

# NEXT SCIENCE®

## Quarterly Activity Report 31 December 2020

**Sydney Australia Thursday, 28 January 2021:** Next Science Limited (ASX:NXS) (**Next Science**) today announces its Activity Report and Appendix 4C Quarterly Cash Flow Report for the period 1 October 2020 to 31 December 2020 (**Q4**)

In accordance with Listing Rule 4.7C set out below is Next Science's activity report for Q4.

### Highlights

- Q4 Revenue \$2.3M (unaudited) with growth returning to a positive trajectory – 75% growth over Q4 2019 (66% of annual revenue)
- The negative impact of COVID on elective surgery volumes in Q4 lower than previous 2 quarters
- XPerience No Rinse Antimicrobial Solution resubmitted to the FDA for consideration as a 510(k) Medical Device after successful completion of extensive animal studies, as requested by FDA. Approval and first commercial sales expected in 1H 2021
- CE Mark awarded for BlastX allowing for sales in the European Union
- Bactisure launched in the Australian market by Zimmer Biomet
- Next Science announced non-renewal of 3M distribution agreement for BlastX past 2021. Currently evaluating a range of new distribution opportunities for wound care
- Successful finalisation of \$15M capital raise to fund working capital for XPerience launch and other related activities

Judith Mitchell, Managing Director, noted, *"We made good progress this quarter in advancing key regulatory approvals, and enhancing our distribution model to drive accelerated sales growth. It is pleasing to see revenue growth returning to a positive trajectory as elective surgery case volumes recover in some regions in the US. Coupled with the expected launch of XPerience in 1H 2021 and our strengthened balance sheet, we are well placed to deliver a strong performance in 2021."*

### Key Activities

Next Science researches, develops and commercialises products which are based on its proprietary Xbio™ technology to resolve the issues caused by biofilms and their incumbent bacteria, fungus and viruses and the infections they cause in relation to human health. Next Science commercialises its products through a range of methods including distribution partnerships, distribution via a network of independent sales representatives and a partnership for direct consumer online marketing.

### Market Update

The US market continued to be impacted by COVID in Q4. While the majority of the Company's sales came from the US health care market, there was significant improvement in Q4 revenues over the previous two quarters and in comparison to prior year.

Prior to year-end, the Company successfully completed further animal testing of the XPerience No Rinse Antimicrobial Solution, as well as additional extractables and toxicity testing to support the resubmission of the XPerience dossier to the FDA for review as a 510(k) Medical Device.

In late December 2020, the Company received a Class III CE Mark for BlastX for Europe. This allows the commercialisation of the product in the European Union and also facilitates regulatory approvals in other jurisdictions. We will keep the market updated.

### **Cash receipts and expenditures**

Cash receipts from the sale of products to customers were \$US279,000 for the quarter and \$2.9M for the year. Cash expenditure (excluding financing) for the quarter was \$US3.4M and \$US12.6M for the year.

Next Science held cash of \$US15.3M on 31 December 2020.

### **Payments made to related parties or their associates:**

During Q4, payments of \$US189,000 were made to the Directors of Next Science.

### **Comparison of expenditure against use of funds statement**

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

### **Outlook**

We expect Q4 run rates to continue through first half 2021 based on the sale of existing products. The Company's sales network will continue to focus on driving the market adoption of SurgX in the US (Next Science's sterile wound gel to reduce surgical site infection) and continuing to build market awareness of Xbio™ technology in preparation for the XPerience launch in 1H 2021 (subject to FDA clearance). At the same time, we will complete the transition of Blast X back to Next Science.

### **2021 New Product Pipeline**

<b>Product</b>	<b>Target Launch</b>	<b>Application</b>	<b>Addressable Market</b>	<b>Commercial Pathway</b>
XPerience No Rinse Antimicrobial Solution	1H 2021	Last surgical rinse for open surgeries prior to closing to remove biofilm and incumbent viruses and bacteria, preventing post operative infection	First Marketing wave will address the US Orthopaedic market of 5.4M surgeries Value \$1B pa	Next Science direct distribution in the US market

Biofilm effective Disinfectant for Hard Surfaces	2H 2021	Walls, floors, furniture and fittings in environments that needs antimicrobial coverage	Global surface disinfectant market \$800 Million pa	Licensing agreement for royalty pathway
TorrentX Wound Wash	1H 2021	Topical wash for treatment of chronic wounds: foot & leg ulcers	The product is used as a cleanser for any chronic wound including leg and foot ulcers.	In the US selling through Triad Life Sciences bundled with their new skin substitute

#### Further Information:

##### Judith Mitchell

Managing Director, Next Science Limited

Phone: +61 2 8607 5124

Email: [investorqueries@nextscience.com](mailto:investorqueries@nextscience.com)

##### Michael Brown

Pegasus Advisory

Phone: +61 400 248 080

Email: [mbrown@pegasusadvisory.com.au](mailto:mbrown@pegasusadvisory.com.au)

Approved and authorised for release by the Board of Directors.

