NEXT SCIENCE®

PROSPECTUS

PATERSONS

LEAD MANAGER PATERSONS SECURITIES LIMITED

NEXT SCIENCE LIMITED ACN 622 382 549

This is a Supplementary Prospectus dated 15 March 2019 and is intended to be read with the Prospectus dated 7 March 2019 relating to the Offer to apply for Shares in the Company.

NEXT SCIENCE LIMITED

ACN 622 382 549

Supplementary Prospectus

IMPORTANT INFORMATION

This supplementary prospectus is dated 15 March 2019 (**Supplementary Prospectus**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on the same date. This Supplementary Prospectus supplements the prospectus dated 7 March 2019 (**Prospectus**) issued by Next Science Limited ACN 622 382 549 (**Company**) in relation to the Offer of Shares by the Company. Unless otherwise indicated, terms defined in the Prospectus have the same meaning in this Supplementary Prospectus.

Neither ASIC nor ASX takes any responsibility for the contents of this Supplementary Prospectus. This Supplementary Prospectus must be read together with the Prospectus. Other than the changes set out below, all other details in the Prospectus remain unchanged.

Pursuant to section 719(4) of the *Corporations Act 2001* (Cth) (**Corporations Act**), the Prospectus is taken to include the Supplementary Prospectus. If there is a conflict between the Prospectus and the Supplementary Prospectus, the Supplementary Prospectus will prevail.

This Supplementary Prospectus provides important information to assist investors in deciding whether to invest in the Company and should be read in its entirety. If, after reading this Supplementary Prospectus, you have any questions, you should consult your professional adviser.

This Supplementary Prospectus and the Prospectus can be accessed online at**:** www.nextscience.com/investor-centre

As at the date of this Supplementary Prospectus, the Company has not processed any Applications, has not issued any Shares pursuant to the Prospectus and has not been admitted to quotation.

1. **Reasons for the Supplementary Prospectus**

   This Supplementary Prospectus has been prepared to clarify that the Company has not forecast its revenue, in light of recent press releases referring to the Company.

2. **Amendments to the Prospectus**

   Section 4.2.4 of the Prospectus (page 46) is amended by including the following new paragraph at the end of that Section:

   The Company notes that two separate press articles appearing in the Australian Financial Review stated that the Company has forecast revenue of A$20 million. The Company has not forecast its revenue and has no other forecast financial information. The Company reiterates that, as set out above, it does not have a reasonable basis to reliably forecast future earnings due to Next Science's limited sales history, regulatory uncertainties and the restructure of its sales team.

   Section 7.1 of the Prospectus (page 86) is amended by deleting the following words from Table 1 Board of Directors on the basis that Bruce Hancox resigned as a director of Australian Industrial Minerals Limited on 14 March 2019:

   and Australian Industrial Minerals Limited (since 2018).

3. **Directors' belief**

   The Directors believe that the information contained in this Supplementary Prospectus is not materially adverse from the point of view of an investor.

4. **Directors' authorisation**

   This Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors. In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Supplementary Prospectus with ASIC.

Dated: 15 March 2019

Signed for and on behalf of
Next Science Limited
George Savvides
Chairman

IMPORTANT INFORMATION

OFFER
This Prospectus is issued by Next Science Limited ACN 622 382 549 (**Next Science** or **Company**).

The Offer contained in this Prospectus is an invitation to acquire fully paid ordinary shares in Next Science (**Shares**).

LODGEMENT AND LISTING
This Prospectus is dated 7 March 2019 (**Prospectus Date**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date.

Next Science will apply to ASX Limited ACN 008 624 691 (**ASX**) within seven days of the Prospectus Date for admission of the Company to the Official List of ASX and for quotation of its Shares on ASX. None of ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

EXPIRY DATE
No Shares will be issued on the basis of this Prospectus later than 13 months after the Prospectus Date.

NOT INVESTMENT ADVICE
The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation and particular needs (including financial and tax issues) of any prospective investor. You should seek professional investment advice before subscribing for Shares under this Prospectus.

CONSIDER RISKS OF INVESTMENT
It is important that you read this Prospectus carefully and in full before deciding whether or not to invest in the Company. There are risks associated with an investment in the Company. The Shares offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or the future value of the Shares. In particular, in considering the prospects of Next Science, you should consider the risk factors that could affect the Company's business, financial condition and results of operations. Some of the key risk factors that should be considered by prospective investors are set out in Sections 1.4 and 6 of this Prospectus. You should consider these factors carefully in light of your investment objectives, financial situation and particular needs (including financial and taxation issues). There may be risk factors in addition to these that should be considered in light of your personal circumstances. If you have any queries in connection with this Prospectus or in relation to an investment in the Company, you should seek advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether or not to invest in the Shares.

DISCLOSING ENTITY
If admitted to the Official List of the ASX, Next Science will be a disclosing entity for the purposes of the Corporations Act and, as such, will be subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules.

DISCLAIMER
Except as required by law, and only to the extent so required, neither the Company, nor any other person warrants or guarantees the future performance of Next Science, the repayment of capital by Next Science, or the payment of a return on the Shares.

No person is authorised to give any information or to make any representation in connection with the Offer which is not included in this Prospectus. Any information or representation not included in this Prospectus may not be relied on as having been authorised by Next Science, the directors of Next Science (**Directors**), or any other person involved in the preparation of the Prospectus or the making of the Offer. In making any investment decision you should rely only on the information in this Prospectus.

EXPOSURE PERIOD
The Corporations Act prohibits Next Science from processing applications to acquire Shares under this Prospectus (**Applications**) in the seven-day period after lodgement of the Prospectus with ASIC (**Exposure Period**). The Exposure Period may be extended by ASIC by up to a further seven days. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on Applications received during the Exposure Period.

During the Exposure Period, this Prospectus will be made available to Australian residents, without the Application Form, at the Company's website, www.nextscience.com.

OBTAINING A COPY OF THIS PROSPECTUS
A hard copy of the Prospectus is available free of charge during the Offer Period to any person in Australia by calling the Next Science Offer Information Line on 1800 220 771 (within Australia) or +61 1800 220 771 (outside Australia) between 9.00am and 5.00pm (AEDT) Monday to Friday (business days only) during the Offer Period.

This Prospectus is also available to Australian and New Zealand resident investors in electronic form at the Offer website, www.nextscience.com. The Offer constituted by this Prospectus in electronic form is available only to Australian residents accessing the website within Australia.

FINANCIAL AMOUNTS
All financial amounts contained in this Prospectus are expressed in either Australian dollars (indicated by A$ or AUD) or US dollars (indicated by US$ or USD). If any amount has been converted from US dollars to Australian dollars, the conversion rate used has been stated. All financial amounts are rounded to the nearest $'000 (thousand) unless otherwise stated. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

STATEMENTS OF PAST PERFORMANCE
This Prospectus includes information regarding the past performance of Next Science. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

FINANCIAL INFORMATION
Section 4 of this Prospectus sets out in detail the Financial Information of the Company. The basis of preparation of the Financial Information is set out in Section 4.2.

The Company's financial year end is 31 December. All references to FY16, FY17 and FY18 appearing in this Prospectus are to the financial years ended 31 December 2016, 31 December 2017, and 31 December 2018, respectively, unless otherwise indicated.

The Financial Information is presented on both an actual and pro forma basis and has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (**AAS**) (including the Australian Accounting Interpretations) issued by the Australian Accounting Standards Board (**AASB**), which are consistent with International Financial Reporting Standards (**IFRS**) and interpretations issued by the International Accounting Standards Board.

The Financial Information is presented in abbreviated form. It does not include all of the presentation and disclosures required by the AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act. The Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Sections 4 and 6.

NON-IFRS FINANCIAL INFORMATION
Next Science uses certain measures to manage and report on its business that are neither recognised under AAS, nor under IFRS. These measures are collectively referred to as 'non-IFRS financial measures' under Regulatory Guide 230 Disclosing non-IFRS financial information, published by ASIC. These non-IFRS measures do not have standardised meanings prescribed by AAS or IFRS and therefore may

IMPORTANT INFORMATION

not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. Next Science believes this non-IFRS financial information provides useful information to users in measuring the financial performance and conditions of the Company. Investors are cautioned not to place undue reliance on any non-IFRS financial measures included in this Prospectus.

FORWARD LOOKING STATEMENTS

This Prospectus contains 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. Certain statements, beliefs and opinions contained in this Prospectus, particularly those regarding the possible or assumed future financial or other performance of Next Science, industry growth or other trend projections are or may be forward-looking statements.

Any forward looking statements are subject to various known and unknown risk factors that could cause Next Science's actual results and circumstances to differ materially from the results and circumstances expressed or anticipated in these statements. Such statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Next Science or its Directors and management. Forward looking statements should be read in conjunction with, and are qualified by reference to, risk factors as set out in Sections 1.4 and 6 and other information in this Prospectus.

The Directors and the Lead Manager cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except to the extent required by law.

This Prospectus, including the market opportunity in Section 3, uses market data, industry forecasts and projections. The Company has obtained significant portions of this information from market research and commentary prepared by third parties. There is no assurance that any of the forecasts or forward looking information contained in the reports, surveys and research of such third parties that are referred to in this Prospectus will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the key risk factors in Sections 1.4 and 6.

IMPORTANT NOTICE TO NEW ZEALAND INVESTORS

This Offer to New Zealand investors is a recognised offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and regulations made under that act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This Offer and the content of the Prospectus are principally governed by Australian rather than New Zealand law. The Corporations Act and the regulations made under that act set out how the Offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial product regulators have enforcement responsibilities in relation to this Offer. If you are a New Zealand resident and need to make a complaint about this Offer, please contact the Financial Markets Authority, New Zealand (http://www.fma.govt.nz). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

SELLING RESTRICTIONS IN FOREIGN JURISDICTIONS

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify this Prospectus, the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia or New Zealand.

The distribution of this Prospectus (including in electronic form) outside Australia or New Zealand may be restricted by law and persons who come into possession of this Prospectus outside Australia or New Zealand should seek advice on, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

In particular, this Prospectus may not be released or distributed in the United States. The Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (**US Securities Act**) or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States unless the Shares are registered under the US Securities Act or are offered and sold in transactions exempt from, or not subject to the registration requirements of the US Securities Act and any other applicable securities laws in the United States.

NO COOLING OFF RIGHTS

Cooling off rights do not apply to an investment in Shares offered under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application.

PHOTOGRAPHS AND DIAGRAMS

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown

IMPORTANT INFORMATION

in them endorses this Prospectus or its contents or that the assets or products shown in them are, or on Completion will be, owned, sold or supplied by Next Science. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

DOCUMENTS AVAILABLE ON WEBSITE

Any references to documents included on Next Science's website at www.nextscience.com are provided for convenience only, and none of the documents or other information available on these websites or any other website referred to in the sources contained in this Prospectus, is incorporated in this Prospectus by reference.

DEFINED TERMS AND TIME

Defined terms and abbreviations used in this Prospectus, unless specified otherwise, have the meanings given in the glossary of this Prospectus at Section 13. Unless otherwise stated or implied, references to times in this Prospectus are to the time in Sydney, Australia.

Unless otherwise stated or implied, references to dates or years are calendar year references.

APPLICATIONS

Applications for Shares under this Prospectus may only be made during the Offer Period on the Application Form included in, or accompanying, this Prospectus in its hard copy form, or in its electronic form which must be downloaded in its entirety from www.nextscience.com, together with an electronic copy of this Prospectus. By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is included in, or accompanied by, this Prospectus in its hard copy form or the complete and unaltered electronic copy of this Prospectus. Refer to Sections 8 and 12 for further information.

Next Science reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

As set out in Section 1.8, it is expected that the Shares will be quoted on ASX on a normal settlement basis. To the extent permitted by law, each of the Company, the Share Registry, and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Next Science Offer Information Line, by a broker or otherwise.

PRIVACY

By filling out the Application Form to apply for Shares, you are providing personal information to Next Science, and the Share Registry, which is contracted by the Company to manage Applications. Next Science and the Share Registry on its behalf, may collect, hold, use and disclose that personal information for the purpose of processing your Application, servicing your needs as a Shareholder, providing facilities and services that you need or request and carrying out appropriate administration. If you do not provide the information requested in the Application Form, Next Science and the Share Registry may not be able to process or accept your Application.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares you hold) to be included in the Share register of the Company. In accordance with the requirements of the Corporations Act, information on the Share register will be accessible by members of the public. The information must continue to be included in the Share register if you cease to be a Shareholder.

The Company and Share Registry may disclose your personal information from time to time to inform you about other products and services offered by Next Science which they consider may be of interest to you. Your personal information may also be provided to Next Science's agents and service providers on the basis that they deal with such information in accordance with Next Science's privacy policy. The agents and service providers of Next Science may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. Agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared include those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth):

- the Share Registry for ongoing administration of the Share register;
- the Lead Manager in order to assess your Application;
- brokers for the purpose of providing their services;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, management consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

Information contained in Next Science's Share register is also used to facilitate corporate communications (including Next Science's financial results, annual reports and other information that Next Science may wish to communicate to its Shareholders) and for compliance with legal and regulatory requirements.

An Applicant has a right to access, correct and update his or her personal information that Next Science and the Share Registry hold about that person, subject to certain exemptions under law. A reasonable fee may be charged for access. Access requests must be made in writing or by telephone call to Next Science's registered office or the Share Registry's office, details of which are disclosed in the corporate directory on the final page of this Prospectus. The Company will aim to ensure that the personal information it retains about you is accurate, complete and up to date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

By submitting an Application, you agree that Next Science and the Share Registry may communicate with you in electronic form or contact you by telephone in relation to the Offer.

QUESTIONS

If you have any questions about this Prospectus or how to apply for Shares, you should seek advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser. Instructions on how to apply for Shares are set out in Section 8 and on the Application Form. Alternatively, please contact the Next Science Offer Information Line on **1800 220 771** (within Australia) or **+61 1800 220 771** (outside Australia) between 9:00am and 5:00pm (AEDT) Monday to Friday (business days only) during the Offer Period.

This document is important and should be read in its entirety before making any investment decision.

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KEY OFFER INFORMATION

IMPORTANT DATES

Prospectus Date	7 March 2019
Offer open (Opening Date)	15 March 2019
Offer close and Applications due (Closing Date)	5.00pm on 4 April 2019
Issue of Shares	18 April 2019
Expected dispatch of holding statements	23 April 2019
Expected date of quotation of Shares on ASX	29 April 2019

Note: This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in AEDT. The Company, in consultation with the Lead Manager, reserves the right to vary any and all of the above dates and times without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Offer Period, to accept late Applications (either generally or in particular cases), or to cancel or withdraw the Offer, in each case without notifying any recipient of this Prospectus or Applicants). If the Offer is cancelled or withdrawn before the allocation of Shares, then all application monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

KEY OFFER STATISTICS

Current Shares on issue	130,340,502
Current Options on issue	10,725,000
Current Converting Notes on issue	11,059,250
Issue price per Share	A$1.00
Gross proceeds of the Offer	A$35,000,000
Shares to be issued under the Offer	35,000,000
Shares to be issued on conversion of Converting Notes	13,824,063
Shares to be issued under the Cleansing Offer	10
Total number of Shares on issue following the Offers	179,164,575
Market capitalisation at the Offer Price (undiluted)	A$179,164,575
Estimated net cash on Completion	A$39,715,000
Enterprise value (undiluted)	A$139,449,000

Refer to Section 12.4 for further details regarding the capital structure of the Company.

HOW TO INVEST

Applications for Shares can only be made by completing and lodging the Application Form attached to or accompanying this Prospectus via a hard copy or online application. Instructions on how to apply for Shares are set out in Sections 1.8 and 8.6 of this Prospectus and on the back of the Application Form.

LETTER FROM THE CHAIRMAN

DEAR INVESTOR

On behalf of the Board, it gives me great pleasure to offer you this opportunity to invest in Next Science Limited.

Next Science's objective is to commercialise its proprietary technology for the treatment of biofilm protected bacteria, primarily in the area of human health and with potential applications in animal health and industrial segments. In my 30 years of health industry experience I have led companies in the medical device, pharmaceutical and health insurance sectors, I have seen the significant impact of biofilm based infections on human health, causing patient morbidity and mortality, and compounding health system costs. Millions of people worldwide are affected by biofilm based infections, such as chronic wounds, chronic otitis media (middle-ear), chronic sinusitis and implant and catheter-associated infections, each year.

In general, bacteria exist in two forms during growth and proliferation. In one form, the bacteria are single, independent cells whereas in the other form, bacteria group together on a surface and form a shield. The latter form, representing 90% of all bacteria, is commonly referred to as biofilm based bacteria. A biofilm is a surface film formed by bacteria that shields the bacteria from conventional methods of eradication, promoting antibiotic resistance.

The Company's proprietary Xbio technology is a non-toxic technology with proven efficacy in eradicating biofilm and biofilm protected bacteria. Xbio has been validated by extensive clinical testing, multiple FDA clearances and more than 70,000 patient treatments since 2017.

Next Science's Xbio technology is the basis of four FDA cleared products currently being sold in the US market to eliminate biofilm protected bacteria in surgery and chronic wound care applications. Next Science has distribution agreements with major multinationals 3M and Zimmer Biomet, and has a pipeline of additional product development opportunities planned for the short and medium term. Next Science expects sales of its acne treatment to commence in Australia in the second half of 2019 under an agreement with Advanced Skin Technology.

The majority of Next Science's revenue is generated from sales through third party distributors which allows the Company to access large global markets without incurring extensive sales and marketing expenditures. This provides Next Science with an attractive platform from which to grow, while maintaining a focus on ongoing research and development activities aimed at unlocking further healthcare product and market opportunities for its patented Xbio technology.

Complementing our experienced management team led by Managing Director Judith Mitchell, Next Science has an experienced governance board comprising directors with strong commercial and healthcare experience across global markets. As the Company has now commenced its commercialisation phase, the Board has decided to fund the acceleration of its product and market development through an initial public offering on the ASX.

Through this Prospectus, the Company is inviting investors to subscribe for 35,000,000 Shares, at an Offer Price of A$1.00 per Share to raise A$35,000,000 (before costs and expenses of the Offer). The proceeds from the Offer will be used to expand Next Science's product development activities, for administration costs and working capital, and to pay for the costs of the Offer.

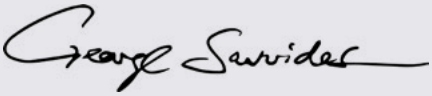
LETTER FROM THE CHAIRMAN

Before subscribing for Shares, you should consider in full the risks of investing in the Company. The Company is subject to a range of risks including: (i) regulatory approvals; (ii) reliance on distribution partners; (iii) financial performance; (iv) protection of intellectual property; and (v) reliance on key personnel. A summary of the main risk factors associated with an investment in Next Science is found in Section 6 of this Prospectus.

This Prospectus contains important information in relation to the Offer, the historical financial results of Next Science as well as the operations, management team and future plans of the Company. Before making an investment decision, I encourage you to read and understand the Prospectus, and seek independent professional advice as necessary. An investment in Next Science should be considered speculative.

On behalf of the Directors, I recommend this Offer to you and look forward to your support and participation as a shareholder.

Yours faithfully



George Savvides BE MBA FAICD
Chairman

01

INVESTMENT OVERVIEW

01 INVESTMENT OVERVIEW

1.1 INTRODUCTION

Topic	Summary	For more information
Who is the issuer of this Prospectus?	Next Science Limited (ACN 622 382 549) (**Company** or **Next Science**).	
Who is Next Science?	Next Science is a public company incorporated in Australia and is the parent entity for the group of Australian and US subsidiaries set out in the corporate structure table in Section 12.3 (**Group**). The Group was formed to commercialise and further develop its proprietary Xbio technology, which is a non-toxic technology with proven efficacy in eradicating both biofilm based and free-floating bacteria. A biofilm is a protective surface that can be formed by bacteria to shield the bacteria from conventional methods of eradication, promoting antibiotic resistance. Biofilm protected bacteria, such as *MRSA ('Golden Staph'), E. coli* or *Staphylococcus* represent 90% of all bacteria and pose a far-reaching threat to humans, animals and the environment. Whereas free-floating bacteria are relatively easy to treat, biofilm protected bacteria pose a unique challenge for treating and preventing patient infection in healthcare. Xbio has been validated as an effective patient treatment for biofilm protected bacteria by extensive clinical testing, multiple FDA clearances and more than 70,000 patient treatments in the US since 2017. The Company has developed an initial suite of products based upon Xbio technology, summarised in Section 2.5. The Company has distribution agreements with international industry leaders, being agreements with: a. Zimmer Biomet for the sale of Bactisure, a surgical lavage product developed by the Company, sales of which commenced in the US in March 2017; b. 3M for the sale of BlastX, a wound care gel product, hospital sales of which commenced in the US by Next Science's sales team in 2017; and c. Advanced Skin Technology (ACN 007 203 447) (**AST**) for sales of the Company's acne treatments expected to commence in Australia in the second half of 2019. In addition the company has ongoing development programs for a range of new products based on Xbio technology in the medical device, over-the-counter drug, consumer skincare and prescription pharmaceutical sectors.	Section 2.1

01 INVESTMENT OVERVIEW

1.2 KEY FEATURES OF NEXT SCIENCE'S BUSINESS MODEL

Topic	Summary	For more information
What is Next Science's business model and how does it generate revenue?	Next Science's business model is to further develop and commercialise its proprietary Xbio technology in a range of products for the treatment of biofilm based infections. The Company sources the manufacture of products under agreements with accredited third party manufacturers (GMP/ISO9000). The Company generates revenues by offering its products for sale primarily through distribution partnerships with major health companies 3M and Zimmer Biomet, leveraging their established international sales forces.	Section 2.7
Who uses Next Science's products?	Next Science's products are used by health care professionals to treat and prevent bacterial infections.	Sections 2.1 and 2.5
How does Next Science sell its products?	Next Science's primary method of commercialisation is through distribution partnerships with major health companies. Under the distribution agreements, the distributor is responsible for the sales and marketing of products to heath care professionals. Next Science maintains a small internal sales team to assist with market entry for new products and engagement of key opinion leaders.	Sections 2.5 and 2.7
Why do distribution partners and health care professionals select Next Science?	Next Science has patented and differentiated technology that has been shown in clinical trials to have superior performance in eliminating biofilm based bacteria compared with other available treatments.	Section 2.5
What is Next Science's proprietary intellectual property?	The Company's technology is currently protected by 15 patents and 47 patent applications throughout the world, as set out in the Patent Portfolio Report in Section 5.	Section 5
What is Next Science's business strategy and growth opportunities?	Next Science's business strategy is to further the commercial development of products using its proprietary Xbio technology platform. Next Science intends to continue its strategy of sales through established distributors rather than directly market and sell its products itself. The Company also intends to seek opportunities for: a. technology licencing agreements for the inclusion of Xbio technology in products manufactured by others; and b. strategic agreements with pharmaceutical companies for the delivery of Xbio technology in future pharmaceutical products. Next Science has the opportunity to grow: a. organically by increasing market penetration of existing products in major therapeutic areas of the US market; b. geographically by expansion of sales into new markets outside the US (subject to regulatory approvals); c. by development and commercialisation of new products and applications for Xbio technology in human health; and d. by extension of Xbio technology into applications outside of human health.	Sections 2.7 and 3

01 INVESTMENT OVERVIEW

Topic	Summary	For more information
What are the significant dependencies to Next Science's business model and growth opportunities?	The significant dependencies which underpin Next Science's business model and growth plan include: a. successful completion of the Offer; b. obtaining regulatory clearance for the Next Science products currently in development and ensuring ongoing compliance with regulatory regimes for existing products; c. continuing to protect the Company's intellectual property rights in its proprietary Xbio technology; d. maintaining key distribution contracts with 3M and Zimmer Biomet; and e. satisfactory market adoption of Next Science's products.	Section 2.9
What stage of commercialisation is Next Science's technology at?	Next Science's surgical lavage product, Bactisure, received FDA clearance in 2016 and has been sold in the US market since March 2017. Next Science's antimicrobial wound gel, BlastX, received FDA clearance in 2017 and has been sold to hospitals in the US market by the Next Science sales team since 2017. Over 70,000 patient treatments have been completed with Xbio technology delivered in a variety of products in the US market to treat biofilm based infections since March 2017. In 2018, two additional products, SurgX and TorrentX, entered the US market after receiving the required regulatory approvals. Next Science expects to commence sales of its acne product in Australia in 2019. Next Science has a number of other products in development that are not yet at commercialisation stage.	Sections 2.5 and 2.6

1.3 KEY FEATURES OF NEXT SCIENCE'S INDUSTRY

Topic	Summary	For more information
What market or industry does Next Science operate in?	Next Science operates in the health care sector targeting the treatment of human bacterial infections.	Section 3.1
Who does Next Science compete with?	Next Science competes with a wide range of antibiotic and antibacterial products marketed by major health care companies. Whilst Next Science is not aware of other products that have a similar ability to Xbio technology in treating biofilm based infections, the Company operates in a highly competitive industry with well-resourced competitors.	Section 3

01 INVESTMENT OVERVIEW

1.4 KEY ADVANTAGES AND KEY RISKS

Key advantages	For more information
Xbio technology: Next Science has developed Xbio, a novel technology platform which is the basis for products that clinical trials have shown can be more effective in treating biofilm protected infections than existing treatments.	Section 2.4
Integrated research and development and commercialisation capability: Next Science has strong internal research and development capabilities combined with experienced healthcare business leaders driving business development to maximise the commercialisation potential of Xbio technology.	Sections 7.1 and 7.2
Products in distribution: Next Science has obtained FDA clearance for four of its products to treat and manage surgical site infections and chronic wounds (being Bactisure, BlastX, SurgX and TorrentX). Each of these products have been introduced to the US market. The Company intends to commence distribution of its fifth product, an acne treatment gel, in Australia in the second half of 2019.	Section 2.5
Distribution agreements: Next Science is party to three distribution agreements with international health companies, allowing Next Science to access large global markets by leveraging their established distribution channels without incurring extensive sales and marketing expenditures.	Sections 11.1, 11.2 and 11.3
Broad applications of Xbio: Next Science believes that its Xbio technology has broad applications in the human health care sector. Consequently, the Company has a number of medical device and pharmaceutical products in development, though not yet at a commercialisation stage. Additionally, Next Science believes its proprietary Xbio technology has applications to treat biofilm protected bacteria across a wide range of other industries including applications in animal health, food safety and in industrial, medical and domestic cleaning.	Section 2.6
Intellectual property protection: The Xbio technology is protected by 15 granted patents and 47 patent applications throughout the world.	Section 5
Board and senior management: The Company has an experienced Board and senior management team.	Sections 7.1 and 7.2

01 INVESTMENT OVERVIEW

Key risks	For more information
Regulatory approvals: Next Science's distribution partners and customers rely on having regulatory approved products. Next Science's business is governed by various regulations in the jurisdictions in which it operates and proposes to operate. There is no assurance that delays will not occur in connection with obtaining the necessary approvals for products. Any delay in the receipt of regulatory clearance may result in a delay to the intended launch date of certain products, which will delay revenue and adversely affect Next Science's financial performance.	Section 6.1.1
Reliance on distribution partners: The key distribution channels for Next Science's products are through distribution partners. In particular, the Company currently derives a significant portion of its revenues from its two key distributors, 3M and Zimmer Biomet. As such, the success of Next Science's business relies on its ability to attract and retain distribution partners, as well as the success of its distribution partners' sales and marketing teams to adequately promote Next Science's products. The loss of, or a significant decrease in, the business from either of 3M and Zimmer Biomet could adversely impact the Company's revenues. If distribution partners do not continue to purchase Next Science's products, terminate the existing contracts or do not increase their usage over time, Next Science's operating and financial performance may be adversely affected.	Section 6.1.2
Financial performance: The Group has operated at a loss since its incorporation. In the financial year ended 31 December 2018, the Group had net losses of US$13.7 million and in the financial year ended 31 December 2017 Microbial Defense System Holdings Inc. had net losses of US$2.4 million. Investors should note that the financial information set out in Section 4 contains an emphasis of matter in relation to uncertainty regarding Next Science's ability to operate as a going concern if the Offer is not successful. If the Offer is not successful, the Company would continue to manage its cash outflows and the Directors would undertake alternative plans to raise additional finance as required.	Section 6.1.3
Ability to attract and retain key personnel: The success of Next Science's business is dependent on retaining key members of senior management. There is a risk that the departure of such personnel, or any delay in their replacement, could have a significant negative impact on management's ability to operate the business and achieve financial performance targets, in addition to harming Next Science's research and development programs.	Section 6.1.5
Competitive industry: Next Science competes against a wide range of other health care companies that treat human infections, some of which have significantly more resources than Next Science. The Company's failure to compete effectively against existing competitors and potential new entrants could have a material adverse effect on the business.	Section 6.1.6
Product acceptance: Next Science's success depends on market acceptance and adoption of Next Science's products. This will depend on many factors, including clinical evidence demonstrating the positive clinical and cost benefit outcomes and Next Science's ability to develop and market products that are recognised and accepted as reliable, efficacious and cost effective.	Section 6.1.7
Intellectual property: The value of Next Science's products is dependent on Next Science's ability to protect its intellectual property, including by trademarks, copyright, patent and moral rights. Any failure to adequately protect its intellectual property rights could have an adverse impact on Next Science's operating and financial performance.	Section 6.1.4

The above risks are a summary of some of the key risks, but not an exhaustive list of all of the risks associated with the Company or an investment in the Shares. Further details on the risks summarised in this Section and other key risks are included in Section 6, and investors are recommended to review all of those risks carefully before making an investment decision.

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1.5 KEY FINANCIALS AND DIVIDEND POLICY

Topic	Summary	For more information
How does Next Science expect to fund its operations?	Next Science intends to fund its operations using funds raised under the Offer and revenue from distribution agreements.	Sections 2.7 and 4.9
What is Next Science's pro forma historical financial performance?	See table below	Section 4.3

US$('000)		Pro Forma Historical[1]		
Year ended 31 December	**Notes**	**FY16**	**FY17**	**FY18**
Income		88	483	2,730
Other income		54	65	114
Total income	2	**142**	**548**	**2,845**
Cost of sales		(161)	(124)	(370)
Gross profit		**(18)**	**424**	**2,474**
Research and development	3	(516)	(664)	(1,242)
Employee expenses		(1,100)	(2,329)	(10,380)
Sales and marketing		(237)	(128)	(499)
Consultancy and regulatory		(993)	(1,893)	(1,401)
General and administration		(1,809)	(2,175)	(3,650)
Total operating expenses		**(4,655)**	**(7,189)**	**(17,173)**
EBITDA	4	**(4,673)**	**(6,765)**	**(14,699)**
Depreciation and amortisation		(83)	(159)	(244)
EBIT	4	**(4,756)**	**(6,924)**	**(14,944)**
Net finance income/(expense)	5,6	-	-	128
Profit before taxation		**(4,756)**	**(6,924)**	**(14,815)**
Income tax (expense)/ benefit	7	-	-	-
NPAT		**(4,756)**	**(6,924)**	**(14,815)**
Income growth (%)		n/a	286%	419%
Gross margin (%)		(12.7%)	77.4%	87.0%

Refer to Section 4, Figure 4.1, for the notes relating to the table above.

The information presented above contains non-IFRS financial measures and is intended as a summary only and should be read in conjunction with the more detailed discussion on the Financial Information disclosed in Section 4 and the risk factors set out in Section 6.

01 INVESTMENT OVERVIEW

Topic	Summary	For more information
What is Next Science's statutory historical financial performance?	See table below	Section 4.5
What is Next Science's dividend policy?	Next Science is currently in the development phase of operations and therefore does not expect to be in a position to declare a dividend in the short to medium term.	Section 4.12
What will Next Science's capital structure be on Completion?	Refer to Section 12.4 of this Prospectus.	Section 12.4

US$('000)	Statutory Historical[1,2]		
Year ended 31 December	**FY16**	**FY17**	**FY18**
Income	88	483	2,730
Other income	1,004	3,598	114
Total income	**1,092**	**4,082**	**2,845**
Cost of sales	(161)	(124)	(370)
Gross profit	**932**	**3,958**	**2,474**
Research and development	(516)	(664)	(1,242)
Employee expenses	(1,100)	(2,329)	(10,380)
Sales and marketing	(237)	(128)	(499)
Consultancy and regulatory	(993)	(1,893)	(1,401)
General and administration	(517)	(1,235)	(2,521)
Total operating expenses	**(3,363)**	**(6,249)**	**(16,044)**
EBITDA	**(2,431)**	**(2,291)**	**(13,570)**
Depreciation and amortisation	(83)	(159)	(244)
EBIT	**(2,514)**	**(2,451)**	**(13,815)**
Net finance income/(expense)	(9)	8	67
Profit before taxation	**(2,523)**	**(2,443)**	**(13,748)**
Income tax (expense)/ benefit	-	-	-
NPAT	**(2,523)**	**(2,443)**	**(13,748)**

Refer to Section 4, Figure 4.3, for the notes relating to the table above.

The information presented above contains non-IFRS financial measures and is intended as a summary only and should be read in conjunction with the more detailed discussion on the Financial Information disclosed in Section 4 and the risk factors set out in Section 6.

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1.6 DIRECTORS AND KEY MANAGEMENT

Topic	Summary	For more information
Who are the directors of Next Science?	The Board consists of: a. **George Savvides** - Independent Non-Executive Chairman; b. **Judith Mitchell** - Managing Director; c. **Bruce Hancox** - Non-Executive Director; d. **Dan Spira** - Non-Executive Director; e. **Aileen Stockburger** - Non-Executive Director; and f. **Mark Compton** - Non-Executive Director. Information about the experience, background, personal interests and independence of each Director is set out in Section 7.	Section 7.1
Who are the key management of Next Science?	The senior management team consists of: a. **Judith Mitchell** - Managing Director; b. **Jacqueline Butler** - Chief Financial Officer; c. **Dr Matthew Myntti** - Chief Technology Officer; d. **Jon Swanson** - Chief Operating Officer; and e. **Byron Darroch** - Executive Vice President, Partnerships. Information about the experience, background and independence of each member of key management is set out in Section 7.	Section 7.2

1.7 SIGNIFICANT INTERESTS OF KEY PEOPLE AND RELATED PARTY TRANSACTIONS

Topic	Summary	For more information
Who will be the substantial shareholders of the Company upon Completion?	Upon Completion, the substantial shareholders will have the following shareholding interests:	Section 12.5

Shareholder	Shares	% (undiluted)
Walker Group Holdings Pty Ltd[1]	29,003,000	16.19
Auckland Trust Company Limited[2]	46,507,500	25.96
Dr Matthew Myntti	20,657,000	11.53

Note 1: An entity controlled by Lang Walker.
Note 2: An entity which holds shares as trustee for the Second Pacific Master Superannuation Fund, of which Lang Walker is the sole beneficiary.

The substantial shareholders have each advised that they do not intend to subscribe for Shares under this Prospectus.

Further details in relation to the substantial shareholders and their maximum shareholding interests on Completion are set out in Section 12.5.

01 INVESTMENT OVERVIEW

Topic	Summary	For more information
What significant benefits and interests are payable to Directors and what significant interest do they hold?	As at the date of this Prospectus, Directors are entitled to receive annual remuneration as follows:	Section 7.3

Director	Amount per annum prior to 1 May 2019[1]	Amount per annum from 1 May 2019[1,2]
George Savvides	A$250,000	A$250,000
Judith Mitchell	A$360,000	A$400,000
Bruce Hancox	A$60,000	A$100,000[3]
Dan Spira	A$60,000	A$100,000[3]
Aileen Stockburger	A$60,000	A$90,000
Mark Compton	A$60,000	A$90,000

Note 1: Inclusive of superannuation.

Note 2: The increase to Non-Executive Directors' annual remuneration will take effect from 1 May 2019 and is conditional upon Admission.

Note 3: From 1 May 2019 and subject to Admission, each Chair of a committee of the Company will receive an amount of A$10,000 per annum. This amount is included in the annual remuneration table above.

Note 4: Each of the Directors have also been issued Options as part of their remuneration package, as set out in the table below. Judith Mitchell is also entitled to be issued Options and/or Performance Rights under the Company's Employee Incentive Plan as per Section 7.3.2.4..

On Admission, the Directors will have the following interests in securities:

Shareholder	Shares[1]	Options[2]
George Savvides	625,000	650,000
Judith Mitchell	4,732,000	2,340,000
Bruce Hancox	Nil	520,000
Dan Spira	Nil	1,300,000
Aileen Stockburger	Nil	520,000
Mark Compton	125,000	520,000

Note 1: Includes Shares issued on conversion of Converting Notes.

Note 2: Terms and conditions of the Options are set out in Section 7.3.1.6.

Further details in relation to the remuneration and shareholding interests of the Directors are set out in Section 7.3.1.

01 INVESTMENT OVERVIEW

Topic	Summary	For more information
Will any Shares be subject to restrictions on disposal following Completion?	Yes. The Company has received in-principle advice from ASX confirming that it would be likely to grant look-through relief in relation to escrow. Consequently, in accordance with Chapter 9 of the ASX Listing Rules, it is estimated that: a. 72,847,808 Shares and 5,850,000 Options will be subject to escrow arrangements for 24 months from the date of quotation of the Shares; and b. 3,052,806 Shares and no Options will be subject to escrow arrangements for 12 months from the date of issue of the Shares. Further, the Company intends to enter into voluntary escrow arrangements as follows under which it is estimated that 39,822,526 shares will be subject to voluntary escrow 12 months from the date of quotation of the Shares. During the period in which these securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a shareholder to dispose of his or her Shares in a timely manner. The Company will announce to ASX full details (quantity and duration) of the Shares and Options held in escrow prior to the Shares commencing trading on ASX.	Section 8.8

1.8 OVERVIEW OF THE OFFER

Topic	Summary	For more information
What is the offer?	This Prospectus relates to an initial public offering of 35 million Shares issued by Next Science at an offer price of A$1.00 per Share (**Offer Price**) to raise A$35 million. No oversubscriptions will be accepted by the Company. The minimum subscription under the Offer is A$35 million (**Minimum Subscription**). The Shares to be issued under the Offer will represent 19.54% of the Shares on issue on Completion.	Section 8.1
What is the structure of the Offer?	The Offer is structured as follows: a. the Institutional Offer, which consists of an invitation to apply for Shares made to institutional investors in Australia; b. the Broker Offer, which is only open to investors who have a registered address in Australia or New Zealand and who have received an allocation from their broker; c. the Chairman's List Offer, which is only open to investors who receive a personal invitation to participate in the Chairman's List Offer; and d. the General Offer, which is made to members of the general public who have a registered address in Australia or New Zealand.	Section 8.2

01 INVESTMENT OVERVIEW

Topic	Summary	For more information
Why is the Offer being conducted?	The Offer is being conducted to: a. provide funding to implement the business model, objectives and growth strategy of the Company as stated in Section 1.2 above; and b. satisfy Chapters 1 and 2 of the ASX Listing Rules to facilitate the Company's application for admission to the Official List of the ASX. The Board believes that on Completion, the Company will have sufficient working capital to achieve its objectives.	Section 8.4
What is the proposed use of proceeds raised under the Offer?	The proceeds received by Next Science from the issue of new Shares under the Offer will be used as follows: a. regulatory, research and other employee costs; b. pharmaceutical product development; c. medical device product development; d. manufacturing validations; e. clinical trials; and f. working capital and operating costs. Further details are set out in the table in Section 8.5.	Section 8.5
Is the Offer underwritten?	The Offer is not underwritten.	Section 8.6
Who is the Lead Manager?	Patersons Securities Limited ACN 008 896 311 has been appointed as the Lead Manager to the Offer.	Section 11.7
Will the Shares be quoted on ASX?	The Company will apply for admission to the Official List of the ASX and quotation of the Shares on ASX under the code 'NXS' within seven days of the date of this Prospectus. Completion is conditional on ASX approving the application for admission and quotation. If approval is not given within three months after the Prospectus Date (or any longer period permitted by law), the Offer will be withdrawn and all application monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.	Section 8.10
What is the Offer price?	The price payable under the Offer is A$1.00 per Share.	Section 8.1
What is the allocation policy?	The allocation of Shares within and between the Institutional Offer, the Broker Offer, the Chairman's List Offer and the General Offer will be determined by the Company in consultation with the Lead Manager. The Company, in consultation with the Lead Manager, has absolute discretion regarding the basis of allocation of Shares amongst Applicants. No assurance can be given that any Applicant under the Offer will be allocated all or any Shares applied for. The Company will not be liable to any person not allocated Shares or not allocated the full amount applied for.	Section 8.3

01 INVESTMENT OVERVIEW

Topic	Summary	For more information
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by the Applicants on acquisition of Shares under the Offer.	Section 8.6
What are the tax implications of investing in the Shares?	Refer to Section 12.9 and note that it is recommended that all Shareholders consult their own independent tax advisers regarding the income tax (including capital gains tax), stamp duty and GST consequences of acquiring, owning and disposing of Shares, having regard to their specific circumstances.	Section 12.9
How can I apply?	Applicants under the Broker Offer, the Chairman's List Offer and General Offer may apply for Shares online or by completing a valid Application Form attached to or accompanying this Prospectus in accordance with the instructions set out in the Application Form. Application procedures for institutional investors have been advised to the institutional investors by the Lead Manager. Completed Application Forms and accompanying payment must be lodged before 5pm AEDT on the Closing Date. **Online at:** www.nextscience.com **By mail to:** Next Science Limited C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1236 **By hand delivery to:** Next Science Limited C/- Link Market Services Limited 1a Homebush Bay Drive Rhodes NSW 2138	Section 8.6
How to pay by cheque or bank draft	Applicants applying using the Application Form attached to this Prospectus may pay the Application Amount by cheque(s) or bank draft(s). Cheque(s) or bank draft(s) must be: **a.** in Australian currency; **b.** drawn on an Australian branch of a financial institution; **c.** crossed 'Not Negotiable'; and **d.** made payable to 'Next Science Limited IPO'.	Section 8.6
How to pay by BPAY	Applicants making online applications at www.nextscience.com may pay their Application Amount by BPAY.	Section 8.6

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Topic	Summary	For more information
What is the minimum and maximum Application size?	The minimum Application size is A$2,000 worth of Shares (2,000 Shares) and thereafter, in multiples of A$500 worth of Shares (500 Shares). Payment for the Shares must be made in full at the issue price of A$1.00 per Share. The Lead Manager and Next Science reserve the right to reject any Application or to allocate a lesser number of Shares than applied for. There is no maximum value of Shares that may be applied for under the Offer.	Section 8.6
When will I receive confirmation that my Application has been successful and when can I sell my Shares?	Confirmations of successful Applications in the form of holding statements are expected to be dispatched by standard post on or around 23 April 2019. It is expected that trading of Shares on the ASX on a normal settlement basis will commence on or about 29 April 2019. It is the responsibility of each Applicant to confirm their holding before trading their Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk.	Section 8.6
Can the Offer be withdrawn?	Yes. The Company reserves the right not to proceed with the Offer at any time before the issue of Shares to successful applicants. If the Offer does not proceed, application monies will be refunded. No interest will be paid on any application monies refunded as a result of the withdrawal of the Offer.	Section 8.6
Where can I find out more information about this Prospectus or the Offer?	All enquiries in relation to this Prospectus should be directed to the Next Science Offer Information Line on 1800 220 771 (within Australia) and +61 1800 220 771 (outside Australia) from 9.00am to 5.00pm (AEDT) Monday to Friday during the Offer Period. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional advice from your stock broker, solicitor, accountant, financial advisor or other independent and qualified professional adviser before deciding whether to invest.	Section 8.6

02

COMPANY OVERVIEW

02 COMPANY OVERVIEW

2.1 OVERVIEW OF 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. Next Science owns 100% of the patent protected intellectual property relating to its Xbio technology.

