NEXT SCIENCE®

2023 ANNUAL REPORT

#NextScienceHeals

NEXT SCIENCE LIMITED ACN 622 382 549

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NEXT SCIENCE®

Break through biofilm

R MISSION

Next Science strives to significantly improve patient outcomes, elevate physician efficacy, and create value within the overall healthcare system through relentless innovation and commitment to education and research on biofilm elimination, infection prevention, and treatments for inflammatory diseases.

PATIENT CASE STUDY

Acute Septic Arthritic Knee

The patient, an 81-year-old male presented to the emergency room 11 days post-operatively. He had undergone a revision Total Knee Arthroplasty (TKA) due to an unstable knee and on admission complained of knee pain, mental confusion, atrial fibrillation, elevated liver enzymes, inability to stand, and urinary retention.

Aspiration of the knee was conducted and bacteria known as *Klebsiella Pneumonia* was found. Investigation into the source of the infection identified the cause as an infected pacemaker. Given the patients severely declining health, the decision was made to use arthroscopic lavage to treat the infection as a temporising measure.

Results

Arthroscopic lavage was performed using one litre of saline and two litres of XPERIENCE™. The patient was placed on an antibiotic regimen and the infected pacemaker was replaced during hospitalisation.

At one year follow up, the patient is fully healed and did not suffer any recurence of knee symptoms.

Read the full report by Dr. Jon Minter

#NEXTSCIENCE**HEALS**

BLASTX®
Antimicrobial Wound Gel

Intervention in Chronic Wound

Part of a 3-patient pilot study, a 76-year-old female patient presented with thrombocytosis from a chronic, non-healing wound that was resistant to other therapies. The wound was appropriately debrided, soaked in hypochlorous acid, BLASTX applied, and covered with foam dressing with compression socks.

Results

The patient was monitored at 8 weeks and 16 weeks for signs of healing. By the 16-week mark, **the wound was fully healed.**

View the full poster by Dr. Mark Melin

TREATMENT TIMELINE

BLASTX Initiated 11/30/22

4-Week Follow-up 12/28/22

Wound Closed 3/23/2023

Dr. Matthew Regulsky
Podiatric Surgeon

"I have used this product in probably a million applications and we're seeing really good results using BLASTX powered by the XBIO™ Technology. We have two randomised control trials to show that when you use that, with the Prepare the Repair™ Paradigm, you can have tremendous amount of healing rates. The death rate from any chronic wound is about 30%, diabetic wounds are about 50% because of all of the inflammation and the complexity of the wounds - my own father suffered from a diabetic foot wound and I had to cut off half of my own father's foot. So, I'm passionate about the evidence, I'm passionate about the science, and I'm passionate about the results."

BLASTX®
Antimicrobial Wound Gel

PHYSICIAN TESTIMONIALS

Dr. Ravi K. Bashyal
Orthopedic Surgeon

"As a hip and knee replacement surgeon, my most feared post-op complication is infection. Patients undergoing elective and routine hip or knee replacement are at risk for infection, but it is not their expectation that this will occur. Further, if an infection does occur in a hip or knee replacement, it is a serious complication that always requires surgery to address. In even the most benign circumstance, an infected prosthesis requires at least one repeat operation and many weeks of IV antibiotics - more serious cases may require multiple staged operations, each with likely worse functional final outcomes. Anything I can do to prevent this devastating complication from occurring is of great interest to me. Routine use of XPERIENCE™ has been shown to dramatically lower this risk, and has been a game changer in my practice. For over the past two years and over 1000 cases, I have had ZERO infections. There is a multifactorial approach to this, but XPERIENCE™ is a big part of this formula. I visualise this product as a paradigm shifting gamechanger. If we can educate and inform the surgical community effectively, it has an opportunity to change standard of care practices in surgery."

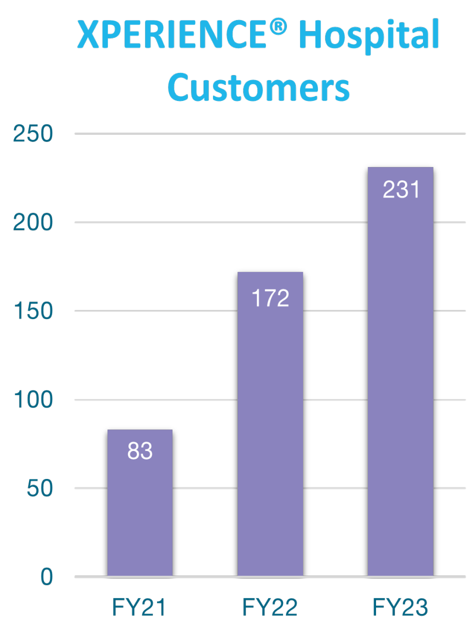
XPERIENCE®
Advanced Surgical Irrigation

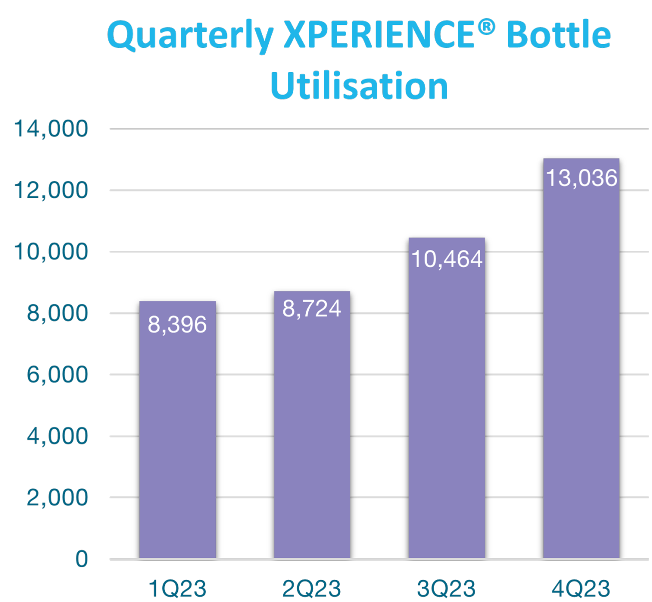
PRODUCT SHOWCASE

XPERIENCE®
Advanced Surgical Irrigation

In April 2021, XPERIENCE™ Advanced Surgical Irrigation received FDA clearance to be sold as a medical device in the United States. This non-toxic technology does not need to be rinsed from the surgical site after closure, offering up to five hours of protection as the solution dilutes in the body, helping to prevent surgical site and post-operative infection.

XPERIENCE™ is designed for use in virtually every open orthopedic surgical case, with an initial focus on shoulder, hip, knee, trauma and podiatry.



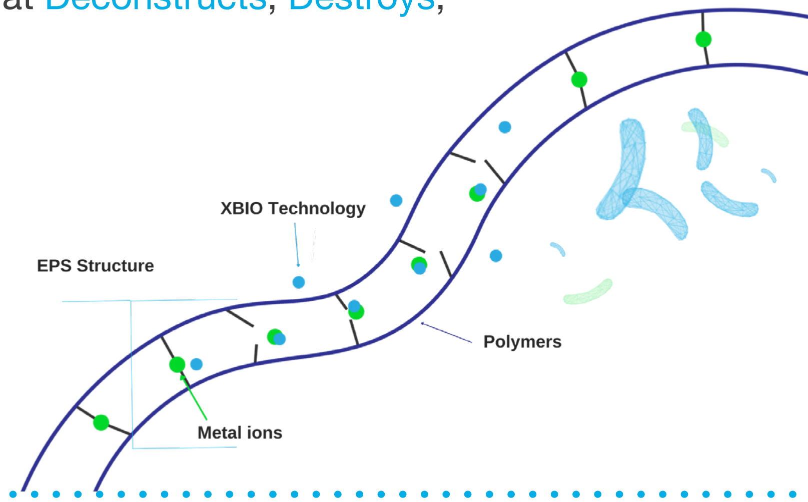


XBIO™ TECHNOLOGY:
HOW IT WORKS

XBIO™ Technology combines a solvent, surfactant, and a high-osmolarity buffer system to create a unique solution that Deconstructs, Destroys, and Defends against biofilm.

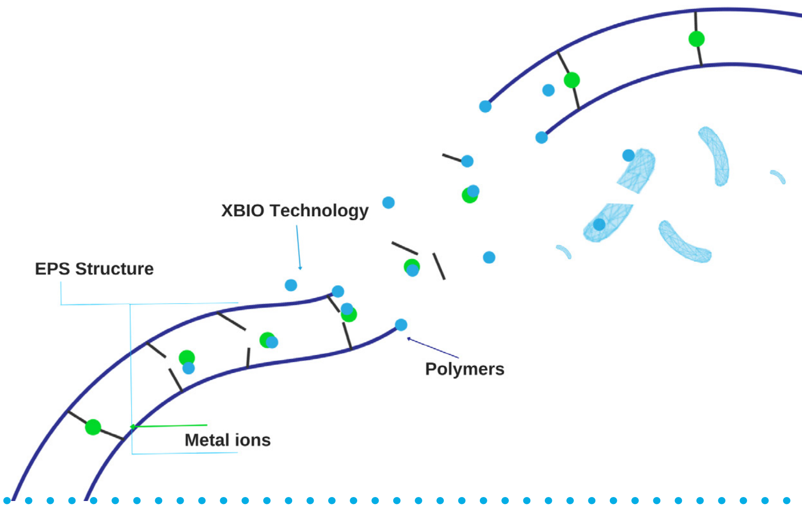
Deconstruct

The buffer system (citric acid and sodium citrate) deconstructs the EPS structure while the citric acid removes the metal ions (chelation) holding together the polymers while the sodium citrate prevents the reformation of the bonds.



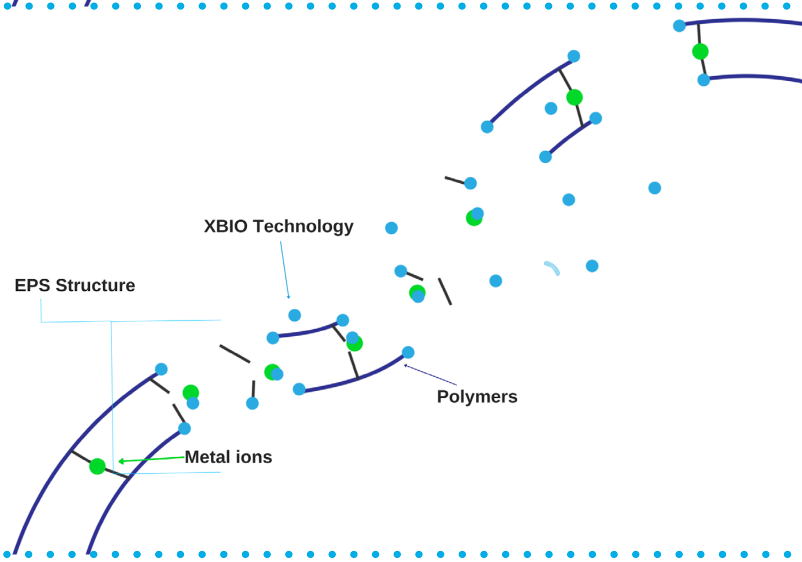
Destroy

After deconstructing the EPS, the high osmolarity of the buffer system increases osmotic pressure on the bacterial cells. The surfactant facilitates the destruction of the cell membrane by pulling out the proteins holding the structure together, allowing the high osmolarity solution to enter the cell and lysing the bacterial cell.



Defend

The solvent and buffer system defend against recolonisation by dissolving the polymers holding the structure together and preventing the metal ions from reattaching.



#NEXTSCIENCE**HEALS**

Dr. Matthew Regulsky
Podiatric Surgeon

PREPARE TO REPAIR™

In 2023, Dr. Matthew Regulski, DPM, developed the ‘Prepare to Repair™ paradigm.’ This initiative emphasises the critical importance of adequately preparing wounds to repair, or heal, before considering advanced therapies. The Prepare to Repair™ paradigm outlined essential steps for clinicians to follow, including adding an effective antimicrobial such as BLASTX® when addressing patients with wounds, ensuring comprehensive care and optimised outcomes. The first step being biofilm management.

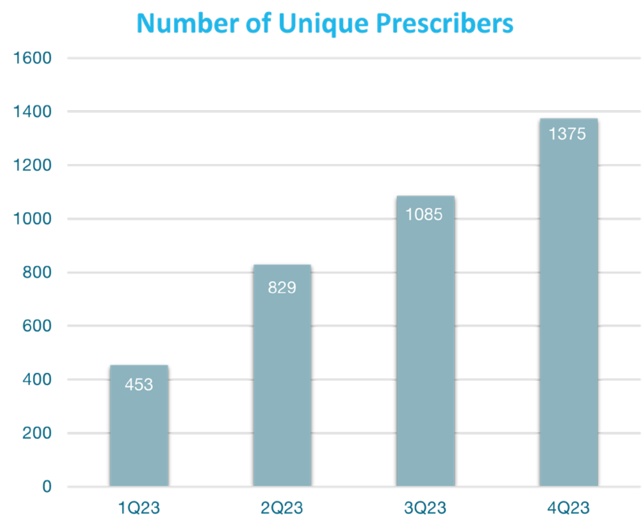
The ‘Prepare to Repair’ paradigm showcased BLASTX’s pivotal role in wound management. Dr. Regulski’s feature on ‘The Balancing Act’ shared powerful patient stories, cementing BLASTX’s reputation as a game-changer in chronic wound care. Scan the QR code to witness BLASTX’s healing power firsthand.

Watch the interview with Dr. Matthew Regulski

#NEXTSCIENCEHEALS

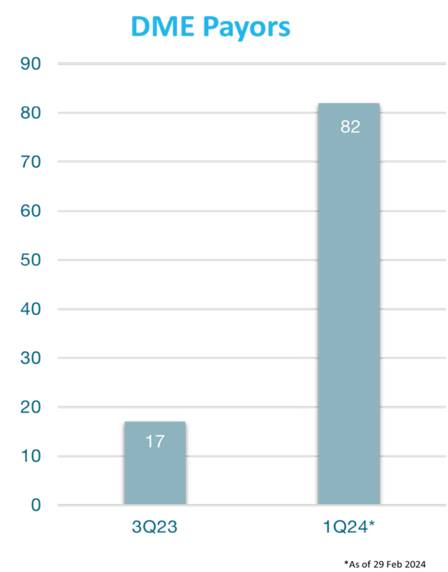
COLLAGEN AND DME
(DURABLE MEDICAL EQUIPMENT) DISTRIBUTION

In the year following its launch in October 2022, Next Science's Durable Medical Equipment (DME) program has continued to make significant strides in advancing wound care solutions. The DME program allows physicians to select Wound Care Packs that include a variety of wound care products tailored to their patients needs. These packs include collagen, wound cleanser, various dressings and gauze, and the option of BLASTX. The packs are then prescribed to patients by their physicians and billed through insurance.



Why are Payors Important?

The business model for Durable Medical Equipment (DME) differs significantly from the surgical model. In DME, our collaboration extends to patients, physicians, and insurance payors. When a patient receives a prescription from their physician, it's simultaneously forwarded to Next Science. We then engage with their insurance provider to confirm coverage and facilitate payment. Our reimbursement is directly impacted by the number of payors we partner with, ensuring optimal financial support for prescribed treatments.



RESEARCH AND DEVELOPMENT

Research and development (R&D) remains a cornerstone of Next Science's commitment to innovation and advancement in healthcare solutions, aligned with our mission to significantly improve patient outcomes, elevate physician efficacy, and create value within the overall healthcare system. In FY23, the Company continued to allocate significant resources towards R&D endeavors, reflecting its dedication to driving future growth and enhancing patient care. In FY23, the Company expensed $6.5m in R&D, up 5.5% compared with FY22 directly related to continued spend on R&D projects and clinical studies including increased expenditure relating to the Canada study being conducted by the Ottawa Hospital Research Institute

Furthermore, the scientific community's interest in evaluating Next Science's proprietary XBIO™ technology has continued to grow. Notably, recent studies have highlighted the unique advantage of XBIO™ Technology with anti-inflammatory properties, leading to a wider discussion of treatment in the wound and surgical spaces.

Looking ahead, Next Science is poised to continue its pursuit of excellence in R&D, driving forward transformative advancements in healthcare solutions.

