareholder approval. Upon settlement of the redemption and subscription, if approved by shareholders, the removal of US\$6,428,939 in interest bearing debt will significantly improve the balance sheet and capitalisation of the Company moving forward.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on Page 6.

Next Science Limited
Directors' report
30 June 2023

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Aileen Stockburger
Chair

31 August 2023



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 2023 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

Kevin Leighton

Partner

Sydney

31 August 2023

Next Science Limited
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2023

	Note	30 June 2023 \$	30 June 2022 \$
Revenue	2	10,112,775	5,411,124
Cost of sales		<u>(3,284,635)</u>	<u>(1,031,803)</u>
Gross profit		<u>6,828,140</u>	<u>4,379,321</u>
Other income		47,101	27,362
Selling and distribution expenses		(9,103,435)	(4,684,727)
Research and development expenses		(3,362,709)	(3,001,782)
Administration expenses		(2,631,541)	(3,300,076)
Other expenses		<u>(26,825)</u>	<u>(2,975)</u>
Operating loss		<u>(8,249,269)</u>	<u>(6,582,877)</u>
Finance income		38,513	34,920
Finance costs		<u>(402,335)</u>	<u>(40,828)</u>
Net finance cost		<u>(363,822)</u>	<u>(5,908)</u>
Loss before income tax expense		<u>(8,613,091)</u>	<u>(6,588,785)</u>
Income tax expense		<u>-</u>	<u>-</u>
Loss after income tax expense for the half-year		<u>(8,613,091)</u>	<u>(6,588,785)</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		<u>14,076</u>	<u>(408,187)</u>
Other comprehensive income for the half-year, net of tax		<u>14,076</u>	<u>(408,187)</u>
Total comprehensive loss for the half-year		<u><u>(8,599,015)</u></u>	<u><u>(6,996,972)</u></u>
		Cents	Cents
Earnings per share for loss			
Basic earnings per share	14	(4.01)	(3.20)
Diluted earnings per share	14	(4.01)	(3.20)

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Next Science Limited
Condensed consolidated statement of financial position
As at 30 June 2023

	Note	30 June 2023 \$	31 December 2022 \$
Assets			
Current assets			
Cash and cash equivalents	4	3,483,501	5,073,625
Trade and other receivables		2,568,677	1,738,923
Inventories		1,038,427	871,266
Other current assets - term deposits	5	36,778	37,789
Other current assets - other	6	608,168	541,506
Total current assets		<u>7,735,551</u>	<u>8,263,109</u>
Non-current assets			
Trade and other receivables		36,656	36,656
Property, plant and equipment	7	809,952	696,848
Intangible assets	8	2,375,288	2,409,930
Right-of-use assets	9	927,795	1,053,113
Total non-current assets		<u>4,149,691</u>	<u>4,196,547</u>
Total assets		<u>11,885,242</u>	<u>12,459,656</u>
Liabilities			
Current liabilities			
Trade and other payables		3,323,434	1,979,346
Lease liabilities		267,227	257,912
Contract liabilities	10	274,902	274,902
Employee benefits		90,998	94,811
Total current liabilities		<u>3,956,561</u>	<u>2,606,971</u>
Non-current liabilities			
Contract liabilities	10	687,255	824,706
Loans and borrowings	11	6,428,939	-
Lease liabilities		824,897	962,060
Employee benefits		4,846	30,194
Total non-current liabilities		<u>7,945,937</u>	<u>1,816,960</u>
Total liabilities		<u>11,902,498</u>	<u>4,423,931</u>
Net (liabilities)/assets		<u>(17,256)</u>	<u>8,035,725</u>
Equity			
Issued capital	12	113,526,533	113,526,533
Reserves	13	(41,802,184)	(42,362,294)
Accumulated losses		(71,741,605)	(63,128,514)
Total (deficiency)/equity		<u>(17,256)</u>	<u>8,035,725</u>

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes

Next Science Limited
Condensed consolidated statement of changes in equity
30 June 2023