Biofilms commonly include bacteria such as MRSA (*'Golden Staph'*) and *E. coli* and pose a far-reaching threat to humans, animals and the environment. Representing 90% of all bacteria, biofilms are formed by bacteria to provide sophisticated defence mechanisms and are difficult to diagnose and eradicate.

The continuing rise in antimicrobial resistance necessitates effective diagnosis and management of biofilm-associated infections. Bacterial infections contribute to significant morbidity, mortality and increased healthcare expenditures. The Company's patented Xbio technology may help reduce the overall use of antibiotics. Next Science has not identified any evidence of bacterial resistance to the Company's Xbio technology.

Next Science has four FDA cleared products currently available in the US market to treat and manage surgical site infections and chronic wounds, and expects sales of its fifth product, an acne treatment, to commence in Australia in the second half of 2019.

Over 70,000 patient treatments have been completed with Xbio technology delivered in a variety of products in the US market to treat biofilm based infections.

The Company aims to progressively expand sales in the US and other international markets in conjunction with its distribution partners, subject to receiving the required regulatory approvals for Australia via TGA and Europe via CE Mark (see Section 2.11).

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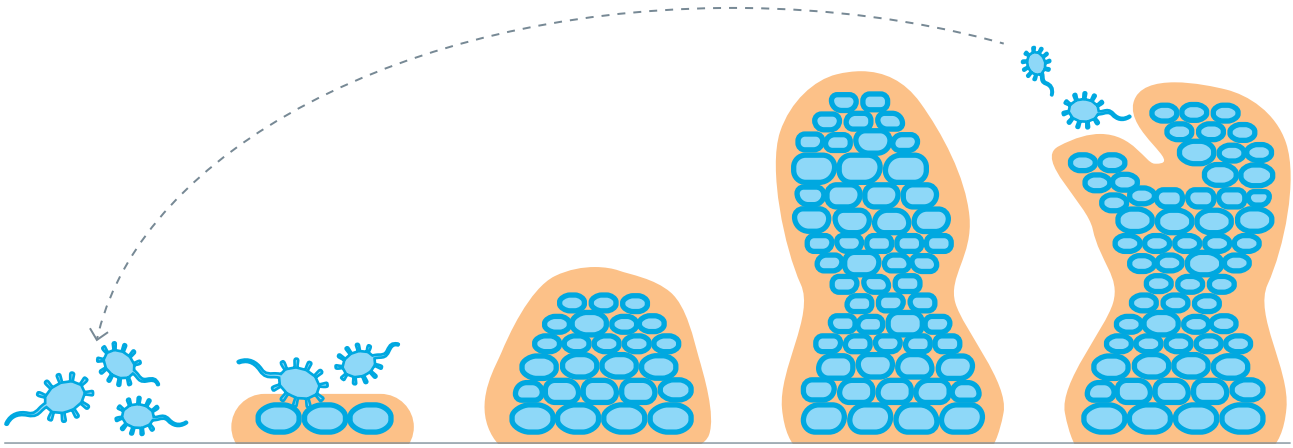
2.2 WHAT IS BIOFILM?

Bacteria exist in two essential forms: free floating individual bacteria, or grouped within biofilms as anchored or sessile bacteria. While free-floating bacteria are well understood and relatively easy to kill, biofilm protected bacteria are difficult to eradicate and pose a unique challenge for treating and preventing infection in healthcare.

Requiring only moisture, nutrients and bacteria, biofilms can grow on any surface. Biofilms form when free-floating bacteria attach to and coalesce on a surface. The bacteria then produce an extracellular polymeric substance (**EPS**) - a barrier like a sugary glue that shields the bacterial colony from treatment and therefore increases its defence to mechanical and chemical attacks. Anti-microbial agents such as antibiotics cannot effectively eliminate bacteria within a biofilm.

Graphic representation of biofilm and protected bacteria



While approximately 10% of bacteria are free-floating, the remaining 90% of bacteria naturally form colonies called biofilms.[1] Biofilms can form in less than one hour[2] as a defence mechanism to prevent bacterial eradication. This results in bacteria that are more tolerant to antimicrobial agents, disinfectants, and host immune defences.[2] Bacteria protected by a biofilm can be 1,000 times more resistant to antibiotics than free-floating bacteria.[3]

As opposed to free-floating bacteria, biofilms are powerful communities that function as a single entity with behaviours and defences that can lead to chronic or recurrent infections.

Existing treatments for biofilms can be hazardous to humans and the environment and have been largely ineffective.[4] Repeat use of antibiotics to treat persistent bacteria is causing increased bacterial resistance to antibiotics.[5]

1 *Petrova, O. S. (2012). Sticky situations: key components that control bacterial surface attachment. Journal of Bacteriology 194(10) May, 2413-2425.*
2 *Cunningham, A.B. et al. 2010 "Biofilms: The Hypertextbook" https://www.cs.montana.edu/webworks/projects/stevesbook/contents/chapters/chapter001/section006/green/page002.html (last accessed 7 March 2019)*
3 *Potera, C. 2010 "Antibiotic resistance: biofilm dispersing agent rejuvenates older antibiotics" Environmental Health Perspectives 118(7), 288.*
4 *Snyder, R.J. 2017 "Wound biofilm: current perspectives and strategies on biofilm disruption and treatments" Wounds 29(6), 1-17*
5 *Li, B. and Webster, T.J. 2018 "Bacteria antibiotic resistance: new challenges and opportunities for implant-associated orthopaedic infections" Journal of Orthopaedic Research 118(7), 288.*

2.3 WHERE DO BIOFILMS EXIST?

Biofilms affect nearly all aspects of human health, environmental and industrial settings and food production, where they can adhere to living tissue and natural and artificial surfaces.

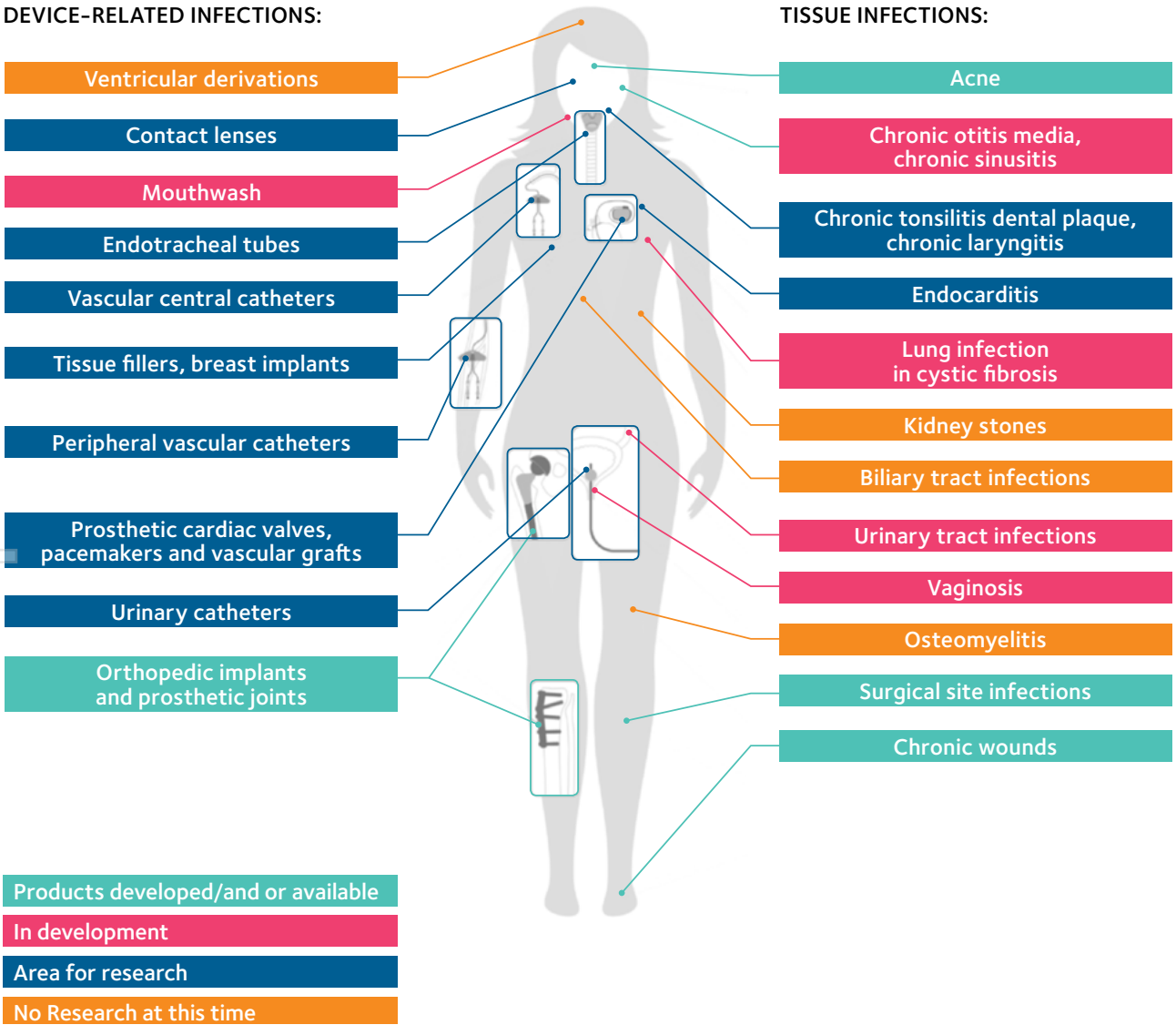
2.3.1 BIOFILMS IN HUMAN HEALTH

Biofilms are a widespread problem in human health. Next Science's primary focus is on the application of its proprietary Xbio technology to treat biofilm infections in human health. Next Science believes by prioritising human health, it has the potential to deliver the greatest positive impact on the general health of society and the success of its business.

Biofilms account for 80% of chronic infections in the human body according to the US National Institutes of Health.

The biofilm is often a complex polymicrobial environment that is implicated in a wide range of bacterial infections, including those infections involving implantable medical devices, periodontal disease, otitis media (middle ear infection), rhinosinusitis, cystic fibrosis and chronic wounds. In fact, chronic biofilm infections can affect every organ system in the human body, including skin.[6]

Common biofilm based infections



6 *Joo HS, Otto M. Molecular basis of in-vivo biofilm formation by bacterial pathogens. 2012;19(12):1503-1513.*

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Recurring infections can be caused by the periodic release of bacteria from biofilms as the bacterial colony matures. With the continuing rise in antimicrobial resistance, healthcare providers have placed a greater emphasis on correctly diagnosing and managing biofilm-associated infections, especially in non-healing chronic wounds.

Wounds are classified as chronic after four weeks of non-healing. There are a number of co-morbidities that can inhibit or slow wound healing. These can include diabetes, renal failure, congestive heart failure and peripheral vascular disease. Chronic wounds are typically classified into four categories: venous ulcers, diabetic foot ulcers, pressure ulcers and chronic vascular (arterial) ulcers.

Importantly biofilm involvement in a wound infection slows the healing process and can transform an acute wound to chronic status. Chronic wounds exhibit stalled healing and exudate production, which is directly related to microorganisms on the wound surface growing as a biofilm (up to 60%).[7]

2.4 NEXT SCIENCE'S XBIO TECHNOLOGY

Xbio is a proprietary technology platform used to produce non-toxic products that are capable of breaking down biofilm without inhibiting new tissue growth.

Currently biofilms can be eliminated using harsh chemicals such as acids or bleaches that are toxic to the human body. Xbio technology can eliminate biofilms in a non-toxic manner as described below:

STAGE 1: DECONSTRUCT THE BIOFILM

Xbio breaks the ionic bonds between the molecules in the surface of the biofilm and pulls the polymers into solution, effectively dissolving the defensive armour around the bacteria.

STAGE 2: ELIMINATE THE BACTERIA

With the defensive barrier broken down, bacteria are then exposed and are therefore more vulnerable to attack. Bacteria enveloped by Xbio technology experience cell lysis (rupturing of the cell membrane) through a high osmolarity imbalance (difference in level of salts) across the bacterial cell wall and as a result bacteria are eliminated.

STAGE 3: DEFEND FROM RECOLONISATION

Xbio technology creates a protective super-hydrophilic layer that inhibits surface attachment of free-floating bacteria and biofilm regrowth, and supports pro-healing processes. Disrupting and removing the biofilm barrier can reduce the rate of biofilm recurrence up to 1000 times, effectively defending against recolonisation.[8]

Through third party laboratory testing, Next Science has not identified any evidence of bacterial resistance to Xbio technology. By deconstructing the EPS matrix and eliminating the bacteria contained within, Xbio effectively removes the biofilm from the treated surface and defends against biofilm recurrence. The delivery and application of Next Science's patented Xbio technology platform has the potential to positively impact many markets across human, animal and industrial health and environmental systems.

Xbio technology has demonstrated effectiveness against many types of bacteria including gram-positive bacteria (such as MRSA, also known as 'golden staph'), gram-negative bacteria (such as *E. coli*, a common cause of diarrhoea), spores and fungi (such as thrush).

7 *Snyder, R.J. 2017 "Wound biofilm: current perspectives and strategies on biofilm disruption and treatments" Wounds 29(6), 1-17*
8 *Potera, C. 2010 "Antibiotic resistance: biofilm dispersing agent rejuvenates older antibiotics" Environmental Health Perspectives 118(7), 228.*

2.5 NEXT SCIENCE – CURRENT PRODUCTS

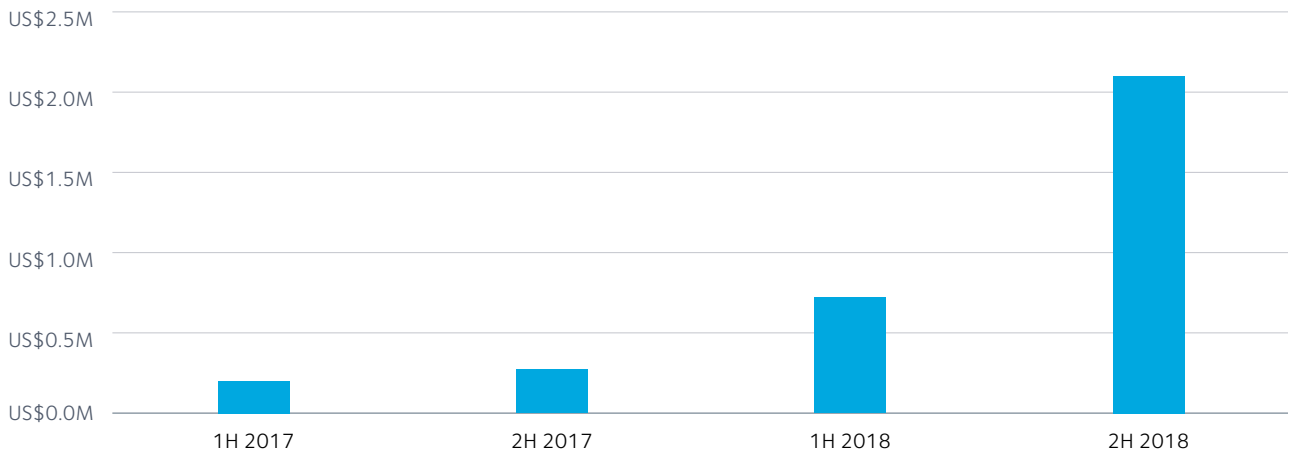
Next Science currently has four products with regulatory clearance for sale in the US market and expects sales of its acne treatment to commence in Australia in the second half of 2019. All products are based on the Next Science Xbio technology.

Product	Regulatory Clearance*	Date Granted	Sales and Distribution
Bactisure Surgical Lavage	FDA 510(k) clearance	September 2016	Sold in the US since March 2017 through the Zimmer Biomet US sales force, a world leader in orthopaedic implants.
BlastX Antimicrobial Wound Gel	FDA 510(k) clearance	April 2017	Sales to hospitals commenced in the US in 2017 via the Next Science sales team. Since 1 January 2019 BlastX has been distributed by 3M's US health care business sales force.
TorrentX Wound Wash	FDA OTC Listed (Monograph product)	November 2018	Released to the US market in December 2018. Initial sales in the US market are expected to commence in the first half of 2019.
SurgX Sterile Antimicrobial Wound Gel for Surgical Site Infections	FDA 510(k) clearance	September 2018	Sold in the US by the Next Science sales team since October 2018.
Acne Treatment	Cosmeceutical product	N/A**	Sales and distribution is expected to commence in Australia in the second half of 2019.

*Refer to Section 2.11 for an outline of the regulatory clearances required.
**Acne treatment gel, when sold as a cosmeceutical product, does not require formal regulatory clearance in Australia or New Zealand.

The chart in Figure 2.1 below shows Xbio product sales revenues since commencement of commercial sales activity.

FIGURE 2.1 NEXT SCIENCE TOTAL SALES REVENUE (US$M)



2.5.1 BACTISURE SURGICAL LAVAGE

Description of Bactisure

Bactisure is a sterile, aqueous solution used in open surgeries to remove debris, including microorganisms, from the wound using a pulsed (jet) lavage (powered wash system).

Bactisure does not harm human tissue. When used as an adjunct to normal saline lavage, Bactisure promotes effective removal of biofilm and elimination of bacteria in the surgical site.

The product is a clear, colourless, low-odour solution and has received FDA 510(k) clearance. It is sold in the US market with approved indication to be used with a jet lavage system and is indicated for use in cleansing and removal of debris, including microorganisms in the surgical site.

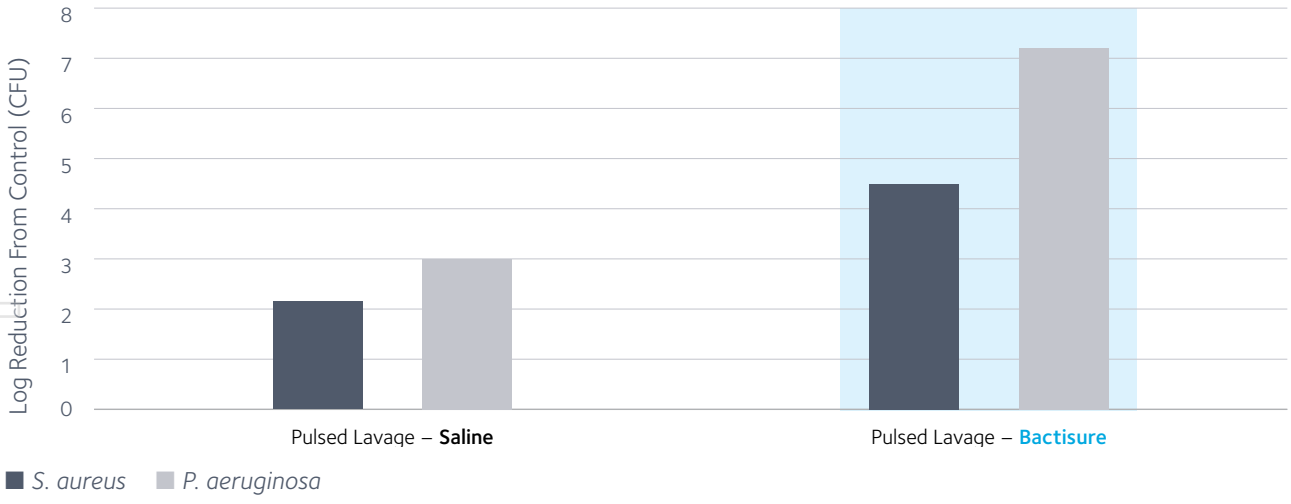
Regulatory submissions have been made for CE Mark (Europe) and TGA approval (Australia). Both approvals are expected to be received in 2019.

FIGURE 2.2 BACTISURE SURGICAL LAVAGE (1 LITRE)

Bactisure product effectiveness

Studies commissioned by Next Science have indicated that Bactisure Surgical Lavage is more effective than current treatment pathways used in surgery. Comparative laboratory studies have demonstrated the use of Bactisure leads to superior biofilm reduction compared to tested competitors, as indicated in the two charts below.

FIGURE 2.3 BACTISURE OUTPERFORMS NORMAL SALINE LAVAGE

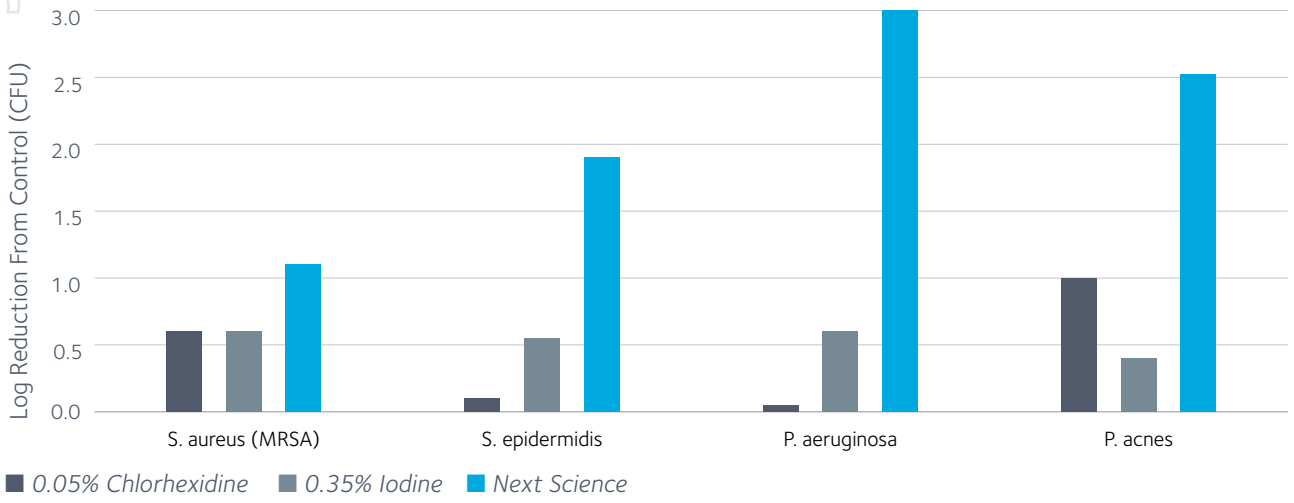


The chart above uses a logarithmic scale where each unit on the y-axis represents 10 times more effectiveness in eliminating bacteria.

A 30 second Bactisure pulsed lavage was compared to 30 seconds of saline pulsed lavage on a Tivanium substrate. The Bactisure pulsed lavage yielded a significant reduction in the presence of *P. aeruginosa* - over 100 times more effective than saline alone.

02 COMPANY OVERVIEW

FIGURE 2.4 BACTISURE VS. ALTERNATIVE TREATMENTS



The chart above uses a logarithmic scale where each unit on the y-axis represents 10 times more effectiveness in eliminating bacteria.

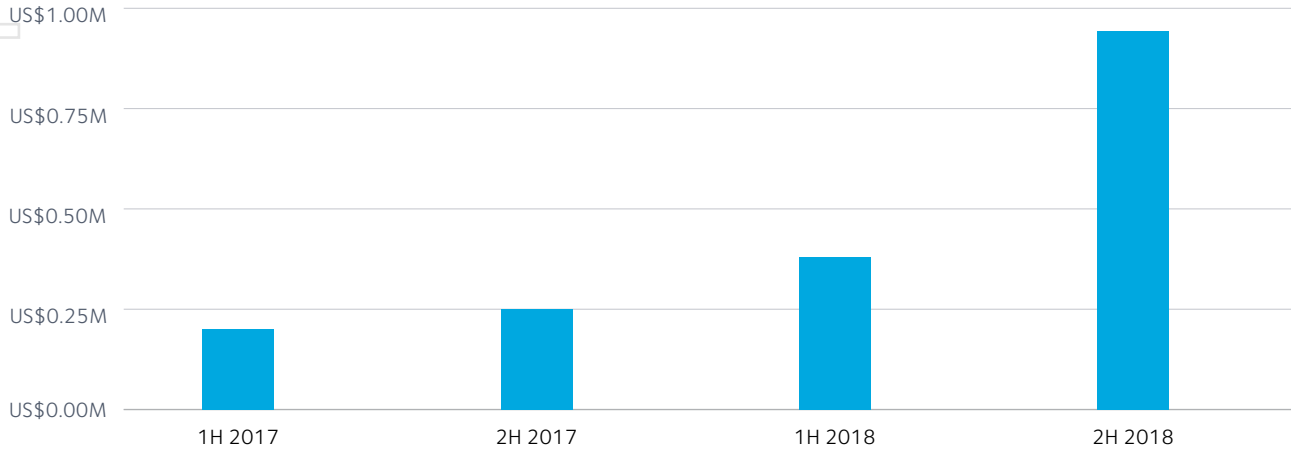
Several species of bacterial biofilm were treated in the laboratory (in vitro) for two minutes with market leading chlorhexidine gluconate and povidone iodine based products and with Bactisure. Compared to alternative treatments, Bactisure application resulted in a greater reduction of all bacterial species, significantly outperforming commonly used treatments.

Bactisure sales and distribution

Bactisure is sold in the US currently through a distribution agreement with Zimmer Biomet, one of the world's leading orthopaedic implant companies. This global distribution agreement expires in 2037. The key terms of the distribution agreement are summarised in Section 11.1.

Bactisure sales commenced in the US in March 2017 through a small specialised group within the Zimmer Biomet sales force, prior to it being offered to market through a larger sales force in the second half of 2018. The value of sales since product launch is shown in Figure 2.5 below.

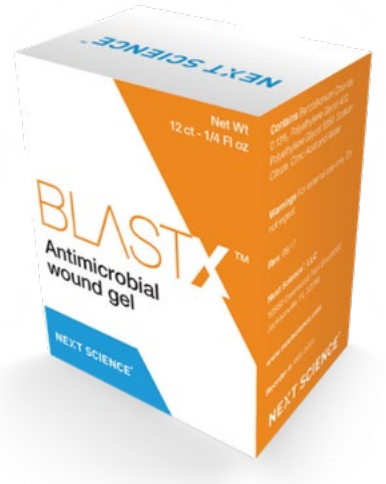
FIGURE 2.5 NEXT SCIENCE SALES OF BACTISURE **(US$M)**



The Company expects sales of Bactisure to commence in Europe in late 2019 under its global distribution agreement with Zimmer Biomet, subject to receiving the required CE Mark approval. Sales in Australia are subject to receiving TGA approval, which is expected in late 2019.

2.5.2 BLASTX ANTIMICROBIAL WOUND GEL

FIGURE 2.6 BLASTX WOUND GEL



Description of BlastX

BlastX is an antimicrobial wound gel based on Next Science's patented, non-toxic, biofilm-disrupting Xbio technology. BlastX deconstructs the bacterial biofilm, the gel envelops and eliminates the bacteria and defends from recolonisation while maintaining a moist wound environment conducive to healing.

BlastX has received FDA 510(k) clearance and is for sale in the US market with approved indications for use on patients with:

- Stage I – IV pressure ulcers
- Partial and full thickness wounds
- Diabetic foot and leg ulcers
- Post-surgical wounds
- First and second degree burns
- Grafted and donor sites

Regulatory submissions have been made for CE Mark in Europe and are in process for TGA approval in Australia. Both approvals are expected to be received in 2019. BlastX has been tested in accordance with international standards (ISO 10993) to confirm its safety.

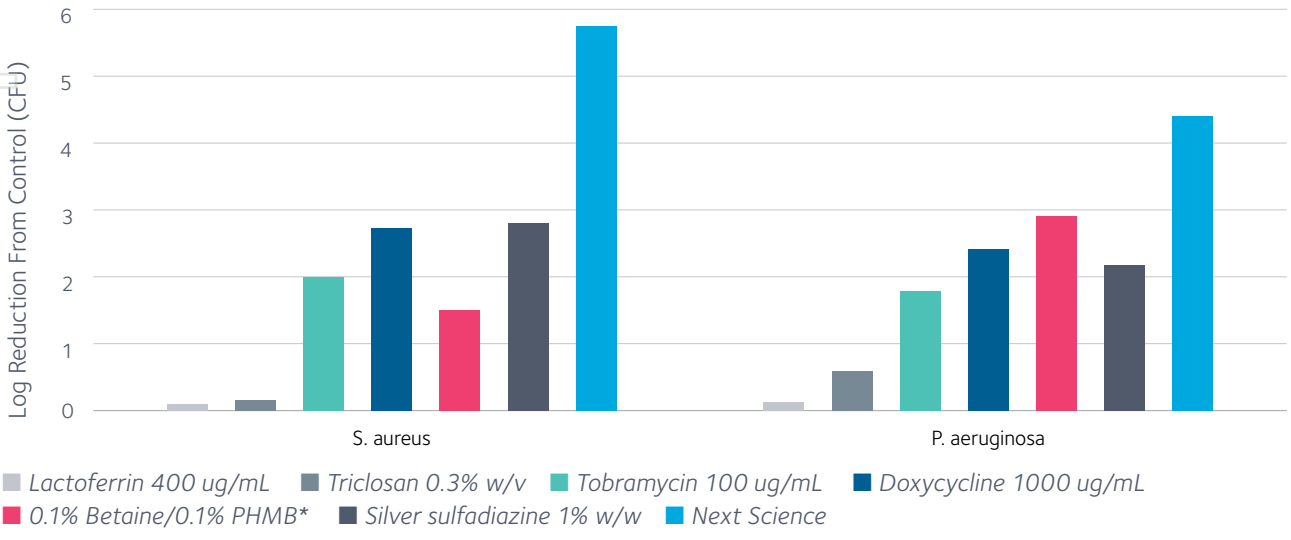
'In my view it (BlastX) is the most efficacious biofilm disrupting agent in the market - it dissolves the biofilm, destroys it and prevents recurrence.'

Dr Matt Regulski Ocean County Foot and Ankle Surgical Associates (New Jersey, USA, 2018).

BlastX studies

An Invitro Study was commissioned at Montana State University, to the effectiveness of BlastX against *S.aureus* (MRSA) and *P.aeruginosa*, with other common treatments used in the treatment and management of Chronic Wounds (see Figure 2.7).

FIGURE 2.7 BLASTX IS BETTER THAN SIX OTHER TREATMENTS IN ELIMINATING TWO COMMON BIOFILM BACTERIA IN CHRONIC WOUNDS (72-HOUR BIOFILM, DRIP FLOW REACTOR, 24HR RX)



* 0.1% Undecylenmidopropyl betaine/0.1% Polyhexamethylene biguanide

Source: Center for Biofilm Engineering at Montana State University. Next Science Report TR-10-12-004

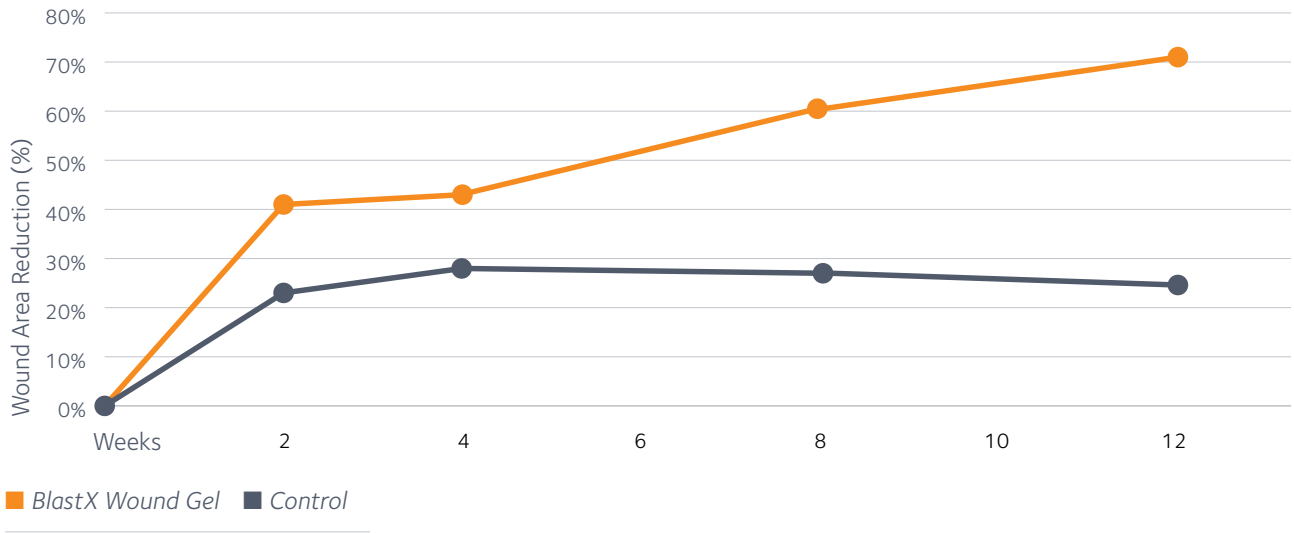
02 COMPANY OVERVIEW

Clinical trials

The Company commissioned two randomised clinical trials of BlastX that have been published in peer reviewed journals in relation to chronic wounds.

The first study, set out in Figure 2.8 below, was conducted by Drs Miller and Kim (Wounds Vol 30, No 5, May 2018) studied the reduction in wound size using BlastX against the current standard of care.

FIGURE 2.8 WOUND AREA REDUCTION BLASTX VS BROAD-SPECTRUM ANTIMICROBIAL OINTMENT (CONTROL)

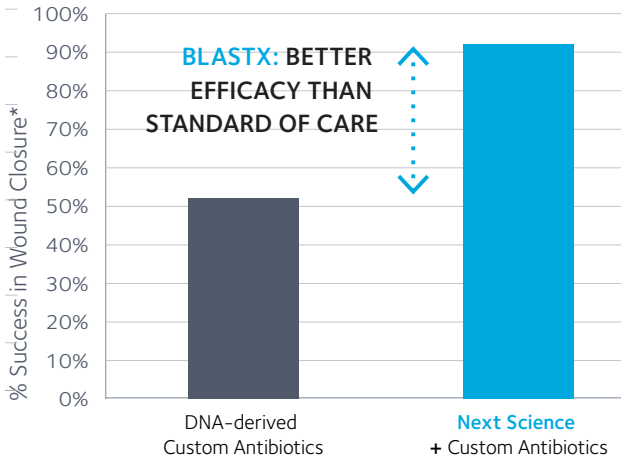


Source: Kim, P. et al. Clinic-based Debridement of Chronic Ulcers Has Minimal Impact on Bacteria. Wounds. 2018;30(5):114-119.
The chart above uses a logarithmic scale where each unit on the x-axis represents 10 times more effectiveness in eliminating bacteria.
Kim, P, William Namen II, DPM[2]; January Moore, BA[1]; Mauricia Buchanan, BSN[1]; Valerie Hayes, PhD[3]; Matthew F. Myntti, PhD[3]; and Albert Hakaim, MD

The second study was a prospective, randomized, open-label clinical trial was performed from September 2014 to March 2016 (Journal of Wound Care Vol 24, No 8, August 2015). Forty-three patients (22 B, 21 control) with chronic, recalcitrant wounds were randomized to a 12-week treatment with a biofilm-disrupting wound gel (BlastX) or a broad-spectrum antimicrobial ointment (control). The wound healing rate was assessed by measuring wound size reduction and wound closure rates. BlastX demonstrated a 3 times greater wound area reduction (71% including the cross over group) than Control (24%) P<0.001) (see Figure 2.89 below).

Wound Size Reduction - Comparison with Custom Antibiotics

FIGURE 2.9 BLASTX COMPARISON WITH CUSTOMISED ANTIBIOTICS



* Defined as 50% wound closure in 4 weeks

Next Science commissioned a trial to determine if Next Science's BlastX wound gel is superior to the standard of care using custom antibiotics (a customised antibiotic treatment regimen made to match the bacteria found in the wound). The trial was conducted independently by Dr Wolcott at the South West Regional Wound Care Centre in Lubbock Texas, USA.

The study indicated that combining Next Science's BlastX with custom antibiotics increased the extent of chronic wound closures by 40% in 4 weeks based on a 45 patient, four week, prospective, randomised, controlled trial compared to customised antibiotic treatment alone.

02 COMPANY OVERVIEW

'The results of this study confirm that the use of a biofilm-disrupting agent (BlastX) combined with debridement is more effective than the experimental antibiotic ointment combined with debridement or prior failed wound treatments.'

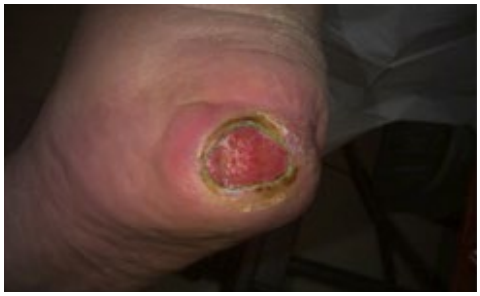
Dr R Wolcott South West Regional Wound Care Centre (Texas, USA, 2015)

Examples of chronic wound closure using BlastX

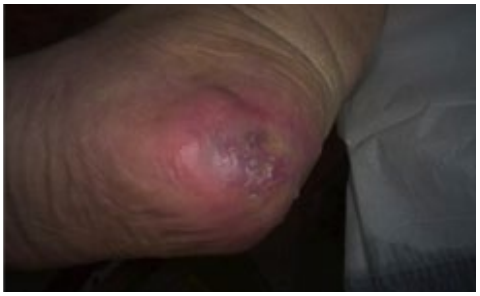
Next Science's technology can offer a unique solution and advancement in the management of infected chronic wounds through its anti-biofilm and antimicrobial activities.

The following images show the improvement in a 24 month old unresolved chronic wound after four weeks of treatment using BlastX.

FIGURE 2.10 BLASTX REDUCTION WOUND SIZE



24 MONTH OLD HEEL WOUND



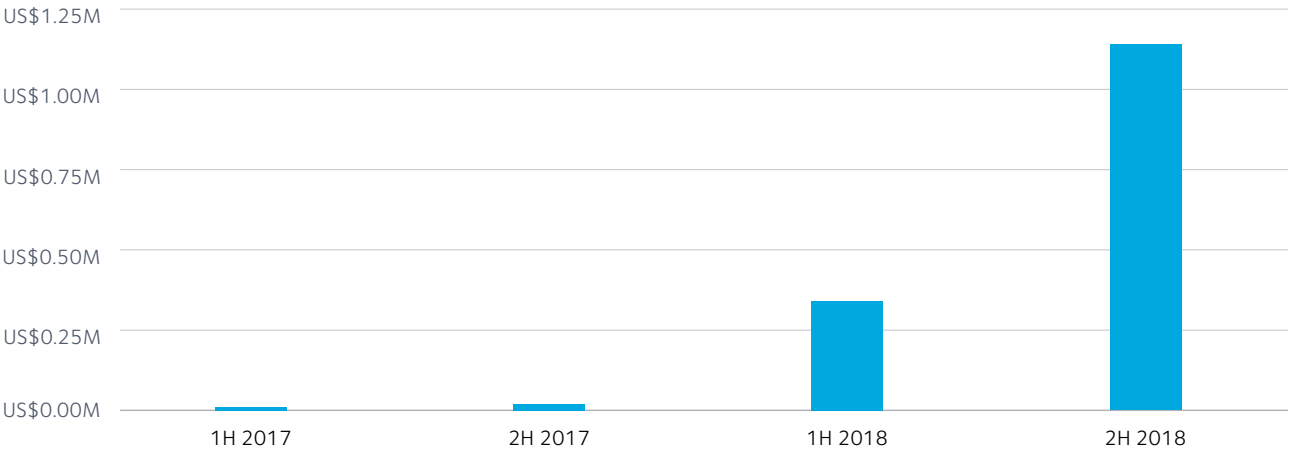
AFTER 4 WEEKS TREATMENT WITH BLASTX

Wounds Vol 30, No 5, May 2018

BlastX sales and distribution

Hospital sales of BlastX commenced in the US market in 2017 using Next Science's internal sales team. Sales of BlastX have increased rapidly since the product's launch as shown in Figure 2.11 below.