RECENT STUDIES/PUBLICATIONS

DATE:	AREA	AUTHORS	HYPERLINK
January 2023	Discovery: Spine Disease	Fresquez, Chung, Pereira, et al. (USC)	https://pubmed.ncbi.nlm.nih.gov/36358169/
March 2023	BLASTX® Effectiveness	Regulski, Myntti, Garth et al. (Wound Care Institute, Next Science, Montana State University)	https://mdpi.com/2079-6382/12/3/536
March 2023	Irrigation, Biofilms, Infection	Cheng, Owen , Swink, Myntti (Allegheny Health Network poster presentation at Orthopaedic Research Society meeting.	https://lnkd.in/eN3CnXv2
April 2023	Acne treatment	Marshall-Hudson, Tuley, Damstra, Dosik, Myntti, Porral, Palomo (TXL Research Inc., Next Science)	https://pub-press.mydigitalpublication.com/publication/?m=54680&i=787927&p=42&ver=html5
July 2023	Biofilm, Wound Care	Patricia Stevenson, Melissa Marguet and Matthew Regulski	https://www.sciencedirect.com/science/article/abs/pii/S0899588523000515?dgcid=author
November 2023	XPERIENCE™ Case Study on Acute Septic Knee Arthritis	Daniel Hawk, Dr. Jon Minter, MD	https://worldjournalofcasereports.org/science-world/articlepdf/wjcrci-22-221.pdf
December 2023	XPERIENCE™ and inflammation	Louis Battista, Andrew Wickline, MD	https://journaloei.scholasticahq.com/article/89994
January 2024	Biofilms	Claudia A Cox, Elias K Manavathu, Sushama Wakade, Matthew Myntti, Jose A Vazquez	https://pubmed.ncbi.nlm.nih.gov/38214428/
February 2024	BLASTX Case study on Sweets Syndrome	Patricia Stevenson, Kristie Warwick, Kerry Wirz, Chelsea Birtwell	https://worldjournalofcasereports.org/science-world/articlepdf/wjcrci-24-31-224.pdf
February 2024	Irrigation, PJI	Sean B Sequeira, Matthew F Myntti, Michael A Mont	https://pubmed.ncbi.nlm.nih.gov/38372561/

CHAIR MESSAGE

DEAR FELLOW SHAREHOLDERS,

I am pleased to present the Annual Report of Next Science Limited for the year ended 31 December 2023, my first as your Chair.

A YEAR OF RENEWAL

2023 has been a year of renewal for the Company with significant changes made to our Board and leadership team as well as across the business. The DME structure which was in its infancy at the start of FY23 has continued to show growth as we implemented key learnings and refined our strategy. We also made good progress in driving direct sales of BLASTX® and XPERIENCE™.

We finished FY23 with a new-look Board following the departure of our Chair, Mark Compton for personal reasons and Bruce Hancox, who had served on the Board for over a decade following the investments by our major shareholder Lang Walker AO. We are extremely grateful to them both for their important contribution and longstanding support of the Company. We appointed two Australian-based Non-Executive Directors, Grant Hummel and Katherine Ostin, who bring fresh perspectives, valuable skills and deep experience in the healthcare sector.

We also made significant changes to our leadership team. Our former CEO and Managing Director Judith Mitchell retired in July 2023, and we thank Judith for her pioneering work in establishing Next Science's position as a listed medical device company and building its business especially in the United States. Judith led the Company through its ASX-listing and built a team focused on commercial success.

I would also like to acknowledge the contribution of our former Chief Financial Officer (CFO) Jacqueline Butler who was pivotal in the ASX-listing, establishing robust financial systems and the successful formation of the DME.

As part of the process of appointing a US-based CEO and Managing Director, we made the strategic decision to move the CFO role to our Florida office in the US. The relocation of the CFO role is designed to support and provide even greater focus on the ongoing growth of the commercial business. Marc Zimmerman was appointed CFO in May 2023. Marc has held different CEO and CFO roles as well as various finance positions during his 15-year tenure at Verizon.

In July 2023, we were delighted to welcome I.V. Hall to Next Science as CEO and Managing Director. I.V. is a respected leader in the US healthcare industry with a rare combination of scientific, clinical and commercial skill and experience. He has a proven track record in building successful businesses and a positive organisational culture. I.V. was most recently a member of the Global Leadership Team and R&D Leadership Team for De Puy Synthes, a subsidiary of Johnson & Johnson (NYSE: JNJ).

Since joining, I.V. has already made a huge difference to the Company creating a more inclusive and supportive culture based on accountability from the Board down. He has also conducted detailed reviews of our operating processes, sales strategy and the DME segment.

CAPITAL RAISE AND USE OF FUNDS

In August 2023, we successfully completed a Placement to new and existing institutional and sophisticated investors to raise gross proceeds of A$12m. This was followed by a Share Purchase Plan (SPP) and US Offer which were completed in September to raise a further A$9.5m.

CAPITAL RAISE AND USE OF FUNDS (CONT.)

In conjunction with the Placement, Next Science reached agreement with Walker Group Holdings Pty Ltd to retire the A$10m in convertible notes held by the Walker Group with the redemption amount of A$10m (plus accrued interest) offset against a share subscription commitment by Walker Group at the Placement Price. The settlement and issue of shares to Walker Group was approved by shareholders at a General Meeting in October 2023.

The funds raised strengthened Next Science's balance sheet ensuring we are well placed to fund the promotion of XPERIENCE™ research, resourcing to service the Health Trust opportunity, expansion of the DME sales force and expansion of a second fulfilment site for the DME.

LANG WALKER AO

In January 2024, we were saddened to learn of the passing of Lang Walker AO, who has been a longstanding supporter of Next Science and its unique XBIO™ technology. Related party interests associated with Mr Walker hold around 37% of Next Science via Walker Group Holdings Pty Ltd and the Auckland Trust Company.

OUR OUTSTANDING TEAM

After a long career witnessing problematic infections, I joined the Next Science Board in 2018 because I was excited by the possibilities inherent in the XBIO™ technology platform. I have seen the debilitating impacts these infections have on people's lives and the enormous burden they place on our healthcare systems. As we make the transition from a start up to a small company with successful commercialisation, I look forward to working closely with the Board, and I.V. and his team as we seek to eradicate these biofilms.

On behalf of the Board, I would like to thank all our team for their continued dedication and commitment to our business. Our people are critical to Next Science's success.

I would also like to thank our board of directors who have provided counsel and guidance during an extraordinary year.

Finally, I would like to acknowledge the ongoing support provided by our Shareholders and thank them for their belief in our mission to heal people and save lives.

Aileen Stockburger

Aileen Stockburger
Chair and Independent Non-Executive Director

DEAR FELLOW SHAREHOLDERS,

I am pleased to deliver the annual report for FY23, my first as your CEO.

I would like to begin with what drew me to the CEO role. I have spent my 30-year career in medical devices, 28 years of which were in orthopaedics. For the first half of my career, I worked as an engineer in R&D, developing and launching hundreds of products. The second half has been focused on sales, commercialisation, and strategy.

What I learned through my time in orthopaedic trauma was that the healthcare marketplace has developed excellent solutions for repairing biomechanics. We have optimised implant and instrument design for restoration of structure, developed robotics for perfection of surgical techniques and biologics for regeneration and remodelling of tissues. However, the one clinical challenge that remains and does not have a gold standard of care is the prevention or treatment of infection, whether it is orthopaedic or soft tissue-based surgery. Moreover, for wounds in general, we do not have effective and efficient gold standard of care treatment solutions for the prevention or treatment of infection.

The XBIO™ technology is a very simple solution that does not change the way the procedures are done. It does not change the way a clinician has to work and forms part of the standard workflow of the surgery or patient treatment. The mode of action is so unique and the XBIO™ technology so straightforward in its approach and simplicity that it provides an elegant solution to a very difficult problem.

When I first met with Next Science and gained a better understanding of the challenges facing the Company, I realised the needs primarily related to commercialisation rather than the technical side. This meant there was a real opportunity to get a solution into the healthcare space to solve entrenched problems and deliver better patient outcomes to an underserved population.

IMMEDIATE PRIORITIES

Since joining the Company in July 2023, I have focused on a several immediate priorities. This began with a refinement of our strategy and the establishment of key goals and objectives.

We revised our mission statement to include innovation and education. As we focused on education, we looked closely at how we serve our customers. We decided it was time for the company to commit to building a sales force centred around product expertise and clinical acumen that is a true valued benefit.

We consolidated our sales leadership team and launched a new sales training program, Next Science University, as first steps in this transformation. We have since taken on the process of training all of our direct field sales consultants in the clinical and technical realm of wound care. These changes and new focus on training are expected to deliver significant improvements in the future productivity and efficiency of the sales team.

At the same time, it became clear that we needed to improve and expand our customer engagement and sales strategies specific to the DME business. We refocused our sales teams to target larger volume and more profitable segments of the wound care market. This involved targeting the larger Wound Care Centres and expanding our payor matrix beyond Medicare to include the private payor sector to enable access to more patients that are being treated in those Wound Care Centres.

We have also refined the culture of the organisation building on the incredible passion displayed by our team with a renewed focus on consistency, quality, and rigour.

FY23 FINANCIAL RESULT

In FY23, Next Science delivered record revenue of US$22.2m which was 89.4% higher on the prior corresponding period (pcp). 2H FY23 revenue of US$12.1m was in line with the 2H FY23 guidance of US$12-14m provided in October 2023.

As we moved through the year, we saw an improved performance across the business. Wound Care sales recorded solid growth as the DME structure benefited from an increased focus on wound care centres and shift in our payor mix. Higher direct sales of BLASTX® reflected a new distributor arrangement for Veterans Affairs clinics and orders from Long Term Care Centres. Within the Surgical segment, direct sales of XPERIENCE™ recorded good growth due to an increase in the clinical evidence available and broader access to healthcare sites provided by our contract with a leading GPO.[1]

The key highlights of the FY23 result are as follows:

- Revenue: US$22.2 million (FY22: US$11.7 million)
- Gross Profit: US$16.2 million (FY22: US$9.2 million)
- Operating Loss: US$16.0 million (FY22: US$12.7 million)
- Closing Cash: US$9.2 million (FY22: US$5.1 million)

CLINICAL STUDIES

In 2023, we commenced a 7,600 participant Canadian randomised control study that will be one of the largest orthopaedic clinical studies conducted. The scale of the study has been designed to support our objective of XPERIENCE™ being adopted as the standard of care in surgery. At the end of FY23, 261 patients had been enrolled in the first site. A second site has started recruiting with another five sites pending completion of contracts.

Other important clinical studies released during FY23 added to the increasing body of clinical evidence available on the efficacy of XPERIENCE™. This included a study by Dr Andrew Wickline MD which showed a potential anti-inflammatory benefit for XPERIENCE™. Following a peer review process, it was published in the Journal of Orthopaedic Experience & Innovation in December 2023.

In November 2023, a study by Dr Robert Harris MD, published on VuMedi, found XPERIENCE™ to be efficacious with zero infection rate in the 423-patient cohort up to 90 days post-surgery.

OUTLOOK

Our priorities for FY24 are to deliver significant topline growth across three key areas of the business. Firstly, by increasing the penetration and productivity of the DME structure to achieve further improvement in revenue quality. Secondly, by driving higher direct sales of BLASTX® to Long Term Care Centres and Veterans Affairs clinics.

[1]On 1 August 2023, Next Science entered into an agreement with leading Group Purchasing Organisation (GPO) HealthTrust to provide its members with access to XPERIENCE™. The US-based organisation serves 1,600 hospitals and 43,000 alternate sites of care including ambulatory surgery centres, physician practices and long-term care centres.

OUTLOOK (CONT.)

Finally, direct sales of XPERIENCE™ are expected to benefit from the expansion of our GPO footprint and extension of the use case from high risk to prophylactic use. The publication of additional clinical research for both BLASTX® and XPERIENCE® in the next 12 months will also be important and lead to broader recognition in the medical community.

Next Science expects to achieve a cash flow positive position on a monthly basis by the end of FY24. This is underpinned by continued revenue growth, working capital and cost management which includes an increase in the variability of our cost base.

I would like to thank our Board, team, and shareholders for their invaluable contribution to the continued growth of our Company.

Harry Thomas Hall, IV (I.V.)
Managing Director and Chief Executive Officer

Next Science Limited

ACN 622 382 549

Annual Report - 31 December 2023

DIRECTORS' REPORT





The Directors present their report together with the consolidated financial statements of the Group comprising Next Science Limited (Next Science/Company), and the entities it controlled at the end of, or during, the year ended 31 December 2023 (Group). All amounts are presented in US dollars (USD) unless otherwise stated.

DIRECTORS

The Directors of the Company in office during or since the end of the financial year were as follows:

CURRENT

Aileen Stockburger	
Harry Thomas Hall, IV (I.V.)	Appointed 10 July 2023
Grant Hummel	Appointed 23 August 2023
Katherine Ostin	Appointed 24 October 2023
Daniel Spira	

FORMER

Bruce Hancox	Retired 30 June 2023
Mark Compton	Retired 23 August 2023
Judith Mitchell	Retired 31 July 2023

DIVIDENDS

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

OPERATING AND FINANCIAL REVIEW

Principal activities

The principal activities of the Group during the course of the year were the research, development and commercialisation of technologies to resolve the issues caused by biofilms and their incumbent bacteria, fungus and viruses and the infections they cause with a focus on human health. The Company is headquartered in Sydney, Australia and has a research and development centre and sales and marketing functions located in Florida, USA.

Significant changes in the state of affairs

On 2 February 2023, the Company, issued 10,000,000 Secured Convertible Notes with a Face Value of A$10,000,000 (Notes) to a major shareholder, Walker Group Holdings Pty Limited (Walker Group) to support the establishment and growth of the Company's new Durable Medical Equipment (DME) business and to fund investment in a Canadian study at the Ottawa Hospital Research Institute (see further details on the study below). The terms of the Notes included a 21-month term maturing on 11 November 2024 at a conversion price of A$0.72 per security and accrual of interest at a rate of 10% per annum, (payable in one instalment on redemption, or if Walker Group issued a notice of conversion, at a rate of 5% per annum and capitalised into additional shares on conversion.

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

In May 2023, the Company announced that, as part of the process of appointing a new US based Managing Director and Chief Executive Officer (CEO), it had made a strategic decision to also move the Chief Financial Officer (CFO) role to the Company's US office. The CFO role relocation was designed to support and provide even greater focus on the ongoing growth of the Company's commercial business.

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

On 10 July 2023, Harry Thomas Hall, IV (I.V.) commenced as the Company's CEO, based in the Company's Florida office. I.V. has over 28 years' experience in the global medical device industry. Prior to joining Next Science, I.V. was a member of the Global Leadership Team and R&D Leadership Team for DePuy Synthes, a subsidiary of Johnson and Johnson (NYSE: JNJ). I.V. joined DePuy Synthes in 1997 where he held senior roles including: Global Vice President – MedTech R&D and Worldwide President – Trauma, Extremities, Craniomaxillofacial & Animal Health. As Worldwide President of Trauma, Extremities, Craniomaxillofacial and Animal Health at DePuy Synthes, I.V. was responsible for a global portfolio and execution strategy for a US$3.2bn platform including upstream marketing and commercial planning in the Global Orthopaedic Unit of DePuy Synthes.

The terms of I.V.'s executive services agreement include a sign-on grant of performance rights equivalent in value to US$500,000 (based on the 20-trading day volume weighted average price of the Company's shares prior to the date of announcement of I.V.'s appointment), vesting in equal tranches annually over a three-year period subject to continuous employment through to each vesting date. The Company will seek shareholder approval for the sign-on grant at the 2024 annual general meeting and the rights will be granted following the meeting. If shareholder approval is not obtained, vested rights will be satisfied with Company shares purchased on market.

On 30 June 2023, Non-Executive Director, Bruce Hancox, retired as a Director, having served on the Board for more than 10 years and as Chair of the Board's Audit and Risk Committee, since the Company's admission to

Significant changes in the state of affairs (continued)

the official list of ASX in 2019. Aileen Stockburger was appointed by the Board to assume the role of Chair of the Audit and Risk Committee upon Bruce's retirement.

On 27 July 2023, the Company announced that it had signed its first Group Purchasing Organisation (GPO) contract. The Company's GPO contract with HealthTrust has provided access to XPERIENCE™ for Health-Trusts' members since 1 August 2023. HealthTrust is a leading GPO in the US serving 1,600 hospitals and 43,000 alternate sites of care including ambulatory surgery centres, physician practices and long-term care centres.

On 9 August 2023, Next Science announced the release of the findings of a 60-patient double-arm pilot study which demonstrates a potential anti-inflammatory benefit for XPERIENCE™, Next Science's advanced surgical irrigation product, following a total knee arthroplasty (TKA). Next Science considers the study findings to be important as they suggest an expanded application for XPERIENCE™ beyond reducing biofilm-based infection rates. The study findings subsequently underwent a peer review process and were published in the Journal of Orthopaedic Experience & Innovation in December 2023.