	Share capital	Common control reserve	Foreign currency translation reserve	Share option reserve	Convertible note reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 January 2023	113,526,533	(42,596,715)	(1,905,877)	2,140,298	-	(63,128,514)	8,035,725
Loss for the half-year	-	-	-	-	-	(8,613,091)	(8,613,091)
<i>Other comprehensive loss</i>							
Foreign currency translation differences	-	-	14,076	-	-	-	14,076
Total other comprehensive loss	-	-	14,076	-	-	-	14,076
Total comprehensive loss for the half-year	-	-	14,076	-	-	(8,613,091)	(8,599,015)
<i>Transactions with owners in their capacity as owners</i>							
Share-based payments	-	-	-	2,488	-	-	2,488
Issue of convertible notes	-	-	-	-	543,546	-	543,546
Total transactions with owners	-	-	-	2,488	543,546	-	546,034
Balance at 30 June 2023	113,526,533	(42,596,715)	(1,891,801)	2,142,786	543,546	(71,741,605)	(17,256)

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Next Science Limited
Condensed consolidated statement of changes in equity
30 June 2023

	Share capital	Common control reserve	Foreign currency translation reserve	Share option reserve	Performance rights reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 January 2022	102,921,007	(42,596,715)	(1,349,143)	2,140,298	96,250	(50,445,202)	10,766,495
Loss for the half-year	-	-	-	-	-	(6,588,785)	(6,588,785)
<i>Other comprehensive income</i>							
Foreign currency translation differences	-	-	(408,187)	-	-	-	(408,187)
Total other comprehensive loss	-	-	(408,187)	-	-	-	(408,187)
Total comprehensive loss for the 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
Balance at 30 June 2022	113,526,531	(42,596,715)	(1,757,330)	2,140,298	-	(57,033,987)	14,278,797

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Next Science Limited
Condensed consolidated statement of cash flows
For the half-year ended 30 June 2023

	Note	30 June 2023 \$	30 June 2022 \$
Operating activities			
Receipts from customers		9,142,769	4,185,731
Payments to suppliers and employees		(17,039,762)	(10,558,962)
Other income received		56,160	31,984
Interest received		21,940	1,654
		<u> </u>	<u> </u>
Net cash used in operating activities		(7,818,893)	(6,339,593)
Investing activities			
Payments for property, plant and equipment	7	(257,252)	(16,394)
Payments for intangible assets	8	(256,453)	(140,357)
		<u> </u>	<u> </u>
Net cash used in investing activities		(513,705)	(156,751)
Financing activities			
Proceeds from issue of convertible notes		6,983,200	-
Proceeds from issue of ordinary shares		-	10,853,400
Proceeds from conversion of options to ordinary shares		-	32,760
Capital raising costs		(62,637)	(385,636)
Payment of lease liabilities		(150,619)	(113,970)
		<u> </u>	<u> </u>
Net cash from financing activities		6,769,944	10,386,554
Net (decrease)/increase in cash and cash equivalents		(1,562,654)	3,890,210
Cash and cash equivalents at the beginning of the financial half-year		5,073,625	7,329,749
Effects of exchange rate changes on cash and cash equivalents		(27,470)	(195,172)
		<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial half-year		<u><u>3,483,501</u></u>	<u><u>11,024,787</u></u>

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes

Next Science Limited
Notes to the condensed consolidated financial statements
30 June 2023

Note 1. Basis of Preparation

These interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with AASB 134 Interim Financial Reporting and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2022 ('last annual financial statements'). They do not include all of the information required for a complete set of financial statements prepared in accordance with Australian Accounting Standards (AASBs). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The interim 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.

The principal accounting policies adopted are consistent with those of the consolidated financial statements as at and for the year ended 31 December 2022, 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 impact of standards on issue but not yet effective are not expected to be material.

The interim financial statements were approved by the Board of Directors and authorised for issue on 31 August 2023.

Going concern

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business for a period of at least twelve months from the date this financial report is approved.

For the half-year ended 30 June 2023, the Group incurred a net loss of \$8,613,091 and had net cash outflows from operations of \$7,818,893 which reflects the fact that the Group is in the roll out phase of commercialisation of its current products, including the DME business, and continues to develop new products to further leverage its proprietary technology platform. As at 30 June 2023, the Group had net current assets of \$3,778,990 and a net liability position of \$17,256.

On 31 August 2023, the Company announced the completion of a placement to institutional and sophisticated investors (**Placement**) raising A\$12,000,000 at a price of A\$0.42 per share and that it intends to launch, on 1 September 2023, a Share Purchase Plan to raise up to A\$5,000,000 and an offer to US accredited investors to raise up to A\$1,500,000 at the same price as the Placement.