FIGURE 2.11 BLASTX US SALES



Since 1 January 2019, BlastX has been distributed and sold under an agreement with 3M's US health care business. Next Science has received orders for approximately US$1.2 million of BlastX since January 2019 following the execution of the agreement with 3M. The Company expects 3M to commence sales of BlastX in Europe in late 2019 under its global distribution agreement, subject to receiving the required CE Mark approval. Sales in Australia via 3M are expected to commence in late 2019, subject to receiving TGA approval.

2.5.3 TORRENTX WOUND WASH

Description of TorrentX

TorrentX is an advanced antimicrobial wound wash for use in all wounds in a non-sterile environment, such as at the site of an accident or in accident and emergency departments.

The combination of hydrodynamic washing action with the biofilm disrupting properties of Next Science's Xbio eliminates both free-floating and biofilm encased pathogens, promoting a better wound environment that can be more conducive to healing.

TorrentX has received FDA clearance as an over-the-counter drug for sale in the US market with approved indications for use to cleanse minor cuts, wounds and scrapes. The Company intends to make regulatory submissions for CE Mark in Europe and TGA approval in Australia in 2019.

FIGURE 2.12 TORRENTX WOUND WASH

TorrentX sales & distribution

TorrentX was released to the US market in December 2018. Initial sales in the US market are expected to commence in the first half of 2019. Next Science aims to enter into a distribution agreement with a market leader in wound care to expand the distribution channels for the product in the next 12 months.

2.5.4 SURGX STERILE ANTIMICROBIAL WOUND GEL

Description of SurgX

SurgX is an innovative surgical gel designed to help reduce superficial surgical site infections (**SSI**) and protect wound tissue to facilitate natural healing. SurgX is produced in sterile packaging as required for use in surgical theatre settings.

The Xbio technology incorporated into the product using proven ingredients and elegant chemistry eliminates the pathogens within the gel and forms a protective barrier over post-surgical wounds that defends them from infection and biofilm formation.

SurgX has received FDA 510(k) clearance and is for sale in the US market with approved indications for the management of post-surgical wounds, stage I-IV pressure ulcers, part and full thickness wounds, diabetic foot and leg ulcers, first and second degree burns and grafter and donor sites.

Regulatory submissions are being made for CE Mark (Europe) and TGA approval (Australia). Both approvals are expected to be received in 2019.

FIGURE 2.13 SURGX STERILE WOUND GEL

SurgX sales & distribution

Distribution of SurgX commenced in October 2018 through Next Science's sales team in the US. Initial sales have been made to Veterans Affairs clinics, Department of Defence hospitals and university hospitals. Next Science aims to enter into distribution agreements with suitable partners in the next 12 months to expand the distribution channels for SurgX.

2.5.5 XBIO ACNE TREATMENT

Description of Xbio acne treatment

Acne is a common skin condition, especially in adolescents and young adults. Approximately 50 million people in the United States have acne. It disproportionately impacts young people with approximately 85% of young people aged 12 to 24 in the US affected at some point. Acne can persist into adulthood and the prevalence in adult women is approximately 11%. Acne can be a source of physical and psychological issues, such as permanent scarring, poor self-image, depression, and anxiety.

Microbiologically, the main bacteria involved in chronic acne is Propionibacterium acnes (*p.acnes*) and this bacteria has the ability to form biofilms.

Commonly used over-the-counter treatments for acne include preparations containing salicylic acid or benzoyl peroxide (antibacterial) or adapalene. In the prescription market, antibiotics (both oral and topical) are used in the treatment of acne. This raises concerns that widespread use can contribute to antibiotic resistance.

Clinical tests indicate that Xbio technology can eliminate the biofilm and the associated *P.acnes* bacteria that is the leading cause of the chronic nature of some acne infections. Next Science's Xbio acne treatment is in the form of a gel or cream that is applied topically twice per day. It is non-toxic and is gentle on the skin. The product formulation has been finalised and sales and marketing are expected to commence in Australia in 2019. Acne treatment gel, when sold as a cosmeceutical product, does not require formal regulatory clearance in Australia or New Zealand.

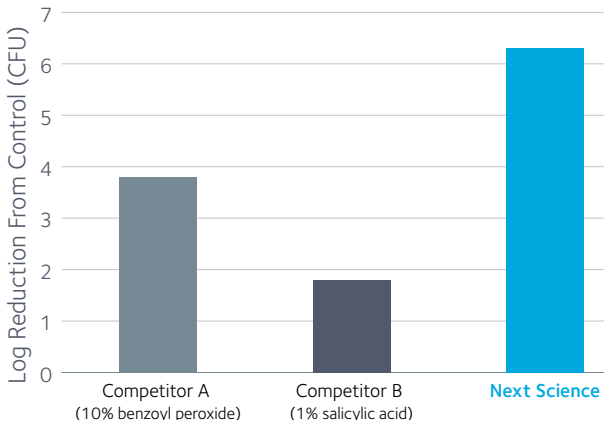
Clinical testing

A randomised clinical trial conducted by the Jacksonville Center for Clinical Research in 2016 has shown that acne products incorporating Xbio technology can deliver superior results compared to current acne treatments.

'Per the study performed, the use of Next Science Acne Gel yielded greatly reduced acne lesions and visibly improved dermal appearance, indicating not only has the natural skin been cleared of infection but the skin function of these patients is also being restored.'

Dr Bernhardt, Jacksonville Center for Clinical Research, Florida, USA, 2017

FIGURE 2.14 EFFECTIVENESS OF NEXT SCIENCE ACNE PRODUCT



The chart above uses a logarithmic scale where each unit on the Y-axis represents 10 times more effectiveness in eliminating bacteria.

Clinical testing of Next Science's acne product indicates superior results in bacteria removal than for leading competitor brands with active ingredients based on 10% benzoyl peroxide and 1% salicylic acid respectively. The chart below indicates the log reduction in removal of biofilm based on a bench test drip flow reactor with twice daily application over a three day period.

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Acne Product Distribution Strategy

Next Science's distribution strategy for its acne product is for the product to be contract manufactured on behalf of Next Science and sold on a wholesale basis to established cosmeceutical sales and marketing companies.

The Australian launch of Next Science's acne product is expected in the second half of 2019, under a five year agreement with AST, a division of Device Technologies Pty Ltd, as exclusive distributor of the product through AST's skin clinic network and as non-exclusive distributor via online sales in Australia and New Zealand.

'It is apparent in the study that by addressing the biofilm which protects the *p .acnes* bacteria through the use of Next Science Acne Gel, the incidence of acne symptoms can be greatly reduced, while having no negative impacts on the patients' skin. This yields a subsequent and substantive improvement in patients' quality of life and an improvement in overall skin health.'

Dr Bernhardt Jacksonville Center for Clinical Research (Florida USA 2017)

The Company intends to enter into distribution agreements with cosmeceutical companies in other markets to expand the distribution for its acne product.

2.6 PRODUCT DEVELOPMENT PIPELINE

In addition to the current portfolio of products in the market, Next Science has a development pipeline of potential future products both in medical devices and in drug applications. These products are not yet available for sale, and their effectiveness, timing, and potential for commercialisation are uncertain.

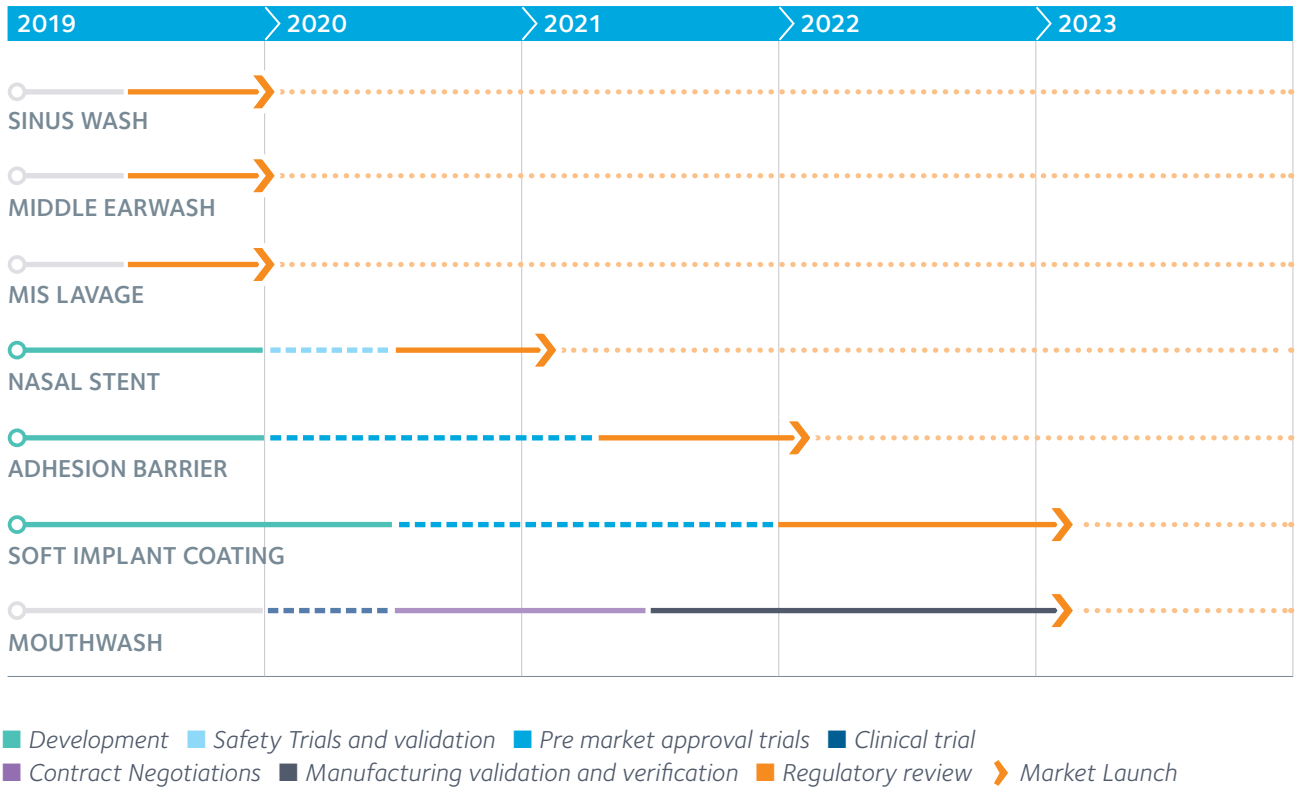
2.6.1 MEDICAL DEVICE AND OTHER PRODUCTS IN DEVELOPMENT

Next Science has a portfolio of medical device and other products under development and testing. As medical devices, the pathway for clearance in the US is through the FDA 510(k) pathway, which is typically a shorter approval process than for pharmaceutical products. There is no certainty that these products will result in commercial development. Medical device regulatory applications under development include:

Medical Device Product	Description
Sinus Lavage	The product is expected to be an adjunct to normal saline sinus lavage (or wash) in support of various sinus surgeries, especially functional endoscopic sinus surgery. Next Science believes that a sinus wash utilising Xbio technology may enhance sinus irrigation and debridement processes, promoting effective removal of common bacteria found in biofilms in sinus cavities. Next Science intends to submit this product to the FDA for approval in 2019.
Middle Ear Wash	The product is intended for use with patients suffering chronic ear infections that have chosen to have grommets and tubes inserted to try and resolve the infection (tympanostomy procedure). The product is expected to assist in washing away the biofilm and the bacteria from the area. Next Science intends to submit the product for FDA approval in 2019. This product is expected to be classified as a medical device under Class II(b) for CE Mark in Europe, but may be classified as a pharmaceutical product in the USA.
Minimally Invasive Surgical (MIS) Lavage	The product is intended to replace a saline wound lavage (wash) in minimally invasive surgery (MIS). Utilising Xbio technology, the MIS lavage is intended to enhance the irrigation and cleaning of any minimally invasive surgical site, including removing microorganisms from wounds. The product is expected to enable the effective elimination of biofilm and bacteria from the surgical site. Next Science expects to submit the product to the FDA for approval in 2019.
Nasal Packing Stent	This product intends to function both as a packing stent for recovery from nasal surgery and also an antimicrobial barrier to protect against infection during the recovery period. The packing stent is expected to resorb into the body and not require removal.
Adhesion Barrier	An adhesion barrier is a medical device that is implanted in the surgery field to prevent internal adhesions. It provides separation between organs as they heal, stopping adhesions which are known to cause complications and pain post abdominal surgery. The adhesion barrier from Next Science will incorporate Xbio technology and is expected to also provide antimicrobial protection post surgery.
Soft Coating for Implants	The Next Science antimicrobial Xbio soft coating is expected to be able to provide a zone of inhibition from infection for a device that is implanted in the body. The coating is intended to be applied to a device during surgery in the operating room. Post implantation, the zone of antimicrobial inhibition is expected to reduce the incidence of device related infections. This coating has potential application for all orthopaedic implants, cardiac devices, insulin pumps, catheters and LVAD connectors and any other devices implanted in the torso or limbs.
Over the Counter Product	**Description**
Mouthwash	Dental plaque is a biofilm and Next Science has patented the use of its Xbio technology for use in mouthwash formulations for both professional treatment and consumer use. Next Science intends to seek agreements to licence the technology to key providers in dental products markets and to major consumer product companies in the mouthwash market.

FIGURE 2.15 INDICATIVE DEVELOPMENT PIPELINE **MEDICAL DEVICE PRODUCTS**

The timeline below is indicative only and subject to change.



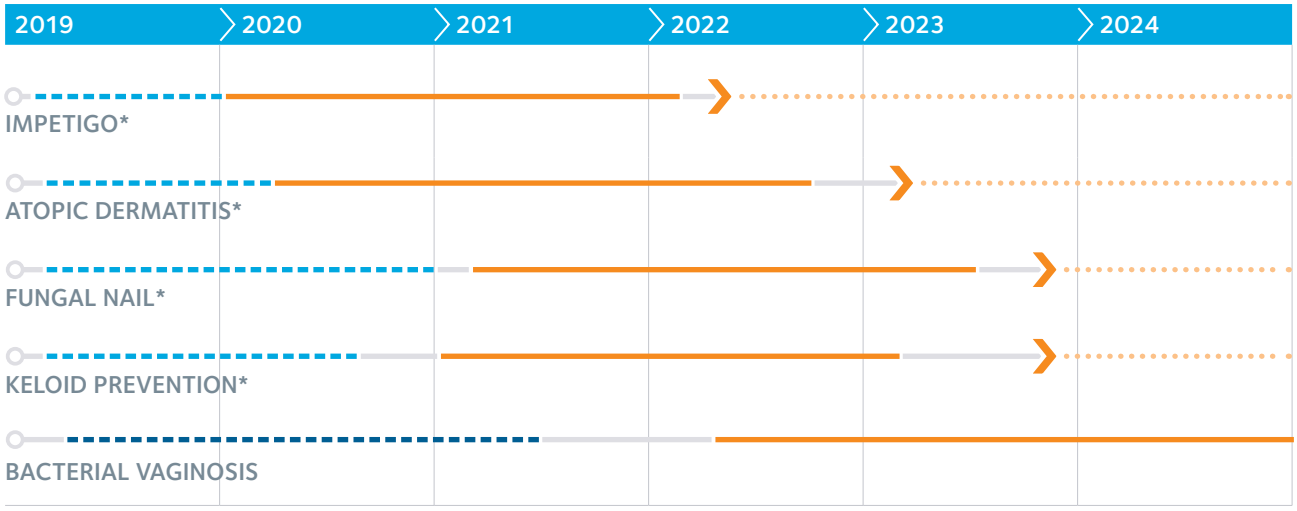
2.6.2 PHARMACEUTICAL PRODUCTS IN DEVELOPMENT

Next Science has a product development portfolio that includes a number of products and applications that will require approval as pharmaceuticals due to the efficacy claims that Next Science expects to be able to make. These products will have a longer timeline for testing, development, and regulatory approval than for medical devices. There is no certainty that these products will result in commercial development. The pharmaceutical products using Xbio technology that will be investigated using proceeds from the Offer include:

Pharmaceutical Product	Description
Topical Treatment for School Sores (Impetigo)	The product is intended to be used as a topical treatment that has the potential to resolve skin infections common in school age children.
Topical Treatment for Infected Atopic Dermatitis (Eczema)	The product is intended to be used as a topical treatment that has the potential to disrupt the biofilm and eliminate the bacteria, causing the infection allowing the inflammation to reduce and the skin to heal.
Topical Treatment for Fungal Nail (Onychomycosis)	The product is intended to be used as a topical treatment applied daily that has the potential to eliminate the fungus and allow a healthy nail to regrow.
Topical Preventative Treatment for Keloid scarring (lumpy, raised scars)	The product is intended to be used as a topical treatment that has the potential to prevent keloid scarring occurring, if used when a new scar is in the healing process. The treatment has the potential to regulate the production of Fibrin, so that over production does not occur.
Bacterial Vaginosis (BV) (bacterial vaginal infection)	The product is intended to be used as a topical gel with potential to treat BV and also act as a prevention method for those patients who have a history of chronic BV infections.

FIGURE 2.16 INDICATIVE DEVELOPMENT PIPELINE **PHARMACEUTICAL PRODUCTS**

The timeline below is indicative only and subject to change.



*These products will be submitted through the 505 2(b) Drug Approval Pathway.

2.6.3 RESEARCH PROJECTS

In addition to the product pipeline described above, the Company is researching a number of additional potential applications for its Xbio technology, including vascular grafts, lung infections and herniated discs. This research is at an early stage and there is no certainty that they will result in commercial development.

2.7 BUSINESS MODEL

Next Science's business model is to further develop and commercialise its proprietary Xbio technology in a range of products for the treatment of biofilm based infections.

The Company sources the manufacture of products under agreements with accredited third party manufacturers (GMP/ISO9000). Refer to Section 2.10 for additional information.

The Company currently generates revenues by offering its products for sale primarily through distribution partnerships with major health companies Zimmer Biomet and 3M, leveraging their established international sales forces.

In December 2018, Next Science restructured its sales channel due to the impending commencement of the distribution agreement with 3M (**Sales and Marketing Restructure**). The Sales and Marketing Restructure resulted in the reduction of 18 direct sales staff in the United States, and is expected to lead to an annual reduction in direct sales and marketing costs of approximately US$2.6 million. The distribution agreement with 3M is expected to provide Next Science with considerable extra sales reach through the breadth of 3M's global sales force.

Under the distribution agreements with 3M and Zimmer Biomet, the distributor is responsible for the sales and marketing of products to heath care professionals.

02 COMPANY OVERVIEW

2.8 BUSINESS STRATEGY AND GROWTH PLAN

Next Science's business strategy is to further the commercial development of products using its proprietary Xbio technology platform. Next Science intends to continue its strategy of sales through established distributors rather than directly market and sell its products itself.

The Company also intends to seek opportunities for:

a. technology licencing agreements for the inclusion of Xbio technology in products manufactured by others; and
b. strategic agreements with pharmaceutical companies for the delivery of Xbio technology in pharmaceutical products.

Next Science has the opportunity to grow:

a. organically by increasing market penetration of existing products in major therapeutic areas of the US market;
b. geographically by expansion of sales into new markets outside the US (subject to regulatory approvals);
c. by development and commercialisation of new products and applications for Xbio technology in human health; and
d. by extension of Xbio technology into applications outside of human health.

2.9 SIGNIFICANT DEPENDENCIES

The significant dependencies which underpin Next Science's business model and growth plan include:

a. successful completion of the Offer;
b. obtaining regulatory clearance for the Next Science products currently in development and ensuring ongoing compliance with regulatory regimes for existing products;
c. continuing to protect the Company's intellectual property rights in its proprietary Xbio technology;
d. maintaining key distribution contracts with 3M and Zimmer Biomet; and
e. satisfactory market adoption of Next Science's products.

2.10 MANUFACTURING

Next Science products are currently produced under contract by FDA and CE Mark audited contract manufacturers in the US, Europe and Mexico. Next Science's FDA clearances do not mandate the facility in which the products are made, allowing Next Science the flexibility to change manufacturers, with appropriate notice of termination. This agile manufacturing network reduces the capital costs of producing specialised products for specific markets and offers scale and volume benefits capable of supporting a sustained growth phase in major markets.

Current contracted manufacturers include:

a. Laboratorios Pisa, S.A. de C.V., Tjomulco Facility, Jalisco, Mexico, for the manufacture of Bactisure; and
b. HOLOPACK Verpackungstechnik GmbH, Sulzbach-Laufen, Germany, for the manufacture of TorrentX.

Key terms of these manufacturing contracts are summarised in Section 11.

In addition, Next Science has commercial arrangements in place for the manufacture of BlastX and SurgX with KIK Custom Products Inc. in Indiana and New York (**KIK**). As the scale of production increases, the Company intends to formalise these arrangements with KIK.

2.11 REGULATORY APPROVALS

FDA

Next Science has FDA clearances for four of its products and intends to continue to develop products that qualify as medical devices and are cleared through the FDA 510(k) process. A 510(k) is the technical dossier required by the US FDA to clear a medium-risk medical device or intravenous device for sale or distribution in the United States. A 510(k) contains detailed technical, safety, and performance information about a medical device.

Some of the Company's medical devices may require FDA pre-market approval (**PMA**), as set out in Section 2.6.1. PMA is the most stringent type of device marketing application required by FDA. The applicant must receive FDA approval of its PMA application prior to marketing the device. PMA approval is based on a determination by FDA that the PMA contains sufficient valid scientific evidence to assure that the device is safe and effective for its intended use(s).

Additionally, Next Science is developing certain treatments that can only be brought to market as pharmaceutical products due to having a greater impact on the human body or due to the need to verify and approve claims regarding medical efficacy that the Company wishes to make. Some of these pharmaceutical products will qualify for the streamlined New Drug Application (**NDA**) process (also referred to as a 505(b)(2) process) for drug approvals in the US, which would provide a timeline of 3-4 years depending on the time required for clinical trials. Some of the products in the development pipeline will require extensive drug trials and may take 7 to 8 years to obtain clearance.

Next Science also intends to continue to develop products that qualify as over the counter products. Rather than reviewing individual products separately, the FDA publishes an over the counter drug monograph for each class of drug. Any over the counter product which falls within an approved, final monograph can be marketed without separate FDA approval for the specific product. If an over the counter product does not fall within a published drug monograph, FDA approval will need to be sought under the NDA process outlined above.

While FDA clearances do not expire, companies must remain in compliance with FDA regulations and pay any required annual registrations fees to continue selling their products in the US.

CE Mark

Next Science has made submissions for CE Mark approval for supply in Europe for various products and intends to make submissions for additional products.

To obtain CE Mark clearance for supply in Europe, a company must prepare a technical file or design dossier containing detailed technical, safety, and performance information about a medical device. The relevant information is then audited by a special conformity assessment body (being entities approved by the EU for CE Mark auditing purposes). Depending on the type of product that is to be supplied, different regulatory requirements will apply. While CE Mark certifications do not expire, companies must remain in compliance with EU Directives to continue selling their products in Europe.

TGA

Next Science intends to make submissions for TGA approval and authorisation for supply in Australia for various products and intends to make submissions for additional products.

To obtain TGA approval and authorisation for supply in Australia, the product must be entered into the Australia Register of Therapeutic Goods (**ARTG**). Products will be entered into the ARTG when medicine, biological or medical device applications have been validated or when higher risk products have been assessed as meeting prescribed quality and safety requirements. Depending on the type of product that is to be supplied, different application processes and regulatory requirements will apply.

2.12 INTELLECTUAL PROPERTY

Next Science owns 100% of the patent protected intellectual property relating to its Xbio technology. The Company has sought patent protection across a wide range of applications and in all key geographic markets. The key patents underpinning the general technology platform are as follows:

Title of general technology platform patent	Registered patent number
Solid Forms (coating technologies for catheters, surgical implants, sutures)	Multiple patents granted US & Australia, (2012253476, 10,054,527, 2015261645)
Caustic Compositions (gels and washes for healthcare uses including reprocessing)	Multiple patents, Australia, US, Japan and Intention to grant in Europe
Caustic Compositions (washes /lavages /rinses)	Multiple patents in the US, Pending EPC, Japan, US

Additional specific patents have been awarded with claims in wound gel, acne treatment, oral rinse, and post surgical disinfection as set out in the following table:

Specific claim	Registered patent number
Wound Gel	2012381331, 6236390, 9,730,903
Acne product	2014259670, 6430490, 10,021,876
Oral rinse	9,872,843, 10,166,208

Patent applications under review include specific claims in internal *P.acne* infections, keloid abatement, minimum ciliotoxicity for use in treating sinus and middle ear infections. A detailed review of the patents is set out in the Patent Portfolio Report in Section 5.

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MARKET OPPORTUNITY

03 MARKET OPPORTUNITY

3.1 INTRODUCTION

Next Science believes its proprietary Xbio technology has applications to treat biofilm protected bacteria across a wide range of industries. These include applications in human health, animal health, food safety and in industrial, medical and domestic cleaning.

Next Science's primary focus is on human health. Next Science believes that focusing on improving human health will have the greatest positive impact on society and will underpin the success of the Company.

Information on the Company's current products and product development pipeline is set out in Sections 2.5 and 2.6. The Company's initial focus is on the commercialisation of its current products in the following three markets:

a. Surgical Site Infection
   i. Surgical Lavage for open surgery and prosthetic joint infection (Bactisure)
   ii. Sterile Antimicrobial Wound Gel (SurgX)

b. Chronic Wound Care
   i. Antimicrobial Wound Gel (BlastX)
   ii. OTC Wound Wash (TorrentX)

c. Dermatology
   i. Next Science acne product (Cosmeceutical product).

The key barriers to entry into these markets are:

a. obtaining the requisite regulatory clearances for products, as further described in 2.11;
b. access to and protection of intellectual property, as outlined in Section 2.12;
c. the well-established nature of existing treatments for microbial infections (for example, use of antibiotics), which could hinder or delay the adoption of Next Science's products given the novel nature of Next Science's technology; and
d. access to substantive capital, which is required to develop technologies such as the Xbio technology.

3.2 SURGICAL SITE INFECTION MARKET

Surgical Site Infections (**SSIs**) are one of the most common type of hospital acquired infections (**HAI**) in the world, leading to major impacts on human health and significant financial burdens on the healthcare systems and on patients.

SSIs are surgical site infections that develop within 30 days to one year of surgery, where the infection appears to be related to the surgery.[1]

The US Centers for Disease Control and Prevention estimated that there were 51 million inpatient surgical procedures performed in 2010 in the United States.[2] The estimated annual cost of managing SSIs from inpatient hospital procedures in the US is between US$3.5 - US$10 billion.[3] US hospitals are motivated to reduce SSI rates as the hospital is required to absorb many of the costs associated with HAIs (including SSIs) for Medicare patients. In 2017, Next Science entered the US market with products for preventing or treating SSIs through its distribution agreement for Bactisure with Zimmer Biomet. Sales of Bactisure from commencement until 31 December 2018 are shown in Section 2.5.1.

1 *Darouiche, R. "Surgical site infections" Infectious Disease Advisor, https://www.infectiousdiseaseadvisor.com/home/decision-support-in-medicine/hospital-infection-control/surgical-site-infections/ (last accessed 27 February 2019).*
2 *"Surgery statistics", John Hopkins Medicine, https://www.hopkinsmedicine.org/healthlibrary/conditions/surgical_care/surgery_statistics_85,P01412 (last accessed 25 February 2019). Updated data for this specific information is not available.*
3 *Ban, K.A. et al. 2016 "American College of Surgeons and Surgical Infection Society: Surgical Site Infection Guidelines, 2016 Update, Journal of the American College of Surgeons 224(1), 59-74.*

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The human cost of SSIs is significant. Device related SSIs may result in revision surgery.

In the case of orthopaedic prosthesis (e.g. knee replacements) a revision procedure could be a two-stage process whereby the infected implant is first removed; the patient is treated with intra-venous antibiotics and the prosthesis cavity is packed with an antibiotic-impregnated static spacer. The patient may be forced to carry the static spacer for months until all infection clears from the site. During such time, the patient loses use of that joint (which in real terms means a person is wheelchair or bed bound for that entire period). After the infection is cleared a functional replacement joint may be implanted.

Giving birth by caesarean section is another higher risk procedure. Caesarean sections are increasingly common (in 2014, 32% of births in the US – over 1.2 million births[4]) and have been shown to have SSI rates as high as 5.5% in the US[5].

As many as two thirds of SSIs involve a biofilm.[6] Biofilms play a significant role in both device related and tissue based infections. Three bacteria (*S.epidermis*, *S.aureus* and *P.aeruginosa*) make up the majority of the biofilms found on medical devices.

Testing has shown, when a biofilm is washed with Bactisure, less than one bacteria in a million survive. This is 1000 times more effective than other surgical wash products approved for use in humans. (see Section 2.5.1)

Competitors for Bactisure and SurgX

Key competitors for Bactisure include saline (salt) solution and a range of surgical disinfectant products based primarily on povidone iodine or chlorhexidine gluconate. Clinical evidence indicates that Bactisure is both non-toxic and more effective in the removal of biofilm in open surgeries than the above treatments (see Section 2).

3.3 WOUND CARE MARKET

The Company's first target markets for BlastX are US, Australia, UK and Germany, which have the following numbers of patients suffering from chronic wounds:

US	6.7 million patients (2017)[7]
Australia	0.4 million patients (2018)[8]
UK	2 million patients (2017)[9]
Germany	more than 2.5 million patients (2013)[10]

4 *Kawakita, T. and Landy, H.J. 2017, "Surgical site infections after cesarean delivery: epidemiology, prevention and treatment" Matern Health Neonatal Perinatol 3, 12. Updated data for this specific information is not available.*
5 *Moulton, L.J. 2018, "Surgical site infection after cesarean delivery: incidence and risk factors at a US academic institution" Journal of Maternal-Fetal & Neonatal Medicine 31(14), 1873-1880*
6 *Percival, S.L. 2015 "Healthcare-associated infections, medical devices and biofilms: risk, tolerance and control" Journal of Medical Microbiology 64, 323-334.*
7 *Healogics 2017 "Wound care by the numbers: Medicare cost and utilization of patients with chronic wounds, Healogics; Wound Science Initiative (2017).*
8 *"Advancing the treatment of chronic wounds is essential for all Australians" 2018 Curtin University https://news.curtin.edu.au/stories/advancing-treatment-chronic-wounds-essential-australians/ (last accessed 27 February 2019).*
9 *"Reality of wound care in 2017" 2018 Journal of Community Nursing 32(1), 56-61.*
10 *Klein. S et al. 2013 "Evidence-based topical management of chronic wounds according to the T.I.M.E principle" Journal of the German Society of Dermatology 1610-0379/2013/1109, 819-829. Updated data for this specific information is not available.*

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The burden on human health care caused by chronic wounds is very high. Chronic wounds can be debilitating and have a negative impact on quality of life. Approximately 6.7 million of these patients are in the US and cost US$50 billion dollars per annum to treat[11].

In terms of direct product costs, the global cost of the chronic wound market was estimated to be approximately US$13.7 billion in 2016, with US$4.34 billion and US$3.96 billion being attributed to the EU and the US respectively[12]. Next Science has recently entered the chronic wound care market through its distribution agreement with 3M.

Competitors for BlastX

Despite significant advancements in wound management, wound infections and the management and treatment of infections with biofilms remain an unmet medical need.

The wound care market is broad, with competing products sold in markets globally. Current therapies used to manage infected wounds (in addition to debridement) are antibiotics (topical, oral and IV in severe cases), silver-based preparations, PHMB (polyhexamethylene biguanide) preparations, cadexomer iodine as well as other compounds in multiple formats. However, an effective treatment for adequately dismantling and removing biofilms, which harbor persisting pathogens and allow for the perpetuation of chronic wound infections, has been elusive prior to the introduction of BlastX to the US market in 2017.

3.4 DERMATOLOGY – ACNE MARKET

Dermatology refers to medical conditions concerned with the skin, nails, hair and its diseases and aesthetics. Next Science's first dermatology product is for the treatment of biofilm and bacteria associated with chronic acne.

Acne market opportunity

The annual direct costs associated with acne treatment are estimated to exceed US$3 billion in the US alone[13], and US$4.9 billion globally.[14] The global non-prescription dermatology market as it relates to acne was worth approximately US$2.5 billion in 2015[15]. Next Science expects to enter the acne treatment market in Australia in the second half of 2019 (see Section 2.5). The Company is also pursuing opportunities for entry into the acne market in the US, Europe and Japan.

Competitors for Next Science Acne Treatment

There are a large number of companies with acne treatment products sold in markets globally, including some backed by large multi-nationals. Next Science acne treatment will be entering a competitive market which already has a wide range of products in the form of gels, creams, washes, scrubs and foams based on a range of active ingredients including salicylic acid, benzoyl peroxide, and/or adapalene. Information on Next Science's Xbio acne treatment is provided in Section 2.5.5.

3.5 OTHER MARKET OPPORTUNITIES

Next Science has a pipeline of potential future products both in medical devices and in pharmaceutical applications. The market opportunity for these products varies widely. These products are under development and testing and are not yet available for sale, and their effectiveness, timing, and potential for commercialisation are uncertain. Further information on products in development is set out in Section 2.6.

11 Healogics 2017 "Wound care by the numbers: Medicare cost and utilization of patients with chronic wounds, Healogics; Wound Science Initiative.
12 Markets and Markets 2016 "Wound care market - global forecast to 2021", 35-126.
13 Zaenglein, A.L. 2016 "Guidelines of care for the management of acne vulgaris" Journal of the American Academy of Dermatology 74(5), 945-973.
14 "Global acne treatment market is set to witness a CAGR of 4.6% over the forecast period (2017-2025)" 2017 Persistence Market Research https://www.persistencemarketresearch.com/mediarelease/acne-treatment-market.asp (last accessed 27 February 2019).
15 Ibid.

04

FINANCIAL INFORMATION

04 FINANCIAL INFORMATION

4.1 INTRODUCTION

Financial information for Next Science is set out below for the historical financial years ended 31 December 2016 (**FY16**), 31 December 2017 (**FY17**) and 31 December 2018 (**FY18**) (the **Historical Period**).

This section contains a summary of the statutory historical financial information and pro forma historical financial information of Next Science as defined below.

The statutory historical financial information comprising:

a. Statutory historical consolidated statements of profit or loss for FY16, FY17 and FY18 (**Statutory Historical Income Statements**);

b. Statutory historical consolidated cash flows for FY16, FY17 and FY18 (**Statutory Historical Cash Flows**); and

c. Statutory historical consolidated statement of financial position as at 31 December 2018 (**Statutory Historical Balance Sheet**),

(the **Statutory Historical Financial Information**).

The pro forma historical financial information comprising:

a. Pro Forma historical consolidated statements of profit or loss for FY16, FY17 and FY18 (**Pro Forma Historical Income Statements**);

b. Pro Forma historical consolidated cash flows for FY16, FY17 and FY18 (**Pro Forma Historical Cash Flows**); and

c. Pro Forma historical consolidated statement of financial position as at 31 December 2018 (**Pro Forma Historical Balance Sheet**),

(the **Pro Forma Historical Financial Information**).

The Statutory Historical Financial Information and the Pro Forma Historical Financial Information forms the **Financial Information**.

The Pro Forma Historical Financial Information has been reviewed in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Fundraising and/or Prospective Financial Information, by KPMG Financial Advisory Services (Australia) Pty Ltd (the **Investigating Accountant**) whose Investigating Accountant's Report is contained in Section 9. Investors should note the scope and limitations of the report. Also summarised in this section are:

a. the basis of preparation and presentation of the Financial Information (Section 4.2);

b. commentary on the liquidity of, and the sources of capital available to the Company (Section 4.9); and

c. Management's discussion and analysis of the Pro Forma Historical Income Statements and Pro Forma Historical Cash Flows (Section 4.11).

The information in Section 4 should be read in conjunction with the risk factors set out in Section 6 and other information contained in this Prospectus.

Next Science's presentational currency has been assessed as USD as the majority of trading inflows and expenses are denominated in USD. Therefore, all amounts disclosed in the tables are presented in USD and unless otherwise noted, are rounded to the nearest $1,000. Rounding of figures provided in the Financial Information may result in some immaterial rounding differences between the sum of components and the totals outlined within tables and percentage calculations.

4.2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the underlying historical financial performance, cash flows and financial position of Next Science. The Directors are responsible for the preparation and presentation of the Financial Information.

The Financial Information, except where otherwise noted, has been prepared and presented in accordance with the recognition and measurement principles of the Australian Accounting Standards (**AAS**), which are consistent with the International Financial Reporting Standards (**IFRS**) and interpretations issued by the International Accounting Standards Board. The Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures,

statements or comparative information as required by the AAS applicable to annual financial reports prepared in accordance with the Corporations Act.

The significant accounting policies adopted in the preparation of the Financial Information are set out in Section 10 and have been consistently applied throughout the Historical Period presented in this Prospectus.

The Company has one reporting segment under AASB 8 Operating Segments, being the provision of research, development and distribution of technologies with bacterial issue application. As the business develops further products and markets, additional operating segment information may be provided.

4.2.1 PREPARATION OF THE STATUTORY HISTORICAL FINANCIAL INFORMATION

Whilst the business has operated continuously in the Historical Period, the Group's structure and ultimate parent entity changed in FY17. As such, the Statutory Historical Financial Information has been extracted from the audited financial statements of the ultimate parent entity of the Next Science Group in each financial period as follows:

a. Microbial Defense System Holdings Inc. for FY16;

b. Microbial Defense System Holdings Inc. for FY17, representing the entity within the Next Science Group that reported the large majority of the Group's FY17 trading prior to the Corporate Restructure that occurred on 27 December 2017 (refer to Section 4.2.2); and

c. Next Science Limited for FY18 (Next Science Group Pty Limited changed its name to Next Science Limited).

The financial statements of these entities were audited during the Historical Period.

The financial statements for Microbial Defense System Holdings Inc. in FY16 and FY17 and Next Science Limited in FY18 were prepared in accordance with IFRS, and audited by KPMG with unqualified audit opinions issued.

In the FY16, FY17 and FY18 financial statements, without qualifying their opinion, KPMG included in their auditor's report an Emphasis of Matter in relation to uncertainty regarding Next Science's ability to operate as a going concern. The Directors are confident that on Completion, the Company will have sufficient working capital to meet its debts as they arise and to continue trading as a going concern. At the date the financial statements were finalised there was uncertainty relating to Next Science operating as a going concern in the event that the planned IPO does not proceed. In this scenario, the Company would continue to manage its cash outflows and the Directors undertake alternative plans to raise additional finance as required.

4.2.2 NEXT SCIENCE CORPORATE RESTRUCTURE DURING FY17

In FY17, the Next Science Board took the decision to restructure the Next Science Group with the creation of an Australian based entity, Next Science Group Pty Limited, which became the ultimate parent entity of the Next Science Group (**Corporate Restructure**).

As part of the Corporate Restructure, Next Science Group Pty Limited acquired Microbial Defense System Holdings Inc. thus becoming the ultimate parent entity of the Next Science Group at that time. The Corporate Restructure was formalised on 27 December 2017 and was accounted for as a common control transaction whereby the assets and liabilities were accounted for by carrying forward the existing book values. Following the Corporate Restructure, the consolidated results of the Group were presented within Next Science Group Pty Limited subsequently renamed Next Science Limited.

4.2.3 PREPARATION OF THE PRO FORMA HISTORICAL FINANCIAL INFORMATION

The Pro Forma Historical Financial Information has been prepared for the purpose of this Prospectus and has been derived from the Statutory Historical Financial Information to illustrate the net income, assets, liabilities and cash flows of Next Science adjusted for certain pro forma amounts.

The Pro Forma Historical Financial Information has been adjusted in each of FY16, FY17 and FY18 to reflect the pro forma impact of:

a. incremental costs of being a publicly listed entity;

b. the consistent adoption of IFRS15 Contracts with Customers (**IFRS15**) revenue accounting standard; and

c. the Offer including capital raised and Offer costs, reflecting the pro forma capital structure expected to be in place at Completion.

4.2.4 FORECAST FINANCIAL INFORMATION

The Directors have considered the requirements of ASIC Regulatory Guide 170 Prospective financial information (**RG170**) to determine if prospective financial information should be included in this Prospectus. The Directors have determined that, as at the date of this Prospectus, Next Science does not have a reasonable basis to reliably forecast future earnings and accordingly forecast financial information is not included in this Prospectus. There is uncertainty in relation to the quantum and timing of Next Science's future revenue with limited sales history, regulatory uncertainties and also a recent restructure of the sales and marketing team (refer to Section 4.11), resulting in a level of unpredictability in the timing, quantum and recognition of future results.

4.2.5 NON-IFRS FINANCIAL MEASURES

Next Science uses certain measures to manage and report on its business that are neither recognised under AAS, nor under IFRS. These measures are collectively referred to as non-IFRS financial measures. These non-IFRS financial measures do not have a prescribed definition under AAS or IFRS and therefore may not be directly comparable to similarly titled measures presented by other entities. These should not be construed as an indication of, or an alternative to, corresponding financial measures determined in accordance with AAS or IFRS. Although Next Science believes these non-IFRS financial measures provide useful information to users in measuring the financial performance and condition of the business, investors are cautioned not to place undue reliance on any non-IFRS financial measures included in the Prospectus.