On 23 August 2023, the Company announced the appointment of Aileen Stockburger as Chair of the Board of Directors and the appointment of a longstanding advisor to the Company, Grant Hummel, as an independent Non-Executive Director. The timing of the Board changes was brought about by the retirement of Mark Compton AM as a Non-Executive Director and Chair of the Company. Mark's retirement from the Board followed recent family bereavements.

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

The Company also announced on 31 August 2023 that in conjunction with the Placement, the Company had entered into a Subscription and Redemption Deed agreement with Walker Group to retire all of the Notes on the basis that the redemption amount of A$10,000,000 plus accrued interest would be offset against a share subscription commitment by Walker Group at the same price as the Placement, conditional upon shareholder approval.

On 24 October 2023, the Board appointed Katherine Ostin (Kathy) as an independent Non-Executive Director and Chair of the Board's Audit and Risk Committee. Kathy was an Audit, Assurance and Risk Consulting Partner at KPMG from 2005 to 2017 and has extensive experience in the aged care and healthcare sectors, having established and led KPMG's New South Wales Health, Ageing and Human Services audit practice from 2006 to 2017. During her 24 years with KPMG, Kathy worked in Australia, the US, Asia, and the UK.

On 25 October 2023, in accordance with the Subscription and Redemption Deed between Walker Group and Next Science and following receipt of shareholder approval to do so, Walker Group gave notice of the exercise of their right to elect to redeem the A$10,000,000 Notes in return for the issue to Walker Group of 24,673,842 shares in the Company at a price of $0.42 being the same price as the Placement price. The early conversion

Significant changes in the state of affairs (continued)

and modification of the Notes resulted in an overall gain on fair value of US$402,324. Following the issue of the shares to Walker Group, the interests of Walker Group, and its associates, in the Company increased to 37.17%.

In the opinion of the Directors, other than the events previously stated, there were no further significant changes in the state of affairs of the Group that occurred during the year.

Shareholder returns

	2023	2022
Revenue	$22,179,327	$11,712,722
Loss attributable to owners of the company	($16,270,814)	($12,683,312)
Basic earnings per share (EPS) (cents)	($6.95)	($6.03)
Share price as at 31 Dec (A$)	AUD$0.340	AUD$0.685
Return on capital employed	(113.4%)	(128.0%)

Review of operations

The loss for the Group for the financial year to 31 December 2023 after providing for income tax amounted to $16,270,814 (2022: $12,683,312).

Revenue increased by 89% for the period increasing from $11,712,722 in the prior corresponding period to $22,179,327. Major contributors to increases in product sales included significant growth in both the Wound Care and Surgical businesses. Growth in the Wound Care business is through the Durable Medical Equipment (DME) structure of offering reimbursed Collagen with BlastX. Contributing to the growth in the Surgical business is the Company's GPO contract with HealthTrust giving Next Science the framework to sell XPERIENCE™ to a larger number of hospitals and alternate sites as well as further clinical studies conducted which provides support for the product, preventing surgical site infection.

Gross profit for FY23 was $16,234,576 compared to $9,149,698 in the prior corresponding period. Gross margin as a percent of sales was 73% compared with 78% in the prior corresponding period.

Selling and distribution expenses were $20,165,335, an increase of $9,855,130 compared with $10,310,205 in the prior corresponding period. The increase in spend in 2023 mainly relates to an increase in the Wound Care sales team which more than doubled associated with growing the DME business in 2023 and the associated increases in US domestic travel.

Administration expenses were $5,610,459, an increase of $225,453 compared with $5,385,006 in the prior corresponding period. The increase mainly relates to further costs to support the DME launch and the overall higher product sales.

Research and development expenses were $6,485,524 an increase of $335,718 compared with $6,149,806 in the prior corresponding period with expenditure in the current period related to continued spend on R&D projects and clinical studies including increased expenditure relating to the Canada study being conducted by the Ottawa Hospital Research Institute.

Review of operations (Continued)

Cash and cash equivalents at 31 December 2023 amounted to $9,238,697 compared to $5,073,625 at 31 December 2022. Term deposits at 31 December 2023 amounted to $37,823 compared to $37,789 at 31 December 2022.

The Directors have considered the effects of the Israeli-Palestinian Conflict, the rising interest and inflation outlook and climate-related risks and do not expect any significant impact on the Group arising from these matters.

Inherent risks of Investments in Health Care Companies

There are many inherent risks associated with the development of medical devices to a marketable stage. The distribution of some of Next Science's products is subject to obtaining and maintaining FDA and other clearances issued by appropriate governmental authorities and regulatory bodies. Following regulatory approval of some products such as XPERIENCE™, further clinical studies are being undertaken to demonstrate effectiveness and to expand the list of claims per product. Although Next Science believes such clinical studies will be a success, there are no guarantees that the studies will effectively meet their end points.

Other risks include patent protection and proprietary rights, whether patent applications and issued patents will offer adequate protection to enable product development, the obtaining of necessary regulatory authority approvals and difficulties caused by rapid advancements in technology.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event, other than those matters detailed above, of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

ENVIRONMENTAL REGULATION

The Group's operations are not subject to significant environment regulations under either Commonwealth or State legislation. The Board believes that the Group has adequate systems in place for the management of environmental requirements.

GOVERNMENT REGULATION

The Group is subject to varying degrees of governmental regulation in the countries in which its operations are conducted, and the general trend is towards increasingly stringent regulation. In the U.S., the drug, device, diagnostics and cosmetic industries have long been subject to regulation by various federal and state agencies, primarily as to product safety, efficacy, manufacturing, advertising, labelling and safety reporting. The exercise of broad regulatory powers available to the U.S. Food and Drug Administration (the "FDA") can result in increases in the amounts of testing and documentation required for FDA clearance of new drugs and devices and a corresponding increase in the expense of product introduction. Similar trends are also evident in major markets outside of the U.S.

The Jacksonville based subsidiary, Next Science LLC, is licensed and accredited by US Medicare, as a Durable Medical Equipment (DME) provider based in the State of Florida, USA. Such licensing and accreditation, brings with it additional regulatory and compliance obligations. Being accredited as a DME business, Next Science must comply with the U.S Health Insurance Portability and Accountability Act (HIPPA) which requires companies that deal with protected health information to have physical, network, and process security measures in place and follow them. Next Science will need to ensure that it maintains its HIPPA compliance in order to continue to be accredited as a DME entity.

The Group relies on global supply chains, and production and distribution processes that are complex and are subject to lengthy regulatory approval processes and ongoing regulatory requirements which can affect sourcing, supply and pricing of materials used in the Group's products.

INFORMATION ON DIRECTORS

NAME:	AILEEN STOCKBURGER
Title:	Chair and Independent Non-Executive Director
Special responsibilities:	Member, Audit and Risk Committee Member, People, Culture and Remuneration Committee
Qualifications:	Bachelor of Science and MBA, The Wharton School, University of Pennsylvania, Graduate of the Australian Institute of Company Directors, Certified Public Accountant (CPA – USA).
Experience and expertise:	Prior to joining Next Science, Aileen was the Worldwide Vice President of Business Development for the DePuy Synthes Group of Johnson & Johnson, where she oversaw the group's merger and acquisition activities, including deal structuring, negotiations, contract design and review, and deal terms. Aileen led Johnson & Johnson's efforts to acquire Synthes for approximately $21 billion, Johnson & Johnson's largest medical device acquisition. She also led the efforts to drive the DePuy Trauma business and acquire Micrus Endovascular. Aileen was also involved in numerous other M&A transactions including Pfizer Consumer Healthcare (US$16.5 billion), Aveeno, BabyCenter, OraPharma, DePuy, DePuy Miket, Kodak Clinical Diagnostics and Neutrogena.
Other listed company directorships in last three years:	Non-Executive Director, Microbot Medical Inc. (NASDAQ: MBOT).

NAME:	HARRY THOMAS HALL, IV (I.V.) (APPOINTED 10 JULY 2023)
Title:	Managing Director and Chief Executive Officer
Special responsibilities:	None
Qualifications:	Bachelor of Science: Ceramic Engineering and Master of Science: Bio-engineering, Clemson University MBA, Pennsylvania State University Advanced Management Program, Harvard Business School
Experience and expertise:	I.V. has more than 28 years' experience in the global medical device industry and has held diverse general management roles including product development, global strategic marketing, commercial operations, and sales leadership. Prior to joining Next Science, I.V. was a member of the Global Leadership Team and R&D Leadership Team for DePuy Synthes, a subsidiary of Johnson and Johnson (NYSE: JNJ), and completed the launch of the first surgical robot developed by JNJ / DePuy Synthes. I.V. joined DePuy Synthes in 1997 where he held senior roles including: Global Vice President – MedTech R&D and Worldwide President – Trauma, Extremities, Craniomaxillofacial & Animal Health. As Worldwide President of Trauma, Extremities, Craniomaxillofacial and Animal Health, I.V. was responsible for a global portfolio and execution strategy for a US$3.2bn platform including upstream marketing and commercial planning in the Global Orthopaedic Unit of DePuy Synthes. In addition to managing over 1,100 staff across sales, marketing and R&D, I.V. created and sustained personal relationships with well over one hundred key opinion leaders worldwide.
Other listed company directorships in last three years:	None

NAME:	GRANT HUMMEL (APPOINTED 23 AUGUST 2023)
Title:	Independent Non-Executive Director
Special responsibilities:	None
Qualifications:	Bachelor of Science with an honours degree in molecular genetics and Bachelor of Laws (Honours), University of Tasmania Graduate Diploma of Applied Finance and Investment, FINSIA (now Kaplan)
Experience and expertise:	Grant was part of Next Science's ASX listing deal team in 2019. He has been a partner of a major Australian law firm, for over fifteen years. Grant has experience with corporate and commercial transactions, with particular expertise in advising primary care, allied health, medical device and life science clients.
Other listed company directorships in last three years:	Non-Executive Director of GLG Corp Ltd (ASX:GLE)

NAME:	KATHERINE OSTIN (APPOINTED 24 OCTOBER 2023)
Title:	Independent Non-Executive Director
Special responsibilities:	Chair, Audit and Risk Committee
Qualifications:	Bachelor of Commerce (Accounting and Finance), University of New South Wales Fellow of the Financial Services Institute of Australasia Graduate, Australian Institute of Company Directors
Experience and expertise:	Kathy is an experienced non-executive director and audit and risk committee chair. Kathy was an Audit, Assurance and Risk Consulting Partner at KPMG from 2005 to 2017 and has extensive experience in aged care and healthcare sectors, having established and led KPMG's New South Wales Health, Ageing and Human Services audit practice from 2006 to 2017. During her 24 years with KPMG, Kathy worked in Australia, the US, Asia, and the UK.
Other listed company directorships in last three years:	Non-Executive Director of 3P Learning Limited (ASX:3PL) since August 2021 Non-Executive Director of Dusk Group Limited (ASX:DSK) since September 2020 Non-Executive Director of Capral Limited (ASX:CAA) since June 2020 Non-Executive Director of Alex Corporation Limited since February 2021 Non-Executive Director of Elanor Investors Group Limited (ASX: ENN) and Elanor Commercial Property Fund (ASX: ECF) since January 2024 Non-Executive Director of Swift Media Ltd (ASX:SW1) (1 October 2019 - 18 November 2021)

NAME:	DANIEL SPIRA
Title:	Independent Non-Executive Director
Special responsibilities:	Chair, People, Culture and Remuneration Committee
Qualifications:	Bachelor of Commerce, University of New South Wales
Experience and expertise:	Dan is the CEO of iNova Pharmaceuticals (since 2017), 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 and 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, Dan spent over 15 years at Johnson & Johnson Inc 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.
Other listed company directorships in last three years:	None

NAME:	MARK COMPTON AM (RETIRED 23 AUGUST 2023)
Title:	Chair and Independent Non-Executive Director
Special responsibilities:	Member, Audit and Risk Committee Member, People, Culture and Remuneration Committee
Qualifications:	Bachelor of Science (Pharmacology, Physiology and Biochemistry) and an MBA, University of New South Wales. 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).
Experience and expertise	Mark is Lord Prior of the International Order of St John and Chair of the Board of Trustees of St John International. Mark is Chair of Sonic Healthcare Limited, a global medical diagnostics and healthcare organisation which is a Top 50 ASX listed entity. He is also Chair of St Luke's Care Limited, a not-for-profit health and aged care organisation. Mark has held various CEO and managing director roles, including at St Luke's Care Limited, Immune System Therapeutics Limited, Royal Flying Doctor Service of Australia, Sci-Gen Limited and Alpha Healthcare Limited. He is an Adjunct Professor at Macquarie University in healthcare leadership and management (since 2012).
Other listed company directorships in last three years:	Chair and Non-Executive Director of Sonic Healthcare Limited (ASX: SHL).

NAME:	BRUCE HANCOX (RETIRED 30 JUNE 2023)
Title:	Non-Executive Director
Special responsibilities:	Chair, Audit and Risk Committee
Qualifications:	Bachelor of Commerce, Canterbury University New Zealand
Experience and expertise:	Bruce has many 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 as general manager and Chairman and served on the board of a number of their subsidiaries in New Zealand, Australia and the US. Bruce has been a financial advisor to interests of Mr Lang Walker AO since 2008. He serves as a director at Walker Corporation.
Other listed company directorships in last three years:	None

NAME:	JUDITH MITCHELL (RETIRED 31 JULY 2023)
Title:	Managing Director and Chief Executive Officer
Special responsibilities:	None
Qualifications:	MBA, University of Hull Graduate of the Australian Institute of Company Directors
Experience and expertise:	Judith has been the Managing Director of Next Science since 2017. Prior to joining Next Science, Judith served as President of DePuy Synthes Asia Pacific, the Orthopaedics Division of Johnson & Johnson, before which Judith was President of Asia Pacific for Synthes GmbH, the world leaders in orthopaedic trauma care. Judith 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.
Other listed company directorships in last three years:	None

COMPANY SECRETARY

Gillian Nairn, BA/LLB, LLM, FGIA, was appointed Company Secretary on 21 June 2018. Gillian is an experienced corporate governance professional with more than 20 years legal and governance experience gained in private practice and in various in-house and consulting company secretarial roles, predominantly with listed entities.

MEETINGS OF DIRECTORS

The number of meetings held and attended by each of the Directors of the Company during the year ended 31 December 2023 were as follows:

NAME OF DIRECTOR	BOARD MEETINGS		PEOPLE, CULTURE & REMUNERATION COMMITTEE		AUDIT AND RISK COMMITTEE		AD HOC COMMITTEE[1]	
	A[2]	B[3]	A	B	A	B	A	B
Aileen Stockburger	23	23	3	3	6	6	5	5
Harry Thomas Hall, IV[4]	16	15	-	-	-	-	5	4
Mark Compton[5]	10	8	2	2	3	3	-	-
Bruce Hancox[6]	6	6	-	-	2	2	-	-
Grant Hummel[7]	13	13	1	1	3	3	-	-
Judith Mitchell[8]	8	8	-	-	-	-	5	5
Katherine Ostin[9]	4	4	-	-	1	1	-	-
Daniel Spira	23	22	3	3	-	-	-	-

[1]This was a temporary subcommittee established by the Board to deal with ad-hoc matters during the year

[2]A - Number of meetings held

[3]B - Number of meetings attended by the Director during the time the Director was a member of the Board or Committee

[4]Appointed Managing Director and CEO on 10 July 2023

[5]Approved leave of absence from 17 August 2023 to 22 August 2023 inclusive. Retired on 23 August 2023.

[6]Retired on 30 June 2023

[7]Appointed a Director on 23 August 2023

[8]Retired on 31 July 2023

[9]Appointed a Director on 24 October 2023

DIRECTORS' INTERESTS

The relevant interest of each Director in shares, options and rights over such instruments issued by the Group, as notified by the Directors to the ASX in accordance with section 205G(1) of the *Corporations Act 2001* at the date of this report is as follows:

DIRECTOR	FULLY PAID ORDINARY SHARES	SHARE OPTIONS OR RIGHTS
	Number	*Number*
Aileen Stockburger	569,638	-
Harry Thomas Hall, IV (I.V.)*	200,000	-
Grant Hummel	387,694	-
Katherine Ostin	-	-
Daniel Spira	752,172	-
Total	1,909,504	-

*Note: I.V. Hall has a contractual right to a sign-on grant of rights. Refer to page 38 for further details.