On 31 August 2023, the Company also announced that it had entered into an agreement with Walker Group to redeem all of the Notes and for Walker Group to apply all of the redemption proceeds to subscribing for new shares at the same price as the Placement, subject to shareholder approval. Upon settlement of the redemption and subscription, if approved by shareholders, the removal of US\$6,428,939 in interest bearing debt will significantly improve the balance sheet and capitalisation of the Company moving forward.

The Group considers the funds raised in the Placement, removal of US\$6,428,939 in interest bearing debt from its balance sheet as well as the funds expected to be raised by way of the Share Purchase Plan and US offer announced on 31 August 2023 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.

Next Science Limited
Notes to the condensed consolidated financial statements
30 June 2023

Note 2. Revenue

	Half-year ended	
	30 June 2023	30 June 2022
	\$	\$
Revenue from contracts with customers	<u>10,112,775</u>	<u>5,411,124</u>

Note 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. The one operational segment operates over two geographical segments, North America and Australia and New Zealand.

	North America \$	Australia and New Zealand \$	Total \$
Half-year ended 30 June 2023			
Revenue from contracts with customers	9,951,304	161,471	10,112,775
Segment assets	7,018,333	4,866,908	11,885,241
Segment liabilities	3,810,402	8,092,095	11,902,497
Segment loss	(5,100,269)	(3,512,822)	(8,613,091)
Half-year ended 30 June 2022			
Revenue from contracts with customers	5,350,009	61,115	5,411,124
Segment assets	6,101,782	13,025,750	19,127,532
Segment liabilities	2,919,935	1,928,799	4,848,734
Segment loss	(3,918,595)	(2,670,190)	(6,588,785)

Note 4. Cash and cash equivalents

	As at 30 June 2023 \$	As at 31 December 2022 \$
<i>Current assets</i>		
Cash at bank	<u>3,483,501</u>	<u>5,073,625</u>

Note 5. Other current assets - term deposits

	As at 30 June 2023 \$	As at 31 December 2022 \$
<i>Current assets</i>		
Term deposit	<u>36,778</u>	<u>37,789</u>

Next Science Limited
Notes to the condensed consolidated financial statements
30 June 2023

Note 6. Other current assets - other

	As at 30 June 2023	As at 31 December 2022
	\$	\$
<i>Current assets</i>		
Prepayments and other assets	608,168	541,506

Note 7. Property, plant and equipment

	As at 30 June 2023	As at 31 December 2022
	\$	\$
<i>Non-current assets</i>		
Leasehold improvements - at cost	405,700	361,222
Less: Accumulated amortisation	(107,481)	(85,011)
	<u>298,219</u>	<u>276,211</u>
Plant and equipment - at cost	1,291,774	1,188,504
Less: Accumulated depreciation	(938,148)	(848,804)
	<u>353,626</u>	<u>339,700</u>
Fixtures and fittings - at cost	388,971	286,892
Less: Accumulated depreciation	(230,864)	(205,955)
	<u>158,107</u>	<u>80,937</u>
	<u>809,952</u>	<u>696,848</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Leasehold improvements \$	Plant and equipment \$	Furniture and fittings \$	Total \$
Balance at 1 January 2023	276,211	339,700	80,937	696,848
Additions	44,478	110,131	102,079	256,688
Disposals	-	(81)	-	(81)
Depreciation expense	(22,470)	(96,124)	(24,909)	(143,503)
Closing value at 30 June 2023	<u>298,219</u>	<u>353,626</u>	<u>158,107</u>	<u>809,952</u>
Balance at 1 January 2022	125,143	477,959	80,460	683,562
Additions	162,885	51,010	35,987	249,882
Disposals	-	(1,475)	-	(1,475)
Depreciation expense	(11,817)	(187,794)	(35,510)	(235,121)
Closing value at 30 December 2022	<u>276,211</u>	<u>339,700</u>	<u>80,937</u>	<u>696,848</u>

Next Science Limited
Notes to the condensed consolidated financial statements
30 June 2023