In the disclosures in this Prospectus, Next Science uses the following non-IFRS financial measures:

a. **Other income:** includes other revenue largely relating to the recognition of deferred revenue;
b. **Cost of sales:** comprises cost of materials, contract manufacturing and freight. Cost of sales are recognised when inventory is sold;
c. **Gross profit:** total income less cost of sales;
d. **Gross margin:** gross profit divided by total income expressed as a percentage;
e. **EBITDA:** earnings before interest, tax, depreciation and amortisation. Management uses EBITDA to evaluate the operating performance of the business. EBITDA can be useful to help understand the cash generation potential of the business. EBITDA should not be considered as an alternative to measures of cash flow under IFRS and investors should not consider EBITDA in isolation from, or as a substitute for, an analysis of the results of Next Science's operations;
f. **EBIT:** earnings before interest and tax;
g. **Capital expenditure:** includes investment in property, plant and equipment including leasehold improvements and IT equipment;
h. **Working capital:** trade and other receivables, inventory, other current assets, FX translation reserve, less trade and other payables, employee benefits and deferred revenue;
i. **Operating cash flow:** EBITDA after the removal of non-cash items in EBITDA and inclusive of changes in working capital; and
j. **Free cash flow:** operating cash flow after capitalised development costs and capital expenditure, and before financing activities. Free cash flow therefore excludes the cash flows relating to any capital raising and finance related amounts.

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4.3 PRO FORMA HISTORICAL INCOME STATEMENTS

Set out below in Figure 4.1 is a summary of Next Science's Pro Forma Historical Income Statements for FY16, FY17 and FY18.

FIGURE 4.1 SUMMARY OF PRO FORMA HISTORICAL INCOME STATEMENTS

US$('000)		Pro Forma Historical[1]		
Year ended 31 December	**Notes**	**FY16**	**FY17**	**FY18**
Income		88	483	2,730
Other income		54	65	114
Total income	2	**142**	**548**	**2,845**
Cost of sales		(161)	(124)	(370)
Gross profit		**(18)**	**424**	**2,474**
Research and development	3	(516)	(664)	(1,242)
Employee expenses		(1,100)	(2,329)	(10,380)
Sales and marketing		(237)	(128)	(499)
Consultancy and regulatory		(993)	(1,893)	(1,401)
General and administration		(1,809)	(2,175)	(3,650)
Total operating expenses		**(4,655)**	**(7,189)**	**(17,173)**
EBITDA	4	**(4,673)**	**(6,765)**	**(14,699)**
Depreciation and amortisation		(83)	(159)	(244)
EBIT	4	**(4,756)**	**(6,924)**	**(14,944)**
Net finance income/(expense)	5,6	-	-	128
Profit before taxation		**(4,756)**	**(6,924)**	**(14,815)**
Income tax (expense)/ benefit	7	-	-	-
NPAT		**(4,756)**	**(6,924)**	**(14,815)**

Note 1: The Pro Forma Historical Income Statements are reconciled to the Statutory Historical Income Statements in Section 4.4.

Note 2: Total pro forma income includes revenue from product sales and the recognition of revenue from the amortisation of milestone payments received consistent with IFRS15.

Note 3: Research and development expenses reflect the net amount of spend in the period and is after the capitalisation of development costs, trademarks and patents.

Note 4: Refer to Section 4.2.5 for definitions of EBITDA and EBIT.

Note 5: No pro forma interest income has been assumed through the Historical Period. Next Science is expected to hold cash following the Offer with its intended use of the proceeds to invest in the growth of the business.

Note 6: Amounts included within net finance income / (expense) relate to unrealised FX gains recognised in FY18 arising from the translation of foreign denominated balances (in USD) held by the Group's Australian based entity, Next Science Technologies Pty Limited, whose functional currency is AUD and differs from the Group's functional currency of USD. No FX gain or loss was recorded in FY16 or FY17 as Next Science Technologies Pty Limited had minimal foreign denominated balances during those periods.

Note 7: No pro forma tax expense or benefit has been presented. Although Next Science has incurred tax losses during the Historical Period, tax losses may be not be available against future taxable profits and therefore a tax benefit has not been recognised.

04 FINANCIAL INFORMATION

4.4 RECONCILIATION OF STATUTORY AND PRO FORMA HISTORICAL INCOME STATEMENTS

In presenting the Pro Forma Historical Income Statements included in this section, certain adjustments to the Statutory Historical Income Statements were made. These pro forma adjustments are summarised below in Figure 4.2.

FIGURE 4.2 RECONCILIATION OF STATUTORY AND PRO FORMA HISTORICAL INCOME STATEMENTS

US$('000)		Historical		
Year ended 31 December	**Notes**	**FY16**	**FY17**	**FY18**
Statutory income		**1,092**	**4,082**	**2,845**
Intergroup income from the Corporate Restructure	1	-	(3,583)	-
Impact of adoption of IFRS15	2	(950)	50	-
Pro Forma income		**142**	**548**	**2,845**

Note 1: As part of the Corporate Restructure outlined in Section 4.2.2, intercompany income of US$3.6 million was recorded in the FY17 Statutory Historical Income Statement. As this was a common control related party restructure, and non-operational in nature, this income has been reversed as a pro forma adjustment.

Note 2: In FY16, Next Science received a milestone payment of US$1.0 million in respect of a distribution agreement. Under IFRS15, effective for FY18, this amount is required to be amortised over the life of the contract being 20 years (US$50,000 of revenue to be recognised per annum). Pro Forma adjustments were made to ensure application of IFRS15 was consistent across the Historical Period with US$1.0 million of income derecognised in FY16 and US$50,000 recognised in both FY16 and FY17 with a FY16 net US$950,000 derecognition. The Statutory Historical Income Statements for FY16 and FY17 were prepared prior to the implementation of IFRS15. In FY18, revenue was recognised in line with IFRS15 with no adjustment therefore required.

US$('000)		Historical		
Year ended 31 December	**Notes**	**FY16**	**FY17**	**FY18**
Statutory EBITDA		**(2,431)**	**(2,291)**	**(13,570)**
Intergroup EBITDA impact of the Corporate Restructure	1	-	(3,231)	-
Impact of adoption of IFRS15	2	(950)	50	-
Incremental public company costs	3	(1,292)	(1,292)	(1,129)
Pro Forma EBITDA		**(4,673)**	**(6,765)**	**(14,699)**

Note 1: As part of the Corporate Restructure outlined in Section 4.2.2, intergroup income of US$3.6 million was recorded in the FY17 Statutory Historical Income Statement. The intergroup income was offset by intergroup payments of US$0.4 million.

Note 2: Impact of IFRS15, refer to Note 2 above.

Note 3: Public company costs represent Next Science's estimate of the incremental costs of operating as a publicly listed company, inclusive of additional Board fees (US$0.5 million), the impact of the executive incentive plan (US$0.4 million) and additional company secretarial, legal and advisor costs (US$0.1 million). In FY18, US$0.2 million of the incremental costs had been incurred, primarily through the creation of the Next Science Board, including the appointment of the chair and non-executive directors.

US$('000)		Historical		
Year ended 31 December	**Notes**	**FY16**	**FY17**	**FY18**
Statutory NPAT		**(2,523)**	**(2,443)**	**(13,748)**
Intergroup Profit Before Tax impact of the Corporate Restructure	1	-	(3,231)	-
Impact of adoption of IFRS15	2	(950)	50	-
Incremental public company costs	3	(1,292)	(1,292)	(1,129)
Net finance income/(expense)	4	9	(8)	(17)
Interest on Converting Notes	5	-	-	78
Pro Forma NPAT		**(4,756)**	**(6,924)**	**(14,815)**

Note 1: Impact of the Corporate Restructure discussed in Note 1 above.

Note 2: Impact of IFRS15, refer to Note 2 above.

Note 3: Public company costs as discussed in Note 3 above.

Note 4: Pro Forma net finance income / (expense) associated with cash holdings has been assumed to be nil. Statutory net finance income /(expense) includes interest income, interest expense, unrealised foreign exchange gains and losses.

Note 5: In November 2018, Next Science issued Converting Notes, which convert to ordinary shares on Completion of the IPO. The Converting Notes have a coupon rate of 8%. The pro forma adjustment reverses the interest expense recognised in FY18 attached to the Converting Notes, as this structure will not be in place post Completion.

04 FINANCIAL INFORMATION

4.5 STATUTORY HISTORICAL INCOME STATEMENTS

Set out in Figure 4.3 is a summary of the Statutory Historical Income Statements for Next Science for FY16, FY17 and FY18.

FIGURE 4.3 STATUTORY HISTORICAL INCOME STATEMENTS FOR NEXT SCIENCE FOR FY16, FY17 AND FY18

US$('000)	Statutory Historical[1,2]		
Year ended 31 December	**FY16**	**FY17**	**FY18**
Income	88	483	2,730
Other income	1,004	3,598	114
Total income	**1,092**	**4,082**	**2,845**
Cost of sales	(161)	(124)	(370)
Gross profit	**932**	**3,958**	**2,474**
Research and development	(516)	(664)	(1,242)
Employee expenses	(1,100)	(2,329)	(10,380)
Sales and marketing	(237)	(128)	(499)
Consultancy and regulatory	(993)	(1,893)	(1,401)
General and administration	(517)	(1,235)	(2,521)
Total operating expenses	**(3,363)**	**(6,249)**	**(16,044)**
EBITDA	**(2,431)**	**(2,291)**	**(13,570)**
Depreciation and amortisation	(83)	(159)	(244)
EBIT	**(2,514)**	**(2,451)**	**(13,815)**
Net finance income/(expense)	(9)	8	67
Profit before taxation	**(2,523)**	**(2,443)**	**(13,748)**
Income tax (expense)/ benefit	-	-	-
NPAT	**(2,523)**	**(2,443)**	**(13,748)**

Note 1: The Statutory Historical Income Statements have been extracted from Next Science's FY16, FY17 and FY18 audited financial statements as outlined in Section 4.2.1.
Note 2: The Pro Forma Historical Income Statements are reconciled to the Statutory Historical Income Statements in Section 4.4.

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4.6 PRO FORMA HISTORICAL CASH FLOWS

Set out in Figure 4.4 is a summary of the Pro Forma Historical Cash Flows for FY16, FY17 and FY18.

FIGURE 4.4 PRO FORMA HISTORICAL CASH FLOWS

US$('000)		Pro Forma Historical		
Year ended 31 December	**Notes**	**FY16**	**FY17**	**FY18**
EBITDA		**(4,673)**	**(6,765)**	**(14,699)**
Non-cash items in EBITDA	1	(35)	237	593
Changes in working capital	2	1,004	51	522
Operating cash flow		**(3,705)**	**(6,477)**	**(13,584)**
Capitalised development costs	3	(148)	(248)	(648)
Capital expenditure	4	(133)	(326)	(345)
Free cash flow		**(3,987)**	**(7,050)**	**(14,577)**

Note 1: Non-cash items in EBITDA relate to a share based payment component of the executive incentive plan and unrealised foreign exchange gains and losses.

Note 2: Changes in working capital comprise movements in trade and other receivables, inventory, other current assets, trade and other payables, FX translation reserve, employee benefits provisions and deferred income.

Note 3: Capitalised development costs include the capitalisation of costs for trademarks, development costs and patents.

Note 4: Capital expenditure includes computer and lab equipment.

4.7 RECONCILIATION OF STATUTORY AND PRO FORMA HISTORICAL CASH FLOWS

Figure 4.5 sets out the pro forma adjustments that have been made to the Statutory Historical Cash Flows for FY16, FY17 and FY18.

FIGURE 4.5 PRO FORMA ADJUSTMENTS TO THE STATUTORY HISTORICAL CASH FLOWS

US$('000)		Historical		
Year ended 31 December	**Notes**	**FY16**	**FY17**	**FY18**
Statutory free cash flow	1	(2,695)	(5,773)	(13,613)
Impact of the Corporate Restructure	2	-	15	-
Incremental public company costs	3	(1,292)	(1,292)	(1,129)
Impact of adoption of IFRS15	4	(950)	50	-
Pro Forma working capital adjustment	5	950	(50)	-
Prepayment of Offer costs	6	-	-	166
Pro Forma free cash flow		**(3,987)**	**(7,050)**	**(14,577)**

Note 1: Statutory free cash flow excludes financing cash flows.

Note 2: Reflects the cash flows in respect of the Corporate Restructure undertaken in FY17.

Note 3: Public company costs represent Next Science's estimate of the incremental costs of operating as a publicly listed company, as discussed in Section 4.4.

Note 4: Impact of IFRS15 in FY16 and FY17 as outlined in Section 4.4. No adjustment has been made to FY18 as revenue has been recognised in line with IFRS15 and is reflected within Statutory free cash flow.

Note 5: The adjustment reflects the actual cash flow relating to the receipt of the milestone payment referred to in Note 4.

Note 6: US$0.2 million of Offer costs were prepaid as at 31 December 2018.

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4.8 PRO FORMA HISTORICAL BALANCE SHEET

Figure 4.6 below presents the Statutory Historical Balance Sheet of Next Science as at 31 December 2018 adjusted to reflect the impact of the Offer as if it had taken place as at 31 December 2018.

The Pro Forma Historical Balance Sheet is provided for illustrative purposes and is not represented as being indicative of Next Science's view of its potential future financial position.

FIGURE 4.6 PRO FORMA HISTORICAL BALANCE SHEET AS AT 31 DECEMBER 2018

US$('000)				
As at 31 December 2018	**Notes**	**Statutory**	**Impact of the Offer**	**Pro Forma**
Assets				
Current assets				
Cash and cash equivalents	1	7,211	23,389	30,600
Trade and other receivables		784	-	784
Inventory		309	-	309
Other current assets	2	379	(166)	214
Total current assets		**8,684**	**23,223**	**31,907**
Non-current assets				
Trade and other receivables		124	-	124
Property, plant and equipment		639	-	639
Intangible assets		1,183	-	1,183
Total non-current assets		**1,946**	**-**	**1,946**
Total assets		**10,630**	**23,223**	**33,853**
Liabilities				
Current liabilities				
Trade and other payables		1,153	-	1,153
Deferred income		222	-	222
Converting notes	3	7,069	(7,069)	-
Provisions		109	-	109
Total current liabilities		**8,553**	**(7,069)**	**1,484**
Non-current liabilities				
Deferred income		1,671	-	1,671
Provisions		2	-	2
Total non-current liabilities		**1,673**	**-**	**1,673**
Total liabilities		**10,226**	**(7,069)**	**3,157**
Net assets		**404**	**30,292**	**30,696**
Equity				
Share capital	1	56,589	31,311	87,900
Converting notes reserve	3	416	(416)	-
Common control reserve		(42,597)	-	(42,597)
Foreign currency translation reserve		(227)	-	(227)
Share option reserve		969	-	969
Accumulated losses	4	(14,746)	(603)	(15,349)
Total equity		**404**	**30,292**	**30,696**

Note 1: Pro Forma cash increases by US$23.4 million reflecting the expected equity raised through the minimum proceeds of the Offer of US$25.2 million (AU$35.0 million) and cash raised from US$0.3 million of Converting Notes and share options issued post 31 December 2018, less US$2.1 million costs of the Offer (comprising US$2.3 million total Offer costs offset by US$0.2 million of Offer costs prepaid as at 31 December 2018). The Offer is not underwritten. The net increase to equity of US$31.3 million also includes the equity issued of US$7.5 million from the Converting Notes (comprising US$7.1 million Converting Notes and US$0.4 million Converting Notes reserve), offset by the costs of the Offer which have been included against equity (US$1.7 million). The USD:AUD exchange rate used to convert the Offer proceeds and associated costs of the Offer was US$0.72 : AU$1.00.

Note 2: US$0.2 million of Offer costs were prepaid as at 31 December 2018.

Note 3: At Completion the Converting Notes recorded on the Statutory Historical Balance Sheet will convert to equity.

Note 4: Adjustment to accumulated losses reflects the portion of Offer costs of US$0.6 million expensed in the income statement.

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4.9 LIQUIDITY AND CAPITAL SOURCES

Following Completion, Next Science's principal sources of funds will be cash held with a stated strategy to grow product income. Historical capital expenditure and working capital trends are described in Section 4.11. Next Science expect no external third party debt will be held at the time of Completion.

Next Science expects that it will have sufficient cash flow from operations to meet its business needs during the twelve months from listing and will have sufficient working capital to carry out its stated objectives during that period. Next Science's main use of cash is to fund the growth of its operations, continuing and new clinical trials, pharmaceutical and medical device product development and manufacturing validations. Next Science's ability to generate sufficient cash depends on the Group's future performance.

4.10 RECONCILIATION OF MILESTONE PAYMENTS

Next Science has received milestone payments in relation to achieving defined events outlined in particular contracts. The milestone payments are capitalised and amortised over the period of the contract in line with the new revenue accounting standard IFRS15.

The cash inflow in any given period includes the initial amount capitalised in the balance sheet in that given year but excludes the amortisation of the deferred income as it is non-cash in nature.

FIGURE 4.7 RECONCILIATION BETWEEN REVENUE UNDER IFRS15 ACCOUNTING STANDARD AND CASH RECEIPTS

US$('000)		Historical		
Year ended 31 December	**Notes**	**FY16**	**FY17**	**FY18**
Income statement				
Amortisation of deferred income	1	50	50	58
Total income included in the income statement		**50**	**50**	**58**
Cash flow				
Milestone payment received	1	1,000	-	1,000
Total milestone cash receipts		**1,000**	**-**	**1,000**

Note 1: The amortisation of deferred income reflects the recognition of revenue relating to milestone payments in respect of two separate distribution agreements, comprising US$1.0 million received in FY16 and US$1.0 million received in FY18.

4.11 MANAGEMENT DISCUSSION AND ANALYSIS OF PRO FORMA HISTORICAL INCOME STATEMENTS

4.11.1 KEY FACTORS AFFECTING NEXT SCIENCE'S INCOME STATEMENT

This section discusses the general factors that affected Next Science's operational and relative financial performance over the Historical Period and which the Company expects may continue to affect it in future.

The discussion of these general factors is intended to provide a summary only and does not detail all factors that have affected Next Science's historical operating and financial performance, or everything that could have an impact in the future.

Unless otherwise stated financial information presented in this section, and the related commentary is on a pro forma basis.

FIGURE 4.8 PRO FORMA HISTORICAL INCOME STATEMENTS

US$('000)		Pro Forma Historical[1]		
Year ended 31 December	**Notes**	**FY16**	**FY17**	**FY18**
Income		88	483	2,730
Other income		54	65	114
Total income	2	**142**	**548**	**2,845**
Cost of sales		(161)	(124)	(370)
Gross profit		**(18)**	**424**	**2,474**
Research and development	3	(516)	(664)	(1,242)
Employee expenses		(1,100)	(2,329)	(10,380)
Sales and marketing		(237)	(128)	(499)
Consultancy and regulatory		(993)	(1,893)	(1,401)
General and administration		(1,809)	(2,175)	(3,650)
Total operating expenses		**(4,655)**	**(7,189)**	**(17,173)**
EBITDA	4	**(4,673)**	**(6,765)**	**(14,699)**
Income growth (%)		n/a	286%	419%
Gross margin (%)		(12.7%)	77.4%	87.0%

Note 1: The Pro Forma Historical Income Statements are reconciled to the Statutory Historical Income Statements in Section 4.4.
Note 2: Total income includes revenue from product sales and the recognition of amortisation of milestone payments received in FY16 and FY18 (consistent with IFRS15).
Note 3: Research and development expenses reflect the net amount of spend in the period after the capitalisation of development costs, trademarks and patents.
Note 4: Refer to Section 4.2.5 for definitions of EBITDA.

In December 2018, Next Science restructured its sales channel due to the impending commencement of the distribution agreement with 3M (**Sales and Marketing Restructure**). The Sales and Marketing Restructure, resulted in the reduction of 18 direct sales staff in the United States, and is expected to lead to an annual reduction in direct sales and marketing costs of ~US$2.6 million. The distribution agreement with 3M is expected to provide Next Science with considerable extra sales reach through the breadth of 3M's global sales force.

Given the timing of the Sales and Marketing Restructure occurring late in FY18, the impact of this significant change on Next Science's ongoing cost structure is not reflected in the Pro Forma Historical Income Statements. In 2019, Next Science has retained a small direct sales and marketing team of nine employees and is focused on building awareness of biofilms and their impact on human health. This is to support partner activity in bringing products to market.

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4.11.1.1 REVENUE AND GROSS PROFIT

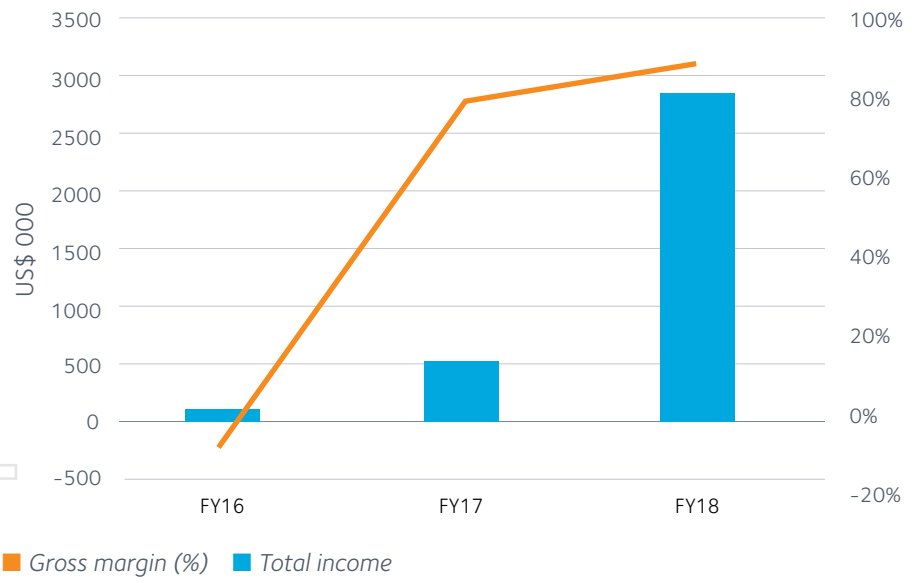
Next Science has primarily derived revenue from the sale of Bactisure (surgical lavage) and BlastX (wound gel) products. Next Science has long term contracted distribution agreements with distribution partners. In respect of the most significant agreement in operation through the Historical Period for Bactisure, there are minimum purchase volumes required to be met by Zimmer Biomet through a calendar year. An upfront milestone payment in respect of this distribution agreement was received in FY16 and is being amortised over the contract life of 20 years.

In November 2018, a three year exclusive global distribution agreement was signed with 3M for BlastX, with an upfront milestone payment of US$1.0 million received in December 2018. In line with IFRS15, an immaterial amount of revenue comprising one month of this milestone payment was recognised as revenue in the FY18 Statutory Historical Income Statement. From January 2019, BlastX is covered by this distribution agreement, including minimum annual purchase volumes.

Other sales (of BlastX) through the Historical Period were derived from customer agreements with no minimum annual order volumes.

The cost of sales primarily relates to the material costs for the manufacture of the products and freight costs to distribute both Bactisure and BlastX. Next Science outsources the manufacturing of products to contract manufacturers based in the United States of America, Germany and Mexico.

FIGURE 4.9 HISTORICAL REVENUE AND GROSS PROFIT MARGIN



4.11.1.2 REVENUE AND GROSS PROFIT FY16 VERSUS FY17

Total income increased by 286% from US$0.1 million in FY16 to US$0.5 million in FY17. The growth was primarily underpinned by the increased sales of Bactisure following the FDA approval for the product in September 2016.

FY16 and FY17 both include US$50,000 of income relating to the recognition of amounts associated with the amortisation of the US$1.0 million milestone payment received in FY16 under IFRS15.

Gross profit through the period increased from negative US$18,000 in FY16 to US$0.4 million in FY17 as a result of commencement of sales of Bactisure. The FY16 gross margin included certain set-up costs that were not incurred in FY17. In FY17 gross margin also increased from negative 12.7% to positive 77.4% as a result of the commencement of commercial sales volumes.

4.11.1.3 REVENUE AND GROSS PROFIT FY17 VERSUS FY18

Total income increased by 419% from US$0.5 million in FY17 to US$2.8 million in FY18. The increase was primarily driven by growth from both:

a. increased sales of Bactisure; and

b. the acceleration of BlastX sales through the Next Science direct sales team based in the United States.

Gross profit increased by 483% from US$0.4 million in FY17 to US$2.5 million in FY18 as a result of the increase in revenue. The gross margin also increased from 77.4% in FY17 to 87.0% in FY18 reflecting the introduction of sales of higher margin product format coupled with an increase in prices.

4.11.1.4 EXPENSES AND EBITDA FY16 VERSUS FY17

Total operating expenses grew 54.4% from US$4.7 million in FY16 to US$7.2 million in FY17. The movement in operating expenses was primarily driven by:

a. increased employee expenses of US$1.2 million due to three additional research and development employees, one additional quality assurance employee, three additional sales and marketing employees (based in the United States) and the key executive hires including the Managing Director and CFO;

b. additional consultancy and regulatory expenses of US$0.9 million due to incremental legal and consultancy costs in relation to market assessment, regulatory approvals and reimbursement for upcoming new products; and

c. an increase in general and administrative expenses of US$0.4 million impacted by the completion of the Corporate Restructure in FY17 and associated incremental accounting, tax and legal advice costs. General and administrative expenses include the pro forma impact of public company costs.

EBITDA decreased 44.8% from negative US$4.7 million in FY16 to negative US$6.8 million in FY17 as a result of the investment in the operating expense base exceeding the growth in gross profit.

4.11.1.5 EXPENSES AND EBITDA FY17 VERSUS FY18

Total operating expenses grew 138.9% from US$7.2 million in FY17 to US$17.2 million in FY18. The movement in operating expenses was primarily driven by:

a. an increase in employee expenses of US$8.1 million through:

   i. the continued investment in additional headcount (44), including 27 additional sales staff, four additional sales support staff, four additional research and development staff and nine additional headcount covering finance, regulatory, quality and business development;

   ii. the full year effect of the Managing Director and CFO salaries (both appointed during FY17); and

   iii. redundancy costs relating to the Sales and Marketing Restructure of US$0.3 million.

b. an increase in research and development costs of US$0.6 million correlated with an increase in product development activity;

c. an increase in sales and marketing costs of US$0.4 million to support the increase in sales volumes of both BlastX and Bactisure through the year;

d. a decrease in consultancy and regulatory costs of US$0.5 million due to additional market research and scenario modelling being commissioned in FY17; and

e. increased general and administration costs of US$1.5 million relating to:

   i. increased domestic and international travel between Australia, the United States and Europe;

   ii. costs associated with the implementation of a new Enterprise Resource Planning system; and

   iii. incremental insurance premiums.

EBITDA decreased 117% from negative US$6.8 million in FY17 to negative US$14.7 million in FY18 with income growth of US$2.3 million offset by total expenses growth of US$10.0 million.

4.11.2 KEY FACTORS AFFECTING NEXT SCIENCE'S CASH FLOW

FIGURE 4.10 PRO FORMA HISTORICAL CASH FLOWS

US$('000)		Pro Forma Historical		
Year ended 31 December	**Notes**	**FY16**	**FY17**	**FY18**
EBITDA		**(4,673)**	**(6,765)**	**(14,699)**
Non-cash flow items in EBITDA	1	(35)	237	593
Changes in working capital	2	1,004	51	522
Operation cash flow		**(3,705)**	**(6,477)**	**(13,584)**
Capitalised development costs	3	(148)	(248)	(648)
Capital expenditure	4	(133)	(326)	(345)
Free cash flow		**(3,987)**	**(7,050)**	**(14,577)**

Note 1: Non-cash items within EBITDA relate to a share based payment component of the executive incentive plan and unrealised foreign exchange gains and losses.

Note 2: Changes in working capital comprise movements in trade and other receivables, other current assets, trade and other payables, FX translation reserve, employee benefits provisions and deferred income.

Note 3: Capitalised development costs include the capitalisation of costs for trademarks, development costs and patents.

Note 4: Capital expenditure includes computer and lab equipment.

4.11.2.1 FY16

Working capital decreased resulting principally from a cash inflow driven by the recognition of deferred income of US$950,000 in relation to the US$1.0 million milestone payment received in FY16 following FDA approval of the Bactisure product.

4.11.2.2 FY17

In FY17 working capital decreased resulting in a net cash inflow of US$51,000. Non-cash items in EBITDA increased significantly by US$237,000 reflecting foreign exchange translation variances.

4.11.2.3 FY18

In FY18 working capital decreased resulting in a net cash inflow of US$0.5 million. The primary driver for the increase was the milestone payment of US$1.0 million received from 3M in December 2018 in respect of a new distribution agreement. This was offset by an increase in receivables and inventory.

Non-cash items in EBITDA increased to US$0.6 million reflecting the net of share based payments incurred during the year and unrealised foreign exchange gains.

Capitalised development costs grew by 161% from US$0.2 million to US$0.6 million in FY18. The movement is attributable to the capitalisation of certain eligible costs associated with the application for CE Mark approval for previously approved FDA products, as well as the capitalisation of costs in relation to the enhancement of existing products which already have regulatory approval.

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4.12 DIVIDEND POLICY

Next Science is currently in the development phase of operations and therefore is not expected to be in a position to declare a dividend in the short to medium term. Depending if and when Next Science becomes profitable and has profits available for dividend distribution it will then create a dividend policy.

The payment of a dividend by the Company is at the discretion of the Board and will be a function of a number of factors, including the general business environment, the operating results, cash flows, the financial condition of the Company, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company, and any other factors the may consider relevant.

No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend. Investors who are not tax residents of Australia and who acquire Shares may be subject to Australian withholding tax on dividends or other distributions paid in respect of the Shares. Prospective investors who are not tax residents of Australia should consult with their own tax advisers regarding the application of the Australian withholding or other taxes to their particular situations as well as any additional tax consequences resulting from purchasing, holding or disposing of Shares.

05

PATENT PORTFOLIO REPORT

Zollinger & Burleson Ltd.
INTELLECTUAL PROPERTY LAW

February 26, 2019

Directors
Next Science Ltd
Level 19, Tower A
The Zenith Building
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Patent Portfolio Report

This document ("Report") is provided in response to a request for content and status information of patents and patent applications owned by a wholly owned subsidiary entity, Next Science IP Holdings Pty Ltd.

Zollinger & Burleson Ltd. consents to inclusion of this Report in a prospectus required by the Australian Securities & Investments Commission as part of an initial offering of securities.

Introduction

Zollinger & Burleson limits its practice to intellectual property law, specifically, the obtention of rights in and utilization of intellectual property such as utility and design patents, trade mark registrations, copyright registrations, and trade secrets. In addition to state licenses to practice law, its attorneys are registered to practice before the United States Patent and Trademark Office.

Zollinger & Burleson has represented Next Science IP Holdings Pty Ltd and its predecessor entities ("Next Science") in patent-related matters since 2009.

This representation has included the drafting, filing, prosecution and maintenance of patent applications in the United States of America, the filing and prosecution of international applications, and the oversight of filing, prosecution and maintenance of patent applications in other countries, including *inter alia* Australia.

Overview of Report

Section I	–	summary of patent properties owned by Next Science
Section II	–	overview of intellectual property, patents, the process of acquiring patents, and the limitations of patents generally
Section III	–	qualifications regarding the scope and content of this Report

Post Office Box 2368, North Canton, Ohio 44720 p - 1-330-526-0104 / f – 1-866-311-9964 / patentlawyerz.com

I. Next Science patent portfolio summary

Overview

Next Science attacks microbes, particularly biofilm-based bacteria, based on a phenotypic, as opposed to genotypic, characteristics. Thus, unlike many antibiotic-type pharmaceuticals, most Next Science solutions are not "target specific."

The nature of the Next Science technology was not amenable to separate filings directed to particular formulations or applications. Instead, Next Science initially applied for patent protection on its step technological advances, each of which was applicable to a number of products and applications. These are denoted below as *Platforms*. Individual family members within a Platform that have claims which are specific to a particular product or application are noted separately.

Later, modifications and refinements of certain formulations within one or more of the Platforms became desirable to achieve desired levels of efficacy against endospores or particular biofilm-induced conditions. Those for which patent protection have been separately applied are denoted below as *Solutions*.

This section includes status information and filing particulars for issued patents and pending patent applications, regardless of whether directed toward Platforms or Solutions. Expired and abandoned applications are not included.

To the best of Zollinger & Burleson's knowledge after reasonable research and diligence, the following is true about each of the matters included in this section and, accordingly, is not repeated for each individual matter or item described herein:

(1) Next Science IP Holdings Pty Ltd is the owner, and
(2) Dr. Matthew F. Myntti is the sole named inventor.

The provided status information and filing particulars are based on reports generated from docketing database software licensed to and maintained by Zollinger & Burleson which, where possible, was confirmed by searches of publicly accessible databases maintained by national, regional and international patent offices.

The status information of patent matters in this Report is, to the best of our knowledge after reasonable research and diligence, current as of 25 February 2019.

For each matter which Zollinger & Burleson anticipates might undergo a significant status change prior to 31 May 2019, a specific notation of the nature and expected timing of such change(s) is provided.

The individual items are grouped in terms of families, all members of which claim priority to the same earlier filed application(s).

Existing portfolio

A) Patent Family 1 (Platform)
Solid forms

This family is directed to solid articles and components, e.g., coatings applied to other articles. When an article or article component is introduced into an aqueous environment, it kills nearby microbes or inhibits colonization.

This technology, which finds utility where liquid compositions either are impractical (e.g., coating of a solid article such as a catheter, surgical implant, suture, etc.) or ineffective due to the diluting effect of other liquids present in a given application (e.g., water purification), has garnered significant interest in terms of academic research and licensing.

The members of this family, all of which have an effective filing date of 10 May 2012 and a priority date of 10 May 2011, are provided below in Tables 1a and 1b.

Table 1a compiles those patents and patent applications having claims directed to articles.

Table 1b compiles those patents and patent applications having claims directed to components of articles, for example, coatings for catheters. (In these and later tables, "EPC" stands for European Patent Convention.)

Table 1a: Patent Family 1 (solid forms), articles

Granted patents		
Country	Patent number	Issue date
Australia	2012253476	1 July 2016
Japan	6463629	11 January 2019
Pending applications		
Country	Application number	Status
Brazil	BR 11 2013 028673 3	examination requested
Canada	2835211	allowed[1]
EPC	12781707.0	under examination
India	9881/DELNP/2013	under examination
United States	13/468,767	on appeal[2]

[1] The Canadian IP Office mailed a Notice of Allowance on 19 February 2019.

[2] The U.S. Patent and Trademark Office found some claims to be allowable, while rejecting other claims. After conclusion of the pending appeal, a patent will issue; that patent will include the previously allowed claims or, if the appeal directed to the rejected claims is successful, all claims.

Table 1b: Patent Family 1 (solid forms), components

Granted patents		
Country	Patent number	Issue date
Australia	2015261645	15 February 2018
United States	10,045,527	14 August 2018
Pending applications		
Country	Application number	Status
Australia	2017232218	under examination
EPC	18203838.0	under examination
United States	16/101,436	under examination

Additional divisional and continuation filings in this family are likely.

Already granted and to-issue patents in this family, if all required maintenance fees are paid, will remain in effect until at least May 2032.

B) Patent Family 2 (Platform)
Caustic compositions and healthcare-related applications

The teachings of two separate priority applications – one filed 8 October 2011 and another filed 15 June 2012 – were synthesized into a single international application (PCT/US2012/059263) filed 8 October 2012.

This international application includes descriptions of caustic counterparts to the acidic compositions from the earliest-filed applications (Patent Family 8), as well as use of both acidic and caustic compositions for a variety of healthcare-related applications including, but not limited to, treatment of wounds, oral care, prevention of healthcare acquired infections, treatment of implants, and reprocessing of medical equipment.

The international application was used to enter national stage proceedings in seven countries or regions, and, during the pendency of that international application, a continuation application was filed in the United States. Several of these applications themselves had continuation applications filed during their pendency.

The members of this family are summarized below in Tables 2a and 2b.

Table 2a compiles those patents and patent applications having claims directed, in whole or in part, to the BLASTX and SURGX wound gel products or their use.

Table 2b compiles those patents and patent applications having claims directed to other planned, in-development, under-evaluation or commercialized products, for

example, BACTISURE surgical lavage, TORRENTX wound wash, and oral rinse. (BACTISURE is a trademark of Zimmer Biomet.)

Table 2a: Patent Family 2 (caustic/health), wound gel

Granted patents		
Country	**Patent number**	**Issue date**
Australia	2012318331	23 March 2017
Japan	6236390	2 November 2017
United States	9,314,017	19 April 2016
United States	9,427,417	30 August 2016
United States	9,486,420	8 November 2016
United States	9,730,903	15 August 2017
Pending applications		
Country	**Application number**	**Status**
Brazil	BR 11 2014 008255 3	examination requested
Canada	2851146	under examination
EPC	12838205.8	allowed[3]
India	3635/DELNP/2014	under examination

[3] On 30 January 2019, the European Patent Office mailed a Rule 71(3) EPC communication indicating an intention to grant this application as a patent.

Table 2b: Patent Family 2 (caustic/health), other than wound gel

Granted patents			
Country	Patent number	Issue date	Target[4]
United States	9,872,843	23 January 2018	oral rinse
United States	10,166,208	1 January 2019	oral rinse
Pending applications			
Country	Appl'n number	Status	Target[4]
EPC	18209422.7	filed	to be determined
Japan	2017-194262	under examination	surgical lavage
United States	16/120,272	filed	surgical lavage
United States	16/192,100	filed	oral rinse

[4] Indicates that this is the subject matter to which the claims of the patent or patent application are targeted, but the claims might be broad enough to read on additional subject matter beyond that designated.

Additional divisional and continuation filings in this family are likely.

Already granted and to-issue patents in this family, if all required maintenance fees are paid, will remain in effect until at least October 2032.

C) Patent Family 3 (Platform)
Organic liquid-containing compositions

The compositions from Patent Family 2 were designed to be aqueous.

In late 2012, Next Science discovered that incorporation of liquids other than water resulted in compositions that had different polarity and solvating characteristics. By tailoring these characteristics, efficacy could be maintained even when surfactant concentration was reduced. Further, compositions could be fine-tuned to permit targeting of one species of bacteria while not impacting another.

This discovery opened applications not achievable, or at least not easily achievable, with the original, broader spectrum compositions from Patent Family 2.

The teachings of two separate priority applications – one filed 2 May 2013 and another filed 4 September 2013 – were synthesized into a single international application (PCT/US2014/036677) filed 2 May 2014.

The international application was used to enter national stage proceedings in seven countries or regions, several of which had continuation applications filed during their pendency.

The members of this family are summarized below in Table 3, all of which (unless noted otherwise via footnote) are directed, in whole or in part, to an acne treatment product or its use or manufacture.

Table 3: Patent Family 3 (organic liquid), acne treatment

Granted patents		
Country	Patent number	Issue date
Australia	2014259670[5]	15 February 2018
Japan	6430490	28 November 2018
United States	10,021,876	17 July 2018
Pending applications		
Country	Application number	Status
Australia	2018200520[6]	examination requested
Brazil	BR 11 2015 027158 8	examination requested
Canada	2911464	pending
EPC	14791925.2	under examination
India	10847/DELNP/2015	examination requested
Japan	2018-205086[7]	examination requested
United States	15/976,806[8]	pending

[5] Some claims read on only acne gel, some only on surgical lavage, and some on both.
[6] Targeted at oral rinse.
[7] Targeted at BACTISURE surgical lavage and TORRENTX wound wash products.
[8] Targeted at a cream alternative to the gel claimed in the issued patent.

Additional divisional and continuation filings in this family are likely.

Already granted and to-issue patents in this family, if all required maintenance fees are paid, will remain in effect well into 2034.

D) Patent Family 4 (Solution)
Sporicidal compositions

Most Next Science patenting efforts have related to the treatment of biofilms and/or conditions caused thereby.

This family, however, targets a different form of protected bacteria: endospores.

This family includes patent applications (no patents have yet to issue) directed toward two separate approaches toward overcoming the significant defenses provided to endospore-form bacteria.

The first involves a combination oxidizing acid(s) and electrolyte oxidizing agent(s). These are summarized below in Table 4a. Because all are national stage entry application of an international application (PCT/US2016/042780), they have the same effective filing date: 18 July 2016.

The second involves use of a glycosidase and electrolyte oxidizing agent(s). These are summarized below in Table 4b. Because all are national stage entry application of an international application (PCT/US2016/045905), they have the same effective filing date: 5 August 2016.

The liquid vehicle in each approach has been a variant of that which is seen in Patent Families 2 and 3.

Table 4a: Patent Family 4 (sporicide), inorganic oxide formulation

Pending applications		
Country	**Application number**	**Status**
Australia	2016342092	pending
Brazil	BR 11 2018 001002 2	pending
Canada	2992543	pending
P.R. China[9]	201680042802.6	examination requested
EPC	16857926.6	under examination
India	201817001473	pending
Japan	2018-521500	examination requested
United States	15/745,094	pending

[9] A request for extension into Hong Kong (18112699.9) also has been submitted.

Table 4b: Patent Family 4 (sporicide), glycosidase formulation

Pending applications		
Country	**Application number**	**Status**
Australia	2016304773	pending
Brazil	BR 11 2018 002548 8	pending
Canada	2994696	pending
P.R. China[10]	201680048507.1	examination requested
EPC	16835721.8	under examination
India	201817008073	pending
Japan	2018-506173	examination requested
United States	15/751,076	pending

[10] A request for extension into Hong Kong (18112702.4) also has been submitted.