SHARES UNDER OPTION AND RIGHTS

At the date of this report, there are 6,349,967 options over ordinary shares on issue (2022: 2,812,000 options) and 2,017,151 performance rights, representing 2.87% (2022: 1.31%) of the Company's undiluted total share capital, granted to employees and directors under an equity incentive plan.

INDEMNITY AND INSURANCE OF OFFICERS

The Group has indemnified the Directors and executives of the Group for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Group has paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

The Company and the Group have not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to a court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 36 to the financial statements.

The Directors are satisfied that the provision of non-audit services by the auditor during the financial year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in note 36 to the financial statements do not compromise the external auditor's independence requirements under the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- The external auditor has declared to the Directors that to the best of the individual auditor's knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* and no contraventions of any applicable code of professional conduct in relation to the audit for the year ended 31 December 2023.

The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards), as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF KPMG

No officer of the Company was an audit partner of KPMG, being the auditors during the financial year, at a time when the audit firm undertook an audit of the Company.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 48 and forms part of the Directors' Report for the financial year ended 31 December 2023.

AUDITOR

KPMG continues in office in accordance with section 327 of the *Corporations Act 2001*.

REMUNERATION REPORT (AUDITED)

This Remuneration Report forms part of the Directors' Report for the year ended 31 December 2023. This Report outlines the details of the remuneration arrangements for the key management personnel of the Group, including remuneration strategy, framework and practices, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

REMUNERATION REPORT (AUDITED) (CONT.)

For the purposes of this Report, key management personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director of the Company (non-executive or executive).

The information in this Remuneration Report is set out under the following headings:

- Key management personnel (KMP)
- Remuneration governance
- Service agreements and remuneration policy
- Non-Executive Directors' remuneration
- Employee incentive arrangements and link between performance and reward
- Share option plans and performance rights over equity instruments
- KMP Remuneration
- KMP Equity Holdings

KEY MANAGEMENT PERSONNEL (KMP)

The KMP of the Group during the financial year and the positions held are summarised below:

Non-Executive Directors

Aileen Stockburger, Board Chair	
Mark Compton	(retired 23 August 2023)
Bruce Hancox	(retired 30 June 2023)
Grant Hummel	(appointed 23 August 2023)
Katherine Ostin	(appointed 24 October 2023)
Daniel Spira	

Managing Director and CEO

Harry Thomas Hall, IV (I.V.)	(appointed 10 July 2023)
Judith Mitchell	(resigned as Managing Director and CEO on 9 July 2023 and retired as a Director on 31 July 2023)

Other KMP

Marc Zimmerman	(Chief Financial Officer) (appointed 26 May 2023)
Jacqueline Butler	(Chief Financial Officer) (resigned 31 May 2023)
Matthew Myntti	(Chief Technology Officer)
Jon Swanson	(Chief Operating Officer)

REMUNERATION GOVERNANCE

The People, Culture and Remuneration Committee comprises the following members:

- Daniel Spira (Chair)
- Aileen Stockburger
- Grant Hummel

The role and responsibilities, composition, structure and membership requirements of the People, Culture and Remuneration Committee are documented in the People, Culture and Remuneration Committee Charter available at www.nextscience.com/corp-governance.

The People, Culture and Remuneration Committee Charter provides that the Committee should comprise 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 Chair of the Board.

The Charter requires the Committee to meet at least twice each year.

All of the current members of the People, Culture and Remuneration Committee have been assessed by the Board as being independent Non-Executive Directors and the Chair of the Committee is not Chair of the Board.

SERVICE AGREEMENTS AND REMUNERATION POLICY

Executives are employed under executive employment agreements with the Group.
In determining remuneration, the Group considers:

- industry based remuneration benchmarking (Australia and USA);
- market developments affecting remuneration practices;
- the remuneration expectations of an executive whom the Company wants to employ;
- future outlook for the Group and market generally;
- the Company's performance over a performance period; and
- the link between remuneration and the successful implementation of the Company's strategy and achievement of strategic objectives.

Executive incentives comprise fixed and variable elements linked to Company and individual performance as detailed in this Report.

Employment agreements

Name:	HARRY THOMAS HALL, IV (I.V.) (APPOINTED 10 JULY 2023)
Title:	Managing Director and Chief Executive Officer (CEO)
Details:	Ongoing service agreement. If the Company terminates the CEO's employment without Cause or the CEO resigns other than for Good Reason, 90 days' notice must be provided. If the CEO resigns for Good Reason, the Company must continue to pay the CEO for 6 months from the termination date; up to 6 months of COBRA[1] reimbursement; pro rata STI for current year payable in a single cash lump sum on the date the STI otherwise would have been paid; earned and unpaid STI for the previous year; and accelerated vesting of outstanding service-based equity grants and continued eligibility for vesting of performance-based equity grants (in each case on a pro rata basis). The Company can terminate immediately for Cause. I.V. is entitled to participate in the Company's short and long-term incentive plans. The CEO's services agreement contains standard provisions regarding duties, leave entitlements, confidentiality, intellectual property, non-competition and non-solicitation restrictions.

[1] COBRA is a US law that allows former employees to elect to remain as participants in their former employer's group health insurance plan for a limited period of time after termination of employment

Name:	MARC ZIMMERMAN (APPOINTED 26 MAY 2023)
Title:	Chief Financial Officer (CFO)
Details:	Ongoing service agreement. The CFO's employment may be terminated by either party at any time and for any reason on 60 days' notice. If the CFO resigns, the Company may unilaterally accelerate the date of termination. The CFO is entitled to participate in the Company's short and long-term incentive plans. The CFO's services agreement contains standard provisions regarding du-ties, leave entitlements, confidentiality, intellectual property, and non-competition and non-solicitation restrictions.

Employment agreements

Name:	DR MATTHEW MYNTTI
Title:	Chief Technology Officer (CTO)
Details:	Ongoing employment agreement to be reviewed annually by the Company. The Company or employee may terminate the service agreement by giving 90 days written notice. The Company may terminate immediately for Cause as defined in the agreement. Matthew is entitled to participate in the Company's short term and long-term incentive plans.

Name:	JON SWANSON
Title:	Chief Operating Officer (COO)
Details:	Ongoing employment agreement to be reviewed annually by the Company. The Company or employee may terminate the service agreement by giving 90 days written notice. The Company may terminate immediately for Cause as defined in the agreement. Jon is entitled to participate in the Company's short term and long-term incentive plans.

NON-EXECUTIVE DIRECTORS' REMUNERATION

Each of the Non-Executive Directors have entered into appointment letters with Next Science confirming the terms of their appointment and their roles and responsibilities.

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

The annual fee for Non-Executive Directors is AUD$90,000 per annum (inclusive of superannuation) and for the Chair is AUD$250,000 per annum (inclusive of superannuation). The Chair's fees reflect the additional responsibilities of the role. An additional fee of AUD$10,000 per annum is paid for performing the role of Chair of the Audit and Risk Committee or the People, Culture and Remuneration Committee. The Company paid special exertion fees to Aileen Stockburger during 2022 and 2023. These exertions were in consideration for assisting the Board in ensuring the Company's activities in the US received appropriate Board oversight and support.

EMPLOYEE INCENTIVE ARRANGEMENTS AND LINK BETWEEN PERFORMANCE AND REWARD

Short Term Incentive (STI) Plan for Executives

The CEO, CFO, Chief Technical Officer (CTO), Chief Operating Officer (COO) and Chief Commercial Officer (CCO) are eligible to participate in the Company's short-term incentive plan (STI Plan).

The STI Plan year is defined as 1 January until 31 December in a given year.

Participants in the STI Plan, must be employed with the Company, or a wholly owned subsidiary of the Company, for at least six months during the Plan year. Participants who resign or are terminated before the end of a Plan year are not eligible for any payments under the Plan unless the Board determines otherwise, in its sole discretion.

The objectives of the STI Plan are to:

- reward executives for their contribution to ensuring that Next Science achieves its annual goals and objectives;
- 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 key performance objectives.

The making of any payment under the STI Plan is subject to the achievement of three gateway hurdles: achievement of at least 90% of the Company's revenue target; 100% of the Company's EBITDA target; and an individual performance rating of at least 'meets expectations'.

EMPLOYEE INCENTIVE ARRANGEMENTS AND LINK BETWEEN PERFORMANCE AND REWARD (CONT.)

The maximum STI opportunity is 100% of Total Fixed Remuneration (TFR) for the CEO and 80% of TFR for the other executive participants. To receive the maximum STI opportunity, the Company must achieve at least 110% of its revenue and EBITDA targets and individual performance must be assessed as being at the top level of 'extraordinary'.

As a number of the members of the executive team already have significant security holdings in Next Science, any payments under the STI Plan are paid in cash to ensure that the STI opportunities operate as true incentives.

No STI payments were made in respect of the financial year ended 31 December 2023 (2022: Nil) as the gateway revenue and EBITDA targets were not met.

Long-Term Incentive (LTI) Plan for Executives

At the time of the Company's initial public offering (IPO) in April 2019, the Board of the Company established an equity incentive plan to facilitate the grant of equity to eligible persons to align their interests with shareholders through the sharing of a personal interest in the future growth and development of the Company (NXS Employee Equity Plan). In May 2023, Next Science issued 700,000 options with an exercise price of A$0.68 and expiry date of 1 May 2028 to employees under the NXS Employee Equity Plan.

At the time of the Company's IPO, the Company also established a long term incentive plan under which the Company can issue incentives in the form of performance rights (LTI Plan) to eligible executives of the Company. The grant of performance rights under the LTI Plan is governed by the NXS Employee Equity Plan Rules.

The CEO, CFO, CTO, COO and Senior Vice-President, Sales are eligible to participate in the LTI Plan.

During the financial year ended 31 December 2023, the Board undertook a review of the Company's approach to long term incentives, assisted by external remuneration consultants, with the key objectives of the review including ensuring that the LTI Plan was appropriate for the size of the Company and its stage of development, the LTI Plan was aligned to the Company's strategy and commercialisation goals and the LTI Plan was simple to understand and valuable to all participants.

This review led to the Board revising the Company's LTI Plan with a key change being amending the form of equity offered under the plan from performance rights only to an equal split of performance rights and options i.e. 50% performance rights and 50% options.

The CEO is entitled to an initial sign-on grant of performance rights equivalent in value to US$500,000, vesting in equal tranches annually over a three-year period subject to continuous employment. The Company intends to seek shareholder approval for the sign-on grant at the Company's 2024 Annual General Meeting (AGM). The rights will be granted following the AGM. If shareholder approval of the grant of rights is not obtained, vested rights will be satisfied with Company shares purchased on-market.

EMPLOYEE INCENTIVE ARRANGEMENTS AND LINK BETWEEN PERFORMANCE AND REWARD (CONT.)

The number of Performance Rights granted under the LTI Plan, as amended, is based on the volume weighted average price (VWAP) of shares in the Company during the 30 days to 30 June in the relevant plan year.

The vesting of Performance Rights issued under the LTI Plan is dependent on satisfaction of vesting conditions relating to relative total shareholder return (Relative TSR) and continued employment during a three-year performance period.

If Relative TSR performance is less than the 50th percentile, no performance right will vest. At or above the 50th percentile, vesting occurs on a pro rata basis.

Subject to vesting conditions being satisfied, performance rights automatically convert to shares, on a one-for one basis, three years after the date on which they are granted. If vesting conditions have not been satisfied, the performance rights will automatically lapse. Participants must be employed by the Company or a wholly owned subsidiary at the date of vesting.

During the financial year ending 31 December 2023, 2,629,928 Performance Rights were issued under the Company's LTI Plan (2022: Nil). Of these, 612,777 rights lapsed on 31 December 2023 due to an executive's employment ending.

The vesting of options issued under the LTI Plan is dependent on satisfaction of vesting conditions comprising share price hurdles and continued employment on the relevant vesting date.

The Options are only exercisable during a two-year period commencing on the third anniversary of the grant date of the options and ending on the fifth anniversary of the grant date. Any Options that have not been exercised by the end of this exercise period lapse.

If a participant resigns or is terminated for cause (including due to a material breach of their obligations to Next Science), all vested but unexercised Options immediately lapse on cessation. If a participant ceases employment for any other reason, any vested but unexercised Options that they hold may be exercised within a period of 60 calendar days (or such other period determined by the Board) from the start of the exercise period applicable to the options, after which time they will lapse.

During the year ended 31 December 2023, 7,366,333 incentive stock options were issued under the Company's LTI Plan). (2022: Nil). Of these, 1,716,366 options lapsed on 31 December 2023 due to an executive's employment ending.

Prior to the Company being admitted to the ASX, the Group established an equity incentive plan (ECP) for US employees and an employee share option plan (ESOP) for Australian employees and directors (see note 33). With the exception of the former Managing Director, Judith Mitchell, as described below, the only vesting condition applicable to the options granted under these earlier plans was that the individual be employed by the Company, or a wholly owned subsidiary of the Company at the vesting date. As at 31 December 2023, there were no outstanding options over ordinary shares issued under the ECP or ESOP.

OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS

Details of the options over ordinary shares issued under the LTI Plan which were held by KMP as at 31 December 2023 are set out below:

KMP	GRANT DATE	EXPIRY DATE	VESTING DATE	FAIR VALUE AT GRANT DATE (USD)	EXERCISE PRICE (USD)
Executive Director					
Harry Thomas Hall, IV (I.V.)	-	-	-	-	-
Non-Executive Directors					
Aileen Stockburger	-	-	-	-	-
Grant Hummel	-	-	-	-	-
Katherine Ostin	-	-	-	-	-
Daniel Spira	-	-	-	-	-
Other KMP					
Jon Swanson	24 Jul 2023	24 July 2028	(i)	202,584	0.49
Marc Zimmerman	-	-	-	-	-
Matthew Myntti	24 Jul 2023	24 July 2028	(i)	275,625	0.49

i. The Vesting date of the options can be any date between the grant date of 24 July 2023, and 3 years from the grant date. However, the options are only exercisable during the two year period starting on the third anniversary of the grant date being 24 July 2026 to 24 July 2028.

Details of the 1,302,292 rights issued under the LTI Plan which were held by KMP as at 31 December 2023 are set out below:

	NUMBER OF RIGHTS GRANTED	GRANT DATE	EXPIRY DATE*	VESTING CONDITION	FAIR VALUE AT GRANT DATE
Other KMP					
Jon Swanson	551,691	24 Jul 2023	N/A	(i)	157,178
Matthew Myntti	750,601	24 Jul 2023	N/A	(i)	213,848

* No expiry date applies to the Rights other than that any Rights for which the Vesting Conditions have not been met shall be forfeited.

i. Vesting conditions include continued employment and Relative Total Shareholder Return over the Performance Period from grant date, 24 July 2023, to 24 July 2026.

OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS (CONTINUED)

The movement for the year ended 31 December 2023, in the number of rights and options over ordinary shares in Next Science Limited held, directly, indirectly or beneficially, by each KMP, including their related parties was as follows:

KMP	INSTRUMENT	BALANCE AS AT 1 JAN 2023 NO.	GRANTED NO.	EXERCISED NO.	LAPSED NO.	BALANCE AS AT 31 DEC 2023 NO.	VESTED DURING THE YEAR	VESTED AND EXERCISABLE NO.	UN-VESTED NO.
Options									
Executive Director									
Harry Thomas Hall, IV (I.V.)	-	-	-	-	-	-	-	-	-
Non-Executive Directors									
Aileen Stockburger	Options	520,000	-	-	(520,000)	-	-	-	-
Grant Hummel	-	-	-	-	-	-	-	-	-
Katherine Ostin	-	-	-	-	-	-	-	-	-
Daniel Spira	Options	260,000	-	-	(260,000)	-	-	-	-
Other KMP									
Jon Swanson	Options	650,000	1,545,267	-	(650,000)	1,545,267	-	-	1,545,267(i)
	Rights	-	551,691	-	-	551,691	-	-	-
Marc Zimmerman	-	-	-	-	-	-	-	-	-
Matthew Myntti	Options	-	2,102,408	-	-	2,102,408	-	-	2,102,408(i)
	Rights	-	750,601	-	-	750,601	-	-	-

i. Vesting conditions include continued employment and Relative Total Shareholder Return over the Performance Period from grant date, 24 July 2023, to 24 July 2026.

OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS (CONTINUED)

The movement for the year ended 31 December 2022, in the number of rights and options over ordinary shares in Next Science Limited held, directly, indirectly or beneficially, by each KMP, including their related parties was as follows:

KMP	BALANCE AS AT 1 JAN 2022 NO.	GRANTED NO.	EXERCISED NO.	LAPSED NO.	BALANCE AS AT 31 DEC 2022 NO.	VESTED DURING THE YEAR	VESTED AND EXERCISABLE NO.	UN-VESTED NO.
Options								
Executive Director								
Judith Mitchell	-	-	-	-	-	-	-	-
Non-Executive Directors								
Bruce Hancox	520,000	-	-	-	520,000	-	520,000	-
Daniel Spira	260,000	-	-	-	260,000	-	260,000	-
Mark Compton	520,000	-	-	-	520,000	-	520,000	-
Aileen Stockburger	520,000	-	-	-	520,000	-	520,000	-
Other KMP								
Matthew Myntti	-	-	-	-	-	-	-	-
Jon Swanson	650,000	-	-	-	650,000	-	650,000	-
Jacqueline Butler	-	-	-	-	-	-	-	-
Dustin Haines	-	-	-	-	-	-	-	-
Rights								
Dustin Haines*	340,602	-	(113,534)	(227,068)	-	-	N/A	N/A

*Dustin Haines employment agreement with Next Science ceased on 20 April 2022

EXERCISE OF OPTIONS GRANTED AS COMPENSATION

During the reporting period, there were no shares issued upon the exercise of options previously granted as compensation, to KMP.

DETAILS OF EQUITY INCENTIVES AFFECTING CURRENT AND FUTURE REMUNERATION

KMP	INSTRUMENT	NUMBER	GRANT DATE	EXPIRY DATE	% VESTED	FINANCIAL YEARS IN WHICH GRANT VESTS
Executive Director						
Harry Thomas Hall, IV (I.V.)	-	-	-	-	-	-
Non-Executive Directors						
Aileen Stockburger	-	-	-	-	-	-
Grant Hummel	-	-	-	-	-	-
Katherine Ostin	-	-	-	-	-	-
Daniel Spira	-	-	-	-	-	-
Other KMP						
Jon Swanson	Options	1,545,267	24 Jul 2023	24 Jul 2028	-	(i)
	Rights	551,691	24 Jul 2023	-	-	(ii)
Marc Zimmerman	-	-	-	-	-	-
Matthew Myntti	Options	2,102,408	24 Jul 2023	24 Jul 2028	-	(i)
	Rights	750.601	24 Jul 2023	-	-	(ii)

i. Vesting conditions include continued employment and Relative Total Shareholder Return over the Performance Period from grant date, 24 July 2023, to 24 July 2026.

ii. Vesting conditions include continued employment and Relative Total Shareholder Return over the Performance Period from grant date, 24 July 2023, to 24 July 2026.

KMP REMUNERATION

The table below details the remuneration of the KMP based on the remuneration policies discussed in this report for the year ended 31 December 2023.

Year ended 31 December 2023

KMP (USD)	CASH SALARY AND FEES	OTHER CASH SERVICE (II)	LONG SERVICE LEAVE	SUPER-ANNUATION	SHARE-BASED PAYMENTS (OPTIONS AND RIGHTS) (VI)	TOTAL	PERFOR-MANCE RELATED (VII)
	$	$	$	$	$	$	%
Executive Directors							
Harry Thomas Hall, IV (I.V.)	199,038	-	-	-	-	199,038	-
Judith Mitchell (i)	204,547	-	-	11,205	-	215,752	-
Non-Executive Directors							
Aileen Stockburger	111,846	-	-	-	-	111,846	-
Grant Hummel	19,323	-	-	2,126	-	21,449	-
Katherine Ostin	11,401	-	-	1,254	-	12,655	-
Daniel Spira	66,439	-	-	-	-	66,439	-
Mark Compton (iii)	107,989	-	-	2,743	-	110,732	-
Bruce Hancox (iv)	30,063	-	-	3,157	-	33,220	-
Other KMP							
Marc Zimmerman	193,846	20,000	-	-	-	213,846	-
Matthew Myntti	360,433	8,065	-	-	45,210	413,708	10.9
Jon Swanson	264,917	449	-	-	33,229	298,595	11.1
Jacqueline Butler (v)	233,430	-	19,535	11,737	-	264,702	-
	1,803,272	**28,514**	**19,535**	**32,222**	**78,439**	**1,961,982**	-

i. Judith Mitchell's employment with Next Science ceased on 31 July 2023.
ii. Other cash services for Marc Zimmerman, Matthew Myntti and Jon Swanson includes motor vehicle allowance and/or other minor benefits.
iii. Mark Compton ceased as a Director with Next Science on 23 August 2023.
iv. Bruce Hancox ceased as a Director with Next Science on 30 June 2023.
v. Jacqueline Butler's employment with Next Science ceased on 31 May 2023.
vi. Share based payments were issued under the Company's Long-Term Incentive Plan in the form of performance rights and share options. Refer to pages 38 and 39 above for further information on the Long-Term Incentive Plan.
vii. Disclosed above are the relative proportions of each individual's remuneration that are related to performance; the remaining proportion being fixed remuneration.

KMP REMUNERATION (CONTINUED)

The table below details the remuneration of KMP for the year ended 31 December 2022.

Year ended 31 December 2022

KMP (USD)	CASH SALARY AND FEES	OTHER CASH SERVICE (I)	LONG SERVICE LEAVE	SUPER-ANNUATION	SHARE-BASED PAYMENTS RIGHTS (II)	TOTAL	PERFORMANCE RELATED (III)
	$	$	$	$	$	$	%
Executive Director							
Judith Mitchell	264,444	-	6,717	16,922	-	288,083	-
Non-Executive Directors							
Mark Compton	173,466	-	-	-	-	173,466	-
Bruce Hancox	62,941	-	-	6,446	-	69,387	-
Daniel Spira	67,768	-	-	1,619	-	69,387	-
Aileen Stockburger	79,868	-	-	-	-	79,868	-
Other KMP							
Matthew Myntti	359,962	6,650	-	-	-	366,612	-
Jon Swanson	264,571	609	-	-	-	265,180	-
Jacqueline Butler	207,427	38,925	4,630	16,926	-	267,908	-
Dustin Haines (iv)	103,474	46	-	-	8,750	112,270	-
	1,583,921	**46,230**	**11,347**	**41,913**	**8,750**	**1,692,161**	**-**

i. Included in Jacqueline Butler's Other cash services is an amount of $38,925 for cashed out annual leave.
ii. Other cash services for Matthew Myntti, Jon Swanson and Dustin Haines includes motor vehicle allowance and/or other minor benefits. For the year ended 31 December 2023, threshold Group performance targets were not met and hence no amounts were awarded to KMP under the STI Plan.
iii. The fair value of the right is calculated at the date of grant using the 60 day volume weighted average price of Next Science shares in the period immediately prior to the offer date. The rights disclosed is the portion of the fair value of the rights recognised as an expense in the reporting period.
iv. Disclosed above are the relative proportions of each individual's remuneration that are related to performance; the remaining proportion being fixed remuneration.
v. Dustin Haines employment agreement with Next Science ceased on 20 April 2022.

KMP EQUITY HOLDINGS

The movement during the reporting period in the number of shares in Next Science Limited held directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

Year ended 31 December 2023

KMP	BALANCE AS AT 1 JAN 2023 NO.	RECEIVED ON EXERCISE OF OPTIONS/ RIGHTS NO.	OTHER CHANGES DURING THE YEAR NO.*	BALANCE ON TERMINATION	BALANCE AS AT 31 DEC 2023 NO.
Executive Directors					
Harry Thomas Hall, IV (I.V.)	-	-	200,000	-	200,000
Judith Mitchell (i)	6,420,000	-	-	6,420,000	-
Non-Executive Directors					
Aileen Stockburger	44,837	-	524,801	-	569,638
Grant Hummel (ii)		-	387,694	-	387,694
Katherine Ostin	-	-	-	-	-
Daniel Spira	752,172	-	-	-	752,172
Bruce Hancox (iii)	564,482	-	-	564,482	-
Mark Compton (iv)	171,920	-	-	171,920	-
Other KMP					
Marc Zimmerman	-	-	150,000	-	150,000
Jacqueline Butler (v)	410,196	-	-	410,196	-
Matthew Myntti	11,943,969	-	(7,772,145)	-	4,171,824
Jon Swanson	50,000	-	-	-	50,000

* Other changes represent shares that were purchased, sold or transferred to another party during the year.

i. Judith Mitchell's employment with Next Science ceased on 31 July 2023.
ii. Grant Hummel appointed a Director with Next Science 23 August 2023. 78,170 shares were held prior to being appointed a Director and 309,524 shares were acquired during the year.
iii. Bruce Hancox ceased as a Director with Next Science on 30 June 2023.
iv. Mark Compton ceased as a Director with Next Science on 23 August 2023.
v. Jacqueline Butler's employment with Next Science ceased on 31 May 2023.

KMP EQUITY HOLDINGS (CONTINUED)

Year ended 31 December 2022

KMP	BALANCE AS AT 1 JAN 2022 NO.	RECEIVED ON EXERCISE OF OPTIONS/RIGHTS NO.	OTHER CHANGES DURING THE YEAR NO.*	BALANCE ON TERMINATION	BALANCE AS AT 31 DEC 2022 NO.
Executive Director					
Judith Mitchell	6,560,000	-	(140,000)	-	6,420,000
Non-Executive Directors					
Mark Compton	137,438	-	34,482	-	171,920
Bruce Hancox	530,000	-	34,482	-	564,482
Daniel Spira	723,437	-	28,735	-	752,172
Aileen Stockburger	44,837	-	-	-	44,837
Other KMP					
Matthew Myntti	13,354,989	-	(1,411,020)	-	11,943,969
Jon Swanson	50,000	-	-	-	50,000
Jacqueline Butler	410,196	-	-	-	410,196
Dustin Haines	-	113,534**	(40,000)	73,534	N/A

* Other changes represent shares that were purchased, sold or transferred to another party during the year.

** Dustin Haines employment agreement with Next Science ceased on 20 April 2022.

This concludes the remuneration report (audited).

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors:

Aileen Stockburger

Aileen Stockburger
Chair and Independent Non-Executive Director

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Next Science Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Next Science Limited for the financial year ended 31 December 2023 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Kevin Leighton

Partner

Sydney

28 February 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31 December 2023

		CONSOLITDATED	
	Note	*2023*	*2022*
		$	*$*
Revenue	6	22,179,327	11,712,722
Cost of sales		(5,944,751)	(2,563,024)
Gross profit		16,234,576	9,149,698
Other income	7	99,484	37,870
Selling and distribution expenses		(20,165,335)	(10,310,205)
Research and development expenses		(6,485,524)	(6,149,806)
Administration expenses		(5,610,459)	(5,385,006)
Other expenses	9	(26,827)	(45,558)
Operating loss		(15,954,085)	(12,703,007)
Finance income	11	467,722	48,298
Finance costs	12	(784,451)	(28,603)
Net finance (costs) / income		(316,729)	19,695
Loss before income tax expense		(16,270,814)	(12,683,312)
Income tax expense	13	-	-
Loss after income tax expense for the year		(16,270,814)	(12,683,312)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences		566,333	(556,734)
Other comprehensive profit/(loss) for the year, net of tax		566,333	(556,734)
Total comprehensive loss for the year		(15,704,481)	(13,240,046)
		Cents	*Cents*
Basic earnings per share	37	(6.95)	(6.03)
Diluted earnings per share	37	(6.95)	(6.03)

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

CONSOLIDATED STATEMENT FINANCIAL POSITION

As at 31 December 2023

	Notes	CONSOLIDATED 2023	2022
ASSETS		$	$
Current assets			
Cash and cash equivalents	14	9,238,697	5,073,625
Trade and other receivables	15	3,588,649	1,738,923
Inventories	16	721,310	871,266
Other current assets - term deposits	17	37,823	37,789
Other current assets - other	18	373,954	541,506
Total current assets		13,960,433	8,263,109
Non-current assets			
Trade and other receivables	15	36,656	36,656
Property, plant and equipment	19	713,511	696,848
Right-of-use assets	21	802,701	1,053,113
Intangible assets	20	2,387,050	2,409,930
Total non-current assets		3,939,918	4,196,547
Total assets		17,900,351	12,459,656

LIABILITIES			
Current liabilities			
Trade and other payables	22	3,207,184	1,979,346
Contract liabilities	23	274,902	274,902
Lease liabilities	25	274,801	257,912
Employee benefits	26	79,660	94,811
Total current liabilities		3,836,547	2,606,971
Non-current liabilities			
Contract liabilities	23	549,804	824,706
Lease liabilities	25	687,164	962,060
Employee benefits	26	5,780	30,194
Total non-current liabilities		1,242,748	1,816,960
Total liabilities		5,079,295	4,423,931
Net assets		12,821,056	8,035,725
Equity			
Share capital	27	133,823,509	113,526,533
Reserves	28	(42,491,223)	(42,362,294)
Accumulated losses		(78,511,230)	(63,128,514)
Total equity		12,821,056	8,035,725

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 December 2023

	SHARE CAPITAL $	COMMON CONTROL RESERVE $	FOREIGN CURRENCY TRANSLATION RESERVE $	SHARE OPTION RESERVE $	PERFOR-MANCE RIGHTS RESERVE $	ACCUMULATED LOSSES $	TOTAL EQUITY $
Balance at 1 January 2023	113,526,533	(42,596,715)	(1,905,877)	2,140,298	-	(63,128,514)	8,035,725
Loss for the year	-	-	-	-	-	(16,270,814)	(16,270,814)
Other comprehensive income							
Foreign currency translation differences	-	-	566,333	-	-	-	566,333
Total other comprehensive profit	-	-	566,333	-	-	-	566,333
Total comprehensive profit/(loss) for the year	-	-	566,333	-	-	(16,270,814)	(15,704,481)
Transactions with owners in their capacity as owners							
Performance rights issued	-	-	-	-	95,782	-	95,782
Share-based pay-ments	-	-	-	38,651	-	-	38,651
Transfers to retained earnings	-	-	-	(888,098)	-	888,098	-
Foreign currency translation differences	-	-	-	20,119	-	-	20,119
Convertible note	-	-	38,284	-	-	-	38,284
Issue of ordinary shares	20,933,533	-	-	-	-	-	20,933,533
Capital raising costs	(636,557)	-	-	-	-	-	(636,557)
Total transactions with owners	20,296,976	-	38,284	(829,328)	95,782	888,098	20,489,812
Balance at 31 December 2023	133,823,509	(42,596,715)	(1,301,260)	1,310,970	95,782	(78,511,230)	12,821,056

The above consolidated statement of changed in equity should be read in conjuction with the accompany notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 December 2023

	SHARE CAPITAL $	COMMON CONTROL RESERVE $	FOREIGN CURRENCY TRANSLATION RESERVE $	SHARE OPTION RESERVE $	PERFOR-MANCE RIGHTS RESERVE $	ACCUMULAT-ED LOSSES $	TOTAL EQUITY $
Balance at 1 January 2022		(42,596,715)	(1,349,143)	2,140,298	96,250	(50,445,202)	10,766,495
Loss for the year	-	-	-	-	-	(12,683,312)	(12,683,312)
Other comprehen-sive income							
Foreign currency translation differ-ences	-	-	(556,734)	-	-	-	(556,734)
Total other comprehensive loss	-	-	(556,734)	-	-	-	(556,734)
Total comprehensive loss for the year	-	-	(556,734)	-	-	(12,683,312)	(13,240,046)
Transactions with owners in their capacity as owners							
Sharebased payments	-	-	-	-	8,750	-	8,750
Performance rights converted to shares on vesting	105,000	-	-	-	(105,000)	-	-
Issue of ordinary shares	10,886,160	-	-	-	-	-	10,886,160
Capital raising costs	(385,634)	-	-	-	-	-	(385,634)
Total transactions with owners	10,605,526	-	-	-	(96,250)	-	10,509,276
Balance at 31 December 2022		(42,596,715)	(1,905,877)	2,140,298	-	(63,128,514)	8,035,725

The above consolidated statement of changed in equity should be read in conjuction with the accompany notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended 31 December 2023

	Notes	CONSOLIDATED 2023	2022
		$	$
Operating activities			
Receipts from customers		20,109,562	10,657,495
Payments to suppliers and employees		(33,396,827)	(20,464,045)
Payments for research and development		(1,902,656)	(2,033,830)
Interest received	11	65,398	12,720
Other income		65,527	37,890
Net cash used in operating activities	14	(15,058,996)	(11,789,770)
Investing activities			
Payments for property, plant and equipment	19	(295,417)	(88,972)
Payments for intangible assets	20	(589,052)	(386,744)
(Payments for)/proceeds from investments (term deposit)		(34)	329,340
Net cash used in investing activities		(884,503)	(146,376)
Financing activities			
Proceeds from issue of ordinary shares	27	14,035,576	10,853,400
Proceeds from issue of converting notes	24	6,983,199	-
Proceeds from conversion of options to ordinary shares	27	-	32,760
Capital raising costs	27	(637,862)	(385,634)
Payment of lease liabilities	21	(273,277)	(253,229)
Net cash from financing activities		20,107,636	10,247,297
Net increase/(decrease) in cash and cash equivalents		4,164,137	(1,688,849)
Cash and cash equivalents at the beginning of the financial year		5,073,625	7,000,869
Effects of exchange rate changes on cash and cash equivalents		935	(238,395)
Cash and cash equivalents at the end of the financial year		9,238,697	5,073,625

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

NOTE 1. CORPORATE INFORMATION

Next Science Limited (the “Company”) is a company domiciled in Australia.