#### About Next Science

Next Science is a medical technology company headquartered in Sydney, Australia, with a research and development centre in Florida, USA. Established in 2012, the company's primary focus is on the development and continued commercialisation of its proprietary Xbio technology to reduce the impact of biofilm based infections in human health. Xbio is a unique, non-toxic technology with proven efficacy in eradicating both biofilm based and free floating bacteria. Next Science owns 100% of the patent protected intellectual property relating to its Xbio technology. For further information visit: [www.nextscience.com](http://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 involved 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- Dec 2020	Apr 2019- Dec 2020
	A	B

0.72

A

B

C=B-A

<b>Table 4: Use of Funds (p.104 of Prospectus)</b>	<b>Use of funds raised under the Offer</b>			<b>Planned Spend</b>	<b>Actual spend</b>	<b>Variance</b>	<b>Notes on material variances</b> (Planned spend in various sectors is weighted towards the first 12 months from listing as expenditure becomes supplemented by increasing revenue receipts over time.)
<b>Categories</b>	<b>AUD\$'000</b>	<b>%</b>	<b>USD\$'000</b>	<b>USD\$'000</b>	<b>USD\$'000</b>	<b>USD\$'000</b>	
Regulatory, research and other employee costs	12,580	36%	9,005	12,808	12,848	40	Incorporates all employees including R&D, Operations, Regulatory as well as Sales & Marketing and Administration.
Pharmaceutical product development	5,481	16%	3,923	2,734	312	(2,422)	Pharma projects have been deprioritised as Next Science focuses on the launch of Xperience Surgical Rinse in H1 2021.
Medical device product development	3,896	11%	2,789	4,734	5,207	472	Additional expenditure mainly relates to further costs associated with additional test for XPerience Surgical Rinse.
Manufacturing validations	2,976	9%	2,130	2,913	717	(2,196)	Phasing of expenditure in manufacturing validation has been impacted by the reprioritisation of the medical device development projects and regulatory approval delays. Other validation projects have been deferred as Next Science consolidates and prioritises its development pipeline.
Clinical Trials	1,348	4%	965	1,285	424	(861)	Reprioritisation has impacted the timing of expenditure to date. Planned spend on clinical trials has been slowed by Covid 19 as medical resources are diverted.
Working capital and operating costs	5,251	15%	3,759	6,187	8,546	2,359	Spend (excluding wages & salaries) includes amounts spent on operating costs, advertising & marketing, admin & corporate costs as well as lease costs.
Interest on Converting Notes	367	1%	263	263	214	(49)	Actual result lower than estimate. Settlement earlier than anticipated.
Offer Costs	3,101	9%	2,220	2,220	2,037	(182)	Offer costs lower than budgeted.
<b>Total</b>	<b>35,000</b>	<b>100%</b>	<b>25,052</b>	<b>33,144</b>	<b>30,305</b>	<b>(2,839)</b>	

## 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")**

Dec 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$USD'000</b>	<b>Year to date (12 months) \$USD'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	279	2,950
1.2 Payments for		
(a) research and development	(621)	(3,120)
(b) product manufacturing and operating costs	(695)	(1,364)
(c) advertising and marketing	(412)	(1,460)
(d) leased assets	-	-
(e) staff costs	(1,740)	(7,161)
(f) administration and corporate costs	(143)	(2,225)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	118
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (including \$298k of Covid related government relief)	20	356
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(3,306)</b>	<b>(11,906)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(5)	(213)
(d) investments	-	-
(e) intellectual property & intangible assets	(82)	(473)

Consolidated statement of cash flows		Current quarter \$USD'000	Year to date (12 months) \$USD'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(87)</b>	<b>(686)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5,003	10,831
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	26	489
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(68)	(388)
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)	(59)	(222)
3.10	<b>Net cash from / (used in) financing activities</b>	<b>4,902</b>	<b>10,710</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	13,567	16,911
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,306)	(11,906)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(87)	(686)

Consolidated statement of cash flows		Current quarter \$USD'000	Year to date (12 months) \$USD'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,902	10,710
4.5	Effect of movement in exchange rates on cash held	263	312
4.6	<b>Cash and cash equivalents at end of period</b>	<b>15,339</b>	<b>15,339</b>

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 \$USD'000	Previous quarter \$USD'000
5.1	Bank balances	3,864	8,504
5.2	Term deposits	11,475	5,063
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>15,339</b>	<b>13,567</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$USD'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	189
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$USD'000</b>	<b>Amount drawn at quarter end \$USD'000</b>
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b> <div style="border: 1px solid black; height: 20px; width: 100%; margin-top: 5px;"></div>		
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.		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$USD'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(3,306)
8.2	Cash and cash equivalents at quarter end (item 4.6)	15,339
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	15,339
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b> <div style="border: 1px solid black; height: 20px; width: 100%; margin-top: 5px;"></div>	4.6
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		



## 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: 28 January 2021 .....

Authorised by: Board of Directors .....  
(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.