E) Patent Family 5 (Solution)
Sinus and middle ear treatments

Animal testing has shown that compositions which have high effective solute concentrations and/or ionic surfactant(s), such as those in Patent Families 2-4, applied to ciliated tissue tend to result in deciliation, i.e., the loss in functionality and/or removal of cilia (the relatively thick protruding organelles found in and projecting from the body of eukaryotic cells). Sinus cavity cilia facilitate clearance of the sinuses, while those in the ear act as sound receptors.

Cilia in the sinus cavities can regrow within days, so limited deciliation which does not impede clearing of the sinuses might be an acceptable side effect in a product intended for use in those sinus cavities not connected to the inner ear via an Eustachian tube. However, compositions intended for use in treating portions of the ear inward of the tympanic membrane (or treating a sinus cavity that is connected to the inner ear) cannot be permitted to result in deciliation because inner ear cilia do not regrow, resulting in irreparable hearing loss.

The compositions in this family have a near-neutral pH and include a moderate amount of osmotically active solutes; embodiments intended for use in the sinus cavities can include a small amount of anionic surfactant(s), while embodiments intended for use in the middle or inner ear include no added surfactant(s). The composition also includes at least 2 weight percent of one or more non-aqueous liquids and at least 0.005 weight percent of one or more enzymes.

International application PCT/US2017/039836, which was filed 28 June 2017, is being entered into national stage proceedings as shown in Table 5.

Table 5: Patent Family 5, sinus and middle ear formulations

Pending applications		
Country	Application number	Status
Australia	2017290082	pending
Brazil	BR 11 2018 077060 4	pending
Canada	3019601	pending
P.R. China	201780037042.4	pending
EPC	17743416.4	pending
India	201917001631	pending
Japan	2018-567613	pending
United States	16/314,168	pending

F) Patent Family 6 (Solution)
Collagenous growth treatment

This family is directed to another invention not related to biofilm treatment.

In the regeneration-repair phase of wound healing, the presence of certain growth factors leads to proliferation of epithelial cells and fibroblasts, which produce collagen. A scar forms when fibrillar collagen locates in the wound bed and permits wound closure.

Certain types of scars are subject to an overgrowth of collagen in the area of the scar. An overgrowth of granulation tissue (type III collagen) at that site can result in a lump many times larger than the original scar.

Defective wound maturation can manifest as a wound characterized by excessive formation of collagenous scar tissue, such as hypertrophic scars or keloids, both of which involve excessive accumulations of fibroblasts as well as collagen.

The described topical composition can be used both to treat and to inhibit onset of fibrillar collagenous growths including, specifically, keloids.

The only presently pending member of this family is international application PCT/US2018/039177, which was filed 23 June 2018. An international search report was mailed 13 September 2018, and whether to respond during international stage and/or in national stage proceedings is under consideration.

G) Patent Family 7 (Solution)
Biofilm-induced conditions of the spinal column

Those suffering from bulging or herniated discs, as well as other spine-related conditions such as sciatica, usually must choose among pain management, steroids, and surgery.

Since the beginning of the 21st century, a small but steady stream of journal articles have posited a link between spine-related conditions and *P. acnes* bacteria. Other types of bacteria also have been described as being present in compromised intervertebral discs.

If biofilms indeed are a primary cause of spinal conditions, mild versions of Next Science compositions from previous patent families might be well suited to attack the problem's source as opposed to treating the symptoms.

The only presently pending member of this family is international application PCT/US2018/061665, which was filed 16 November 2018. An international search report was mailed 1 February 2019, and whether to respond during international stage and/or in national stage proceedings is under consideration.

At the completion of international stage proceedings, this application is likely to entered into national stage proceedings in at least the United States and Europe.

H) Patent Family 8
High osmolarity, acidic aqueous composition intended for inanimate surfaces

The sole member of this family is U.S. Patent No. 8,940,792, which issued 27 January 2015, is directed to aqueous compositions having a pH less than 4.0, high solute concentrations (1.8 - 4.2 Osm/L), and at least 0.2 weight percent cationic surfactant. The pH and osmolarity result from inclusion of an acid and buffering salt. Described uses for the compositions include cleaning of kitchen, bathroom, and laundry area surfaces; livestock care; produce sterilization; cleaning of water lines, food and beverage transport, and pipelines.

The compositions, while highly effective against many biofilms, require an amount of surfactant in excess of that permitted by many governmental regulatory authorities.

The application from which the patent issued was filed as a continuation of a now-abandoned U.S. patent application which was filed 5 October 2009; accordingly, if all required maintenance fees are paid, this patent will expire in October 2029.

Future

Based on notifications and updates provided by Next Science personnel, multiple additional patent families are planned.

Filing dates depend, in large part, on dates of necessary disclosures and results of regulatory reviews.

II. Overview of intellectual property, patents, etc.

All of the following subsections are meant to provide only very high-level, summary explanations of that which are very rich, expansive topics. They are by no means intended to be exhaustive descriptions.

Intellectual property

The term *intellectual property* refers to outputs stemming from activities of the human mind. Intellectual property, like real and personal property, can be bought, sold, licensed, exchanged, or otherwise transferred.

A certain subset of these outputs have been deemed to be sufficiently important and valuable that local, national and regional governments have created protections called *intellectual property rights*. Some of the more familiar of these are utility patents, design patents (alternatively referred to as registered designs in some jurisdictions), trade mark registrations, copyright registrations, and trade secrets.

This Report is directed solely to one category of intellectual property rights: utility patents (including applications for same), which are a central component of the business model employed by Next Science.

Nature of utility patents

This type of patent is designed to protect certain types of inventions which are useful, new and non-obvious variants of that which was known previously. Permissible inventions include articles of manufacture, machines, processes of manufacture, and processes of use. (Some countries specifically exclude processes of treating human beings from their definitions of patentable subject matter. This exclusion might impact certain of the above-described Patent Families.)

A utility patent is a grant from a national government which permits the patent owner to prevent others from taking commercial advantage of the claimed invention, with a corollary being that no patents are issued on a worldwide basis. Further, although it continues to be discussed, an interested applicant cannot even obtain a European patent with unitary effect, instead needing to validate a single examined application in up to 38 member states.

Although a handful of countries do not examine applications for a patent, instead relying on a registration system and "judicial examination" only if the patent is enforced, most undertake some type of bureaucratic examination prior to granting a utility patent. In the scores of countries that perform pre-grant examination, applicants face different rules and regulations depending on where protection is sought. While certain similarities exist and although harmonization of laws continues to be a topic of discussion, even G7 member states cannot agree on the standards for that which constitutes "useful," "new" and "non-obvious". Accordingly, even within a Patent Family, the scope of a claimed invention patent can vary significantly from one nation's granted patent to another's; in fact, as suggested above with respect to methods of treating human beings, some nations refuse to grant a patent of any scope.

In exchange for the right to exclude which results from ownership of a utility patent, national governments require that applicants fully disclose their inventions. This permits the interested public to practice a patented invention when its term expires, typically expire 20 years from the earliest claimed (non-provisional) priority date.

Most countries require that renewal fees be paid periodically (usually annually) so as to maintain an application or patent in effect.

Because a patent is a right to exclude, it does not act as a governmental permit to allow the patent owner to himself take commercial advantage of the claimed invention. Any patentee which chooses to practice a patented invention could find itself in the position of being accused of infringing another party's patent. Thus, the existence of utility patents owned by a party should not be seen as an indicator of clear field with respect to commercialization.

Process of obtaining utility patents

A patent application is a compilation of documents by which an applicant requests the grant of a patent from a national government. Although national laws vary somewhat, common required elements are a specification describing the invention, drawings illustrating the invention (if the invention permits of illustration), and claims which delineate the scope of that for which the applicant desires exclusive rights.

A utility patent application must full disclose the invention delineated in the claims. The specification often sets forth background information, such as a description of existing products, component suppliers, testing methods, etc., which can assist in explaining how and why the claimed invention is different from anything which came before the filing date of the application.

Some countries, including the United States, permit the filing of so-called provisional applications. These are unexamined applications which serve to provide applicants one year to decide whether and how to seek patent protection in the United States or elsewhere. Next Science has employed this filing option in each of its Patent Families.

Pursuant to an international treaty first signed in 1883 and revised seven times between 1900 and 1979, a utility patent application filed in one member country to serve as a basis for priority for later-filed utility patent applications filed in other member states, provided that the later-filed application is submitted within twelve months of the original filing date. Most countries of the world have adopted this treaty and made it a part of their national laws.

As a result of this priority convention which is in place, an application filed in the United States or Australia can act to provide a so-called priority date in essentially any other country, even if a national patent application is not filed in that other country until one year after the original application's submission date.

Some geographically co-situated countries have banded together to form regional patent organizations, with the European Patent Office being the best known example. A single patent application filed with the regional organization counts as a filing in each of its member countries as opposed to a separate patent application being filed in each member country. At the end of the examination process conducted by the regional organization, the applicant must then have that regional "grant" validated as a patent in as many member states are of interest.

The Patent Cooperation Treaty ("PCT") permits a single "international" patent application to serve as the functional equivalent of a separate application in each of its signatory countries. The filing of international doesn't substitute for later national/regional submissions or examinations, but it does permit the costs associated with those activities to be delayed until 30 or 31 months from the earliest claimed priority.

At present, 152 countries are member states of the PCT. While these member states constitute the majority of the industrialized world, the scope of membership is not as great as the priority convention treaty; for example, Argentina and Taiwan are not member states of the PCT. If patent protection is desired in country that is not a PCT member state, a patent application must be filed directly in that country's patent office within the aforedescribed twelve month priority period.

Next Science has utilized both the Patent Cooperation Treaty and the EPC extensively in the aforedescribed Patent Families.

International (PCT) applications are treated under the terms of the treaty, which contemplates a two-phase procedure.

All PCT applicants receive a summary report from whichever (qualified) national patent office it designated at the time of filing. The summary report, which is the primary work product of the first phase of the two-phase process, includes an international search report," which lists published documents deemed to reflect on patentability of the claimed invention, and a "written opinion" in which the designated national patent office gives an initial evaluation of the patentability of the invention by applying the teachings of the published documents against the claimed invention. Applicants have the option of amending their patent claims in response to the summary report.

The second, optional portion of the two-phase procedure permits those applicants willing to pay additional fees to receive at least one round of substantive examination by one of the qualified national patent offices. An applicant availing itself of this option can complete the international stage with an examination document which can be quite persuasive to national patent offices where patent protection ultimately is sought.

At any point during international stage proceedings, although usually close to when that stage is complete, an applicant must apply for national patent protection in one or more member states. Failing to do so will result in abandonment of the effort to seek patent protection because the PCT application itself can never issue as a patent.

This "national stage entry" of an international application, which must be done within 30 or 31 months from priority, is much the same as filing priority convention application directly with a given country's patent office, i.e., the required formalities and fees are quite similar.

Regardless of which route a given patent application reaches a national (or regional) patent office, it is examined to determine whether it satisfies the relevant laws and regulations concerning the factors set forth in the preceding subsection of this Section II.

Once a patent application is deemed to have satisfied all applicable laws and regulations, the national or regional patent office will send a notice that the patent application has been allowed, offering to grant a patent if the applicant addresses any remaining

formalities and pays any required post-examination fees. Once the applicant has responded to this notice, a patent typically issues in due course.

The amount of time necessary to matriculate a patent application from filing to issuance varies greatly depending on the country but rarely is less than two years from the filing date.

During the time a patent application is pending, some national patent offices require that patent applicants and their representatives act equitably, for example, by providing information that could be relevant to examination. Failure to meet the standard can result in any patent that ultimately issues being unenforceable.

Often, applicants file one or more continuation or division applications during the pendency of a utility patent application in a given country. Doing so permits an applicant to seek claims of differing scope for the invention that is the subject of the original application and/or to seek claims directed to a different invention altogether.

Next Science has utilized continuation and division applications in several Patent Families, particularly those directed to Platforms.

After a national or regional patent office grants a utility patent (and, in the case of regional patent offices, the grant has been validated in one or more member states), maintenance fees are required to keep that patent in force. Failure to keep a patent in force will result in its expiration.

Challenges to validity

Many countries/regions provide one or more mechanisms which permit interested parties to oppose the granting of a patent. Some of these occur during examination of the patent application, while others occur after a patent has granted.

Additionally or alternatively, some countries permit judicial review of patents, either as a cause of action or as a defense to a charge of infringement.

Regardless of form, venue or timing, a successful third party challenge may result in refusal to grant, narrowing of, or revocation of a patent.

III. Limitations and qualifications

A. Terminology

This Report provides a listing of issued utility patents and pending patent applications which constitute the Next Science patent portfolio, as well as a summary overview of each family.

The bibliographic information for each patent and application is believed to be accurate, subject to the qualification in III.G below, although the summary overview necessarily is non-comprehensive. Each of the patents and applications

listed, other than Patent Family 8, has at least one published version available, and reference should be made to the published versions for full content.

B. Patentability

Patentability searches conducted before or during examination cannot be guaranteed to locate all publications which are potentially relevant to the assessment of novelty and non-obviousness. As just a single example, some U.S. patent applications do not publish until they issue as patents, which can be many years after the applications were filed; the impact of such applications cannot be evaluated until that time.

Accordingly, no guarantee that every relevant prior art record has been located and considered during examination. As a result, any indication of patentability should be considered indicative or presumptive rather than conclusive.

The patentability of inventions can be impacted by certain public uses and disclosures, as well as (in certain jurisdictions) secret uses directed toward commercialization of an invention, prior to the filing of a patent application directed to that invention. Patentability searches typically are limited to published documents, so they may not locate such other forms of relevant prior art. (These types of prior art also can be caused by actions of the patentee and/or inventor(s), and Zollinger & Burleson's activities in preparing this Report did not include any review of the pre-filing activities for any of the Patent Families.)

Further, the conclusion of one national or regional patent office is not binding on any of the others. Thus, the fact that a Patent Family includes issued patents in one or more countries should not be read as an indication that patents will issue in the other countries. Yet further, even if patents do issue in those other countries, the scope of the claims very well might be different.

Zollinger & Burleson provides no assurance that any Next Science patent application ultimately will result in an issued patent.

C. Priority claims

For subject matter contained in a later-filed patent application to be entitled to the priority date established by an earlier-filed application, the earlier-filed application must provide a full and reasonably clear disclosure of the subject matter of the subject matter claimed in the later-filed application. Subject matter disclosed in a later-filed application not contained in an earlier-filed application generally is entitled only to its own filing date and does not receive the effective priority date of the earlier-filed application.

Zollinger & Burleson did not prepare every one of the priority applications mentioned above in Section II, nor did Zollinger & Burleson's activities in preparing

this Report include a review to determine whether the earliest-filed patent application in each Patent Family provides effective priority for each member of that Patent Family.

D. Renewal and maintenance fees

In preparing this Report, Zollinger & Burleson confirmed that all such fees due through 1 February 2019 on patents and applications listed in this Report have been paid. Past payments should not be considered an indication that payment of all fees due in the future. Changed or additional business considerations occasionally argue for dropping patents and applications in a given country or even an entire Patent Family.

Even where the intent is to maintain a given patent property, many such payments must be made through third party service providers (e.g., local law firms), and Zollinger & Burleson cannot guarantee that such service providers will act appropriately regarding fees due in the future.

E. Validity

As described above in Section II, the grant of a patent is not a guarantee that all, or even any, of the patent claims are valid, and many countries permit third parties to challenge the validity of granted patents.

Some jurisdictions consider the grant of a patent to provide a presumption of validity, but that presumption can be overcome with clear and convincing evidence to the country.

Zollinger & Burleson provides no assurance that any particular Next Science patent will be found to be valid and/or enforceable.

F. Ability to commercialize

As described above in Section II, a patent provides a right to exclude others from taking commercial advantage of an invention. It does not, however, grant any positive rights to the patentee and is not a guarantee that the patentee's commercial exploitation of the invention will not infringe the patent rights of others.

Third party patent rights typically are identified by conducting a clearance search and analysis in the country(ies) where commercialization is intended.

Zollinger & Burleson has not conducted any such search in connection with any product or process mentioned in this Report.

G. Accuracy of data

Patent offices are not infallible, and their publicly accessible databases occasionally include incorrect data.

These publicly accessible databases have been used to check the data contained in this Report, so an inaccuracy in one of those databases could end up being reflected here.

H. Formulation changes

Patent prosecution often focuses, in whole or in part, on attempting to craft claims that read on commercial products.

This Report at some places indicates that a given patent property or an entire Patent Family relate to a particular product. That should be understood to be limited to the facts existing as of the date of the Report. Subsequent changes to a given product formulation, either voluntary or mandated by a regulatory body, can result in those same patent claims no longer reading on the new formulation.

I. Changes in the law

Patent laws are not static, and nations occasionally tweak or even overhaul their laws. These changes can greatly impact the value or even validity of already granted patents. This Report is based on the status of laws and regulations existing as of its date.

J. Updates

Zollinger & Burleson assumes no obligation to update this Report based on future developments of law or fact or based on information that may come to its attention at date subsequent to that listed on the first page of this Report.

K. Scope of involvement

Zollinger & Burleson has had no involvement in the preparation of the prospectus other than the preparation of this Report.

L. Independence

Zollinger & Burleson has no interest in Next Science IP Holdings Pty Ltd or any of its related entities other than fees for professional work performed on its/their behalf, payment of which is not contingent upon any particular result of the securities offering described in the prospectus of which this Report forms a part..

As of the date of this Report, Next Science continues to engage Zollinger & Burleson for intellectual property-related legal services.

Sincerely,

David G. Burleson

David G. Burleson
for ZOLLINGER & BURLESON LTD.

06

RISKS

06 RISKS

This Section describes some of the potential risks associated with Next Science's business and the industries in which Next Science operates and risks associated with an investment in Shares. Next Science is subject to a number of risks which may, either individually or in combination, adversely impact Next Science's future operating and financial performance, investment returns and the value of the Shares. The occurrence or consequences of some of the risks described below are partially or completely outside of the control of Next Science or its Directors and management. Next Science does not purport to list every risk that may be associated with the business or the industries in which Next Science operates, or associated with an investment in Shares, now or in the future. The selection of risks has been based on an assessment of a combination of the probability of the risk occurring, the ability to mitigate the risk and the impact of the risk if it did occur. This assessment is based on the knowledge of the Directors as at the Prospectus Date.

There is no guarantee or assurance that the risks will not change or that other risks or matters that may adversely affect Next Science's business, the industry in which it operates or an investment in the Shares, will not emerge.

There can be no guarantee that Next Science will achieve its stated objectives, deliver on its business strategy, or that any forward looking statement contained in this Prospectus will be achieved or realised. You should note that past performance may not be a reliable indicator of future performance.

Before applying for Shares you should be satisfied that you have a sufficient understanding of the risks involved in making an investment in the Company and whether it is a suitable investment for you, having regard to your investment objectives, financial circumstances and taxation position. You should seek advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before investing in Next Science.

6.1 COMPANY SPECIFIC RISKS

6.1.1 REGULATORY APPROVALS

Next Science's distribution partners and customers rely on having regulatory approved products. Next Science's business is governed by various regulations in the jurisdictions in which it operates and proposes to operate.

The distribution of some of Next Science's products is subject to obtaining or maintaining FDA and other clearances issued by appropriate governmental authorities and regulatory bodies. There is no assurance that delays will not occur in connection with obtaining all necessary approvals for products. Any delay in the receipt of regulatory clearance may result in a delay to the intended launch date of certain products. In particular, the Company has made submissions for CE Mark and TGA clearance for some of its products which have already obtained FDA clearance, as outlined in Section 2.5. If any of these additional approvals were not obtained, or were materially delayed, the Company's ability to achieve its growth objectives by geographic expansion of sales into new markets outside the US may be materially impaired. The success of earlier approvals may not necessarily be predictive of the success of subsequent product applications, with the approvals process being time consuming with uncertain outcomes.

In particular, Next Science is dependent upon its existing approvals, as set out in Section 2.11, which allow it to distribute and sell its products in the US. New laws or changes to existing laws, regulations, government policy and rules may impose additional requirements on the Company's business, which may also materially adversely affect Next Science and the value of an investment in the Company.

In the event that any relevant licenses or approvals were not granted, not renewed, withdrawn, or made subject to conditions that were onerous or unacceptable to Next Science, Next Science and its business could be materially adversely affected.

6.1.2 RELIANCE ON DISTRIBUTION PARTNERS

The success of Next Science's business relies on its ability to attract and retain distribution partners.

The Company currently derives a significant portion of its revenues from its two key distributors, 3M and Zimmer Biomet. The loss of, or a significant decrease in, the business from either of these distributors could adversely impact the Company's revenues. The ability to retain Next Science's existing distribution partners, and the capacity to attract new distribution partners, will be dependent on many factors including the capability, cost-effectiveness, pricing, customer support and value of Next Science's products compared to competing products.

If distribution partners do not continue to purchase Next Science's products, terminate the existing contracts or do not increase their usage over time, the growth in Next Science's revenue may slow or decline, which will have an adverse impact on Next Science's operating and financial performance.

Next Science is also reliant on the success of its distribution partners' sales and marketing teams to adequately promote Next Science's products. If distribution partners do not expend sufficient resources to promote the marketing and sales of Next Science's products, Next Science's operating and financial performance may be adversely affected.

06 RISKS

6.1.3 FINANCIAL PERFORMANCE

The Group has operated at a loss since its incorporation. In the financial year ended 31 December 2018, the Group had net losses of US$13.7 million and in the financial year ended 31 December 2017, Microbial Defense System Holdings Inc. had net losses of US$2.4 million. Investors should note that the financial information set out in Section 4 contains an emphasis of matter in relation to uncertainty regarding Next Science's ability to operate as a going concern if the Offer is not successful. If the Offer is not successful, the Company would continue to manage its cash outflows and the Directors would intend to undertake alternative plans to raise additional finance as required.

The Company anticipates that its operating expenses will continue to rise as it expands its operations and continues to invest in developing its product pipeline. These expenses may prove more costly than the Company's budgets and the Company's revenue may not increase sufficiently to turn an operating profit and become cash flow positive. Should these delays and extra expenses occur, the Company will continue to incur losses (unless it curtails its product development and approval expenditure).

6.1.4 PROTECTION OF INTELLECTUAL PROPERTY

The value of Next Science's products is dependent on Next Science's ability to protect its intellectual property, including trademarks, copyright, patent and moral rights.

The Company currently has 15 granted patents and 47 patent applications. There is a risk that each pending patent application will not be granted. Additionally, there is a risk that Next Science may be unable to detect the unauthorised use of intellectual property rights in all instances, including in relation to its granted patents. The Company's intellectual property rights are dependent on legal protections, however these protections do not guarantee that the Company will have commercially significant protection of its intellectual property or that its competitive position will be maintained. Further, actions that Next Science takes to protect its intellectual property may not be adequate or enforceable and thus may not prevent the misappropriation of, or copying or circumvention of, Next Science's intellectual property and proprietary information. Please refer to the Patent Portfolio Report in Section for additional information.

Failure by Next Science to protect its intellectual property rights, or to secure additional intellectual property rights in the future, could have an adverse impact on Next Science's operating and financial performance.

Further, other parties may allege that Next Science's products incorporate intellectual property rights derived from third parties without their permission. Allegations of this kind may materially affect the operation of Next Science and its ability to earn revenue, and cause disruption to Next Science's business.

The defence and prosecution of intellectual property rights claims, proceedings, and related legal and administrative proceedings may be costly and time-consuming, and their outcome is uncertain.

6.1.5 ABILITY TO ATTRACT AND RETAIN KEY PERSONNEL

A critical component of the success of the Company is the ongoing retention of key personnel and members of the senior management, including Managing Director, Judith Mitchell and key scientist, Dr Matthew Myntti, and product research and development teams.

There is a risk that Next Science may not be able to attract and retain key personnel or find effective replacements for those key personnel in a timely manner. The loss of such personnel or any delay in their replacement could have a significant negative impact on management's ability to operate the business and achieve financial performance targets and strategic growth objectives, in addition to harming Next Science's research and development programmes. Further, any key personnel of Next Science who leave to work for a competitor may adversely impact Next Science's operating and financial performance.

6.1.6 NEXT SCIENCE OPERATES IN A COMPETITIVE INDUSTRY

Next Science competes against a wide range of other health care companies that treat human infections. Some of Next Science's existing and potential competitors have significantly more resources than Next Science. Next Science faces the risk that:

a. existing competitors could increase their market share through aggressive marketing campaigns, product research and development, strategic alliances with industry bodies, price discounting or acquisitions;

b. its products may fail to meet the expectations of distribution partners and customers (such as hospitals and healthcare entities) and it may be unable to implement necessary changes to these products to satisfy those expectations;

c. it may fail to increase adoption and usage of its products;

d. it may fail to meet distribution partners' and customers' demands for new products in a timely manner;

e. it may fail to anticipate and respond to changing opportunities, technology, standards or customer requirements in the industry as quickly as Next Science's competitors;

f. its competitors may enhance their product offering or discover an effective anti-biofilm and anti-bacterial formulation to improve their competitive positioning relative to Next Science; or

g. new market entrants into the market could develop products which compete with Next Science's product offering.

If any of these risks arise, Next Science may compete less effectively against competitors, which could reduce the Company's market share and ability to develop or secure new business, which would have an adverse impact on Next Science's operating and financial performance.

6.1.7 PRODUCT ACCEPTANCE

Next Science's success depends on the ability to develop and market products that are recognised and accepted as reliable, efficacious and cost effective. Market acceptance of Next Science products will depend on many factors, including clinical evidence demonstrating the clinical and cost benefit outcome of the products. Clinical evidence may be conducted by third parties, and as such, the Company will be partially reliant on the accuracy and efficacy of the reports produced by those third parties. There is no guarantee that adoption of the Company's existing products and future products will be substantial or sufficient to meet the Company's sales objectives. If sufficient market acceptance is not achieved, the growth in Next Science's revenue may slow or decline which will have an adverse impact on Next Science's operating and financial performance.

6.1.8 STAGE OF DEVELOPMENT OF PRODUCT PIPELINE

The Company's products outlined in Section 2.6 are currently in varying stages of development. The success of these products will depend on, among other things, the Company's ability to develop and commercialise these products and obtain the necessary regulatory clearances. Some of these products may be delayed as a result of regulatory approvals or further research may show that some of these products are not commercially viable. The Company cannot guarantee that any products under development will result in the launch of a commercially viable product. If any of these events were to occur, the Company's ability to achieve its growth objectives by expanding its product offering may be materially impaired.

6.1.9 DEVELOPMENT OF NEW PRODUCTS

Next Science's business is dependent on the continued improvement of existing products and development of new products utilising current or other potential future technology.

The market for medical products is subject to evolving industry standards, frequent new product introductions and changing regulations, as well as changing customer needs, requirements and preferences. Next Science's success will depend on its ability to adapt and respond effectively to these changes in a timely manner.

If Next Science does not develop new products and product enhancements on a timely basis, the products may become obsolete over time and revenues, cash flow, profitability and competitive position will suffer. Next Science's success will depend on several factors, including its ability to:

a. correctly identify customer needs and preferences and predict future needs and preferences;

b. anticipate and respond to competitors' development of new products and innovations;

c. innovate and develop new technologies and applications, and acquire or obtain rights to third-party technologies that may have valuable applications in the sectors Next Science serves;

d. successfully commercialise new technologies in a timely manner, price them competitively and manufacture and deliver sufficient volumes of new products of appropriate quality on time; and

e. convince distribution partners and customers to adopt new technologies.

Next Science's ability to develop new products based on innovation could affect the Company's competitive position and may requires the investment of significant resources. Difficulties or delays in research, development or production of new products and services or failure to gain market acceptance of new products and technologies may reduce future revenues and adversely affect Next Science's competitive position.

6.1.10 PRODUCT DEFECTS AND RECALLS

Next Science's products may contain undetected defects when first introduced or new products are released. Disruptions affecting the introduction, release or performance of Next Science's products may damage customers' businesses and could harm their and Next Science's reputation as well as the health of patients.

If that occurs, Next Science may incur significant costs, the attention of key personnel could be diverted, or other significant customer relations problems may arise. Next Science may also be subject to warranty and liability claims for damages related to defects in the products. In addition, if Next Science does not meet industry or quality standards, if applicable, the products may be subject to recall. A material liability claim, recall or other occurrence

that harms Next Science's reputation or decreases market acceptance of the products could adversely impact the Company's operating results.

6.1.11 RELIANCE ON THIRD PARTY MANUFACTURERS

Next Science engages contract manufacturers for the production of its products. Due to the speciality of the products which Next Science distributes there is a limited pool of qualified suppliers. There is a risk the disruption to any key supplier could have an adverse impact on the availability of Next Science's products to distribution partners and end users.

Failure to manage these risks could result in dissatisfaction of Next Science's impacted distribution partners and/or customers resulting in difficulty in attracting new distribution partners or customers as well as having an adverse impact on Next Science's operations and financial performance.

6.1.12 FAILURE TO EFFECTIVELY MANAGE GROWTH

Next Science has experienced recent significant growth in revenue, employee numbers and customer base. Next Science expects significant further growth in the future which could place significant strain on current management, operational and financial resources as well as the infrastructure supporting Next Science.

Next Science's future success depends on its ability to effectively manage this growth. In particular, if the Company's distribution partners expand distribution of certain products into Europe, Australia or other jurisdictions (subject to obtaining regulatory approval), the Company will be required to effectively support its distribution partners in multiple jurisdictions. If the Company were unable to provide effective support, the Company's ability to achieve its growth objectives by geographic expansion of sales into new markets outside the US may be materially impaired. Further, failure to appropriately manage growth could result in failure to retain existing distribution partners and customers and a failure to attract new distribution partners or customers which could adversely affect Next Science's operating and financial performance.

6.1.13 ANTI-INVERSION RISK

US anti-inversion tax rules are intended to dissuade US corporations from 'inverting' offshore. There are various conditions as well as exceptions for the rules to apply, including where the relevant foreign acquiring corporation has substantial business activities in its country of organisation.

In the event of an inversion, the foreign acquiring corporation is potentially taxable as a US domestic corporation, which can result in US taxation consequences as well as additional US tax compliance obligations.

The impact of the US anti-inversion legislation on the Company has not yet been determined. It is possible that the Corporate Restructure (which occurred in FY17) in conjunction with the subsequent conversion of Next Science from an Australian private company to an Australian public company (which took place in January 2019) may be deemed an inversion by US regulatory authorities.

Please note that the above is not intended to be an exhaustive or complete analysis of the US federal income tax consequences to Next Science or its subsidiaries. Management and Next Science's tax adviser will further analyse the anti-inversion rules.

6.2 GENERAL RISKS

6.2.1 COUNTRY/REGION SPECIFIC RISKS IN NEW MARKETS

Next Science has operations in the US and is exposed to a range of different US legal and regulatory regimes. As Next Science expands its presence into new international jurisdictions, Next Science is subject to the risks associated with conducting its business in the relevant regions, which may have political, legal and economic instability or less sophisticated legal and regulatory systems and frameworks, including:

a. unexpected changes in, or inconsistent application of, applicable foreign laws and regulatory requirements;
b. less sophisticated technology standards;
c. difficulties engaging local resources; and
d. potential for political upheaval or civil unrest.

A breach in any of these areas could result in fines or penalties, the payment of compensation or the cancellation or suspension of Next Science's ability to carry on certain activities or product offerings. It could also interrupt or adversely affect parts of Next Science's business and may have an adverse effect on Next Science's operating and financial performance.

6.2.2 PRICE OF SHARES

Once Next Science becomes a publicly listed company on ASX, Next Science will become subject to general market risk that is inherent in all securities listed on a stock exchange. This may result in fluctuations in Next Science's share price that are not explained by Next Science's fundamental operations and activities.

The price at which Shares are quoted on ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the Offer Price.

06 RISKS

There is no assurance that the price of the Shares will increase following quotation on ASX, even if Next Science's earnings increase.

Some of the factors which may adversely impact the price of the Shares include, but are not limited to, the number of potential buyers or sellers of Shares on ASX at any given time, fluctuations in the domestic and international markets for listed securities, general economic conditions including interest rates, inflation rates, exchange rates, commodity prices, changes to government fiscal, monetary or regulatory policies and settings, changes in legislation or regulation, inclusion in or removal from market indices, recommendations by brokers or analysts, global hostilities, tensions and acts of terrorism, the nature of the markets in which Next Science operates and general operational and business risks.

Deterioration of general economic conditions may also affect Next Science's business operations, and the consequent returns from an investment in Shares.

6.2.3 FOREIGN EXCHANGE RISK

Currently, all of the Company's sales revenue and the majority of the Company's costs are in US dollars. Unhedged, unfavourable movements in foreign exchange rates may have an adverse effect on the Company's profitability. The Company's reporting currency is US Dollars.

6.2.4 LIQUIDITY OF SHARES

There has been no public market in the Shares prior to the Offer. Once the Shares are quoted on ASX, there can be no guarantee that an active trading market for the Shares will arise or that the price of the Shares will increase. There may be relatively few prospective buyers or sellers of the Shares on ASX at any given time.

Upon Completion, the existing Shareholders of the Company will hold approximately 72.75% of the total issued capital of the Company. Of these Shares 64.59% will be the subject of ASX imposed or voluntary escrow arrangements for between one and two years from the date of issue or the date of quotation. Further details are set out in Section 8.8.

Following the end of the relevant escrow period, a significant sale of Shares by the escrowed Shareholders, or the perception that such sales might occur, could adversely affect the market price of the Shares.

6.2.5 INABILITY TO PAY DIVIDENDS OR MAKE OTHER DISTRIBUTIONS

The ability for future dividends or other distributions to be paid by Next Science will be contingent on its ability to generate profits.

Furthermore, to the extent that Next Science pays any dividends, the ability to offer fully franked dividends is contingent on making taxable profits in excess of accumulated losses. Taxable profits may be volatile, making the payment of dividends unpredictable.

The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder.

6.2.6 FOUNDING INVESTOR RETAINING SIGNIFICANT HOLDING IN NEXT SCIENCE POST-LISTING

At Completion, Walker Group Holdings Pty Ltd (ACN 001 215 069) and Auckland Trust Company Limited (Registration Number: 940654), each of which were founding investors, will hold approximately 16.19% and 25.96% respectively of the Shares issued in Next Science. In addition, following Admission, the Board will retain one director who was nominated by Walker Group Holdings Pty Ltd. As a result of their substantial holding, Walker Group Holdings Pty Ltd and Auckland Trust Company Limited, if they were to act in concert, would have the capacity to exercise influence in relation to matters requiring the approval of the shareholders of Next Science.

6.2.7 FUTURE CAPITAL MARKET ACCESS AND REFINANCING

The Company may require further financing in addition to amounts raised under the Offer. In the future, Next Science may require debt and/or equity funding to finance its ongoing research, development and release of products. Next Science may require such fundraising to finance growth in the business. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations. There is no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

6.2.8 TAXATION CHANGES

An investment in Shares involves tax considerations which differ for each Shareholder depending on their individual financial affairs. Each prospective investor is encouraged to seek independent financial advice about the consequences of acquiring shares, pursuant to the offer, from a taxation viewpoint and generally.

Changes in tax law (including goods and services taxes and stamp duties), or changes in the way taxation laws are interpreted, may impact Next Science's tax liabilities or the tax treatment of a Shareholder's investment. In particular, both the level and basis of taxation may change.

To the maximum degree permitted by law, the Company, its officers and each of their respective advisors accept no liability or responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

6.2.9 LITIGATION RISK

In the ordinary course of business, Next Science may be involved in litigation disputes from time to time. Litigation disputes brought by third parties, including but not limited to intellectual property, distribution partners, customers, suppliers, business partners and employees may adversely impact the financial performance and industry standing of the business, in the case where the impact of legal proceedings is greater than or outside the scope of the Company's insurance. The Company is not currently involved in any litigation.

6.3 SPECULATIVE NATURE OF INVESTMENT

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

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KEY PEOPLE, INTERESTS AND BENEFITS

07 KEY PEOPLE, INTERESTS AND BENEFITS

7.1 BOARD OF DIRECTORS

The Board members have been selected for their extensive experience and expertise. They bring a variety of skills and experience, including industry and business knowledge, corporate governance, financial management and operational experience.

TABLE 1 **BOARD OF DIRECTORS**

Director	Experience
George Savvides Chairman and Independent Non-Executive Director	George Savvides was appointed the Independent Non-Executive Chairman of Next Science in July 2018. George has 30 years of experience in the Australian & New Zealand healthcare sector, including sitting on a number of company boards. He was Managing Director of two companies which had successful IPO listings on the ASX, namely Sigma and Medibank Private. He served as Medibank CEO for 14 years. George served as Chairman of Kings Consolidated Group Pty Ltd (2016 to 2018) and Macquarie University Hospital (2016 to 2018), and retired as Chairman of World Vision Australia after 18 years of service in February 2018. He was a board member of the International Federation of Health Plans for 10 years including a period of Deputy President, retiring in 2016. He currently serves as Deputy Chairman of the public broadcaster, SBS (since 2017) and non-executive director of NZX listed Ryman Healthcare, a large residential aged care provider in New Zealand (since 2013). George is a director of consulting firm Sodia. George holds a Bachelor of Engineering (Honours) degree from the University of New South Wales as well as an MBA from the University of Technology Sydney. He is a Fellow of the Australian Institute of Company Directors.
Judith Mitchell Managing Director	Judith Mitchell is the Managing Director of Next Science. Judith Mitchell entered into an employment agreement with the Company in October 2017 and commenced work as Managing Director in November 2017. Prior to joining Next Science, Judith Mitchell served as President of DePuy Synthes Asia Pacific, the Orthopaedics Division of Johnson & Johnson. Prior to that, Judith Mitchell was the President of Asia Pacific for Synthes GmbH, the world leaders in orthopaedic trauma care. Judith Mitchell commenced her medical technology career at GE Medical Systems, where over 14 years, she held positions in sales, marketing and management. She also held a variety of positions at Cochlear Limited in Product Development, Global Marketing and Education. Judith Mitchell holds an MBA from the University of Hull and is a Graduate of the Australian Institute of Company Directors.

07 KEY PEOPLE, INTERESTS AND BENEFITS

Director	Experience
Bruce Hancox Non-Executive Director	Bruce Hancox is a Non-Executive Director of Next Science and has been involved in the Company since April 2012. Mr Hancox currently serves as non-executive chairman of Carbonxt Group Limited (ASX:CG1) and Australian Industrial Minerals Limited (since 2018). Mr Hancox has over 35 years of corporate experience across a broad spectrum of commerce, including 16 years with Brierley Investments Limited in New Zealand. He held a number of senior roles at Brierley Investments Limited as general manager and chairman, and served on the board of a number of their subsidiaries in New Zealand, Australia and the US. Mr Hancox has been a financial advisor to interests of Lang Walker since 2008. He serves as a director of investments and wealth management at Walker Corporation Pty Ltd and works with the Walker group of companies to pursue investment opportunities outside the property market. Mr Hancox is a director of Walker Group Holdings Pty Ltd. As a nominee of the Company's largest shareholder, Mr Hancox is not considered to be an independent director. Mr Hancox was a director of QRxPharma Limited when it was placed into voluntary administration as a result of the contingent liability from litigation threats against previous directors restricting the ability of the company to raise further capital. Mr Hancox holds a Bachelor of Commerce from Canterbury University, New Zealand.
Dan Spira Independent Non-Executive Director	Dan Spira is a Non-Executive Director of Next Science. Dan joined Next Science in June 2017. Mr Spira is currently the CEO of iNova Pharmaceuticals (since 2017) which is a leading multinational consumer healthcare and pharmaceutical company with operations across Asia Pacific and Africa. Previously, he was at Bausch Health (2011 - 2015) as Vice President & GM - North America (with responsibility for a portfolio of businesses spanning Vision Care, Dermatology and Aesthetic Devices) and was also Managing Director Pacific region. Prior to that, he spent 15 years at Johnson & Johnson in various roles including Vice President, Country Manager, Chief Marketing Officer and other sales and marketing roles across the Asia Pacific, Europe / Middle East and North American regions. Mr Spira holds a Bachelor Of Commerce from University of New South Wales.

07 KEY PEOPLE, INTERESTS AND BENEFITS

Director	Experience
Aileen Stockburger Independent Non-Executive Director	Aileen Stockburger was appointed as a Non-Executive Director of Next Science in October 2018. Mrs Stockburger spent almost 30 years at Johnson & Johnson in numerous roles and oversaw transactions with cumulative purchase prices in excess of US$70 billion. Prior to joining Next Science, Mrs Stockburger was the Worldwide Vice President of Business Development for the DePuy Synthes Group of Johnson & Johnson. In this position, she oversaw the group's merger and acquisition activities, including deal structuring, negotiations, contract design and review, and deal terms. She led Johnson & Johnson's efforts to acquire Synthes for approximately US$21 billion, Johnson & Johnson's largest medical device acquisition. She also led the efforts to divest the DePuy Trauma business and acquire Micrus Endovascular. She was also involved in numerous other M&A transactions including Pfizer Consumer HealthCare (US$16.5 billion), Aveeno, BabyCenter, OraPharma, DePuy, DePuy Mitek, Kodak Clinical Diagnostics and Neutrogena. Prior to joining Johnson & Johnson, Mrs Stockburger spent three years at Coopers and Lybrand (now PricewaterhouseCoopers), where she earned her Certified Public Accountant (CPA) certification. Mrs Stockburger also holds a Bachelor of Science and an MBA from The Wharton School, University of Pennsylvania.
Professor Mark Compton Independent Non-Executive Director	Mark Compton was appointed as a Non-Executive Director of Next Science in October 2018. Mr Compton is chairman and a non-executive director of Sonic Healthcare Limited (appointed as a director in 2014 and as chairman in 2015), which is a global medical diagnostics and healthcare organisation that is a Top 50 ASX listed company. Mr Compton is also chairman of St Luke's Care Limited (since 2017), a not-for-profit health and aged care organisation and St John Ambulance Australia (since 2013). Mr Compton was recently appointed to the role of Lord Prior of the International Order of St John and Chairman of the Board of Trustees, St John International commencing 24 June 2019. Until December 2018, Mr Compton was also a non-executive director of Macquarie University Health, and MQ Health (2010 - 2018). Mr Compton is a member of various committees, including the Audit Committee and Remuneration and Nomination Committee of Sonic Healthcare Limited; and the Finance and Audit Committee, Remuneration Committee and Medical Advisory Committee of St Luke's Care Limited. Mr Compton also held various CEO and managing director roles, including at St Luke's Care Limited, Immune System Therapeutics Limited, Royal Flying Doctor Service of Australia, SciGen Limited and Alpha Healthcare Limited. He is an Adjunct Professor at Macquarie University in healthcare leadership and management (since 2012). Mr Compton holds a Bachelor of Science (Pharmacology, Physiology and Biochemistry) and an MBA from the University of New South Wales. He is a Fellow of the Australian Institute of Company Directors, the Australasian College of Health Services Management, the Australian Institute of Management and the Royal Society (New South Wales).