The Group is a for-profit entity and primarily involved in the research, development and commercialisation of technologies which solve bacterial related issues.

These consolidated financial statements comprise the Company and its subsidiaries (collectively the “Group” and individually “Group companies”) for the year ended 31 December 2023 and comparative information for the year ended 31 December 2022.

NOTE 2. BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with accounting standards adopted by the Australian Accounting Standards Board (“AASB”) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (“IFRS”) adopted by the International Accounting Standards Board (“IASB”).

The financial statements were approved by the Board of Directors and authorised for issue on 28 February 2024.

Basis of measurement

The financial statements have been prepared on a historical cost basis unless otherwise stated.

Functional and presentation currency

The financial statements are presented in United States Dollars, which is the Group’s presentation currency. Entities within the Group hold functional currencies of AUD or USD as appropriate to the individual entity.

NOTE 3. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies that are material to the Group are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 30.

NOTE 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT.)

Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group, unless it is a combination involving entities or businesses under common control. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Common control transactions record assets and liabilities acquired at their book value at the date of acquisition, rather than their fair value. The difference between the fair value of the consideration given and the carrying value of the assets and liabilities acquired is recognised as a common control reserve.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group'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.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

NOTE 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT.)

Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into 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 into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

(ii) Foreign currency operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation 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 transaction are used.

Foreign currency differences are recognised in equity and accumulated in the translation reserve.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when a customer obtains control of the goods or services and when performance obligations have been satisfied assessing the following criteria:

(i) Identification of distinct elements and separate performance obligations

In the case where the customer contract includes a sublicense and transfer of goods, the assessment must be made as to whether a separate performance obligation exists for each element. For current contracts held, whilst a license to specific IP has been given related to the Group's product, this only includes rights to distribute, not to use the IP to manufacture the product. Therefore, the licence transferred is not deemed to be a distinct element of the contract and only one performance obligation exists to transfer product to the distributor.

(ii) Transfer of goods

Title and control pass to some of Next Science's customers at the point when the Group fulfils its obligation to deliver, and goods are available at the customer's premises. For these customers, the performance obligation (including the license) transfers at the point in time when each good is delivered. Therefore, revenue is recognised at the point in time when the product is delivered. For other customers (including DME patients), title and control pass when the product is delivered to the courier, with revenue being recognised at this point in time.

NOTE 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT.)
Revenue from contracts with customers (continued)

(iii) Measurement of transaction price

Consideration of the contract can comprise a fixed element (upfront payment plus minimum annual purchase amounts) and variable elements (milestone payments).

Under AASB 15 the variable consideration is only included in the transaction price if it is 'highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur'.

In the case where milestone payments are received upon signing the contract and are not subject to regulatory approval, these amounts will be initially recognised as contract liabilities to be recognised over the life of the contract once product sales have commenced. However, where the milestone payments are subject to regulatory approval, for the variable consideration to be deemed 'most likely', this will only be included once regulatory approval has been received and recognised over the remaining life of the contract.

For the DME business, revenue is recognised when the cash reimbursement amount is received and an estimate is made of amounts to be recognised in relation to debtor balances owing from Medicare.

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.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments to the gross carrying amount of the financial asset or the amortised cost of the financial asset.

In calculating income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

Finance costs comprise interest expense on borrowings, lease liabilities and 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.

NOTE 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT.)
Finance income and finance costs (continued)

Interest expenses includes interest in relation to lease liabilities and is calculated based on the bank borrowing rate as appropriate for the lease contract, with a range of 3.5% to 4.6% on current leases held.

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.

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.

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received.

(i) 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.

Current tax assets and liabilities are offset only if certain criteria are met.

(ii) 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, or on taxable temporary differences arising on the initial recognition of goodwill.

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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

NOTE 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT.)
Income tax (continued)

(ii) Deferred tax (continued)
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 the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

NOTE 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT.)

Trade and other receivables (continued)

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

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. Inventory provision is measured by taking into consideration inventory quantities held, timing of expiration of products and confirmed sale contracts. The amount of any inventory write-down to net realisable value or inventory losses is recognised as an expense in the period the write-down or loss occurred.

Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. 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.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated based on the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives, and is generally recognised in profit or loss. Right-of-use assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

NOTE 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT.)

Property, plant and equipment (continued)

(iii) Depreciation (continued)

The estimated useful lives of property, plant and equipment are as follows:

FIXED ASSET CLASS	USEFUL LIFE
Leasehold improvements	5-15 years
Plant and equipment	5 years
Furniture and fittings	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

(i) Recognition and measurement

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 the Group 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.

NOTE 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT.)

Intangible assets (continued)

(i) Recognition and measurement (continued)

Patents

Expenditure is capitalised in relation to patent application costs and amortised over the remaining life of the base patent as relevant. Costs will be no longer capitalised in the event that a patent application is no longer being pursued with any existing capitalised costs being impaired as an expense in the profit or loss.

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.

(ii) 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.

(iii) 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.

The estimated useful lives of intangible assets are as follows:

- Development expenditure: 5 years
- Computer software: 2-3 years
- Patents: 8-15 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Intangible assets, other than trademarks and goodwill, have finite useful lives.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTE 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT.)

Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

Convertible notes

Convertible notes that can be converted into ordinary shares at the option of the holder, where the number of shares to be issued is fixed by a rate determined by the management upon particular events specified occurs.

Convertible notes are separated into a liability and equity based on the terms of the agreement. On issuance of the convertible notes, the liability component is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The residual amount is treated as equity or liability depending on whether it meets the "fixed for fixed" test. Where the "fixed for fixed" test is met, the conversion option is classified as an equity instrument. And where the "fixed for fixed" test is not met the conversion option is classified as a financial liability.

The debt is carried at amortised cost using the effective interest method until it is extinguished on conversion or redemption.

The Group de-recognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Leases

(i) Definition of a new lease

The determination of whether a contract contains a lease is on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has applied this definition to all lease contracts currently held.

(ii) Lessee accounting

For all contracts determined to constitute a lease, right-of-use assets and lease liabilities are recognised in the consolidated statement of financial position, initially measured at the present value of future lease payments. When measuring these lease liabilities, the Group discounted lease payments using the interest rate implicit in the lease contract.

NOTE 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT.)

Leases (continued)

(ii) Lessee accounting (continued)

Right-of-use assets are tested for impairment in accordance with AASB 136 Impairment of assets. Lease incentives, if relevant, are recognised as part of the measurement of the right-of-use assets and lease liabilities. Depreciation is expensed on right-of-use assets and interest on lease liabilities, both recognised in the consolidated statement of profit or loss.

For presentation purposes, the total amount of cash paid in relation to leases is separated into a principal portion (presented within financial activities) and interest on lease liabilities, both recognised in the consolidated statement of profit or loss.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis. This expense is presented within other expenses in the consolidated statement of profit or loss.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

A provision is recognised if, as a result of a past event, the Group 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.

Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled within 12 months of the end of the financial year in which employees render the related service. 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.

NOTE 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT.)

Employee benefits (continued)

(ii) Long-term employee benefits

Long-term employee benefits include employees' long service leave and annual leave entitlements not expected to be settled within 12 months of the end of the financial year in which employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, duration of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on corporate bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

(iii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. 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.

(iv) Share-based payment arrangements

The fair value of performance rights and options granted is recognised as an employee expense with a corresponding increase in equity, on a straight-line monthly basis over the vesting period in which the performance and/or service conditions are fulfilled after which the employee becomes unconditionally entitled to them. The cumulative expense recognised for share-based payments at each reporting date until the vesting date reflects the extent to which the vesting period has ended and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of the period. No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting are conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Financial instruments

(i) Recognition and initial measurement

The Group 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.

(ii)Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost or fair value through profit or loss ("FVTPL").

NOTE 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT.)
Financial instruments (continued)

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 FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial liabilities
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and 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.

(iii) Derecognition
Financial assets
The Group 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 over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(iv) Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment

The Group recognises loss allowances for expected credit losses (“ECL”) on financial assets and contract assets. Loss allowances where relevant are measured at an amount equal to a 12 month ECL.

NOTE 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT.)
Impairment (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL's, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its obligations to the Group 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.

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.

Share capital

Ordinary shares
Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

Fair value measurement
'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When one is available, the Group measures the fair value using the quoted price in an active market. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

NOTE 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT.)

Fair value measurement (continued)

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

The chosen valuation technique incorporates all of the factors that market participants would consider in pricing a transaction.

Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to the owners of the Company excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

NOTE 4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income, expenses and

NOTE 4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT.)

disclosure of contingent liabilities. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

The key judgements, estimates and assumptions are discussed below:

Impairment of non-financial assets

The Group assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. This involves value-in-use calculations, which incorporate a number of key estimates and assumptions.

Recoverable amount being the net amount of discounted future cash flows materially exceeds the carrying value of non-current assets. The recoverable amount of these cash generating units, at balance date, was estimated based on its value in use.

Value in use for the cash-generating units ('CGU') was determined by discounting the future cashflows to be generated from the CGUs and is based on the following key assumptions:

- Cashflows were projected based on forecast operating results over a 5 year period plus a terminal value.
- Average annual revenue growth rates and approved budgets were used for revenue projections.
- The pre-tax discount rates of 12% - 175% based on the weighted average cost of capital.
- Changes in key assumptions would impact recoverable amount calculations.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down and the incremental borrowing rate is estimated.

Recovery of deferred tax assets

Deferred tax assets for tax losses are only recognised if the Group considers it is probable that future taxable amounts will be available to utilise those tax losses against.

Going concern

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

NOTE 4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT.)

Going concern (continued)

For the financial year ended 31 December 2023 the Group incurred a loss of $16,270,814 and had net cash outflows from operations of $15,058,996 As at 31 December 2023, the Group had net current asset and net asset positions of $10,123,886 and $12,821,056 respectively.

The Group has modelled a range of scenarios for going concern purposes including the continued revenue growth in the DME business, providing cash inflows via reimbursements from insurance providers and improvement in the Group's direct sales and distribution model with the recent agreement with a leading Group Purchasing Organisation which provides direct access to a larger number of hospitals. The Group considers that its cash and term deposits totalling $9,238,697 at 31 December 2023, together with potential cost management initiatives are sufficient to enable the Group to continue as a going concern for the foreseeable future, being at least twelve months from the date of signing this financial report.

Convertible notes

The Group de-recognised the convertible note financial liability at 1 November 2023 as the Company had entered into an agreement with Walker Group to redeem all of the Notes and for Walker Group to apply all of the redemption proceeds to subscribing for new shares in the Company. The fair value of the liability component of the convertible notes were remeasured at redemption date and the difference between the carrying amount of the financial liability derecognised and the consideration paid and payable recognised in profit or loss. The early conversion and modification of the convertible note resulted in an overall gain on fair value of USD$402,324.

NOTE 5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The Group plans to apply the amendments when they become effective and they are not expected to have a significant impact on the Group's consolidated financial statements:

(1) Non-current Liabilities with Covenants (AASB 2022-6 Amendments to Australian Accounting Standards)

(2) Disclosure of Non-current Liabilities with Covenants: Tier 2 (AASB 2023-3 Amendments to Australian Accounting Standards)

(3) Lease Liability in a Sale and Leaseback (AASB 2022-5 Amendments to Australian Accounting Standards)

NOTE 6. REVENUE

	CONSOLIDATED	
	2023	*2022*
	$	$
Revenue from contracts with customers	22,179,327	11,712,722

Identification of reporting operating segments

The Group operates in one operational segment, based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers (CODM)) in assessing performance and in determining the allocation of resources. The one operational segment operates over two geographical segments, North America and Australia and New Zealand.

	NORTH AMERICA	AUSTRALIA AND NEW ZEALAND	TOTAL
	$	$	$
Year ended 31 December 2023			
Revenue from contracts with customers	21,836,183	343,144	22,179,327
Segment assets	5,893,600	12,016,395	17,909,995
Segment liabilities	3,764,477	1,324,462	5,088,939
Segment loss	9,969,090	6,301,724	16,270,814

	NORTH AMERICA	AUSTRALIA AND NEW ZEALAND	TOTAL
	$	$	$
Year ended 31 December 2022			
Revenue from contracts with customers	11,009,151	703,571	11,712,722
Segment assets	8,237,427	4,354,973	12,592,400
Segment liabilities	2,949,117	1,607,560	4,556,677
Segment loss	(6,765,412)	(5,917,901)	(12,683,313)

Major customers

Revenues from two major customers of the Group represented 23% (2022: 43%) of the Group's total revenue.

NOTE 7. OTHER INCOME

	CONSOLIDATED	
	2023	*2022*
	$	$
Other income	99,484	37,870

Income received in relation to grants will only be recognised when there is reasonable assurance when all conditions attaching to the grant have been complied with.

NOTE 8. DEPRECIATION AND AMORTISATION

The loss from ordinary activities before income tax includes the following expenses:

	CONSOLIDATED	
	2023	*2022*
	$	$
Included in selling and distribution expenses		
Depreciation and amortisation	64,853	30,609
Included in research and development expenses		
Depreciation and amortisation	796,252	653,349
Included in administrative expenses		
Depreciation and amortisation	251,918	213,143

NOTE 9. OTHER EXPENSES

	CONSOLIDATED	
	2023	*2022*
	$	$
Loss on sale of fixed asset	81	1,475
Impairment loss on intangibles	26,746	44,083
	26,827	45,558

NOTE 10. EMPLOYEE EXPENSES

	CONSOLIDATED	
	2023	*2022*
	$	$
Salaries and wages	17,569,111	10,075,827
Contributions to defined contribution funds	49,357	43,499
Share-based payments	134,433	8,750
	17,752,901	10,128,076

As part of employee compensation, the Group offers medical insurance to certain employees in certain geographies (2023:$1,870,405, 2022:$1,040,228). These insurance amounts are not included in the above figures.

NOTE 11. FINANCE INCOME

	CONSOLIDATED	
	2023	*2022*
	$	$
Interest income	65,398	12,720
Net foreign exchange gain	-	35,578
Gain on modification and early conversion of convertible note	402,324	-
	467,722	48,298

NOTE 12. FINANCE COSTS

	CONSOLIDATED	
	2023	*2022*
	$	$
Interest expense on lease liabilities	48,536	28,603
Interest expense on convertible note	712,694	-
Other interest expense	876	-
Net foreign exchange loss	22,345	-
	784,451	28,603

NOTE 13. INCOME TAX EXPENSE

Income tax expense comprises current and deferred tax expense and is recognised in profit or loss, except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income. The components of tax expense comprise:

	CONSOLIDATED	
	2023	*2022*
	$	$
Income tax expense		
Current tax	-	-
Deferred tax	-	-
Aggregate income tax expense	-	-
Numerical reconciliation of income tax expense and tax at the statutory rate. Reconciliation of income tax to accounting profit:		
Loss before income tax expense	(16,270,814)	(12,683,312)
Tax at the statutory tax rate of 25%	(4,067,704)	(3,170,828)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Permanent differences	33,608	24,231
Effect of tax rate in foreign jurisdictions	(412,563)	(264,232)
Tax losses not brought to account	4,446,658	3,410,829
Income tax expense	-	-

The unused tax losses as at 31 December were as follows:

	CONSOLIDATED	
	2023	*2022*
	$	$
Australia gross unused tax losses (in AUD)	63,277,349	52,469,578
USD gross unused tax losses (in USD)	44,809,849	34,495,776

Tax losses are recognised only to the extent that it is probable that the future taxable profit will be available against which the benefits can be utilised. Management has considered all the facts and circumstances and believe there is no material uncertainty over the availability of the tax losses.