Note 8. Intangible assets

	As at 30 June 2023	As at 31 December 2022
	\$	\$
<i>Non-current assets</i>		
Patents and trademarks - at cost	1,750,319	1,675,632
Less: Accumulated amortisation	(733,831)	(634,280)
	<u>1,016,488</u>	<u>1,041,352</u>
Computer software - at cost	115,985	117,613
Less: Accumulated amortisation	(115,985)	(117,613)
	<u>-</u>	<u>-</u>
Capitalised development - at cost	2,294,461	2,139,440
Less: Accumulated amortisation and impairment	(935,661)	(770,862)
	<u>1,358,800</u>	<u>1,368,578</u>
	<u><u>2,375,288</u></u>	<u><u>2,409,930</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Patents and trademarks	Computer software	Capitalised development	Total
	\$	\$	\$	\$
Balance at 1 January 2023	1,041,352	-	1,368,578	2,409,930
Additions	74,687	-	181,766	256,453
Impairment	-	-	(26,745)	(26,745)
Amortisation expense	(99,551)	-	(164,799)	(264,350)
Closing value at 30 June 2023	<u>1,016,488</u>	<u>-</u>	<u>1,358,800</u>	<u>2,375,288</u>
Balance at 1 January 2022	1,046,596	637	1,485,258	2,532,491
Additions	167,817	-	218,927	386,744
Impairment	-	-	(44,083)	(44,083)
Amortisation expense	(173,061)	(637)	(291,524)	(465,222)
Closing value at 31 December 2022	<u>1,041,352</u>	<u>-</u>	<u>1,368,578</u>	<u>2,409,930</u>

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.

Next Science Limited
Notes to the condensed consolidated financial statements
30 June 2023

Note 9. Right-of-use assets

	As at 30 June 2023	As at 31 December 2022
	\$	\$
<i>Non-current assets</i>		
Property - right-of-use	1,677,541	1,682,210
Less: Accumulated depreciation	<u>(749,746)</u>	<u>(629,097)</u>
	<u>927,795</u>	<u>1,053,113</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Property \$
Balance at 1 January 2023	1,053,113
Depreciation expense	(123,214)
Foreign exchange movements	<u>(2,104)</u>
Closing value at 30 June 2023	<u>927,795</u>

Note 10. Contract liabilities

Contract liabilities arising from contracts with customers

	As at 30 June 2023	As at 31 December 2022
	\$	\$
<i>Current liabilities</i>		
Contract liabilities	<u>274,902</u>	<u>274,902</u>
<i>Non-current liabilities</i>		
Contract liabilities	<u>687,255</u>	<u>824,706</u>

Next Science Limited
Notes to the condensed consolidated financial statements
30 June 2023

Note 11. Loans and borrowings

	As at 30 June 2023 \$	As at 31 December 2022 \$
NON-CURRENT		
Proceeds from issue of convertible notes	6,983,200	-
Less: transaction costs	(62,637)	-
Net proceeds	<u>6,920,563</u>	<u>-</u>
Less: amount classified as equity (net of transaction costs of \$4,874)	(543,546)	-
Less: Foreign exchange movements	(332,566)	-
Add: accrued effective interest	<u>384,488</u>	<u>-</u>
Carrying amount of liability at 30 June 2023	<u><u>6,428,939</u></u>	<u><u>-</u></u>

On 2 February 2023, the Company, issued 10,000,000 Secured Convertible Notes with a face value of A\$10,000,000 to major shareholder, Walker Group Holdings Pty Limited (**Notes**). The Notes have a 21 month term maturing on 11 November 2024 at a conversion price of A\$0.72 per security. Each Note accrues interest at a rate of 10% per annum if the Notes are redeemed (and payable in one instalment only on redemption) or at a rate of 5% per annum if the Notes are converted (and capitalised into additional shares on conversion). Interest accrues on any overdue sum at a rate of 12% per annum from the due date. If converted, the shares rank pari passu with existing ordinary shares.

Next Science Limited's obligations under the Secured Convertible Note Deed are secured over the Company and all of the Company's property under a General Security Agreement.

On 31 August 2023, the Company announced that it had completed a placement to institutional and sophisticated investors (**Placement**) raising A\$12,000,000 at a price of A\$0.42 per share and that the Company had entered into an agreement with Walker Group to redeem all of the Notes and for Walker Group to apply all of the redemption proceeds to subscribing for new shares at the same price as the Placement, subject to shareholder approval.