07 KEY PEOPLE, INTERESTS AND BENEFITS

7.2 KEY MANAGEMENT TEAM

TABLE 2 KEY MANAGEMENT TEAM

Executive	Experience
Judith Mitchell Managing Director	See Section 7.1 above.
Jacqueline Butler Chief Financial Officer	Jacqueline Butler is the Chief Financial Officer (CFO) of Next Science. Mrs Butler joined the Company in November 2017, bringing over 20 years of experience in accounting and finance. Mrs Butler worked in the UK and Europe in various financial roles before coming to Australia in 2005. She joined Azure Group Pty Ltd, a Chartered Accounting firm in Sydney where she acted as CFO for various clients and led the Accounting and Financial Reporting Divisions as an Associate Director. Following this she joined Avira Resources Limited as CFO and Company Secretary, helping to list it on the ASX in 2013. Mrs Butler qualified as a Chartered Accountant with the Institute of Chartered Accountants, England and Wales (ICAEW) while working at Arthur Andersen (now Deloitte) in London. Mrs Butler holds a Bachelor of Arts (Economics and Geography) from the University of Exeter.
Dr Matthew Myntti Chief Technology Officer	Dr Matthew Myntti is the founder and Chief Technology Officer (CTO) of Next Science. Prior to founding Next Science, Dr Myntti held the position of Principal Scientist at Medtronic Surgical Technologies, where he led the biomaterials group which developed novel ENT and neurologic products. He also held the position of Advanced Product Development Engineer at Vernay Lab Inc. Dr Myntti holds Master and Doctoral degrees in Materials Science and Engineering from the University of Dayton.
Jon Swanson Chief Operating Officer	Jon Swanson is the Chief Operating Officer (COO) of Next Science. He joined the Company in June 2018. Mr Swanson was a leader in Advanced Operations Group at McKinsey & Co. (2011 – 2018), where he focused on transforming operations, product development and quality performance at clients in the pharmaceutical and medical products industries. Before joining McKinsey in 2011, Mr Swanson was president at Lean Sigma and held a variety of positions at Medtronic in manufacturing, product development and operations excellence. Mr Swanson started his career in the US Navy in operations and nuclear engineering. Mr Swanson holds a Bachelor of Science (Mathematics) from the United States Naval Academy and an MBA from the University of Florida.

07 KEY PEOPLE, INTERESTS AND BENEFITS

Executive	Experience
Byron Darroch Executive Vice President, Partnerships	Byron Darroch is the Executive Vice President, Partnerships, of Next Science. He entered into an employment agreement with the Company in October 2016 and is responsible for leading the Partnerships team for Next Science. Prior to joining Next Science, Mr Darroch served as General Manager and Head of Business Development at Atomo Diagnostics, a fast-growing diagnostics company supported by the Gates Foundation. Within this role, Mr Darroch helped bring large-scale HIV self-testing to the global market. Prior to this role, Mr Darroch founded a successful retail focused business based in South Africa. Mr Darroch holds a Bachelor of Commerce (Economics and Financial Accounting) from Stellenbosch University and a Post Graduate Diploma in Enterprise Management from the University of Cape Town.

7.3 INTERESTS AND BENEFITS

This Section sets out the nature and extent of the interests and fees of certain persons involved in the Offer.

Other than as set out below or elsewhere in this Prospectus, no:

a. Director or proposed Director of Next Science;

b. person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;

c. promoter of the Company; or

d. underwriter to the Offer or financial services licensee named in the Prospectus as a financial services licensee involved in the Offer,

holds as at the Prospectus Date, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

a. the formation or promotion of the Company;

b. property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or

c. the Offer.

Other than as set out below, in Section 12 of the Prospectus or elsewhere in this Prospectus, no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such person for services in connection with the formation or promotion of the Company or the Offer to induce them to become, or qualify as a Director, or for services provided in connection with the formation or promotion of the Company or the Offer.

07 KEY PEOPLE, INTERESTS AND BENEFITS

7.3.1 SERVICES AGREEMENTS, INTERESTS AND REMUNERATION OF EXECUTIVES

7.3.1.1 MANAGING DIRECTOR AND CFO SERVICES AGREEMENTS

The Company has entered into services agreements with:

a. Judith Mitchell, pursuant to which she was appointed as Managing Director (dated 1 November 2017); and

b. Jacqueline Butler, pursuant to which she was appointed as CFO (dated 1 November 2017).

The material terms of the services agreements are as follows:

a. **Salary:** the following salaries are inclusive of superannuation and will be reviewed annually by the Company:
   i. Judith Mitchell: A$400,000 per annum (post Admission total fixed remuneration (**TFR**)); and
   ii. Jacqueline Butler: A$258,694 per annum.

b. **Expenses:** The Company will reimburse Judith Mitchell and Jacqueline Butler for all reasonable travel, accommodation and general expenses they incur in performing their respective duties;

c. **Termination:** The Company may terminate each of the services agreements:
   i. by giving 3 months' written notice; or
   ii. without notice, in the event of serious misconduct or for any other reason that enables summary dismissal at law.

Judith Mitchell and Jacqueline Butler are also entitled to participate in the Company's Short Term and Long Term Incentive Plans as per Section 7.3.2.

The Company has received in-principle advice from ASX confirming that it would be likely to grant a waiver of ASX Listing Rule 10.14 to allow the issue of Performance Rights to Judith Mitchell as part of her participation under the Long Term Incentive Plan for a period of three years after Admission, without requiring shareholder approval for each issue. Under the Plans, it is proposed that Judith Mitchell be issued Performance Rights on the satisfaction of certain performance hurdles. The details of the number of securities to be issued and the performance hurdles which must be satisfied are set out in Section 7.3.2.

7.3.1.2 CTO REMUNERATION

The Company and Dr Matthew Myntti entered into an employment agreement dated 30 March 2012 (as amended in 24 February 2019) pursuant to which Dr Myntti was appointed as CTO from 2 May 2012.

The material terms of the employment agreement are as follows:

a. **Salary:** US$350,000 per annum (post Admission TFR);

b. **Expenses:** The Company will reimburse Dr Myntti for all reasonable expenses incurred by him in performing services under the agreement;

c. **Termination:** The Company may terminate the employment agreement:
   i. by giving 90 days' written notice; or
   ii. immediately, if Dr Myntti:
      a. has commissioned an act of fraud or embezzlement upon the Company and/or any of its subsidiaries or affiliates; or
      b. has commissioned a wilful act intended to injure the reputation, business or any business relationship of the Company or any of its subsidiaries or affiliates;
      c. is found by a court of competent jurisdiction to have committed a felony; or has breached his obligations in relation to confidentiality and intellectual property under the employment agreement.

Dr Myntti is also entitled to participate in the Company's Short Term and Long Term Incentive Plans as per Section 7.3.2.

7.3.1.3 COO REMUNERATION

The Company and Jon Swanson entered into an employment agreement dated 22 May 2018 (as amended and replaced in 24 February 2019) pursuant to which Mr Swanson was appointed as COO.

The material terms of the employment agreement are as follows:

a. **Salary:** US$250,000 per annum;

b. **Expenses:** The Company will reimburse Mr Swanson for all reasonable expenses incurred by him in performing services under the agreement;

c. **Termination:** The Company may terminate the employment agreement by giving 90 days' written notice.

Mr Swanson is also entitled to participate in the Company's Short Term and Long Term Incentive Plans as per Section 7.3.2.

7.3.1.4 EXECUTIVE VICE PRESIDENT PARTNERSHIPS REMUNERATION

The Company and Byron Darroch entered into an employment agreement dated 31 October 2017 pursuant to which Mr Darroch was appointed as Executive Vice President, Partnerships.

The material terms of the employment agreement are as follows:

a. **Salary:** A$258,694 per annum inclusive of superannuation;

b. **Expenses:** The Company will reimburse Mr Darroch for all reasonable expenses incurred by him in performing services under the agreement;

c. **Termination:** The Company may terminate the employment agreement:

   i. by giving 2 months' written notice; or

   ii. without notice, in the event of serious misconduct or for any other reason that enables summary dismissal at law.

Mr Darroch is also entitled to participate in the Company's Short Term and Long Term Incentive Plans as per Section 7.3.2.

7.3.1.5 NON-EXECUTIVE DIRECTOR REMUNERATION

Each of the Non-Executive Directors has entered into appointment letters with Next Science confirming the terms of their appointment and their roles and responsibilities. A Non-Executive Director may terminate their directorship at any time by advising the Board in writing. The appointment letters are otherwise on standard commercial terms.

Under the Constitution, the Board decides the total amount paid to each Non-Executive Director as remuneration for their services as a Director. However, under the ASX Listing Rules, the total amount of fees paid to all Directors for their services (excluding, for these purposes, the salary of any Executive Director) must not exceed in aggregate in any financial year the amount fixed by the Company's shareholders in general meeting. This amount has been fixed initially in the Company's Constitution at A$750,000 per annum in aggregate and may be varied by ordinary resolution in general meeting.

The Chairman, George Savvides receives A$250,000 (inclusive of superannuation) and each Non-Executive Director receives A$60,000 (inclusive of superannuation) as at the date of this Prospectus. From 1 May 2019 and subject to Admission, each Non-Executive Director will receive A$90,000 (inclusive of superannuation).

Additionally, from 1 May 2019 and subject to Admission, each Chair of a Board Committee will receive an amount of A$10,000 per annum. The Chairs of the Board Committees are Mr Hancox, Chair of the Audit and Risk Committee and Mr Spira, Chair of the Remuneration and Nomination Committee, as detailed in Sections 7.4.4 and 7.4.5 below.

The Company has received in-principle advice from ASX confirming that it would be likely to grant a waiver of ASX Listing Rule 10.11 to allow Mrs Stockburger and Mr Spira, Non-Executive Directors, to elect to be issued Shares in lieu of their Director fees for the first 12 months after Admission. The Shares issued will be fully paid ordinary shares in the capital of the Company on the same terms and conditions as the Company's existing Shares. A description of the rights and liabilities attaching to the Shares is set out in Section 12.6.

For the first quarter after Admission (being 1 April 2019 to 30 June 2019), it is proposed that the Shares will be issued at the Offer Price. For later quarters, it is proposed that the Shares will be issued at the 10 day VWAP for the first 10 trading days of the relevant quarter. In relation to fees accrued for each quarter, the Company intends to issue Shares within the month after the relevant quarter. Shares will be issued no later than 12 months after Admission.

07 KEY PEOPLE, INTERESTS AND BENEFITS

If Mrs Stockburger and Mr Spira elect to be issued Shares in lieu of fees, for the first quarter after Admission the maximum number of Shares to be issued will be 20,000 Shares to Mrs Stockburger and 21,667 Shares to Mr Spira. The total dilutive effect to Shareholders for these issues will be 0.023% (comprised of 0.012% from the issue of Shares to Mr Spira and 0.011% from the issue of Shares to Mrs Stockburger).

The following table provides examples of the maximum number of Shares to be issued for the period from 1 July 2019 to 31 March 2020 if all of the Shares were to be issued at prices ranging from A$0.75 to A$1.25 (ie. if the 10 VWAP for the first 10 trading days of the relevant quarters were A$0.75, A$1.00 or A$1.25):

Director	Shares issued at A$0.75 (25% decrease to Offer Price)	Shares issued at A$1.00 (Offer Price)	Shares issued at A$1.25 (25% increase to Offer Price)
Dan Spira	33,333	25,000	20,000
Aileen Stockburger	30,000	22,500	18,000

Directors may also be reimbursed for expenses properly incurred by them in dealing with the Company's business or in carrying out their duties as a Director.

7.3.1.6 DIRECTORS' INTERESTS IN SHARES AND OTHER SECURITIES

As at the Prospectus Date, the Directors hold the securities set out in the table below either personally, or through entities associated with the Director (excluding any Shares applied for under the Offer). Some of these securities will be subject to escrow arrangements. Refer to Section 8.8 for further details.

TABLE 3 DIRECTOR'S INTERESTS IN SECURITIES IN NEXT SCIENCE

Shareholder	Shareholding immediately prior to the Offer	Options held immediately prior to the Offer	Shares to be issued upon conversion of Converting Notes	Percentage interest[1] in Shares immediately prior to the Offer (undiluted)	Proposed Percentage interest[1] in Shares at Admission (undiluted)
George Savvides	Nil	650,000[2]	625,000	Nil	0.35%
Judith Mitchell	4,732,000	2,340,000[3]	Nil	3.28%	2.64%
Bruce Hancox	Nil	520,000[2]	Nil	Nil	Nil
Dan Spira	Nil	1,300,000[4]	Nil	Nil	Nil
Aileen Stockburger	Nil	520,000[2]	Nil	Nil	Nil
Mark Compton	Nil	520,000[2]	125,000	Nil	0.07%

Note 1: These calculations are based on the assumption that none of the Options on issue have been exercised and converted into Shares.

Note 2: Exercisable at US$0.56 on or before 17 December 2023, unless the Director ceases to be a director of the Company for any reason, in which case the Options will immediately terminate.

Note 3: Exercisable at US$0.42 on or before 16 April 2021, subject to satisfaction or waiver by the Company of the following vesting conditions:

a 780,000 Options will vest on the condition that, after Admission, the price of Shares exceeds 125% of the Offer Price for thirty consecutive trading days.

b 780,000 Options will vest upon the occurrence of either Admission, a change of control in the Company or a monetisation event that results in the Company or its affiliates affirmatively delaying any IPO.

c 780,000 Options will vest on the condition that the Company and its affiliates, on a consolidated basis, have operating cash inflows that are higher than the operating cash outflow during a consecutive twelve-month period prior to vesting.

Note 4: 1,040,000 Options are exercisable at US$0.42 on or before 16 April 2021. 260,000 Options are exercisable at US$0.56 on or before 17 December 2023, unless the Director ceases to be a director of the Company for any reason, in which case the Options will immediately terminate.

The Directors are entitled to apply for Shares under the Offer. The above table does not take into account any Shares the Directors may acquire under the Offer. As at the Prospectus Date, none of the Directors intend to participate in the Offer. The Directors' final shareholdings will be released to ASX at the time of Admission.

7.3.2 EMPLOYEE INCENTIVE ARRANGEMENTS

7.3.2.1 SUMMARY OF SHORT TERM INCENTIVE (STI) PLAN FOR EXECUTIVES

The Managing Director, CFO, Executive Vice President, Partnerships, Chief Technology Officer and Chief Operating Officer will be invited to participate in the STI plan, which takes effect upon Admission. Participants must be employed with the Company for at least six months during the plan year and still be employed with Next Science until after the announcement of Company results to the ASX following each plan year. Participation is not automatic. Participants who resign or who are terminated before the end of the plan year are not eligible for any payments.

The STI plan objectives are to:

- reward executives for their contribution in ensuring that Next Science achieves its annual financial performance targets;
- enhance Next Science's opportunity to attract, motivate and retain high calibre and high performing executives; and
- link part of executive remuneration directly to the achievement of Company and individual KPIs.

In the first year, payments may be made under the STI Plan on the achievement of three hurdles, being the Company's revenue target, the Company's EBITDA target and the relevant individual's key performance indicators. All payments made under the STI Plan will be paid in cash.

The following table shows potential STI payments for participants as a percentage of their TFR on achievement of Company and individual performance targets.

Participant	Maximum STI Award (% of TFR)	Proportion of STI for on-target Company revenue (% of column 1)	Proportion of STI for on-target Company EBITDA (% of column 1)	Proportion of STI for on-target personal performance (% of column 1)
Judith Mitchell	100%	40%	30%	30%
Jacqueline Butler	80%	40%	30%	30%
Byron Darroch	80%	30%	20%	50%
Matthew Myntti	80%	30%	20%	50%
Jon Swanson	80%	30%	20%	50%

TFR is the aggregate of fixed remuneration, including salary, superannuation if payable and any other cash payments.

50% of the Maximum Award will apply on achievement of base performance targets in each category. 40% of the Maximum Award will apply for the CTO, CFO, COO and Executive Vice President, partnerships on achievement of base performance targets in each category.

To receive 100% of the Maximum Award, stretch performance targets must be achieved for revenue, EBITDA and individual performance.

A sliding scale will apply subject to achieving at least 90% of the Company revenue target, 100% of the base EBITDA and base individual performance targets.

7.3.2.2 SUMMARY OF LONG TERM INCENTIVE (LTI) PLAN FOR EXECUTIVES

The Board of the Company has determined a long term incentive plan, to be paid by way of Performance Rights to eligible participants. The Managing Director, CTO, CFO, COO and Executive Vice President, Partnerships will be invited to participate in the LTI plan, which is governed by the Company's Equity Plan rules. An invited participant must have been employed with the Company or a wholly owned subsidiary for at least 12 months before any grant is made.

The first grant of Performance Rights under the LTI Plan will take place in 2020, conditional upon the Group achieving the performance hurdle of US$14.6 million revenue (approximately A$20 million revenue) in FY19. If this hurdle is not achieved, no Performance Rights will be granted.

The Managing Director will be granted Performance Rights worth 200% of her annual TFR, based on her TFR at the start of each Plan year. The Company has received in-principle advice from ASX confirming that it would be likely to grant a waiver of ASX Listing Rule 10.14 to allow the grant of Performance Rights to Ms Mitchell as part of her participation under the LTI Plan, governed by the Company's Equity Plan rules, for a period of three years after Admission, without requiring Shareholder approval for each grant. The other participants are eligible to be granted Performance Rights worth 150% of their TFRs. The number of Performance Rights granted will be based on the VWAP of Shares for the period 1 January until the day before the release on ASX of the Company's preliminary full year results.

Subject to the vesting conditions being satisfied, the Performance Rights will convert to Shares automatically three years after the date on which they are granted. If the vesting conditions have not been satisfied by this date, the Performance Rights will automatically lapse. Participants must still be employed by the Company or a wholly owned subsidiary at the date of vesting. The number of Performance Rights that vest is dependent on satisfaction of the following vesting conditions:

i. if the compound total shareholder return (**TSR**) is less than 15% per annum, no Performance Rights will vest;
ii. 50% of Performance Rights will vest if the compound annual TSR is at least 15% per annum; and
iii. 100% of Performance Rights will vest if the compound annual TSR is at least 30% per annum.

Each vested Performance Right carries the right to acquire a Share on a one-for-one basis.

The plan will operate annually in future years with grants based on the relevant revenue and/or other Company performance measures. It is not intended to change the size of grant to participants or the vesting conditions.

7.3.2.3 MINIMUM SHAREHOLDING REQUIREMENTS

To align the interests of Non-Executive Directors and Executives with Next Science's shareholders, Next Science has introduced the following minimum shareholding rules:

i. NEDs are required to hold the equivalent of one year's after tax director's fees (excluding any Committee fees) within three years of appointment to the Next Science Board. This minimum can be achieved either by acquiring shares on market subject to the terms of the Company's Securities Trading Policy, or salary sacrificing director fees into equity;
ii. the Managing Director and CTO are prohibited from disposing of Next Science shares acquired from equity based incentive plans (other than to fund any associated tax liability arising on vesting of the equity) unless immediately after that disposal they continue to hold Next Science shares with a value equal to or greater than three times their annual base salary after tax; and
iii. All other key management personnel, are prohibited from disposing of Next Science shares acquired from equity based incentive plans (other than to fund any associated tax liability arising on vesting of the equity) unless immediately after that disposal they hold Next Science shares equivalent to their annual base salary after tax in the previous year.

7.3.2.4 SUMMARY OF EQUITY PLAN RULES

Prior to the date of this Prospectus, Next Science established an employee incentive plan to align the interests of eligible employees, non-executive directors and contractors with shareholders through the sharing of a personal interest in the future growth and development of the Company and to provide a means of attracting and retaining skilled and experienced eligible persons (**Equity Plan**). The grant of Performance Rights to executives under the LTI Plan will be governed by the Equity Plan rules.

No grants of equity have been made under the Plan as at the date of this Prospectus.

07 KEY PEOPLE, INTERESTS AND BENEFITS

The key terms of the Equity Plan rules are set out below:

Term	Description
Eligible Participants	The Equity Plan is open to full-time, part time and casual employees and non-executive directors of any company in the Group and persons who have entered into an arrangement that will result in them falling into one of these categories.
Plan Interests	Grants under the Equity Plan may comprise Performance Rights, Options or Plan Shares. An Option means an option to subscribe for one Share on the terms specified in the Invitation subject to the satisfaction of the Vesting Conditions (if any). A Performance Right means a right to receive a Share on the terms specified in the Invitation subject to the satisfaction of the Vesting Conditions (if any). A Plan Share means a Share allocated to the Participant under the Equity Plan on the terms specified in the Invitation, which ranks equally for all purposes with the Shares. The Company will not seek quotation of Performance Rights or Options on ASX.
Quantum	The number of Performance Rights, Options or Plan Shares offered to a Participant will be determined by the Board.
Plan limit and compliance with laws	No Invitation will be made if the number of Shares which have been or would be issued in any of the following circumstances in aggregate would exceed 5% of the total number of Shares on issue at the date of the Invitation: a. the number of shares that may be issued as a result of the Rights and Options granted under the Plan; and b. the number of Shares which were or may be issued as a result of offers made at any time during the previous three year period under an employee incentive scheme covered by ASIC Class Order 14/1000.
Terms and conditions	The Board may make an Invitation to an Eligible Person to acquire Plan Interests. Invitations will be subject to such terms as the Board determines and may include the following: • The number or value of Plan Interests for which the Eligible Person may apply • The amount payable (if any) to acquire Plan Interests • The Performance Period and Vesting Conditions that apply • The circumstances in which a Plan Interest will lapse or be forfeited • Disposal Restrictions in relation to Plan Shares and a Holding Lock Period (if any) applicable to a Plan Interest • The amount payable (if any) on exercise of a vested Option
Restrictions	Unless the Board determines otherwise, a Participant must not assign or transfer to any other person any of their legal or equitable rights to Plan Interests except to their Legal Personal Representative. Participants must comply with the Company's Securities Trading Policy at all times.
Vesting and exercise	Unless the Board determines otherwise, Performance Rights and Options vest and Options must be exercised in accordance with the terms specified in the Invitation. The Board may determine that a Participant's entitlement to Shares under a Performance Right that has vested or an Option that has been exercised will be satisfied by the Company making a cash payment to the Participant in lieu of allocating Shares.

07 KEY PEOPLE, INTERESTS AND BENEFITS

Term	Description
Dividends and other benefits	Unless the Board determines otherwise, a Participant has no right to receive dividends or distributions or any payment in respect of unvested Performance Rights or Options or Performance Rights or Options that have lapsed in accordance with the Equity Plan Rules.
Lapse and forfeiture	Subject to the terms of the Invitation and the Board determining otherwise, a Performance Right or Option will lapse upon the earliest to occur of the Participant ceasing to be an Employee, failure to meet a Vesting Condition within the Performance Period (if any) or the occurrence of a circumstance specified by the Board in the Invitation. Subject to the terms of the Invitation and the Board determining otherwise, a Plan Share will be forfeited upon the earliest to occur of the occurrence of a circumstance specified by the Board in the Invitation or the Board determining that a Plan Share has been forfeited. On a Plan Interest lapsing or being forfeited, all rights of a Participant in respect of that Plan Interest cease.
Cessation of employment or office	Unless the Board determines otherwise, where a Participant ceases to be an Employee, all unvested Performance Rights or Options held by the Participant will automatically lapse.
Qualifying reason	If at any time prior to the Vesting Date, a Participant ceases to be an Employee due to his or her death or permanent disability, the Board may in its discretion waive some or all of the Vesting Conditions and determine the number of Performance Rights or Options that may vest.
Fraud, dishonesty or material breach of obligation	Where in the opinion of the Board, a Participant acts fraudulently or dishonestly or is in material breach of his or her obligations to the Group, any unvested Performance Rights or Options, any vested Performance Rights or Options for which the Participant has not yet been allocated Shares and any Plan Shares subject to Disposal Restrictions held by the Participant will lapse or be deemed to be forfeited immediately.
Change of control	If there is a Change of Control, the Board may, in its discretion, convert all or any of a Participant's Performance Rights to Shares whether or not the Vesting Conditions have been satisfied, permit the exercise of some or all Options whether or not the Vesting Conditions have been satisfied and remove any Disposal restrictions whether or not all requirements have been satisfied.
Capital restructures	In the event of a share capital reconstruction, the number of Shares or Plan Shares that may be acquired by each Participant or the Exercise Price (if any) payable, must be reconstructed to the extent necessary to comply with the ASX Listing Rules and in a manner that does not result in any additional benefits being conferred on Participants that are not conferred on Shareholders.
Non-Australian residents	The Board may adopt additional rules of the Plan that will apply to a grant made to an Eligible Person who is a resident in a jurisdiction other than Australia.
Amendments	The Board may amend the Rules from time to time and a change may be given retrospective effect. However, where any amendments will reduce any of the Participants' rights in respect of any Plan Interest, the Board must obtain the prior written consent of at least 75% of the Participants affected by the change unless the amendment is to correct a manifest error or for the purpose of complying with the Law or to take into consideration possible adverse tax implications to the Plan arising from changes to tax legislation or public or private rulings or determinations by a tax authority.

07 KEY PEOPLE, INTERESTS AND BENEFITS

7.4 CORPORATE GOVERNANCE

This Section 7.4 explains how the Board oversees the management of the Company's business. The Board is responsible for the overall corporate governance of the Company, including establishing and monitoring key performance goals. The Board is responsible for, and has the authority to determine, all matters relating to strategic direction, policies, practices, management goals and the operations of Next Science.

In conducting business, the Board's objective is to set the strategic direction of the Group and to oversee the Group's management and business activities.

Next Science has in place corporate governance practices which are formally embodied in corporate governance policies and codes adopted by the Board (**Policies**). The aim of the Policies is to ensure that Next Science is effectively directed and managed, risks identified, monitored and assessed, and appropriate disclosures made to shareholders, after Admission, to the market.

Next Science's corporate governance principles and policies are structured to comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition) (**ASX Recommendations**), which came into effect on 1 July 2014.

The ASX Recommendations set out recommended corporate governance practices for entities listed on the ASX that, in the ASX Corporate Governance Council's view, are likely to achieve good governance outcomes and meet the reasonable expectations of most investors in most situations. They are guidelines, not prescriptions. The Company's departures from the ASX Recommendations are included at Section 7.4.12 below. The Company will release a copy of its full Corporate Governance Statement to the ASX market announcements platform upon Admission.

As a listed entity, the Company will be required to report against the ASX Recommendations and disclose to stakeholders any divergence from the ASX Recommendations in its annual report.

The following is a summary of the Polices. A copy of each of the Policies is available on the Company's website.

7.4.1 BOARD OF DIRECTORS

Mr George Savvides, Mr Bruce Hancox, Mr Dan Spira, Mrs Aileen Stockburger and Mr Mark Compton are Non-Executive Directors who are not a part of the Company's management.

The Board Charter sets out guidelines for the purpose of determining independence of Directors in accordance with the ASX Recommendations and includes a definition of independence that is largely based on that set out in the ASX Recommendations.

The Board considers qualitative principles of materiality for the purpose of determining 'independence' on a case-by-case basis. The Board will consider whether there are any factors or considerations which may mean that a Director's interest, business or relationship could, or could be reasonably perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The Board considers that all Non-Executive Directors, except Bruce Hancox, are free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of her or his judgement. Given the guidelines adopted by the Company regarding the independence of Directors, Ms Mitchell, as Managing Director of and a shareholder in Next Science, is not considered by the Board to be independent.

The Board has not characterised Mr Hancox as independent due to his association with Walker Group Holdings Pty Ltd, a substantial shareholder of the Company, as this association may be perceived to influence his capacity to bring an independent judgment to bear on issues before the Board and to act in the best interests of the entity and its security holders generally.

Accordingly, as at Admission, the Board will consist of six directors, four of whom are independent Non-Executive Directors.

07 KEY PEOPLE, INTERESTS AND BENEFITS

7.4.2 BOARD CHARTER

The Board has adopted a Board Charter which sets out the responsibilities of the Board in greater detail, including the following responsibilities:

a. providing leadership and approving the strategic objectives of the Company and establishing goals to promote their achievement;

b. monitoring the operational and financial position and performance of the Company;

c. establishing investment criteria including acquisitions and divestments, approving investments, and implementing ongoing evaluations of investments against such criteria;

d. authorising the issue of any shares, options or other securities;

e. providing oversight of the Company, including its control and accountability systems;

f. monitoring compliance by the Company with its written policies and procedures, and its compliance with obligations at law;

g. approving all disclosures to the ASX and significant public announcements; and

h. appointing and removing the Managing Director, any executive Directors and the Company Secretary and to determine their remuneration and conditions of service, including any financial incentives.

The composition of the Board, its performance and the appointment of new Directors will be reviewed from time to time by the Board.

7.4.3 BOARD COMMITTEES

In order to better manage its responsibilities, the Board has established an Audit and Risk Committee and a Nomination and Remuneration Committee. Each Committee has adopted a charter approved by the Board which sets out its responsibilities. Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of the Company, ASX requirements and other regulatory requirements and the skills and experience of individual Directors.

From 1 May 2019 and subject to Admission, each Chair of a committee receives an amount of A$10,000 per annum.

7.4.4 AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is currently comprised of:

- Bruce Hancox (Chair)
- George Savvides
- Aileen Stockburger

The role and responsibilities, composition and membership requirements of the Audit and Risk Committee are documented in the Audit and Risk Committee Charter.

The purpose of the Audit and Risk Committee is to assist the Board with:

a. oversight of financial reporting and internal and external audit functions;

b. oversight of accounting, business, clinical and patient risk policies and practices;

c. oversight of legal and regulatory compliance;

d. oversight of internal control structure and risk management procedures;

e. promoting a culture of compliance across the Group companies; and

f. providing a forum of communication between the Board and the Company's external auditor, internal auditor and Company's management in relation to audit and risk matters.

The Company does not currently have an internal audit function in place. The Audit and Risk Committee Charter puts in place processes to monitor the Company's financial and risk management procedures. The Board currently considers these processes appropriate for the size and level of operations of the Company.

The Audit and Risk Committee Charter provides that the committee should comprise of at least three members, all of whom are Non-Executive Directors and are familiar with and able to read and understand financial statements and a majority of whom are independent Directors. At least one member should have accounting or related financial expertise and qualifications and the chair of the Audit and Risk Committee should be an independent Director who is not Chairman of the Board.

All of the current members of the Audit and Risk Committee are Non-Executive Directors who have extensive executive leadership experience and are familiar with and able to read and understand financial statements and Aileen Stockburger is a Certified Public Accountant (CPA).

As set out in the Departures from the ASX Recommendations in Section 7.4.12 below, the chair of the Audit and Risk Committee is not an independent Director.

The Committee will meet at least two times each year.

7.4.5 REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee is currently comprised of:

- Dan Spira (Chair)
- George Savvides
- Mark Compton

The role and responsibilities, composition, structure and membership requirements of the Remuneration and Nomination Committee are documented in the Remuneration and Nomination Committee Charter.

The purpose of the Remuneration and Nomination Committee is to assist the Board with:

a. ensuring that the Group's remuneration policies and practices enable the Group to fairly and responsibly attract, retain, motivate and reward employees and comply with the law and the ASX Listing Rules;

b. ensuring that the Board has and maintains an appropriate balance of skills, knowledge, experience, expertise, independence, diversity and commitment to enable it to discharge its responsibilities and duties effectively; and

c. ensuring that the Company has in place an appropriate process for periodically evaluating the performance of the Board, its committees, each Director and the Company's senior executives.

The Remuneration and Nomination Committee Charter provides that the committee should comprise of at least three members, all of whom are Non-Executive Directors and a majority of whom are independent Directors.

The chair of the Committee should be an independent Director who is not Chairman of the Board.

The Committee will meet at least two times each year.

All of the current members of the Remuneration and Nomination Committee are independent Non-Executive Directors and the chair of the Committee is not Chairman of the Board.

7.4.6 CODE OF CONDUCT

The Company's Code of Conduct sets out the legal and ethical obligations and the standard of behaviour expected of individuals working for the Group.

The Code of Conduct deals with the following principal areas:

a. honesty and integrity;

b. conflicts of interest or duty;

c. corporate opportunities;

d. confidential information;

e. fair dealing;

f. protection and proper use of company assets;

g. privacy;

h. responsibilities to the community and the environment;

i. patients and clinical environment;

j. compliance with laws, regulations, policies and procedures; and

k. reporting unlawful and unethical behaviour.

07 KEY PEOPLE, INTERESTS AND BENEFITS

7.4.7 COMMUNICATIONS WITH SHAREHOLDERS

The Board is committed to ensuring that the Company maintains direct, open, timely and effective communications with all Shareholders. Information will be communicated to Shareholders through announcements to ASX, Next Science's annual report, annual general meetings, half yearly and full year results, and Next Science's website, www.nextscience.com.

7.4.8 DIVERSITY POLICY

Next Science has adopted a Diversity Policy which sets out Next Science's commitment to diversity and inclusion in the workplace. Under the Diversity Policy, the Board states its commitment to encouraging inclusive workplace practices and behaviours and foster a work environment that values the contributions of employees with diverse backgrounds, experiences and perspectives.

7.4.9 SECURITIES TRADING POLICY

Next Science has a Securities Trading Policy which applies to all Directors, employees, contractors, consultants and advisers of Next Science. The purpose of the policy is to provide a summary of the law on insider trading, set restrictions on dealing in securities and assist in maintaining market confidence in the integrity of dealings in Next Science securities.

The Securities Trading Policy imposes a general prohibition on short term or speculative dealing. It also imposes additional prohibitions on Directors and senior management in respect of dealings during black-out periods and hedging unvested entitlements and establishes an approval procedure for any dealing. It also outlines the terms of participation in employee incentive plans, dealing under the Equity Plan and the restrictions on dealing by directors and restricted persons.

7.4.10 ANTI-BRIBERY AND CORRUPTION POLICY

Next Science has an Anti-Bribery and Corruption Policy for Directors, employees, contractors, consultants and advisers of Next Science. The policy provides a summary of the law on bribery and corruption and outlines the circumstances in which it is unacceptable to receive gifts, entertainment and hospitality. The policy also prohibits facilitation payments, kickbacks and donations to political parties or which are intended to obtain an improper advantage for Next Science.

7.4.11 WHISTLEBLOWER POLICY

Next Science has a Whistleblower Policy which encourages employees to report suspected or known instances of misconduct. The Whistleblower Policy establishes the mechanisms and procedures for employees to report misconduct in a manner which protects the whistleblower and gathers the necessary information for Next Science to investigate such reports and act appropriately.

7.4.12 DEPARTURES FROM CORPORATE GOVERNANCE RECOMMENDATIONS

The Company's departures from the ASX Recommendations are set out in the following table:

ASX Recommendation	Explanation for departure
4.1 The board of a listed entity should have an audit committee which has at least three members, all of whom are non-executive directors and a majority of whom are independent directors, and is chaired by an independent director, who is not the chair of the board. 7.1 The board of a listed entity should have a committee or committees to oversee risk, each of which has at least three members, a majority of whom are independent directors, and is chaired by an independent director.	The Board has established an Audit and Risk Committee (**ARC**). The three members of the ARC are Mr Hancox, Mr Savvides and Mrs Stockburger, all of whom are Non-Executive Directors and a majority of whom are considered by the Board to be independent Directors. Mr Hancox is the Chair of the ARC. The Board considers that Mr Hancox is the most appropriate member of the ARC to perform the role of Chair of the ARC due to Mr Hancox's length of time with the Company, his detailed knowledge of the Company's operations and historical and current financial records and his experience on the boards of other listed entities, notwithstanding that he is not an independent director. The Board has not characterised Mr Hancox as independent due to his association with Walker Group Holdings Pty Ltd, a substantial shareholder of the Company, as this association may be perceived to influence his capacity to bring an independent judgment to bear on issues before the Board and to act in the best interests of the entity and its security holders generally.

08

DETAILS OF THE OFFER

08 DETAILS OF THE OFFER

8.1 THE OFFER

This Prospectus relates to an initial public offering of new Shares issued by Next Science at the Offer Price of A$1.00 per Share. A total of 35 million Shares will be available under the Offer to raise A$35 million.

The total number of Shares on issue at completion of the Offers will be 179,164,575 and all Shares will, once issued, rank equally with each other. The Shares offered under this Prospectus will represent approximately 19.54% of the Shares on issue at Completion.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

The Prospectus also contains an offer for 10 Shares at the Offer Price, which shall remain open until Admission (unless closed earlier by the Directors, in their sole discretion) (**Cleansing Offer**). The purpose of the Cleansing Offer is to remove any secondary sale restrictions and facilitate future secondary trading of Shares to be issued by the Company after the close of the Offer but prior to the Company's Admission, in accordance with section 708A(11)(b) of the Corporations Act. This includes the Shares to be issued on conversion of the Converting Notes, which will be issued to sophisticated and professional investors upon receipt of conditional approval to be admitted to the Official List of the ASX.

8.2 STRUCTURE OF THE OFFER

The Offer is structured as follows:

a. the Institutional Offer, which consists of an invitation to apply for Shares made to institutional investors in Australia (see Section 8.2.1);

b. the Broker Offer, which is only open to investors who have a registered address in Australia or New Zealand and who have received an allocation from their broker (see Section 8.2.2);

c. the Chairman's List Offer, which is only open to investors who receive a personal invitation to participate in the Chairman's List Offer (see Section 8.2.3); and

d. the General Offer, which is made to members of the general public who have a registered address in Australia or New Zealand (see Section 8.2.4).

8.2.1 INSTITUTIONAL OFFER

The Institutional Offer consists of an invitation prior to or after the date of this Prospectus to certain institutional investors in Australia and New Zealand to apply for Shares under this Prospectus. Application procedures for institutional investors have been or will be advised to the institutional investors by the Lead Manager.

8.2.2 BROKER OFFER

The Broker Offer is open to investors with a registered address in Australia or New Zealand who have received an allocation from their broker. Applications may only be made on an Application Form attached to or accompanying this Prospectus. If you are an investor applying under the Broker Offer, you should follow the terms and conditions of the Offer set out in Section 8.6 and complete the application procedure advised to you by your broker. Please contact your broker for further instructions.

Subject to the allocation policy in Section 8.3 below, an Application may be accepted by the Company in respect of the full amount, or any lower amount than that specified in the Application Form, without further notice to the Applicant.

Acceptance of an Application will give rise to a binding contract.

8.2.3 CHAIRMAN'S LIST OFFER

The Chairman's List Offer is open to investors who have received an invitation to participate in the Chairman's List Offer from the Company. If you have been invited by the Company to participate in the Chairman's List Offer, you will be treated as an applicant under the Chairman's List Offer in respect of those Shares allocated to you.

If you have received an invitation to participate in the Chairman's List Offer from the Company, you will be separately advised of the application procedures under the Chairman's List Offer.

Subject to the allocation policy in Section 8.3 below, an Application may be accepted by the Company in respect of the full amount, or any lower amount than that specified in the Application Form, without further notice to the Applicant.

8.2.4 GENERAL OFFER

The General Offer is open to members of the general public with registered addresses in Australia and New Zealand.

Applications may only be made on an Application Form attached to or accompanying this Prospectus, or by submitting an online application as set out in Section 8.6.

If you are an investor applying under the General Offer, you should follow the terms and conditions of the Offer set out in Section 8.6 and complete and lodge your application form in accordance with the instructions set out on the reverse of the Application Form.

Subject to the allocation policy in Section 8.3 below, an Application may be accepted by the Company in respect of the full amount, or any lower amount than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

8.3 ALLOCATION POLICY

The allocation of Shares within and between the Institutional Offer, the Broker Offer, the Chairman's List Offer and the General Offer will be determined by the Company in consultation with the Lead Manager, having regard to the following factors:

a. number of Shares applied for;
b. desire for an informed and active trading market following listing on ASX;
c. desire to establish a wide spread and mix of institutional and retail shareholders;
d. overall level of demand under the Offer;
e. for the Institutional Offer, the size and type of funds under management of particular institutions;
f. the likelihood that particular applicants will be long-term shareholders; and
g. any other factors that the Company and the Lead Manager consider appropriate.

The Company, in consultation with the Lead Manager, will have absolute discretion regarding the basis of allocation of Shares among applicants and there is no assurance that an applicant will be allocated any Shares, or the number of Shares for which it has applied for.