Australian entities

Movement in deferred tax assets and liabilities using the Company's domestic Australian tax rate of 25%

	OPENING BALANCE	RECOGNISED IN PROFIT OR LOSS	CLOSING BALANCE
	$	$	$
2023 cost			
Intangibles	(514,447)	(5,513)	(519,960)
Employee benefits	25,193	(17,166)	8,027
Accrued expenses	32,644	21,971	54,615
Deferred revenue	274,902	(68,726)	206,176
Unused tax losses carried forward	8,508,385	1,795,181	10,303,566
Other items	(52,272)	5,529	(46,743)
Deferred tax assets not recognised	(8,274,405)	(1,731,276)	(10,005,681)
Deferred tax assets/(liabilities)	-	-	-
2022 cost			
Intangibles	(555,043)	40,596	(514,447)
Employee benefits	30,295	(5,102)	25,193
Accrued expenses	45,011	(12,367)	32,644
Deferred revenue	357,373	(82,471)	274,902
Unused tax losses carried forward	7,161,233	1,347,152	8,508,385
Other items	(47,486)	(4,786)	(52,272)
Deferred tax assets not recognised	(6,991,383)	(1,283,022)	(8,274,405)
Deferred tax assets/(liabilities)	-	-	-

U.S. entities

Movement in deferred tax assets and liabilities using the US tax rate of 21%

	OPENING BALANCE	RECOGNISED IN PROFIT OR LOSS	CLOSING BALANCE
	$	*$*	*$*
2023 cost			
Intangibles	(73,950)	9,436	(64,514)
Employee benefits	5,089	6,111	11,200
Accrued expenses	156,307	146,082	302,389
Unused tax losses carried forward	7,244,113	2,165,955	9,410,068
Other items	(28,418)	(59,368)	(87,786)
Deferred tax asset not recognised	(7,303,141)	(2,268,216)	(9,571,357)
Deferred tax assets/(liabilities)	-	-	-

2022 cost			
Intangibles	(83,520)	9,570	(73,950)
Employee benefits	2,181	2,908	5,089
Accrued expenses	83,282	73,025	156,307
Unused tax losses carried forward	5,856,894	1,387,219	7,244,113
Other items	(39,415)	10,997	(28,418)
Deferred tax asset not recognised	(5,819,422)	(1,483,719)	(7,303,141)
Deferred tax assets/(liabilities)	-	-	-

NOTE 14. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2023	*2022*
	$	$
Current assets		
Cash at bank	9,238,697	5,073,625

Reconciliation of cash flows from operating activities

	CONSOLIDATED	
	2023	*2022*
	$	$
Loss for the year	(16,270,814)	(12,683,312)
Adjustments for:		
Depreciation and amortisation	1,113,023	897,101
Share based payments (note 10)	134,433	8,750
Unrealised foreign currency translation gain	24,251	25,806
Interest expense on right-of-use assets (note 21)	48,536	20,827
Interest expense on convertible notes (note 24)	712,694	-
Gain on remeasurement on the early conversion of convertible note (note 24)	(402,324)	-
Sub-lease income	(33,510)	-
Loss on sale of fixed asset (note 9)	81	1,475
Impairment of intangible assets (note 20)	26,746	44,083
Operating loss before changes in working capital and provisions	(14,646,884)	(11,685,270)
Change in operating assets and liabilities		
Change in trade and other receivables	(1,909,282)	(807,827)
Change in inventories	273,056	556,918
Change in other current assets	312,778	(455,474)
Change in trade and other payables	1,348,902	806,350
Change in provisions	(162,664)	70,436
Change in contract liabilities	(274,902)	(274,903)
	(412,112)	(104,500)
Net cash used in operating activities	(15,058,996)	(11,789,770)

NOTE 15. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2023	*2022*
	$	$
Current assets		
Trade receivables	3,460,703	1,596,417
Other receivables	127,946	142,506
	3,588,649	1,738,923
Non-current assets		
Security deposit	36,656	36,656

The carrying value of receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances. The Group has assessed any potential credit risk associated with these counterparties and deemed expected credit loss to be insignificant.

Information about the Group's exposure to credit and market risks, and impairment losses for trade receivables is included in Note 38 (c).

NOTE 16. INVENTORIES

	CONSOLIDATED	
	2023	*2022*
	$	$
Current assets		
Finished goods - at cost	385,565	617,540
Raw materials – at cost	345,391	386,470
Less: Provision for obsolete stock	(9,646)	(132,744)
	721,310	871,266

NOTE 17. OTHER CURRENT ASSETS - TERM DEPOSITS

	CONSOLIDATED	
	2023	*2022*
	$	*$*
Current assets		
Term deposits	37,823	37,789

NOTE 18. OTHER CURRENT ASSETS - OTHER

	CONSOLIDATED	
	2023	*2022*
	$	$
Current assets		
Prepayments and other assets	373,954	541,506

NOTE 19. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED	
	2023	*2022*
	$	$
Non-current assets		
Leasehold improvements - at cost	406,284	361,222
Less: Accumulated depreciation	(134,766)	(85,011)
	271,518	276,211
Plant and equipment - at cost	1,329,939	1,188,504
Less: Accumulated depreciation and impairment	(1,020,670)	(848,804)
	309,269	339,700
Furniture, fixtures and fittings - at cost	388,971	286,892
Less: Accumulated depreciation and impairment	(256,247)	(205,955)
	132,724	80,937
	713,511	696,848

Reconciliations

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

	LEASEHOLD IMPROVEMENTS	PLANT AND EQUIPMENT	FURNITURE AND FITTINGS	TOTAL
Consolidated	*$*	*$*	*$*	*$*
Balance at 1 January 2022	125,143	477,959	80,460	683,562
Additions	162,885	51,010	35,987	249,882
Disposals	-	(1,475)	-	(1,475)
Depreciation expense	(11,817)	(187,794)	(35,510)	(235,121)
Balance at 1 January 2023	276,211	339,700	80,937	696,848
Additions	45,042	148,215	102,079	295,336
Depreciation expense	(49,735)	(178,646)	(50,292)	(278,673)
Balance at 31 December 2023	271,518	309,269	132,724	713,511

NOTE 20. INTANGIBLE ASSETS

	CONSOLIDATED	
	2023	*2022*
	$	$
Non-current assets		
Capitalised development - at cost	2,569,723	2,139,440
Less: Accumulated amortisation and impairment	(1,145,925)	(770,862)
	1,423,798	1,368,578
Patents and trademarks - at cost	1,807,655	1,675,632
Less: Accumulated amortisation and impairment	(844,403)	(634,280)
	963,252	1,041,352
Computer software - at cost	56,772	117,613
Less: Accumulated amortisation	(56,772)	(117,613)
	-	-
	2,387,050	2,409,930

Reconciliations

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

	CAPITALISED DEVELOPMENT	PATENTS AND TRADE MARKS	COMPUTER SOFTWARE	TOTAL
Consolidated	$	$	$	$
Balance at 1 January 2022	1,485,258	1,046,596	637	2,532,491
Additions	218,927	167,817	-	386,744
Impairment of assets	(44,083)	-	-	(44,083)
Amortisation expense	(291,524)	(173,061)	(637)	(465,222)
Balance at 1 January 2023	1,368,578	1,041,352	-	2,409,930
Additions	457,029	132,023	-	589,052
Impairment of assets	(26,746)	-	-	(26,746)
Amortisation expense	(375,063)	(210,123)	-	(585,186)
Balance at 31 December 2023	1,423,798	963,252	-	2,387,050

NOTE 21. RIGHT-OF-USE ASSETS

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

	CONSOLIDATED	
	2023	*2022*
	$	$
Non-current assets		
Property - right-of-use	1,682,369	1,682,210
Less: Accumulated depreciation	(879,668)	(629,097)
	802,701	1,053,113

	CONSOLIDATED	
	2023	*2022*
	$	$
Amounts recognised in profit or loss		
Depreciation expense	249,164	196,757
Interest expense	48,536	28,603
Expense relating to variable lease payments not included in the measurement of the lease liability	109,763	89,511
	407,463	314,871

The total cash outflow in relation to lease payments amounted to $273,277 (2022: $253,229).

	PROPERTY
	$
Balance at 1 January 2023	1,053,113
Depreciation expense	(249,164)
Foreign exchange movements	(1,248)
Closing value at 31 December 2023	802,701
Balance at 1 January 2022	232,456
Additions	1,025,617
Depreciation expense	(196,757)
Foreign exchange movements	(8,203)
Closing value at 31 December 2022	1,053,113

NOTE 22. TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2023	*2022*
	$	$
Current liabilities		
Trade payables	1,411,037	973,665
Other payables and accrued expenses	1,796,147	1,005,681
	3,207,184	1,979,346

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

NOTE 23. CONTRACT LIABILITIES

	CONSOLIDATED	
	2023	*2022*
	$	$
Current liabilities		
Contract liabilities	274,902	274,902
Non-current liabilities		
Contract liabilities	549,804	824,706

Contract liabilities relate to consideration received in advance from customers for which revenue will be recognised as and when products are delivered or other performance obligations met.

NOTE 24. LOANS AND BORROWINGS

	CONSOLIDATED	
	2023	*2022*
	$	$
Non-current liabilities		
Convertible notes - debt host liability	-	-
Movements:		
Balance at 1 January 2023	-	-
Convertible note issued during the year (i)	6,983,200	-
Less: transaction costs	(62,637)	-
Net proceeds	6,920,563	-
Less: foreign exchange movements	(514,713)	-
Add: accrued effective interest	712,694	-
Gain on modification at 31 August 2023 (ii)	(402,324)	-
Early conversion and modification of convertible note at 1 November 2023 (ii)	(6,716,220)	-
	(6,920,563)	-
Balance at 31 December 2023	-	-

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

(ii) On 31 August 2023, the Company announced that it had completed a placement to institutional and sophisticated investors *(Placement)* raising A$12,000,000 at a price of A$0.42 per share and that the Company had entered into an agreement with Walker Group to redeem all of the Notes and for Walker Group to apply all of the redemption proceeds to subscribing for new shares at the same price as the Placement, subject to shareholder approval. On 1 November 2023, in accordance with the Subscription and Redemption Deed between Walker Group Holdings Pty Limited and Next Science,

Walker Group agreed to retire the A$10m convertible notes in return for equity at the same price as the Placement Price, being $0.42. The early conversion and modification of the convertible note resulted in an overall gain on modification of USD$402,324 (refer note 11).

NOTE 25. LEASE LIABILITIES

	CONSOLIDATED	
	2023	*2022*
	$	$
Current liabilities		
Lease liability	274,801	257,912
Non-current liabilities		
Lease liability	687,164	962,060

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be paid after the reporting date:

	CONSOLIDATED	
	2023	*2022*
	$	$
Maturity analysis		
Not later than 1 year	259,979	306,736
Later than 1 year but not later than 5 years	755,311	1,043,232
	1,015,290	1,349,968

NOTE 26. EMPLOYEE BENEFITS

	CONSOLIDATED	
	2023	*2022*
	$	$
Current liabilities		
Liability for annual leave	79,660	94,811
Non-current liabilities		
Liability for long service leave	5,780	30,194

NOTE 27. SHARE CAPITAL

	FULLY PAID
In number of shares	
Balance as at 1 January 2022	197,973,909
Shares issued in February 2022 on conversion of employee performance shares (i)	113,534
Shares issued in February 2022 on conversion of employee share options (ii)	78,000
Placement in March 2022 (iii)	6,666,667
Shares purchase plan in March 2022 (iv)	5,513,579
Placement in May 2022 (v)	4,444,445
Balance as at 31 December 2022	214,790,134
Balance as at 1 January 2023	214,790,134
Institutional placement in September 2023 (viii), (ix)	28,571,429
Share Purchase Plan in September 2023 (ix)	20,238,012
US Placement in September 2023 (ix)	2,244,504
Shares issued for corporate advisory services in November 2023 (x)	142,857
Director Placement in November 2023 (xi)	1,034,325
Shares issued to Walker Group in November 2023 on redemption of A$10 million convertible notes (xi)	24,673,842
Balance as at 31 December 2023	291,695,103
	$
Balance at 1 January 2022	102,921,007
Shares issued in February 2022 on conversion of employee performance shares (i)	105,000
Shares issued in February 2022 on conversion of employee share options (ii)	32,760
Placement in March 2022 (iii)	4,382,730
Shares purchase plan in March 2022 (iv)	3,597,370
Placement in May 2022 (v)	2,873,300
Capital raising costs	(385,634)
Balance at 31 December 2022	113,526,533
Balance at 1 January 2023	113,526,533
Institutional placement in September 2023 (viii), (ix)	7,777,143
Share Purchase Plan in September 2023 (ix)	5,508,787
US Placement in September 2023 (ix)	610,954
Shares issued for corporate advisory services in November 2023 (x)	38,886
Directors Placement in November 2023 (xi)	281,543
Shares issued to Walker Group in November 2023 on redemption of A$10 million convertible notes (xi)	6,716,220
Capital raising costs	(636,557)
Balance at 31 December 2023	133,823,509

NOTE 27. SHARE CAPITAL (CONT.)

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

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

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

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

(v) In May 2022, Next Science raised A$4,000,000 via a Placement to Walker Group Holdings Pty Limited at A$0.90, approved by shareholders at the annual general meeting held on 27 May 2022.

(vi) In May 2023, Next Science issued 700,000 options with an exercise price of A$0.68 and expiry date of 1 May 2028 to employees under the Company's Employee Equity Plan.

(vii) In July 2023, Next Science issued 7,366,333 options and 2,629,928 rights to executives under the Company's Long Term Incentive Plan. Of these, 1,716,366 options and 612,777 rights lapsed on 31 December 2023 following the cessation of employment of one of the executives.

(viii) In August 2023, Next Science completed a placement to institutional and sophisticated investors (Placement) at a price of A$0.42 (Placement Price).

(ix) In September 2023, Next Science issued:

a. 28,571,429 ordinary fully paid shares to the participants in the Placement, raising A$12 million (before costs);

b. 20,238,012 ordinary fully paid shares raising A$8,499,965 via a Share Purchase Plan (SPP) at the Placement Price;

c. 2,244,504 ordinary fully paid shares raising A$610,954 via an offer to eligible US investors at the Placement Price (US Offer).

(x) In November 2023, Next Science issued 142,857 ordinary fully paid shares at the Placement Price to a consultant, who provided corporate advisory services to the Company, in lieu of fees.

(xi) In November 2023, following receipt of shareholder approval at a General Meeting held on 25 October 2023:

a. Next Science issued 1,034,325 ordinary fully paid shares to three Directors (Chair Aileen Stockburger, Managing Director and CEO I.V. Hall, and Non-Executive Director, Grant Hummel) who participated in the Placement and US Offer; an

b. Next Science issued 24,673,842 ordinary fully paid shares to Walker Group Holdings Pty Limited at the Placement Price in accordance with the Subscription and Redemption Deed between Walker Group Holdings Pty Limited and Next Science on the basis that the redemption amount of A$10m plus accrued interest was offset against the share

subscription commitment and the A$10m convertible notes held by Walker Group were to be retired; and

c. the A$10m convertible notes held by Walker Group were retired in accordance with the Subscription and Redemption Deed.

NOTE 27. SHARE CAPITAL (CONT.)

Ordinary shares

Fully paid ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called.

Capital management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

NOTE 28. RESERVES

	CONSOLIDATED	
	2023	*2022*
	$	$
Share option reserve	1,310,970	2,140,298
Foreign currency translation reserve	(1,301,260)	(1,905,877)
Common control reserve	(42,596,715)	(42,596,715)
Performance rights reserve	95,782	-
	(42,491,223)	(42,362,294)

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the Group's presentation currency.

Common control reserve

The acquisition of the share capital of Microbial Defense Systems Holdings Inc ("MDS") by the Company on 22 December 2017 was accounted for as a common control transaction. As a consequence, the difference between the fair value of the consideration paid ($43,862,500) and the existing book values of assets and liabilities of MDS ($1,265,785) was debited to a common control reserve, directly within equity.

Share option reserve

The share option reserve comprises the value of the share-based payment arrangements recognised in equity.

NOTE 28. RESERVES (CONT.)

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	SHARE OPTION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	COMMON CONTROL RESERVE	PERFORMANCE RIGHTS RESERVE	TOTAL
Consolidated	$	$	$	$	$
Balance at 1 January 2022	2,140,298	(1,349,143)	(42,596,715)	96,250	(41,709,310)
Foreign currency translation	-	(556,734)	-	-	(556,734)
Share-based payments	-	-	-	8,750	8,750
Foreign exchange impact	-	-	-	(105,000)	(105,000)
Balance at 31 December 2022	2,140,298	(1,905,877)	(42,596,715)	-	(42,362,294)
Foreign currency translation	-	566,333	-	-	566,333
Performance rights issued	-	-	-	95,782	95,782
Share-based payments	38,651	-	-	-	38,651
Transfers to retained earnings	(888,098)	-	-	-	(888,098)
Foreign currency translation differences	20,119	-	-	-	20,119
Convertible note	-	38,284	-	-	38,284
Balance at 31 December 2023	1,310,970	(1,301,260)	(42,596,715)	95,782	(42,491,223)

NOTE 29. DIVIDENDS

Dividends

No dividends were paid or declared by the Company during the financial year.