Upon settlement of the redemption and subscription, if approved by shareholders, the removal of US\$6,428,939 in interest bearing debt will significantly improve the balance sheet and capitalisation of the Company moving forward.

Note 12. Issued capital

	Fully paid
In number of shares	
Balance as at 1 July 2022	214,790,134
Balance as at 31 December 2022	<u>214,790,134</u>
Balance as at 30 June 2023	<u><u>214,790,134</u></u>
	Fully paid
	\$
Balance at 1 July 2022	113,526,533
Balance at 31 December 2022	<u>113,526,533</u>
Balance at 30 June 2023	<u><u>113,526,533</u></u>

Next Science Limited
Notes to the condensed consolidated financial statements
30 June 2023

Note 13. Reserves

	As at 30 June 2023	As at 31 December 2022
	\$	\$
Common control reserve	(42,596,715)	(42,596,715)
Foreign currency translation reserve	(1,891,801)	(1,905,877)
Share option reserve	2,142,786	2,140,298
Convertible note reserve	543,546	-
	<u>(41,802,184)</u>	<u>(42,362,294)</u>

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.

Convertible notes reserves

The reserve for convertible notes comprises the amount allocated to the equity component for the convertible notes, being \$543,546 issued by the Company in February 2023 (see note 11).

Share option reserve

The share option reserve comprises the value of the share-based payment arrangements recognised in equity. During the period 700,000 share options were issued to various employees on 1 May 2023.

The fair value of the share options issued during the period has been measured using the Monte Carlo simulation where the vesting conditions were related to service and market performance conditions attached to the arrangements.

The fair value of the share options has been measured using the Black-Scholes formula where the vesting conditions were service and non-market performance conditions attached to the arrangements.

Note 14. Earnings per share

	Half-year ended 30 June 2023	Half-year ended 30 June 2022
	\$	\$
Loss after income tax	<u>(8,613,091)</u>	<u>(6,588,785)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>214,790,134</u>	<u>206,074,319</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>214,790,134</u>	<u>206,074,319</u>
	Cents	Cents
Basic earnings per share	(4.01)	(3.20)
Diluted earnings per share	(4.01)	(3.20)

Next Science Limited
Notes to the condensed consolidated financial statements
30 June 2023

Note 15. Events after the reporting period

Judith Mitchell resigned as the Company's Managing Director and Chief Executive Officer on 9 July 2023 and resigned as a Director of the Company on 31 July 2023.

Harry Thomas Hall, IV (I.V.) was appointed by the Company on 10 July 2023 as the Managing Director and Chief Executive Officer.

On 24 July 2023, 2,629,928 performance rights were issued to members of the executive team.

On 23 August 2023, Mark Compton AM resigned as a Director and Chair of the Board of Directors. The Board appointed independent Non-Executive Director, Aileen Stockburger, to the role of Chair and in addition, appointed a new independent Non-Executive Director, Grant Hummel, effective 23 August 2023.

On 31 August 2023, the Company announced the completion of a placement to institutional and sophisticated investors (**Placement**) raising A\$12,000,000 at a price of A\$0.42 per share and that it intends to launch, on 1 September 2023, a Share Purchase Plan to raise up to A\$5,000,000 and an offer to US accredited investors to raise up to A\$1,500,000 at the same price as the Placement.

The Company also announced on 31 August 2023, that it had entered into an agreement with Walker Group to redeem all of the Notes and for Walker Group to apply all of the redemption proceeds to subscribing for new shares at the same price as its Placement, subject to shareholder approval. Upon settlement of the redemption and subscription, if approved by shareholders, the removal of US\$ 6,428,939 in interest bearing debt will significantly improve the balance sheet and capitalisation of the Company moving forward.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Next Science Limited
Directors' declaration
30 June 2023

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 7-19, are in accordance with the *Corporations Act 2001*, including:
 - a. giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the six month period 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.

Signed in accordance with a resolution of the Board of Directors.



Aileen Stockburger
Chair

31 August 2023



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 2023 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 the:

- Condensed consolidated statement of financial position as at 30 June 2023
- 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 2023 to 30 June 2023.

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 2023 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

31 August 2023