8.4 PURPOSE OF THE OFFER

The purpose of the Offer to:

a. facilitate the Company's application for Admission; and
b. provide funding to enable the Company to:
    i. continue to develop and commercialise new applications of Xbio technology, including pharmaceutical and medical device applications;
    ii. expand sales into geographic markets outside of the US;
    iii. continue development and commercialisation of new products;
    iv. attract and retain high-quality staff; and
    v. cover working capital and administrative costs.

08 DETAILS OF THE OFFER

8.5 USES OF FUNDS

Table 4 below sets out in detail the use of the proceeds raised from the Offer.

TABLE 4 USES OF FUNDS

Use of funds raised under the Offer	A$	%
Regulatory, research and other employee costs	12,580,000	36%
Pharmaceutical product development	5,481,000	16%
Medical device product development	3,896,000	11%
Manufacturing validations	2,976,000	8%
Clinical trials	1,348,000	4%
Working capital and operating costs	5,251,000	15%
Interest on Converting Notes	367,000	1%
Offer costs[1]	3,101,000	9%
Total	**A$35,000,000**	**100%**

Note 1: The costs of the Offer include the fees payable to advisors as referred to in Section 12.7, as well as other costs such as registry fees, listing fees and other adviser fees.

The use of funds table above does not include the existing cash reserves of A$7.7 million as at 21 February 2019 (converted from USD to AUD using the exchange rate on 21 February 2019, being 1 AUD: 0.72 USD) nor does it include any sales revenues that may be received by the Company during the next two years.

The Board retains the right to vary these uses of funds, acting in the best interests of Shareholders and as circumstances require.

The Directors believe that on Completion, Next Science will have sufficient funds available from cash proceeds of the Offer and its operations to fulfil the purposes of the Offer and meet the Company's stated business objectives during the next two years. However, at the end of this period, the Company may not be self-funding through its own operational cash flow. Consequently, the Company may require further debt and/or equity funding to finance its ongoing research, development and release of products. Further debt or equity funding will be considered by the Board as required.

08 DETAILS OF THE OFFER

8.6 TERMS AND CONDITIONS OF THE OFFER

TABLE 5 TERMS AND CONDITIONS OF THE OFFER

Topic	Summary
What is the type of security being offered?	Fully paid ordinary shares in the capital of Next Science.
What are the rights and liabilities attached to the security being offered?	A description of the rights and liabilities attaching to the Shares is set out in Section 12.6.
What is the consideration payable for each security being offered?	Successful Applicants under the Offer will pay the Offer Price, being A$1.00 per Share.
What is the Offer Period?	The Offer will open at 9.00am (AEDT) on 15 March 2019 and close at 5.00pm (AEDT) on 4 April 2019. The key dates, including details of the Offer Period, are set out on page 2 of this Prospectus. The timetable is indicative only and may change. Unless otherwise indicated, all times are stated in AEDT, Australia time. The Company, in consultation with the Lead Manager, reserves the right to vary both of the times and dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before Completion, in each case without prior notice). If the Offer is cancelled or withdrawn before the allocation of Shares, then all application monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens. No Shares will be issued on the basis of this Prospectus later than 13 months after the Prospectus Date.
What are the cash proceeds to be raised under the Offer?	A$35 million (before costs of the Offer) will be raised if the Offer proceeds. No oversubscriptions will be accepted by the Company.
Is the Offer underwritten?	No.
Who can apply for Shares under the Offer?	The Offer is open to all investors who are resident in Australia and New Zealand.

08 DETAILS OF THE OFFER

Topic	Summary
How can I apply under the Offer?	Applications under the Broker Offer, the Chairman's List Offer and General Offer must be made online at www.nextscience.com or using the Application Form accompanying this Prospectus. Applications must be completed in accordance with the accompanying instructions. Application procedures for institutional investors have been or will be advised to the institutional investors by the Lead Manager. Applications for Shares must be for a minimum of 2,000 Shares. Payment must be made in full at the issue price of A$1.00 per Share multiplied by the number of Shares applied for. Neither the Share Registry nor Next Science accepts any responsibility if you lodge the Application Form at any other address or by any other means.
How to pay your Application amount by cheque or bank draft	Once your Application Form is completed, please send your Application Form and cheque or bank draft for the application monies to the Share Registry at the address set out below. Completed Application Forms and accompanying cheque or bank draft must be lodged by 5pm AEDT on the Closing Date. **By mail to:** Next Science Limited C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1236 **By hand delivery to:** Next Science Limited C/- Link Market Services Limited 1a Homebush Bay Drive Rhodes NSW 2138 If paying the application monies by cheque(s) or bank draft(s), such cheque(s) or bank draft(s) must be: • in Australian currency; • drawn at an Australian branch of a financial institution; • crossed 'Not Negotiable'; and • made payable: to 'Next Science Limited IPO'. If paying by cheque(s), Applicants should ensure that sufficient funds are held in the relevant account(s) to cover your cheque(s). If the amount of your cheque(s) for the application monies (or the amount for which those cheques clear in time for the allocation) is insufficient to pay for the amount you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared application monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected.
How to make an online application	Please lodge your online application by visiting www.nextscience.com. You must make your Application payment by BPAY before 5:00pm on the Closing Date. Applicants making an online payment must use the specific biller code and the unique customer reference number (CRN) generated by the online Application. Online Application Forms not accompanied by a BPAY payment will be rejected.

08 DETAILS OF THE OFFER

Topic	Summary
Issue of Shares	Subject to the Minimum Subscription being raised and Admission occurring, issue of the Shares offered by this Prospectus will take place as soon as practicable after the Closing Date. The Directors, in consultation with the Lead Manager, reserve the right to issue the Shares in full for any Application or to issue any lesser number or no Shares, or to decline any Application if they believe the Application does not comply with applicable laws or regulations. If an Application Form is not completed correctly, or if the accompanying payment of the application monies is for the wrong amount, it may still be treated as a valid Application. The Directors' decision whether to treat the Application as valid and how to construe, amend or complete the Application Form is final. However, an Applicant will not be treated as having applied for more Shares than is indicated by the amount of application monies paid by the Applicant. If you are not issued all of the Shares you apply for, you will receive a refund, as set out in Section 8.9.
Irrevocable offer to subscribe	A completed Application Form or online application constitutes an irrevocable offer to subscribe for Shares on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus), and as set out in the Application Form. The Company, in consultation with the Lead Manager, reserves the right to: a. reject any Application, including Applications that have not been correctly completed or are accompanied by payments that are dishonoured; b. accept late Applications received after the close of the Offer; c. allocate to any Applicant a lesser number of Shares than that for which that Applicant applied; and d. waive or correct any errors made by an Applicant in the Application of that Applicant.
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on or about 15 April 2019.
When are the Shares expected to commence trading?	Shares will commence trading on ASX on or around 29 April 2019. It is the responsibility of each Applicant to confirm their holding before trading Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. The Company, the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding from the Next Science Offer Information Line or confirmed your firm allocation through a broker.
Are there any escrow arrangements?	Yes. Details are provided in Section 8.8.
Has any ASIC relief or ASX waiver been obtained or been relied on?	Yes. Details are provided in Section 12.11.

08 DETAILS OF THE OFFER

Topic	Summary
Are there any taxation considerations?	The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest. Refer to Section 12.9 for general tax considerations.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.
What should you do with any enquiries?	All enquiries in relation to this Prospectus should be directed to the Next Science Offer Information Line on 1800 220 771 (within Australia) or +61 1800 220 771 (outside Australia) from 9.00am to 5.00pm (Sydney time), Monday to Friday (business days only) during the Offer Period. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

8.7 MINIMUM SUBSCRIPTION

If the Minimum Subscription has not been raised within four months after the date of this Prospectus, the Shares under the Offer will not be issued and the Company will repay all application monies for the Shares, without interest, within the time prescribed under the Corporations Act.

8.8 ESCROW ARRANGEMENTS

Existing Shares held at the date of the Company's Admission will be subject to ASX imposed and voluntary escrow arrangements. The Company has received in-principle advice from ASX confirming that it would be likely to grant a waiver in relation to the application of look through relief.

Consequently, in accordance with Chapter 9 of the ASX Listing Rules, it is estimated that:

a. 72,847,808 Shares and 5,850,000 Options will be subject to ASX imposed escrow arrangements for 24 months from the date of quotation of the Shares; and

b. 3,052,806 Shares and no Options will be subject to ASX imposed escrow arrangements for 12 months from the date of issue of the Shares.

In addition, it is estimated that 39,822,526 Shares will be subject to voluntary escrow arrangements for 12 months from the date of quotation of the Shares.

08 DETAILS OF THE OFFER

The estimated escrow that will be imposed upon substantial shareholders and Directors is set out in the tables below.

TABLE 6 ESCROW ARRANGEMENTS FOR SUBSTANTIAL SHAREHOLDERS

Substantial Shareholder	Total Shareholding	ASX Escrow 24 months from quotation	Voluntary Escrow 12 months from quotation
Walker Group Holdings Pty Ltd[1]	29,003,000	15,249,941 Shares	13,753,059 Shares
Auckland Trust Company Limited[2]	46,507,500	34,840,421 Shares	11,667,079 Shares
Dr Matthew Myntti	20,657,000	20,657,000 Shares	Nil Shares

Note 1: An entity controlled by Lang Walker.
Note 2: An entity which holds Shares as trustee for the Second Pacific Master Superannuation Fund, of which Lang Walker is the sole beneficiary.

TABLE 7 ESCROW ARRANGEMENTS FOR DIRECTORS

Director	Total Holding	ASX Escrow 24 months from quotation	Voluntary Escrow 12 months from quotation
George Savvides	625,000 Shares 650,000 Options	125,000 Shares 650,000 Options	500,000 Shares Nil Options
Judith Mitchell	4,732,000 Shares 2,340,000 Options	1,951,444 Shares 2,340,000 Options	2,780,556 Shares Nil Options
Bruce Hancox	Nil Shares 520,000 Options	Nil Shares 520,000 Options	Nil Shares Nil Options
Dan Spira	Nil Shares 1,300,000 Options	Nil Shares 260,000 Options	Nil Shares Nil Options
Aileen Stockburger	Nil Shares 520,000 Options	Nil Shares 520,000 Options	Nil Shares Nil Options
Mark Compton	125,000 Shares 520,000 Options	25,000 Shares 520,000 Options	100,000 Shares Nil Options

During the period in which these securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a shareholder to dispose of his or her Shares in a timely manner.

The Company will announce to its ASX platform full details (quantity and duration) of the Shares and Options held in escrow prior to the Shares commencing trading on ASX.

It is intended that a holding lock be applied to the existing Shares that are subject to escrow restrictions. The holding lock will prevent the escrowed Shareholders from disposing of their escrowed Shares for the applicable escrow period.

08 DETAILS OF THE OFFER

8.9 REFUNDS

Application monies will be refunded (in full or in part, as applicable) in Australian dollars where an Application is rejected, an Application is subject to a scale-back or if the Offer is withdrawn or cancelled.

No interest will be paid on any refunded amounts. The Company, irrespective of whether the issue of the Shares takes place, will retain any interest earned on the application monies.

Refund cheques will be sent as soon as practicable following the close or termination of the Offer.

8.10 APPLICATION TO ASX FOR LISTING AND QUOTATION OF SHARES

Next Science will apply to ASX within seven days of the Prospectus Date for Admission and quotation of the Shares on ASX. Next Science's ASX code is expected to be 'NXS'.

The fact that ASX may admit the Company to the Official List of the ASX is not to be taken as an indication of the merits of Next Science or the Shares offered for subscription under the Offer.

If permission is not granted for the quotation of the Shares on ASX within three months after the Prospectus Date (or any later date permitted by law), all application monies received by Next Science will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

On Admission, Next Science will be required to comply with the ASX Listing Rules, subject to any waivers obtained by Next Science from time to time.

8.11 CHESS AND ISSUER SPONSORED HOLDINGS

Next Science will apply to participate in ASX's Clearing House Electronic Subregister System (**CHESS**) and will comply with the ASX Listing Rules and ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, an electronic CHESS subregister or an issuer sponsored subregister.

For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number for CHESS holders or, where applicable, the Securityholder Reference Number of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholding. Certificates will not be issued.

CHESS holders will receive subsequent statements at the end of each month in which there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

08 DETAILS OF THE OFFER

8.12 OFFER EXPENSES

The Company will pay all of the costs associated with the Offer. If the Offer proceeds, the total estimated expenses in connection with the Offer (including advisory, legal, accounting, tax, listing and administrative fees as well as printing, advertising and other expenses) are estimated to be approximately A$3.1 million (US$2.3 million) including GST.

Cost (inclusive of GST)	A$
Capital raising costs	2,007,500
Corporate advisory	330,550
Australian legal fees	198,000
Patent Attorney fees	10,000
US legal fees	58,500
ASIC fees	3,206
ASX fees	211,493
Printing and other costs	282,114
Total	**3,101,363**

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INVESTIGATING ACCOUNTANT'S REPORT

KPMG Transaction Services
A division of KPMG Financial Advisory Services (Australia) Pty Ltd
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The Directors
Next Science Limited
Level 19, Tower A, The Zenith
821 Pacific Highway
Chatswood NSW 2067

7 March 2019

Dear Directors

Limited Assurance Investigating Accountant's Report and Financial Services Guide

Investigating Accountant's Report

Introduction

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("KPMG Transaction Services") has been engaged by Next Science Limited ("Next Science") to prepare this report for inclusion in the Prospectus to be dated on or around 7 March 2019 ("Prospectus"), and to be issued by Next Science, in respect of the proposed initial public offering ("IPO") of ordinary shares in Next Science and listing on the Australian Securities Exchange (the "Offer").

Expressions defined in the Prospectus have the same meaning in this report.

This Investigating Accountant's Report should be read in conjunction with the KPMG Transaction Services Financial Services Guide included in the Prospectus.

Scope

You have requested KPMG Transaction Services to perform a limited assurance engagement in relation to the Pro Forma Historical Financial Information described below and disclosed in the Prospectus.

The Pro Forma Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro Forma Historical Financial Information

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the Pro Forma Historical Financial Information of Next Science (the responsible party) included in the Prospectus.

The Pro Forma Historical Financial Information has been derived from the financial statements of Next Science, after adjusting for the effects of pro forma adjustments described in Section 4 of the Prospectus. The Pro Forma Historical Financial Information consists of:

- Next Science's Pro Forma Historical Balance Sheet as at 31 December 2018;
- Next Science's Pro Forma Historical Income Statements for the years ended 31 December 2016, 31 December 2017 and 31 December 2018; and
- Next Science's Pro Forma Historical Cash Flows for the years ended 31 December 2016, 31 December 2017 and 31 December 2018,

as set out in the Prospectus issued by Next Science (collectively the "Pro Forma Historical Financial Information").

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the audited financial statements of Next Science for the years ended 31 December 2016, 31 December 2017 and 31 December 2018 (the "Statutory Historical Financial Information") and the Offer to which the pro forma adjustments relate, as described in the Prospectus. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective balance sheet, income statement, or cash flows.

The Pro Forma Historical Financial Information has been compiled by Next Science to illustrate the impact of the Offer on Next Science's balance sheet as at 31 December 2018 and Next Science's income statements and cash flows for the periods ended 31 December 2016, 31 December 2017 and 31 December 2018. As part of this process, information about Next Science's balance sheet, income statement and cash flows has been extracted by Next Science from Next Science's audited financial statements for the periods ended 31 December 2016, 31 December 2017 and 31 December 2018.

The Statutory Historical Financial Information was audited by KPMG in accordance with Australian Auditing Standards. The audit opinions issued to the members of KPMG relating to those financial statements were unqualified.

In the FY16, FY17 and FY18 financial statements, without qualifying their opinion, KPMG included in their auditor's report an Emphasis of Matter in relation to uncertainty regarding the Next Science's ability to operate as a going concern. The Directors are confident that with the Completion of the Offer, the Company will have sufficient working capital to meet its debts as they arise and to continue trading as a going concern. At the date the financial statements were finalised there was uncertainty relating to Next Science operating as a going concern in the event that the planned IPO does not proceed or that funds raised were significantly lower than targeted. In this scenario, the Company would continue to manage its cash outflows and the Directors undertake alternative plans to raise additional finance as required.

For the purposes of preparing this report we have performed limited assurance procedures in relation to Pro Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Pro Forma Historical Financial Information is not prepared or presented fairly, in all material

respects, by the directors in accordance with the stated basis of preparation as set out in the Prospectus.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Pro Forma Historical Financial Information is prepared, in all material respects, by the directors in accordance with the stated basis of preparation.

Directors' responsibilities

The directors of Next Science are responsible for the preparation of the Pro Forma Historical Financial Information, including the selection and determination of the pro forma transactions and/or adjustments made to the Statutory Historical Financial Information, and for properly compiling the Pro Forma Historical Financial Information on the basis stated in Section 4 of the Prospectus.

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Conclusions

Review statement on the Pro Forma Historical Financial Information

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as set out in Section 4 of the Prospectus, comprising:

- the Pro Forma Historical Income Statements of Next Science for the years ended 31 December 2016, 31 December 2017 and 31 December 2018;
- the Pro Forma Historical Cash Flows of Next Science for the years ended 31 December 2016, 31 December 2017 and 31 December 2018; and
- the Pro Forma Historical Balance Sheet of Next Science as at 31 December 2018,

is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in the Prospectus, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and Next Science's accounting policies.

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed Offer, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of Next

Science and from time to time, KPMG also provides Next Science with certain other professional services for which normal professional fees are received.

General advice warning

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Restriction on use

Without modifying our conclusions, we draw attention to Section 4 of the Prospectus, which describes the purpose of the Pro Forma Historical Financial Information, being for inclusion in the Prospectus. As a result, the Pro Forma Historical Financial Information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the Pro Forma Historical Financial Information to which it relates, for any purpose other than that for which it was prepared.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Yours faithfully

Matthew Saunders
Authorised Representative

Financial Services Guide
Dated 7 March 2019

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) (**'KPMG Transaction Services'**), and Matthew Saunders as an authorised representative of KPMG Transaction Services, authorised representative number 404266 **(Authorised Representative)**.

This FSG includes information about:

- KPMG Transaction Services and its Authorised Representative and how they can be contacted
- the services KPMG Transaction Services and its Authorised Representative are authorised to provide
- how KPMG Transaction Services and its Authorised Representative are paid
- any relevant associations or relationships of KPMG Transaction Services and its Authorised Representative
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that KPMG Transaction Services has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Transaction Services. This FSG forms part of an Investigating Accountant's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Transaction Services and the Authorised Representative are authorised to provide

KPMG Transaction Services holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investments schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Transaction Services to provide financial product advice on KPMG Transaction Services' behalf.

KPMG Transaction Services and the Authorised Representative's responsibility to you

KPMG Transaction Services has been engaged by Next Science Limited (**Next Science**) to provide general financial product advice in the form of a Report to be included in the Prospectus dated on or around 7 March 2019 prepared by Next Science in relation to the initial public offering of shares in Next Science on the ASX (**Offer**).

You have not engaged KPMG Transaction Services or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Prospectus. Neither KPMG Transaction Services nor the Authorised Representative are acting for any person other than Next Science.

KPMG Transaction Services and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Transaction Services has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Prospectus before making any decision in relation to the Transaction.

Fees KPMG Transaction Services may receive and remuneration or other benefits received by our representatives

KPMG Transaction Services charges fees for preparing reports. These fees will usually be agreed with, and paid by, Next Science. Fees are agreed on either a fixed fee or a time cost basis. In this instance, Next Science has agreed to pay KPMG Transaction Services $125,000 for preparing the Report. KPMG Transaction Services and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Transaction Services officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Transaction Services' representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Transaction Services nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Transaction Services is controlled by and operates as part of the KPMG Partnership. KPMG Transaction Services' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Transaction Services and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Transaction Services, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, Next Science or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Transaction Services or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your

complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Transaction Services or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Transaction Services has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Transaction Services or the Authorised Representative using the contact details:

KPMG Transaction Services
A division of KPMG Financial Advisory Services (Australia) Pty Ltd

Level 38, Tower Three
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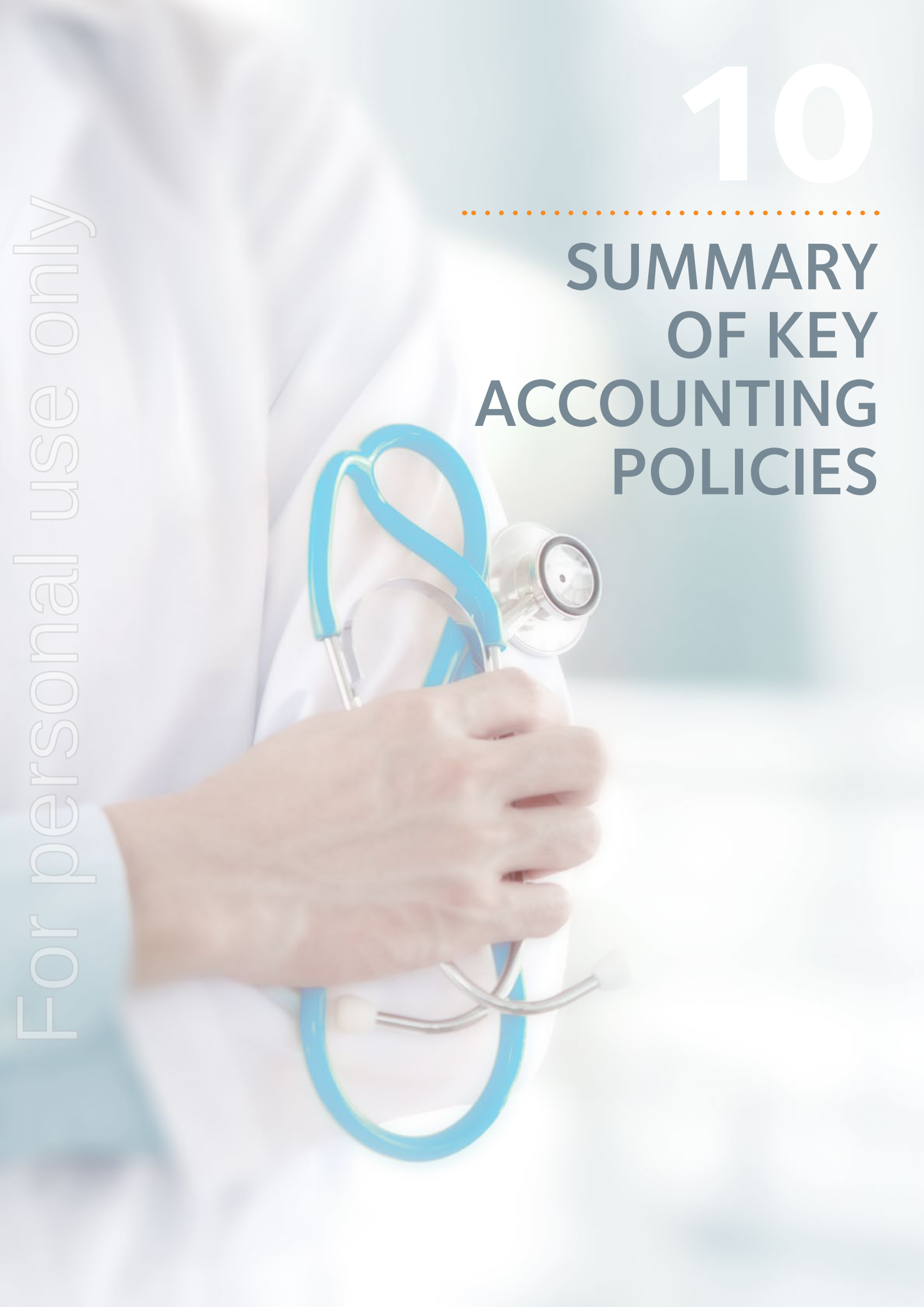
SUMMARY OF KEY ACCOUNTING POLICIES



10 SUMMARY OF KEY ACCOUNTING POLICIES

10.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with AAS adopted by the AASB. The Financial Information comply with IFRS as issued by the International Accounting Standards Board. The Financial Information, except for the cash flow information, has been prepared on an accrual basis and are based on historical costs unless otherwise stated.

The Financial Information has been prepared under a going concern basis.

Next Science has consistently applied the following accounting policies throughout the Historical Period to the financial statements.

10.1.1 BUSINESS COMBINATIONS AND SUBSIDIARIES

Next Science accounts for business combinations using the acquisition method when control is transferred to Next Science, unless it is a combination involving entities or businesses under common control. Consideration transferred is generally measured at fair value. Any goodwill that arises is tested annually for impairment.

Common control transactions records assets and liabilities acquired at their book value at the date of acquisition, rather than their fair value, with the difference recognised as a common control reserve.

Subsidiaries are entities controlled by Next Science. Next Science controls an entity when it is exposed to, or has rights to, variable returns from the entity. The financial statements of subsidiaries are consolidated in the Financial Information.

10.1.2 TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances and transactions are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of Next Science's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

10.2 FOREIGN CURRENCY

10.2.1 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated to the functional currency of Next Science at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss with the exception of foreign exchange gains or losses relating to intercompany assets and liabilities that are not eliminated upon consolidation, which are recognised in other comprehensive income (**OCI**). Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

10.2.2 FOREIGN CURRENCY OPERATIONS

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the functional currency at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve.

10.3 REVENUE

Next Science applied IFRS15, effective for FY18 and information about accounting policies relating to contracts with customers and the effect of initially applying IFRS15 is described in Section 4.10.

10.4 EMPLOYEE BENEFITS

10.4.1 SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits are expensed as the related service is provided. Short-term employee benefits include salaries and wages plus related on-costs such as payroll tax, superannuation and workers compensation insurance and are measured at the undiscounted amounts expected to be paid when the obligation is settled.

10.4.2 LONG-TERM EMPLOYEE BENEFITS

Next Science's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

10.4.3 DEFINED CONTRIBUTION PLANS

Obligations for contributions to employees' defined contribution plans are recognised as an expense as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

10 SUMMARY OF KEY ACCOUNTING POLICIES

10.4.4 SHARE-BASED PAYMENT ARRANGEMENTS

Equity settled share based compensation benefits are provided to employees. Equity settled transactions are awards of shares, and options over shares, which are provided to employees in exchange for rendering of services. The amount recognised as an expense is adjusted to reflect the number of options for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of options that meet the related service and non-market performance conditions at the vesting date.

10.5 FINANCE INCOME AND FINANCE COSTS

Finance income comprises interest income, dividend income and foreign currency gains. Interest income is recognised in profit or loss as it accrues using the effective interest method.

Finance costs comprise interest expense on borrowings (including Converting Notes), foreign currency losses and impairment losses recognised on financial assets. Foreign exchange gains and losses on intercompany assets and liabilities that are not eliminated upon consolidation are recognised in OCI. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

10.6 INCOME TAX

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

10.6.1 CURRENT TAX

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax liability arising from dividends.

10.6.2 DEFERRED TAX

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that could follow the manner in which Next Science expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

10.7 INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first in, first out principle.

10.8 PROVISIONS

A provision is recognised if, as a result of a past event, Next Science has a present legal or constructive obligation that can be estimated reliably and if it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

10.9 PROPERTY, PLANT AND EQUIPMENT

10.9.1 RECOGNITION AND MEASUREMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Any gain and loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

10.9.2 DEPRECIATION

Depreciation is calculated based on the cost of property, plant and equipment less their estimated residual values

10 SUMMARY OF KEY ACCOUNTING POLICIES

using the straight-line basis over their estimated useful lives, and is generally recognised in profit or loss.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

10.10 LEASES

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as an expense in the period in which they are incurred.

10.11 INTANGIBLE ASSETS

10.11.1 RECOGNITION AND MEASUREMENT

10.11.1.1 RESEARCH AND DEVELOPMENT EXPENDITURE

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and Next Science intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

10.11.1.2 PATENTS

Expenditure is capitalised in relation to patent application costs and amortised over the remaining life of the base patent as relevant.

10.11.1.3 COMPUTER SOFTWARE

Computer software comprises computer application system software and licenses. Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to computer software. Costs capitalised include external direct costs of materials and services, direct payroll and payroll-related costs.

10.11.2 SUBSEQUENT EXPENDITURE

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

10.11.3 AMORTISATION

Amortisation is calculated based on the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

10.12 FINANCIAL INSTRUMENTS

10.12.1 RECOGNITION AND INITIAL MEASUREMENT

Next Science initially recognises trade receivables issued on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date.

10.12.2 CLASSIFICATION AND SUBSEQUENT MEASUREMENT

10.12.2.1 FINANCIAL ASSETS

On initial recognition, a financial asset is classified as measured at amortised cost or fair value through profit or loss.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at fair value through profit or loss are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

10.12.2.2 FINANCIAL LIABILITIES

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities measured at fair value with net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

10.12.3 DERECOGNITION

Next Science derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control

10 SUMMARY OF KEY ACCOUNTING POLICIES

over the transferred asset. Any interest in transferred financial assets that is created or retained by Next Science is recognised as a separate asset or liability.

Next Science derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

10.13 IMPAIRMENT

10.13.1 NON-DERIVATIVE FINANCIAL ASSETS

10.13.1.1 POLICY APPLICABLE FROM 1 JANUARY 2018

Next Science recognises loss allowances for expected credit losses (ECL) on financial assets and contract assets. Loss allowances are measured at an amount equal to a lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL's, Next Science considers reasonable and supportable information that is relevant and available without undue cost or effort.

Next Science assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due and to be in default when the borrower is unlikely to pay its obligations to Next Science in full or the financial asset is more than 130 days past due.

ECLs are a probability-weighted estimate of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount.

10.13.1.2 POLICY APPLICABLE BEFORE 1 JANUARY 2018

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment, including default or delinquency by a debtor, restructuring of an amount due on terms that Next Science would not consider otherwise, and indications that a debtor or issuer will enter bankruptcy or economic conditions that correlate with defaults, amongst others.

Next Science considers evidence of impairment for receivables at both a specific asset and collective level.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

10.14 SHARE CAPITAL

10.14.1 ORDINARY SHARES

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

10.15 CONVERTING NOTES

Converting Notes denominated in AUD issued by Next Science will be converted to ordinary shares in accordance with the terms of the Converting Notes as set out in Section 11.6. The liability component of the Converting Notes is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the Converting Note as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a Converting Note is measured at amortised cost using the effective interest method. The equity component of a Converting Note is not remeasured.

Interest related to the financial liability is recognised in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognised.

11

MATERIAL AGREEMENTS

11 MATERIAL AGREEMENTS

11.1 ZIMMER BIOMET DEVELOPMENT AND LICENSE AGREEMENT

On 16 August 2018, Next Science Technologies Pty Ltd entered into a written agreement with Zimmer, Inc., a wholly owned subsidiary of Zimmer Biomet incorporated in Delaware, pursuant to which Next Science Technologies Pty Ltd supplies a surgical lavage product based on Next Science technology (**Bactisure**) to Zimmer Biomet (**Development and License Agreement**). The Development and License Agreement amended and restated an earlier agreement between Next Science and Zimmer Biomet dated 10 August 2016.

The material terms of the Development and License Agreement are:

a. **Term:** The Development and License Agreement commenced on 16 August 2018 and continues until 28 February 2037. Approximately two years prior to the end of the term, the parties have agreed to negotiate an extension of the term in good faith.

b. **Exclusive Licence:** Next Science grants Zimmer Biomet an exclusive worldwide licence to commercialise Bactisure in the field of human surgical procedures. Next Science agrees that it shall not, directly or indirectly, market, sell, offer to sell or otherwise commercialise Bactisure.

c. **Development and manufacturing:** Next Science has the sole responsibility to develop and manufacture Bactisure for all development and commercialisation purposes, and is permitted to have Bactisure manufactured by a third party.

d. **Supply:** For the term, Next Science agrees to supply Bactisure to Zimmer Biomet in the field of human surgical procedures, at agreed prices in the quantities requested by Zimmer Biomet. Each year of the agreement has minimum purchase amounts that must be made by Zimmer Biomet pursuant to the terms of the agreement.

e. **Intellectual Property Ownership:** Next Science shall own all inventions, know-how and patent rights directed to Bactisure in the performance of activities under the Development and License Agreement and all intellectual property rights within the scope of Next Science's patents.

f. **Termination:** The Development and License Agreement may be terminated by:

   i. either party, if the other party is dissolved or becomes subject to an insolvency event, commits a material breach of its obligations under the agreement and such breach is not remedied within ninety days or upon the occurrence of a force majeure event;

   ii. Next Science if:

      A. Zimmer Biomet initiates proceedings to challenge the validity of any of Next Science's patents; or

      B. Next Science determines the manufacture of Bactisure is not commercially feasible, by giving ninety days' written notice to Zimmer Biomet;

   iii. Zimmer Biomet if:

      A. Next Science fails to indemnify Zimmer Biomet or any of its affiliates from a claim by a third party that the manufacture, use or sale of Bactisure infringes the intellectual property rights of any person;

      B. either the FDA or another applicable regulatory authority in the EU determines to regulate Bactisure as a drug; or

      C. Next Science undergoes a change of control where the acquiring person is a competitor to Zimmer Biomet.

The Development and License Agreement otherwise contains terms and conditions (including representations, warranties and indemnifications in relation to Bactisure, quality assurance provisions, compliance with regulatory approvals and standard confidentiality provisions) considered standard for an agreement of this nature.

11 MATERIAL AGREEMENTS

11.2 3M PRODUCT SUPPLY AGREEMENT

On 13 November 2018, Next Science Technologies Pty Limited entered into an agreement with 3M pursuant to which Next Science supplies BlastX Antimicrobial Wound Gel based on Next Science technology to 3M (**3M Product Supply Agreement**).

The material terms of the 3M Product Supply Agreement are:

a. **Term:** The 3M Product Supply Agreement commenced on 13 November 2018 and continues until 12 November 2021. The term is automatically extended for an additional period of 3 years unless 12 months' notice is given by either party that it does not wish to extend the agreement.

b. **Supply:** For the term, Next Science agrees to supply BlastX exclusively to 3M for its world-wide distribution for use in the field of wound care for humans, subject to specific exclusions. Next Science agrees to supply and 3M agrees to purchase BlastX at the prices prescribed in the agreement in the quantities requested by 3M. Each year of the agreement has a minimum purchase volume that must be made by 3M.

c. **Exclusivity:** Next Science agrees that during the term, it will not supply BlastX or comparable wound gel for use in the field of wound care for humans (subject to specific exclusions) to anyone other than 3M, unless 3M fails to launch BlastX within the specified timeframes outlined in the agreement for each major market.

d. **Termination:** The 3M Product Supply Agreement may be terminated by:

   i. either party, if the other party fails to cure a breach within 90 days after notice, the other party is in breach and the breach cannot be rectified, the other party is subject to an insolvency event, or an unavoidable delay has prevented or substantially impaired the other party's compliance with any of its obligations under the 3M Product Supply Agreement; and

   ii. Next Science, if 3M initiates legal proceeding seeking to have any of Next Science's intellectual property rights in BlastX declared invalid or unenforceable.

The 3M Product Supply Agreement otherwise contains terms and conditions (including representations, warranties and indemnifications in relation to BlastX, quality assurance provisions, compliance with regulatory approvals and standard confidentiality provisions) considered standard for an agreement of this nature.

11.3 AST DISTRIBUTION AGREEMENT

On 1 November 2018, Next Science Technologies Pty Limited entered into an agreement with AST, pursuant to which Next Science supplies an acne product based on Next Science technology to AST (**AST Distribution Agreement**).

The material terms of the AST Distribution Agreement are:

a. **Term:** The AST Distribution Agreement commenced on 1 November 2018 and continues until 31 October 2023. The term is automatically extended for additional successive periods of 5 years unless 12 months' written notice is given by either party that it does not wish to extend the agreement.

b. **Distribution Rights:** Next Science appoints AST:

   i. as its exclusive distributor to promote, market, distribute and sell the Xbio acne product in Australia and New Zealand in sales to registered cosmetic laser on skin clinics for application in those clinics, excluding over the counter sales of the Xbio acne product via retail channels (including pharmacies); and

   ii. as its non-exclusive distributor to promote, market, distribute and sell the Xbio acne product in direct to consumer sales of the Xbio acne product in Australia and New Zealand via online marketing channels, excluding over the counter sales of the Xbio acne product via retail channels (including pharmacies).

c. **Supply:** For the term, Next Science agrees to supply the Xbio acne product to AST at the prices specified in the AST Distribution Agreement in the quantities requested by AST. Each year of the agreement has minimum purchase volumes that must be made by AST pursuant to the terms of the agreement. Next Science has the responsibility to engage a manufacturer to manufacture and deliver the Xbio acne product to AST.

d. **Termination:** The AST Distribution Agreement may be terminated by:
   i. either party, if the other party commits a material breach of its obligations under the agreement and such breach is not remedied within 30 days of the other party providing written notice and requesting rectification, or upon the occurrence of a force majeure event;
   ii. Next Science, if AST:
      A. fails to buy the minimum purchase volumes in any calendar year during the term; or
      B. initiates a legal proceeding seeking to have any of Next Science's intellectual property rights declared invalid or unenforceable.
   iii. AST, if Next Science initiates a legal proceeding seeking to have any of AST's intellectual property rights declared invalid or unenforceable.

The AST Distribution Agreement otherwise contains terms and conditions (including representations, warranties and indemnifications in relation to the Xbio acne product, quality assurance provisions, limitation of liability provisions, compliance with regulatory approvals and standard confidentiality provisions) considered standard for an agreement of this nature.

11.4 PISA MANUFACTURING AGREEMENT

On 9 May 2017, Next Science LLC entered into an agreement with Laboratorios Pisa, S.A. de C.V. (**Pisa**), pursuant to which Pisa agreed to manufacture the Bactisure product for Next Science (**Pisa Manufacturing Agreement**).

The material terms of the Pisa Manufacturing Agreement are set out below.

a. **Term:** The Pisa Manufacturing Agreement has an initial term of five years commencing from 9 May 2017. The Pisa Manufacturing Agreement can be renewed for a further term of two years upon agreement in writing by the parties.
b. **Supply:** For the term, Pisa agrees to manufacture and sell Bactisure to Next Science, and Next Science agrees to purchase Bactisure, at the prices prescribed in the Pisa Manufacturing Agreement in the quantities requested by Next Science, subject to any minimum purchase commitments. Pisa agrees not to directly or indirectly manufacture, supply, distribute or sell Bactisure to any person other than Next Science, nor use any of the intellectual property rights of Next Science for any purpose other than to manufacture and sell Bactisure to Next Science.
c. **Regulatory approval:** Pisa agrees to maintain all permits necessary for the exercise of its rights and performance of its obligations under the Pisa Manufacturing Agreement, including export and custom requirements.
d. **Termination:** The agreement may be terminated by:
   i. either party without cause by giving 6 months' written notice, subject to Next Science fulfilling any minimum purchase commitments if Next Science is the party requesting termination.
   ii. either party upon 30 days' written notice to the other party in the event the other party has failed to perform its duties or has breached its obligations under the agreement and such failure or breach is not rectified within 30 days or is subject to an insolvency event.

The Pisa Manufacturing Agreement is governed by the laws of the state of New York and otherwise contains terms and conditions (including representations, warranties and indemnifications in relation to Bactisure product, and standard confidentiality provisions) considered standard for an agreement of this nature.

11 MATERIAL AGREEMENTS

11.5 HOLOPACK MANUFACTURING AGREEMENT

On 25 January 2019, Next Science LLC entered into an agreement with HOLOPACK Verpackungstechnik GmbH (**Holopack**), pursuant to which Holopack agrees to manufacture the TorrentX product for Next Science (**Holopack Manufacturing Agreement**).

The material terms of the Holopack Manufacturing Agreement are set out below.

a. **Term:** The Holopack Manufacturing Agreement commenced on 25 January 2019 and continues until 25 January 2021. The term is automatically extended for an additional period of 1 year after the initial term or each following term, unless 6 months' notice is given by way of registered letter from either party that it wishes to terminate the agreement.

b. **Supply:** For the term, Holopack agrees to manufacture and supply the TorrentX to Next Science, at the price prescribed in the agreement. Holopack agrees not to directly or indirectly manufacture, supply, distribute or sell TorrentX to any person other than Next Science, nor use any of the intellectual property rights of Next Science for any purpose other than to manufacture and sell TorrentX to Next Science.

c. **Regulatory approval:** Each of Holopack and Next Science agrees to maintain the manufacturing authorisation required by the relevant government and regulatory bodies for manufacture of the TorrentX product;

d. **Termination:** The Holopack Manufacturing Agreement may be terminated by:

   i. either party without cause upon 120 days' written notice to the other party; and

   ii. either party upon 30 days' written notice to the other party in the event the other party has:

      A. failed to perform its duties or has breached its obligations under the Holopack Manufacturing Agreement or the ancillary quality agreement, and such failure or breach is not rectified within 30 days;

      B. is subject to an insolvency event.

The Holopack Manufacturing Agreement otherwise contains terms and conditions (including representations, warranties and indemnifications in relation to the TorrentX product and confidentiality provisions) considered standard for an agreement of this nature.

11.6 CONVERTING NOTE SUBSCRIPTION AGREEMENTS

In December 2018 and February 2019, the Company entered into subscription agreements for the issue of 11,059,250 converting notes to professional, sophisticated or other investors who are exempt from the disclosure requirements set out in the Corporations Act, at a face value of A$1.00 each to raise a total of A$11,059,250 (**Converting Note Subscription Agreements**).

The material terms of the Converting Notes are:

a. **Interest:** Interest is payable on the Converting Notes at a rate of 8% per annum. Upon the occurrence of either an IPO Event or redemption of the Converting Notes, the interest will be paid in cash by the Company. Upon the occurrence of a Capital Raising Event, Control Event or maturity of the Converting Notes, the accrued interest will be capitalised and converted to Shares.

b. **Unsecured:** The Company's obligations under the Converting Notes are unsecured.

c. **Conversion on a Conversion Event:** The Converting Notes will automatically convert into Shares upon the occurrence of the following events, at the following conversion prices:

   i. upon the Company receiving ASX conditional approval to be admitted to the Official List of the ASX, the Converting Notes will convert at the lesser of the price per Share equal to 80% of the issue price of Shares under the Offer and the Maximum Conversion Price;

   ii. upon the Company issuing shares under a capital raising to raise a minimum of A$5 million, the Converting Notes will convert at the lesser of the price per Share equal to 80% of the issue price of Shares under the capital raising and the Maximum Conversion Price; or

   iii. upon a change of control event occurring in the Company, the Converting Notes will convert at the lesser of the price per Share equal to 80% of the last price per Share at which the control event occurred and the Maximum Conversion Price.

d. **Redemption:** The Company will immediately repay the face value of the Converting Notes, together with all accrued interest, to the investor upon either a prescribed insolvency event occurring in the Company or the Company being in material breach of the Converting Note Subscription Agreement, and such breach is materially and adversely prejudicial to the interest of the investor and is not rectified within 20 business days of written notice of breach being received by the Company.

e. **Maturity Date:** The maturity date is the date which is 12 months after the date the Converting Note is issued. The Company must convert the Converting Notes to Shares on the maturity date at the lesser of the price per Share equal to 70% of the fair market value of Shares, valued by an independent expert, and the price per Share equal to 80% of A$135 million divided by the number of Shares on issue immediately prior to the occurrence of the conversion event (**Maximum Conversion Price**).

The Converting Note Subscription Agreements are governed by the laws of NSW and otherwise contains terms and conditions (including representations and warranties) considered standard for an agreement of this nature.

11.7 LEAD MANAGER MANDATE

On 3 October 2018, the Company and Patersons Securities Limited ACN 008 896 311 (**Lead Manager**) entered into a lead manager mandate (**Lead Manager Mandate**) pursuant to which the Lead Manager agreed to be appointed as the Company's Lead Manager to the Offer.

Under the Lead Manager Mandate, the Lead Manager will be paid the following fees, exclusive of GST:

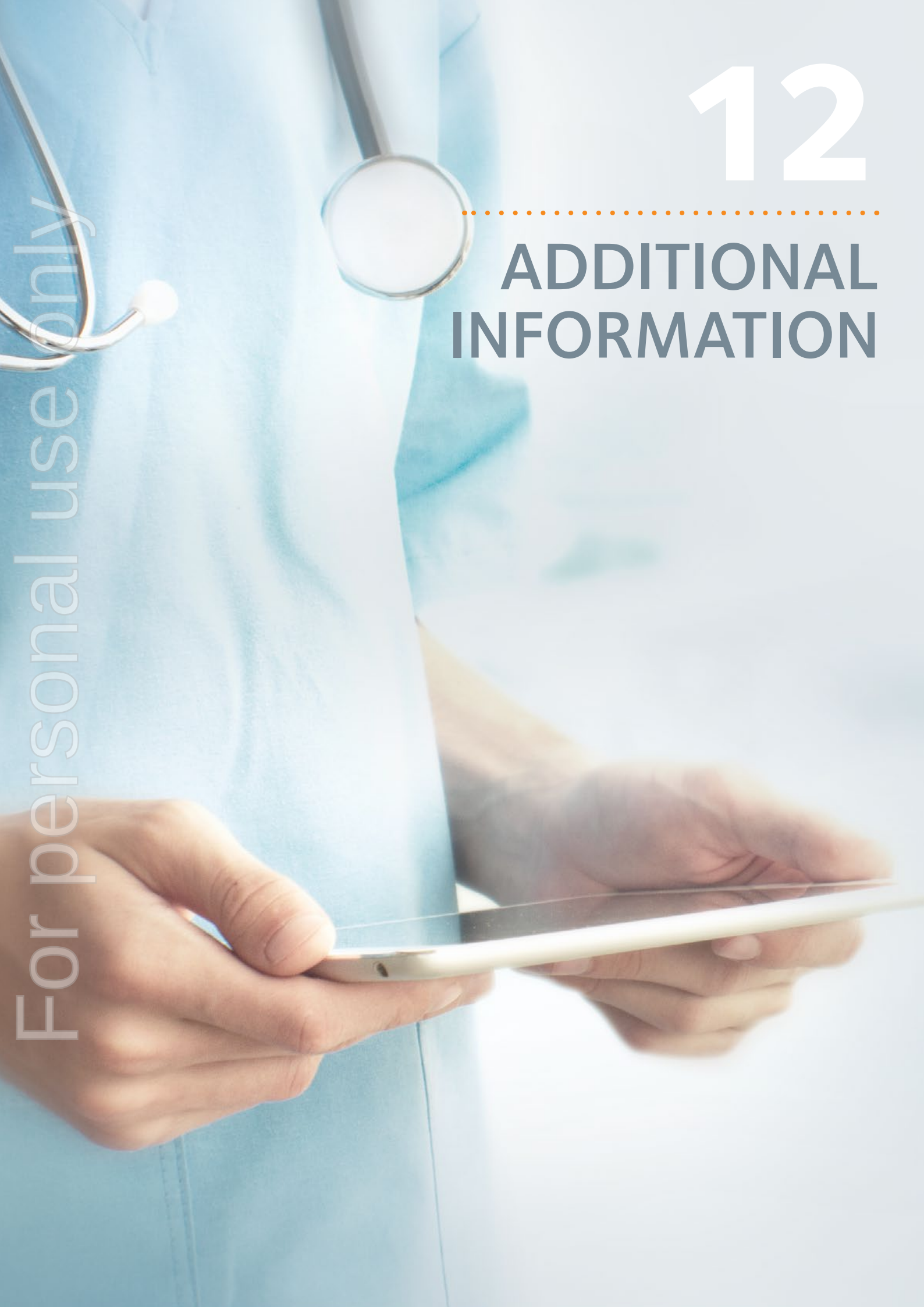
a. a lead manager fee of A$75,000 payable on Completion;

b. a management fee of 2.0% of the total gross amount raised under the Offer from all sources payable on Completion; and

c. a capital raising fee of 3.0% of the total gross amount raised under the Offer, payable on Completion.

The capital raising fee will not apply to commitments from existing shareholders or to investors who received an invitation from the Company to participate in the Offer received by the Company prior to commencement of marketing of the Offer to other investors. All selling fees to third parties will be paid by the Lead Manager from this fee.

The Lead Manager Mandate otherwise contains terms and conditions which are considered standard for an agreement of this nature, including those relating to confidentiality, representations and warranties.



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ADDITIONAL INFORMATION

12 ADDITIONAL INFORMATION

12.1 REGISTRATION

Next Science was incorporated in New South Wales, Australia on 20 October 2017 as part of a corporate restructure, in which it became the holding company for Microbial Defense System Holdings Inc, incorporated in 2012. Next Science was incorporated as a proprietary company limited by shares and was converted to a public company on 24 January 2019.

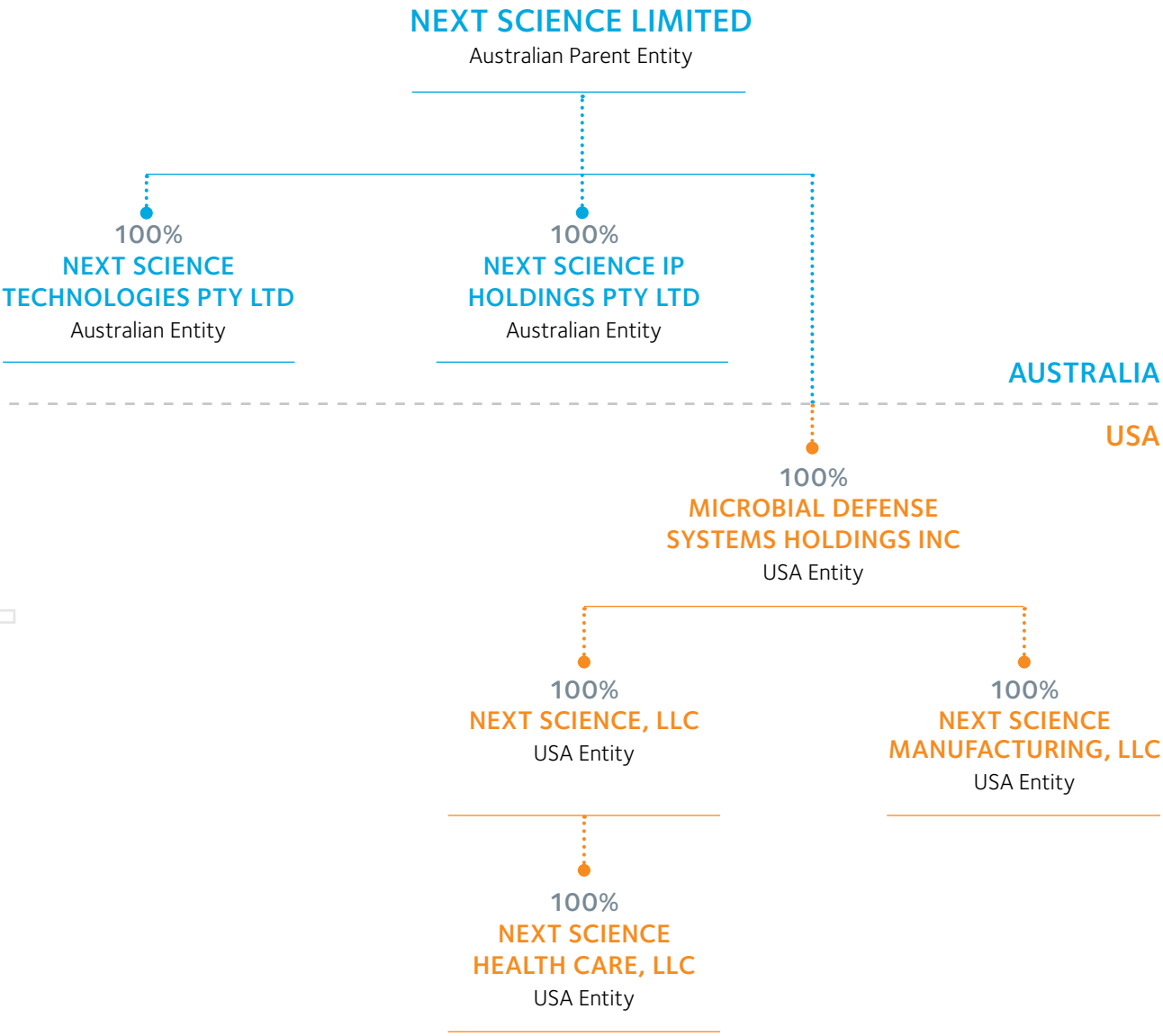
12.2 COMPANY TAX STATUS AND FINANCIAL YEAR

Next Science will be taxed as an Australian tax resident public company for the purposes of Australian income tax law.

Next Science's financial year ends on 31 December annually.

12.3 CORPORATE STRUCTURE

The corporate structure of Next Science and its subsidiaries is:



Note 1: The Company's intellectual property is held in its wholly owned subsidiary, Next Science IP Holdings Pty Ltd.

12 ADDITIONAL INFORMATION

12.4 CAPITAL STRUCTURE

The capital structure of the Company following Completion is summarised in the tables below:

Shares	Number
Shares on issue as at the date of this Prospectus*	130,340,502
Shares to be issued under the Offer	35,000,000
Shares to be issued on conversion of Converting Notes	13,824,063
Shares to be issued under the Cleansing Offer	10
Total Shares on issue after Admission	**179,164,575**

* As part of employee remuneration arrangements, Byron Darroch holds 650,000 partly paid shares in the Company. The partly paid shares have US$200,000 unpaid, due in instalments up to 9 November 2020. The Company will not apply for quotation of the partly paid shares unless and until the shares are full paid up.

Options*	Number
Options exercisable at US$0.31 per option expiring on 9 November 2019	568,750
Options exercisable at US$0.31 per option expiring on 1 March 2020	325,000
Options exercisable at US$0.42 per option expiring on 1 September 2020	162,500
Options exercisable at US$0.31 per option expiring on 9 November 2020	568,750
Options exercisable at US$0.31 per option expiring on 1 March 2021	325,000
Options exercisable at US$0.42 per option expiring on 1 September 2021	162,500
Options exercisable at US$0.42 per option expiring on 16 April 2021	4,374,500
Options exercisable at US$0.42 per option expiring on 16 April 2022	78,000
Options exercisable at US$0.56 expiring on 17 December 2023	4,160,000
Total Options on issue as at the date of this Prospectus	**10,725,000**
Options to be issued under the Offer	0
Total Options on issue after Completion	**10,725,000**

* The full terms and conditions of each class of Options on issue will be released to the Company's ASX platform on Admission.

Converting Notes	Number
Converting Notes on issue as at the date of this Prospectus	11,059,250
Converting Notes to be issued under the Offer	0
Total Converting Notes on issue after Completion	**0***

* The terms and conditions of the Converting Notes are set out in Section 11.6. All Converting Notes will be converted into Shares upon the Company receiving ASX conditional approval to be admitted to the Official List of the ASX.

12 ADDITIONAL INFORMATION

12.5 SUBSTANTIAL SHAREHOLDERS

Those shareholders which have a relevant interest in 5% or more of the Shares on issue as at the date of this Prospectus are set out in the table below.

Shareholder	Shares	% (undiluted[1])
Walker Group Holdings Pty Ltd[2]	29,003,000	22.25
Auckland Trust Company Ltd[3]	46,507,500	35.68
Dr Matthew Myntti	20,657,000	15.85
Christopher Samuel	7,299,500	5.60

Note 1: Undiluted for options on issue and performance rights entitlements.
Note 2: An entity controlled by Lang Walker.
Note 3: An entity which holds shares as trustee for the Second Pacific Master Superannuation Fund, of which Lang Walker is the sole beneficiary.

The substantial shareholders have each advised that they do not intend to subscribe for Shares under this Prospectus. Those shareholders which will have a relevant interest in 5% or more of the Shares on issue as at Completion and conversion of the Converting Notes are set out in the table below.

Shareholder	Shares	% (undiluted[1])
Walker Group Holdings Pty Ltd[2]	29,003,000	16.19
Auckland Trust Company Ltd[3]	46,507,500	25.96
Dr Matthew Myntti	20,657,000	11.53

Note 1: Undiluted for options on issue and performance rights entitlements.
Note 2: An entity controlled by Lang Walker.
Note 3: An entity which holds shares as trustee for the Second Pacific Master Superannuation Fund, of which Lang Walker is the sole beneficiary.

12.6 SUMMARY OF RIGHTS AND LIABILITIES ATTACHING TO SHARES AND OTHER MATERIAL PROVISIONS OF THE CONSTITUTION

12.6.1 INTRODUCTION

The rights and liabilities attaching to Shares are set out in the Constitution and are, in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and general law.

A summary of the significant rights and liabilities attaching to the Shares and of the other material provisions of the Constitution are set out below. This summary is non-exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice. The summary assumes that Next Science is admitted to the Official List of the ASX.

12 ADDITIONAL INFORMATION

12.6.2 VOTING

Subject to any rights or restrictions for the time being attached to any class or classes of shares in the Company (at present, there is only one class of shares), at a general meeting of the Company:

a. each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;

b. on a show of hands, every Shareholder present in person or by proxy, attorney or representative has one vote (unless a Shareholder has appointed more than one proxy); and

c. on a poll, every Shareholder present in person or by proxy, attorney or representative has one vote for each fully paid Share held (with adjusted voting rights for partly paid shares).

If the votes are equal on a proposed resolution, the chairman of the meeting does not have a second or casting vote and the matter is decided in the negative.

12.6.3 DIVIDENDS

Subject to the Corporations Act, the Board may pay any interim and final dividends that, in its judgement, the financial position of Next Science justifies. The Board may also pay any dividend required to be paid under the terms of issue of a Share, and fix a record date for a dividend and the timing and method of payment. As per Section 4.12, the Directors do not expect the Company to pay a dividend in the short to medium term.

12.6.4 ISSUE OF FURTHER SHARES

Subject to the Corporations Act, ASX Listing Rules, ASX Settlement Operating Rules and any rights and restrictions attached to a class of shares, the Board may issue or grant options for, or otherwise dispose of, Shares on the terms, with the rights, and at the times that the Board decides.

12.6.5 VARIATION OF CLASS RIGHTS

In addition to the requirements under the Corporations Act and ASX Listing Rules, the procedure set out in the Constitution must be followed for any variation of rights attached to the Shares. The rights attached to a class of Shares may be varied or cancelled by:

a. the holders of at least 75% of the issued Shares in the class consenting in writing; or

b. a special resolution passed at a separate meeting of the holders of Shares in that class.

12.6.6 TRANSFER OF SHARES

Subject to the Constitution and to any restrictions attached to a Share, Shares may be transferred by any means permitted by the Corporations Act or by law. The Company must comply with the obligations imposed on it by the ASX Listing Rules or the ASX Operating Rules.

The Board may or must refuse to register a transfer of Shares:

a. only if that refusal would not contravene the ASX Listing Rules or the ASX Operating Rules;

b. if the registration of the transfer would create a new holding of an unmarketable parcel;

c. to a subsidiary of the Company; and

d. if the Corporations Act, the ASX Listing Rules or the ASX Operating Rules forbids registration.

If the Board refuses to register a transfer, the Company must give the lodging party notice of the refusal and the reasons for it within five business days after the date on which the transfer was delivered to it.

12.6.7 GENERAL MEETINGS

Each Shareholder is entitled to receive notice of, attend and vote, at general meetings of Next Science. Next Science must give at least 28 days' written notice of a general meeting.

The Board may postpone, cancel or change the place of a meeting of shareholders in accordance with section 249D and 250N of the Corporations Act and the Constitution.

12 ADDITIONAL INFORMATION

12.6.8 WINDING UP

Subject to the Constitution, the Corporations Act and any preferential rights attaching to any class or classes of Shares, on the Company being wound up, Shareholders will be entitled to any surplus assets of Next Science in proportion to the Shares held by them.

If Next Science is wound up, the liquidator may, with the sanction of a special resolution:

a. divide the whole or part of Next Science's property among Shareholders;

b. decide how the division is to be carried out as between Shareholders or different classes of Shareholders; and

c. vest assets of the Company in trustees on any trust for the benefit of the shareholders as the liquidator thinks fit.

12.6.9 UNMARKETABLE PARCELS

In accordance with the ASX Listing Rules, the Board may sell Shares which constitute less than a marketable parcel by following the procedures set out in the Constitution.

12.6.10 PROPORTIONAL TAKEOVER PROVISIONS

The Constitution requires Shareholder approval in relation to any proportional takeover bid. These provisions will cease to apply unless they are renewed by Shareholders passing a special resolution by the third anniversary of either the date that those rules were adopted or the date those rules were last renewed.

12.6.11 DIRECTORS – APPOINTMENT AND REMOVAL

Under the Constitution, the Board is comprised of a minimum of three Directors. Directors can be elected or re-elected at general meetings of Next Science.

No Director (excluding any managing director) may hold office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected or three years, whichever is longer. The Board may also appoint a Director in addition to the existing Directors or to fill a casual vacancy on the Board, and that Director (apart from the managing director) must not hold office past the next annual general meeting of Next Science.

12.6.12 DIRECTORS – VOTING

Items to be considered at a meeting of the Board must be decided by a majority of votes cast by the Directors entitled to vote on the resolution. If the votes are equal on a proposed resolution, the chairman of the meeting does not have a second or casting vote and the matter is decided in the negative.

12.6.13 DIRECTORS' – REMUNERATION

Under the Constitution, the Board may decide the remuneration which each Director is entitled for his or her services as a Director. However, the total amount provided to all Non-Executive Directors for their services as Directors must not exceed in aggregate in any financial year the amount fixed by Next Science in a general meeting. As at the Prospectus Date, this amount is fixed at A$750,000 in aggregate. The remuneration of a Director (who is not a managing director or an Executive Director) must not include a commission on, or a percentage of, profits or operating revenue.

Directors may be paid for travel and other expenses incurred in attending to Next Science affairs, including attending and returning from meetings of Directors or committees or general meetings.

Details of the remuneration of the Directors are set out in Section 7.3.

12.6.14 POWERS AND DUTIES OF DIRECTORS

The business and affairs of Next Science are to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within Next Science's power and the powers that are not required by law or by the Constitution to be exercised by Next Science in general meeting.

12 ADDITIONAL INFORMATION

12.6.15 PREFERENCE SHARES

Next Science may issue preference shares, including preference shares that are liable to be redeemed with the sanction of a resolution, in accordance with the Corporations Act. There are no preference shares on issue as at the Prospectus Date.

12.6.16 AMENDMENT

The Constitution may be modified, repealed or replaced only by a special resolution passed by Shareholders.

12.7 INTERESTS OF ADVISORS

The Company has engaged the following professional advisors in relation to the Offer. The amounts that the Company has paid, or agreed to pay, to these advisors is set out below.

Patersons Securities Limited has acted as Lead Manager to the Offer. The Company has paid, or agreed to pay, fees in accordance with the Lead Manager Mandate, as summarised in Section 11.7, for these services as at the Prospectus Date.

HWL Ebsworth Lawyers has acted as Australian legal advisor to the Company in relation to the Offer (excluding in relation to taxation and stamp duty matters). The Company has paid, or agreed to pay, approximately A$180,000 (excluding disbursements and GST) for these services as at the Prospectus Date. Further amounts may be paid to HWL Ebsworth Lawyers in accordance with their normal time-based charge-out rates.

Barker Williams Law has acted as US legal adviser to the Company in relation to the Offer (excluding in relation to taxation and stamp duty matters). The Company has paid, or agreed to pay, approximately A$58,500 for these services as at the Prospectus Date. Further amounts may be paid to Barker Williams Law in accordance with their normal time-based charge-out rates.

KPMG Financial Advisory Services (Australia) Pty Ltd has acted as the Investigating Accountant and has prepared the Investigating Accountant's Report for inclusion in the Prospectus. The Company has paid, or agreed to pay, approximately A$125,000 (excluding disbursements and GST) for these services as at the Prospectus Date. Further amounts may be paid to KPMG Financial Advisory Services (Australia) Pty Ltd for other work in accordance with their normal time-based charge-out rates.

KPMG has acted as auditor and tax advisor to the Company. The Company has paid, or agreed to pay, approximately A$52,500 (excluding GST) for IPO-related services as at the Prospectus Date. Further amounts may be paid to KPMG in accordance with their normal time-based charge-out rates.

The Company has paid, or agreed to pay, approximately A$90,000 to Financial Agility Consulting Pty Ltd for consultancy services as at the Prospectus Date. Further amounts may be paid to Financial Agility Consulting Pty Ltd for other work in accordance with their normal time-based charge-out rates.

Zollinger & Burleson Ltd has acted as patent attorney and has prepared the Patent Portfolio Report for inclusion in the Prospectus. The Company has paid, or agreed to pay, approximately A$10,000 to Zollinger & Burleson Ltd for the provision of the Patent Portfolio Report for inclusion in this Prospectus as at the Prospectus Date. Further amounts may be paid to Zollinger & Burleson Ltd in accordance with their normal time-based charge-out rates.

12.8 LITIGATION AND CLAIMS

So far as the Directors are aware, as at the Prospectus Date, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

12 ADDITIONAL INFORMATION

12.9 SUMMARY OF TAX ISSUES

12.9.1 SUMMARY OF TAX ISSUES FOR AUSTRALIAN TAX RESIDENT INVESTORS

The comments in this Section 12.9 provide a general outline of Australian tax issues for Australian tax resident Shareholders who acquire Shares under this Prospectus and that hold Shares in Next Science on capital account for Australian income tax purposes. The categories of Shareholders considered in this summary are limited to individuals, companies (other than life insurance companies), trusts, partnerships and complying superannuation funds that hold their shares on capital account.

This summary does not consider the consequences for foreign resident Shareholders, insurance companies, banks, Shareholders that hold their shares on revenue account or carry on a business of trading in shares, Shareholders who are exempt from Australian tax, or Shareholders who are subject to the Taxation of Financial Arrangements rules contained in Division 230 of the *Income Tax Assessment Act 1997*.

The summary in this Section is general in nature and is non exhaustive of all Australian tax consequences that could apply in all circumstances of any given Shareholder. The individual circumstances of each Shareholder may affect the taxation implications of the investment of the Shareholder.

It is recommended that all Shareholders consult their own independent tax advisers regarding the income tax (including capital gains tax), stamp duty and GST consequences of acquiring, owning and disposing of Shares, having regard to their specific circumstances.

The summary in this Section is based on the relevant Australian tax law in force, established interpretations of that law and understanding of the practice of the relevant tax authority at the time of issue of this Prospectus. The summary does not take into account the tax law of countries other than Australia.

Tax laws are complex and subject to ongoing change. The tax consequences discussed in these summaries do not take into account or anticipate any changes in law (by legislation or judicial decision) or any changes in the administrative practice or interpretation by the relevant authorities. If there is a change, including a change having retrospective effect, the income tax, stamp duty and GST consequences should be reconsidered by Shareholders in light of the changes. The precise implications of ownership or disposal of the Shares will depend upon each Shareholder's specific circumstances.

This summary does not constitute financial product advice as defined in the Corporations Act.

12.9.2 DIVIDENDS PAID ON SHARES

Dividends may be paid to Shareholders by Next Science. Next Science may attach 'franking credits' to such dividends. Franking credits broadly represent the extent to which a dividend is paid by Next Science out of profits that have been subject to Australian tax. It is possible for a dividend to be fully franked, partly franked or unfranked. The dividend should be included in each Shareholder's assessable income for the relevant year of income.

It should be noted that the concept of a dividend for Australian income tax purposes is very broad and can include payments that are made in respect of such things as off-market share buy-backs.

To the extent that franking credits are attached to a dividend, Australian tax resident Shareholders should include in their assessable income an amount equal to the franking credits (in addition to the dividend paid) in the income year in which the dividend is paid or credited.

Australian tax resident Shareholders should be entitled to a tax offset equal to the franking credits attached to the dividend so long as they are a 'qualified person'. A 'qualified person' is a Shareholder who, in broad terms, hold Shares in Next Science 'at risk' for a period of more than 45 days within a period beginning on the day after the date on which the Shareholder acquired the Next Science Shares and ending on the 45th day after the date on which the Next Science Shares became 'ex dividend'. An individual may also be a 'qualified person' where their total franking credit entitlement in the relevant income year is below $5,000 for the relevant year.

In some cases, an amount of a tax offset not applied against an Australian tax resident Shareholder's tax liability can be refunded to that Shareholder. Whether this is available depends on the particular circumstances of the Shareholder, including their entity type.

12.9.3 AUSTRALIAN CAPITAL GAINS TAX (CGT) IMPLICATIONS FOR AUSTRALIAN TAX RESIDENT SHAREHOLDERS ON A DISPOSAL OF SHARES

Australian tax resident Shareholders who hold their Shares on capital account will be required to consider the impact of the Australian CGT provisions in respect of the disposal of their shares. A capital gain will arise where the capital proceeds on disposal exceed the cost base of the share (broadly, the cost base is the amount paid to acquire the share plus any (non-tax deductible) transaction costs incurred in relation to the acquisition or disposal of the shares). In the case of an arm's length on-market sale, the capital proceeds should be the total amount of the money and property received from the sale of the shares. A CGT discount may be applied against the capital gain (after first deducting any available capital losses, see below) where the Shareholder is an individual, complying superannuation entity or trustee, and the Shares have been held for more than 12 months prior to the CGT event. Where the CGT discount applies, any capital gain arising to individuals and entities acting as Trustees (other than a trust that is a complying superannuation entity) may be reduced by one-half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one-third, after offsetting current year or prior year capital losses.

Where the Shareholder is the trustee of a trust that has held the Shares for more than 12 months before disposal, the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

A capital loss will be realised where the reduced cost base of the share (the reduced cost base is determined by a similar (although not identical) calculation to the cost base) exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the Shareholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other forms of assessable income.

12.9.4 WITHHOLDING TAX

Resident Shareholders may, if they choose, notify Next Science of their tax file number (TFN), ABN, or a relevant exemption from withholding tax with respect to dividends.

In the event that Next Science is not so notified, Australian tax may be required to be deducted at the maximum marginal tax rate plus the Medicare levy from the cash amount of the unfranked portion (if any) of the dividends. No amount is required to be deducted by Next Science in respect of fully franked dividends. The rate of withholding is currently 47%.

Next Science is required to withhold and remit to the ATO such tax until such time as the relevant TFN, ABN or exemption notification is given to Next Science. Resident Shareholders will be able to claim a tax credit/rebate (as applicable) in respect of any tax withheld on the dividends in their individual income tax returns.

A Shareholder that holds Shares as part of an enterprise may quote their ABN instead of their TFN. Non-residents are not required to comply with the above requirement.

12.9.5 STAMP DUTY

Shareholders should not be liable for stamp duty in respect of their initial subscription of Shares on the basis that Next Science does not hold any relevant interests in real property. Under current stamp duty legislation, no stamp duty should ordinarily be payable by Shareholders on any subsequent transfer of Shares whilst the Company remains listed.

Shareholders should seek their own advice as to the impact of stamp duty in their own particular circumstances.

12.9.6 AUSTRALIAN GOODS AND SERVICES TAX (GST)

Under current Australian law, no GST should be payable by Shareholders in respect of the issue, acquisition, disposal or transfer of their Shares in Next Science regardless of whether or not the Shareholder is registered for GST. Shareholders may not be entitled to claim full input tax credits in respect of any GST included in the costs they have incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by Shareholders in this respect relevant to their particular circumstances.

No GST should be payable by Shareholders on receiving dividends distributed by Next Science.

12 ADDITIONAL INFORMATION

12.10 CONSENTS TO BE NAMED

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as offeror of the Shares), the Directors, persons named in the Prospectus with their consent as having made a statement in the Prospectus and the persons involved in a contravention in relation to the Prospectus, with regard to misleading or deceptive statements made in the Prospectus. Although the Company bears the primary responsibility for the Prospectus, other parties involved in the preparation of the Prospectus can also be responsible for certain statements in it.

Each of the parties referred to in this Section:

a. does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and

b. in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Each of the parties referred to in this Section has consented, and as at the Prospectus Date has not withdrawn, its consent, to:

a. be named in this Prospectus in the form and context in which it is named; and

b. the inclusion of the following statements in this Prospectus, in the form and context in which they are included (and all other references to those statements).

KPMG Financial Advisory Services (Australia) Pty Ltd has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant Report in this Prospectus. KPMG has given its written consent to being named as auditor for FY16, FY17 and FY18 and tax advisor in this Prospectus. KPMG Financial Advisory Services (Australia) Pty Ltd and KPMG have not withdrawn their consents prior to the lodgement of this Prospectus with ASIC.

HWL Ebsworth Lawyers has given its written consent to being named as the Australian legal advisor to the Company in this Prospectus in the form and context in which it is named. HWL Ebsworth has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Barker Williams Law has given its written consent to being named as the US legal advisor to the Company in this Prospectus in the form and context in which it is named. Barker Williams Law has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Patersons Securities Limited has given its written consent to being named as Lead Manager to the Company in this Prospectus in the form and context in which it is named. Patersons Securities Limited has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC. Patersons Securities Limited was not involved in the preparation of any part of this Prospectus and did not authorise or cause the issue of this Prospectus. Patersons Securities Limited makes no express or implied representation or warranty in relation to Next Science Limited, this Prospectus or the offer.

Zollinger & Burleson Ltd has given its written consent to being named as the patent attorney to the Company in this Prospectus and to the inclusion of the Patent Portfolio Report included in Section 5 in the form and context in which the information is included. Zollinger & Burleson Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Financial Agility Consulting Pty Ltd has given its written consent to being named as a consultant to the Company in this Prospectus in the form and context in which it is named. Financial Agility Consulting Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

12.11 ASIC RELIEF AND MODIFICATIONS AND ASX WAIVERS

The Company has received in-principle advice from ASX confirming that it would be likely to grant waivers of ASX Listing Rule 10.11 and ASX Listing Rule 10.14, the details of which are set out in Sections 7.3.2.1 and 7.3.2.5, and a waiver in relation to the application of escrow, the details of which are set out in Section 8.8.

The Company has not applied for any ASIC relief or modifications.

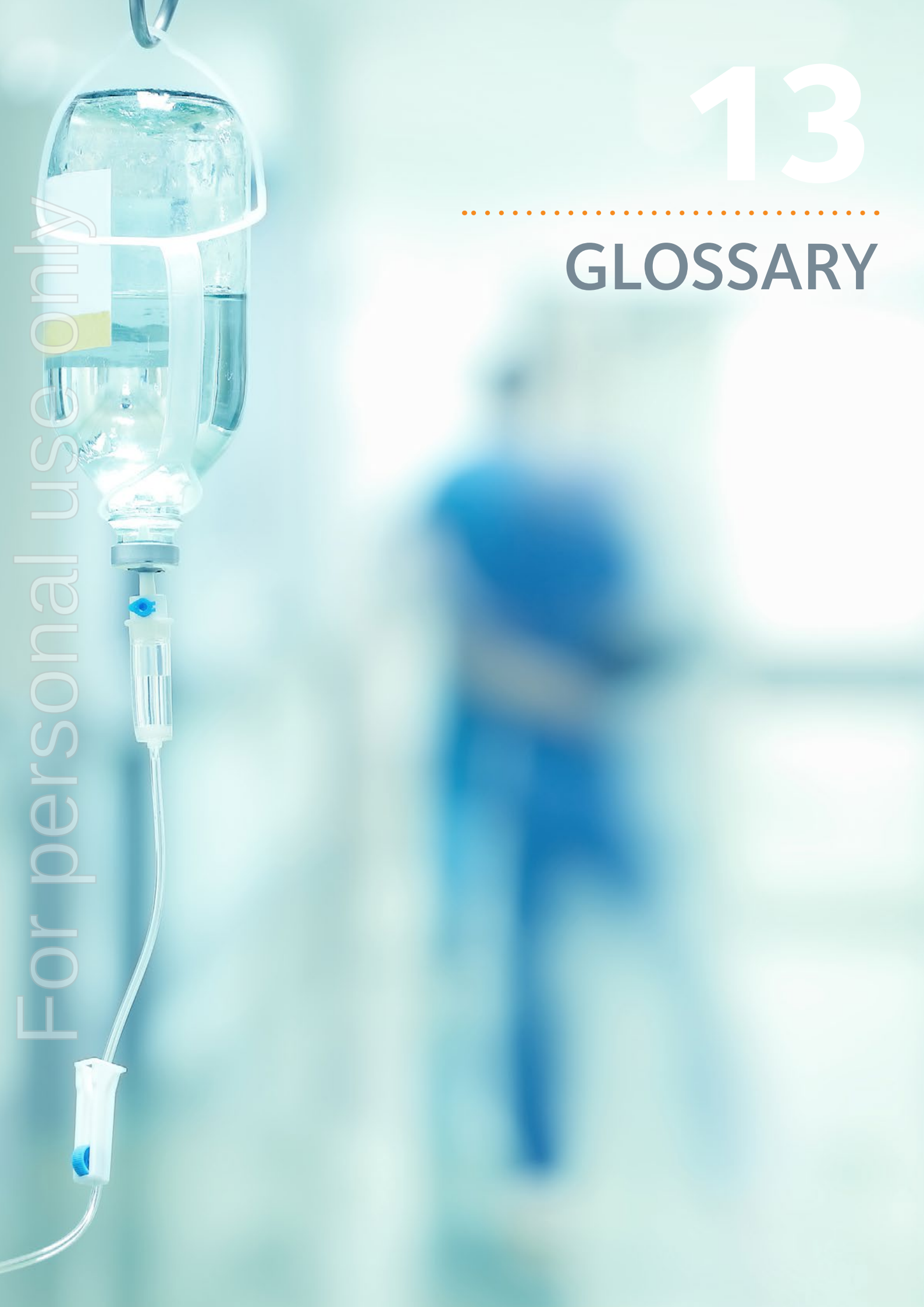
12 ADDITIONAL INFORMATION

12.12 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the Applications under this Prospectus are governed by the law applicable in New South Wales and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of New South Wales and of the Commonwealth of Australia.

12.13 AUTHORISATION OF THIS PROSPECTUS

Each Director has authorised the issue of this Prospectus and has consented to its lodgement with ASIC and has not withdrawn that consent as at the Prospectus Date



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GLOSSARY

13 GLOSSARY

Term	Meaning
A$ or AUD	Australian dollars.
3M	3M Company, a company incorporated in Delaware.
Admission	The Company's admission to the Official List of the ASX, following Completion.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).
ASX Listing Rules	The official listing rules of ASX.
ASX Recommendations	ASX Corporate Governance Council's Principles and Recommendations (3rd Edition).
ASX Settlement Operating Rules	The official operating rules of ASX Settlement Pty Ltd ACN 008 504 532.
Board	The board of Directors.
CE Mark	The certification mark indicating compliance with European Union health, safety and environmental protection standards.
CHESS	Clearing House Electronic Subregister System, operated by ASX Settlement Pty Ltd ACN 008 504 532.
Cleansing Offer	Has the meaning given in Section 8.1.
Closing Date	The date on which the Offer closes, being 4 April 2019, subject to variation by the Company and the Lead Manager without prior notice.
Completion	Settlement and issue of Shares under the Offer.
Constitution	The constitution of the Company from the date of Admission as amended from time to time.
Converting Note	A converting note issued under a Converting Note Subscription Agreement.
Converting Note Subscription Agreement	A subscription agreement entered into by the Company and an investor as described in Section 11.6.
Corporations Act	*Corporations Act* 2001 (Cth).
Director	A director of the Company from time to time.
Employee Incentive Plan	The Employee Incentive Plan adopted by the Board on 28 February 2019.
EPS	An extracellular polymeric substance.
Exposure Period	The seven day period after lodgement of this Prospectus with ASIC, unless modified by ASIC, beginning on 7 March 2019.
FDA	The Food and Drug Administration of the US.
Financial Information	The Statutory Historical Financial Information and Pro Forma Historical Financial Information.
Group	The group of US and Australian corporate entities set out in the corporate structure table in Section 12.3.

13 GLOSSARY

Term	Meaning
HAI	Hospital acquired infection.
Investigating Accountant	KPMG Financial Advisory Services (Australia) Pty Ltd ACN 007 363 215.
Investigating Accountant's Report	The report prepared by the Investigating Accountant in Section 9.
KPMG	KPMG ABN 51 194 660 183.
Lead Manager	Patersons Securities Limited ACN 008 896 311.
LVAD	Left ventricular assist device, which is a mechanical pump implanted into a person's chest to assist a weakened heart pump blood.
Minimum Subscription	The minimum subscription of $35 million by the issue of 35 million Shares at the Offer Price.
Next Science or the Company	Next Science Limited ACN 622 382 549, or a subsidiary of Next Science Limited, as the context requires.
Offer	The offer of 35 million Shares for the Offer Price under this Prospectus.
Offers	The Offer and the Cleansing Offer.
Offer Period	The period of time in which Applications for the new Shares under this Offer may be made, beginning on 15 March 2019 and ending on 4 April 2019.
Offer Price	$1.00 per Share
Official List	The official list of securities permitted quotation and so, trading on ASX.
Opening Date	The date on which the Offer opens, being 15 March 2019.
Option	An option to acquire a Share.
OTC	Over the counter.
Patent Portfolio Report	The report in Section 5 detailing the patents currently held and applied for by the Company.
Prospectus	This document (including the electronic form of this prospectus) and any supplementary or replacement prospectus in relation to this document.
Prospectus Date	The date that this Prospectus was lodged with ASIC, being 7 March 2019.
Share	A fully paid ordinary share in Next Science.
Share Registry	Link Market Services Limited ACN 083 214 537.
Shareholder	Holder of Shares in the Company.
SSI	Surgical site infection.
TGA	Australian Therapeutic Goods Administration.
US$ or USD	United States dollars.
VWAP	Volume weighted average price.
Zimmer Biomet	Zimmer Biomet Holdings Inc.

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CORPORATE DIRECTORY

14 CORPORATE DIRECTORY

DIRECTORS

Chairman and Independent Non-Executive Director
George Savvides

Managing Director
Judith Mitchell

Non-Executive Directors
Bruce Hancox
Dan Spira
Aileen Stockburger
Mark Compton

COMPANY SECRETARY

Gillian Nairn

PROPOSED ASX CODE

NXS

NEXT SCIENCE REGISTERED OFFICE

Next Science Limited (Head Office)
Level 19, Tower A, The Zenith Building
821 Pacific Highway
Chatswood NSW 2067

LEAD MANAGER

Patersons Securities Limited
Level 15, 333 Collins Street
Melbourne VIC 3000

AUSTRALIAN LEGAL ADVISER

HWL Ebsworth Lawyers
Level 14, Australia Square
264-278 George Street
Sydney NSW 2000

PATENT ATTORNEY

Zollinger & Burleson Ltd
6370 Mt Pleasant St NW
North Canton, OH 44720
United States of America

INVESTIGATING ACCOUNTANT

KPMG Financial Advisory Services (Australia) Pty Ltd
Level 38, Tower Three, International Towers
300 Barangaroo Avenue
Barangaroo NSW 2000

AUDITOR

KPMG Australia
Level 38, Tower Three, International Towers
300 Barangaroo Avenue
Barangaroo NSW 2000

SHARE REGISTRY

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NEXT SCIENCE®

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