NOTE 30. PARENT ENTITY INFORMATION

As at, and throughout, the financial year to 31 December 2023 the parent entity of the Group was Next Science Limited.

Statement of profit or loss and other comprehensive income

	PARENT 2023	PARENT 2022
	$	$
Profit/(loss) after income tax	1,474,963	(13,713,271)
Other comprehensive income	901,312	(685,101)
Total comprehensive income / (loss)	2,376,275	(14,398,372)

NOTE 30. PARENT ENTITY INFORMATION (CONT.)

Statement of financial position

	PARENT 2023	PARENT 2022
	$	$
Assets		
Total current assets	3,299,432	3,877,713
Total non-current assets	33,204,079	9,938,727
Total assets	36,503,511	13,816,440
Liabilities		
Total current liabilities	(1,517,647)	(815,428)
Total non-current liabilities	-	-
Total liabilities	(1,517,647)	(815,428)
Total net assets	34,985,864	13,001,012
Equity		
Share capital	133,823,509	113,526,533
Reserves	(26,586,646)	(26,799,559)
Accumulated losses	(72,250,999)	(73,725,962)
Total equity	34,985,864	13,001,012

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees as at 31 December 2023 and 31 December 2022.

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2023 and 31 December 2022.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2023 and 31 December 2022.

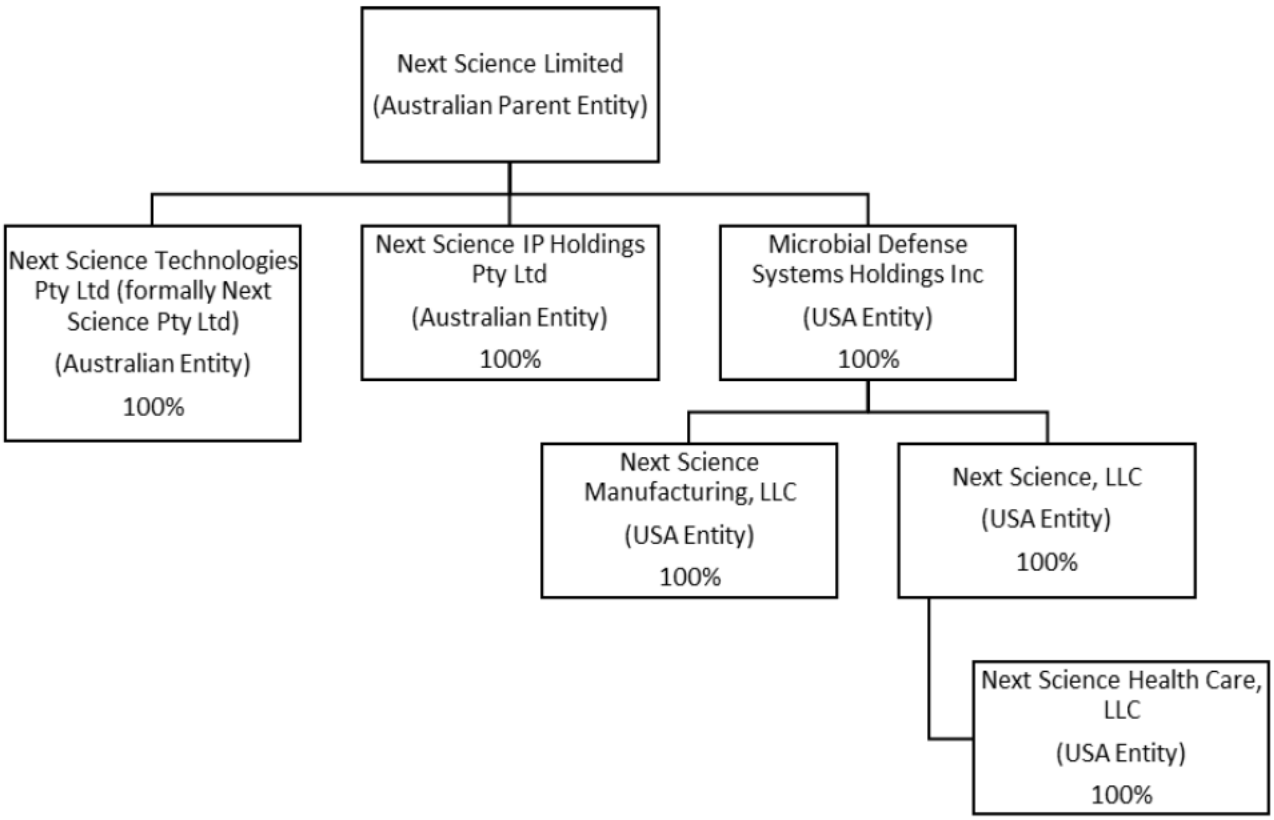
Material accounting policy information

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 3, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

NOTE 31. GROUP ENTITIES

Set out below is the Group structure listing all subsidiaries as at 31 December 2023.



NOTE 32. RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

Key management personnel ("KMP") are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly, and include the Directors, executive and non-executive, as well as certain other senior executives. The totals of remuneration of the KMP of the Company included within employee expenses are as follows:

	CONSOLIDATED	
	2023	*2022*
	$	$
Short term employee benefits	1,831,786	1,630,151
Other long term employee benefits	19,535	11,347
Post employment benefits	32,222	41,913
Share based payment benefits	78,439	8,750
Total	1,961,982	1,692,161

Short term employee benefits

Short term employee benefits includes salary, fringe benefits and cash bonuses paid to the executive directors and other KMP as well as fees and benefits awarded to the non-executive directors.

Post-employment benefits

Post-employment benefits are the cost of superannuation contributions made during the year.

(b) Key management personnel transactions

KMPs of the Company hold 0.59% (2022: 9.48%) of the issued capital of the Company as at 31 December 2023.

NOTE 33. SHARE BASED EMPLOYEE INCENTIVE ARRANGEMENTS

Equity Incentive Plan (equity-settled)

Prior to listing on the ASX, the Group established an Equity Incentive Plan (ECP) and an Employee Share Option Plan (ESOP). The purpose of the Plans is to attract and retain the types of employees, consultants and directors who will contribute to the Company's long-term success; provide incentives that align the interests of Employees, Consultants and Directors with those of the shareholders of the Company; and promote the success of the Company's business. As at 31 December 2023, there are 8,066,333 options and rights over ordinary shares on issue (2022: 2,812,000 options), representing 2.77% (2022: 1.31%) of the Company's total share capital, granted to the employees and Directors of the Company.

NOTE 33. SHARE BASED EMPLOYEE INCENTIVE ARRANGEMENTS (CONT.)

Equity Incentive Plan (equity-settled) (continued)

The grant dates, vesting dates and exercise prices of options issued vary and are as follows:

GRANT DATE AND VESTING CONDITIONS	EXPIRY DATE	INSTRUMENT	NO AS AT 31 DEC 2022	GRANTED	EXERCISED (II)	LAPSED	NO AS AT 31 DEC 2023	VESTED AS AT 31 DEC 2023
24-Jul-23 (i)	N/A	Rights	-	2,629,928	-	(612,777)	2,017,151	-
1-May-23 (ii)	30-Apr-28	Options	-	700,000	-	-	700,000	-
24-Jul-23 (iii)	24-Jul-28	Options	-	7,366,333	-	(1,716,366)	5,649,967	-
17-Dec-18	17-Dec-23	Options	1,820,000	-	-	(1,820,000)	-	-
17-Dec-18	17-Dec-23	Options	992,000	-	-	(992,000)	-	-
Totals			2,812,000	10,696,261	-	(5,141,143)	8,367,118	-

(i) No expiry date applies to the Rights other than that any Rights for which the Vesting Conditions have not been met shall be forfeited.

(ii) The Vesting date of the options vary between 1 May 2024 and 1 May 2026.

(iii) The Vesting date of the options can be any date between the grant date of 24 July 2023, and 3 years from the grant date. However, the options are only exercisable during the two year period starting on the third anniversary of the grant date being 24 July 2026 to 24 July 2028.

As at 31 December 2023, nil options have vested (2022: 2,812,000).

The fair value of options has been measured using the Black-Scholes formula for options granted 1 May 2023 and the Monte Carlo simulation for options granted 24 July 2023.

The inputs used in the measurement of the fair values at grant date and measurement date were as follows:

	GRANT DATE 1 MAY 23	GRANT DATE 24 JUL 23
FV at grant date (USD)	0.06-0.24	0.11-0.16
Share price at grant date (USD)	0.44	0.39
Exercise price (USD)	0.45	0.49
Expected volatility	60%	60%
Expected life	5 years	5 years (i)
Expected dividends	0%	0%
Risk free interest rate	3.08%	3.86%

NOTE 33. SHARE BASED EMPLOYEE INCENTIVE ARRANGEMENTS (CONT.)

Equity Incentive Plan (equity-settled) (continued)

Expected volatility is measured based on peer companies and expected life is the number of days until expiry.

(i) The expected life of the options granted on 24 July 2023 is 5 years. However, the vested options are only exercisable during the exercise period form the last vesting date to the expiry date.

The fair value of the performance rights granted during the year is calculated at the date of grant using the Monte-Carlo simulation model taking into account the simulated share price and total shareholder returns of Next Science Limited and peer companies during the vesting period. These values were calculated applying the following inputs to performance rights issued:

	PERFORMANCE RIGHTS
Grant date	24 Jul 2023
Fair value per performance right	USD $0.2849
Number of performance rights issued	2,017,151
Remaining life of the performance rights	N/A

(i) During the financial year ending 31 December 2023, 2,629,928 Performance Rights were issued under the Company's LTI Plan (2022: Nil). Of these, 612,777 rights lapsed on 31 December 2023 due to an executive's employment ending.

NOTE 34. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group has no contingent liabilities as at 31 December 2023.

The Group has no capital commitments as at 31 December 2023 (2022: nil).

NOTE 35. EVENTS OCCURRING AFTER THE REPORTING DATE

No matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

NOTE 36. REMUNERATION OF AUDITORS

	CONSOLIDATED	
	2023	*2022*
	$	$
Audit and assurance related services		
KPMG Australia		
Audit of financial statements	121,704	97,485
Other services		
KPMG Australia		
Taxation services	25,086	10,171
Other services	24,875	7,142
Total other services	49,961	17,313
Total auditor's remuneration	171,665	114,798

NOTE 37. EARNINGS PER SHARE

	CONSOLIDATED	
	2023	*2022*
	$	$
Loss after income tax	(16,270,814)	(12,683,312)
Weighted average number of shares *(Number)*	234,094,658	210,468,045
Basic earnings per share *(Cents)*	(6.95)	(6.03)
Diluted earnings per share *(Cents)*	(6.95)	(6.03)

NOTE 38. FINANCIAL RISK MANAGEMENT

(a) Overview

The Group's activities expose it to various financial risks including: credit risk, liquidity risk and market risk.

This note presents information about the Group's exposure to each of these risks, its objectives, policies and processes for measuring and managing risk.

NOTE 38. FINANCIAL RISK MANAGEMENT (CONT.)

(b) Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework with assistance from the Audit and Risk Committee (as detailed below). The Group's risk management framework has been established to identify and analyse the material risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to the risk appetite set by the Board. The Group's risk management framework is reviewed at least annually by the Audit and Risk Committee and the consideration of changes in the Group's risk profile and mitigating actions and controls is a standing item at Audit and Risk Committee meetings.

Audit and Risk Committee

The Audit and Risk Committee responsibilities in relation to risk management are to:

(a) Oversee the establishment, and maintenance by management, of processes to ensure that there is an adequate and effective system to identify and manage material business risks;

(b) Monitor the Group's Risk Register to confirm that key risks have been identified and adequate controls are in place to mitigate risks so far as reasonably practicable;

(c) Receive reports from management on new and emerging sources of risk and the proposed risk controls to mitigate those risks;

(d) Receive reports from management and the external auditor on any material incident involving fraud or a breakdown of the Group's risk controls and the lessons learned;

(e) Review, at least annually, the Group's risk management framework to confirm that it continues to be sound and that the Group is operating with due regard to the risk appetite set by the Board;

(f) Monitor the need for, and if considered necessary, require, an internal or external audit of critical areas of risk;

(g) Oversee the establishment of procedures for the receipt, handling and investigation of whistleblower disclosures;

(h) Oversee the establishment of, and monitor, assurance mechanisms for monitoring:
- the Group's culture and compliance with the Group's Values; and
- compliance with the Group's corporate governance policies and procedures, contractual obligations and the laws applicable to the Group and its operations;

(i) Oversee the Group's annual insurance program, having regard to the Group's business and the insurable risks within its business;

(j) Assess the adequacy of controls, including disaster recovery and business continuity plans, for preserving and re-establishing financial and operational information in the event of a disaster; and

(k) Review and make recommendations to the Board in relation to public disclosures made by the Group regarding material business risks.

The Board considers the Group's risk management framework to be appropriate for the size and level of operations of the Group.

NOTE 38. FINANCIAL RISK MANAGEMENT (CONT.)
(c) Credit risk

Cash and cash equivalents

The Group held cash and cash equivalents of USD $9,238,697 and USD $37,823 in term deposits at 31 December 2023 (2022: USD $5,073,625 in cash and USD $37,789 in term deposits). The cash and cash equivalents are held with credit worthy bank and financial counterparties. The expected credit loss of each of these banks and counterparties are considered to be extremely low; accordingly any expected credit losses are deemed to be insignificant.

Trade receivables and contract assets

Credit risk on trade receivables is the risk of financial loss if a customer fails to meet its contractual obligations.

The carrying amounts of financial assets represents the maximum credit exposure.

Maximum exposure to credit risk for trade receivables by type of counterparty was as follows:

	CONSOLIDATED	
	2023	*2022*
	$	$
Distribution & Licensing Partners	918,484	867,065
Hospitals & Surgery Centres	787,772	526,897
Prescribing Physicians	1,754,447	202,455
	3,460,703	1,596,417

As at 31 December 2023, Zimmer Surgical Inc (worldwide) accounted for over 23% of the trade receivables (2022: Zimmer Surgical Inc accounted for over 47% of the trade receivables).

(i) Risk management

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Details of concentration of revenue are included in note 6.

NOTE 38. FINANCIAL RISK MANAGEMENT (CONT.)
(c) Credit risk (continued)

(i) Risk management (continued)

The Audit and Risk Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review of new customers includes customer due diligence and credit agency information (Dun & Bradstreet Corporation), if available. Sale limits are established for each customer and reviewed periodically. Any sales exceeding those limits require approval according to an approval matrix.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual hospital or surgery centre or whether they are a distribution partner with which Next Science has a licensing or distribution agreement. Further consideration is given to their geographic location and trading history with the Group and existence of any previous financial difficulties.

(ii) Impaired trade receivables

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indications of this include significant financial difficulties of the debtor, the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for an extensive period of time.

Impairment losses are recognised in the profit or loss statement within selling and distribution expenses. Subsequent recoveries of amounts previously written off are credited against selling and general expenses.

As at 31 December 2023, trade receivables with a nominal value of $Nil (2022: Nil) were considered impaired and fully provided for.

(iii) Past due not impaired

As at 31 December 2023, trade receivables of $51,577 (2022: $56,315) were past due but not impaired. These relate to customers for whom there is no recent history of default.

NOTE 38. FINANCIAL RISK MANAGEMENT (CONT.)
(c) Credit risk (continued)

(iii) Past due not impaired (continued)

The aging analysis of trade receivables is as follows

	CONSOLIDATED	
	2023	*2022*
	$	$
0 - 30 days	2,175,204	1,269,546
31 - 60 days	327,215	281,858
61 - 90 days	962,119	35,791
91 - 120 days	3,835	9,222
More than 120 days	-	-
Total	3,468,373	1,596,417

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by monitoring net cash balances, actual and forecast operating cash flows.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include estimated interest payments and exclude the impact of netting agreements.

	LESS THAN 6 MONTHS	6-12 MONTHS	BETWEEN 1 AND 5 YEARS	TOTAL CONTRACTED AMOUNTS
	$	$	$	$
As 31 December 2023				
Trade and other payables	3,207,182	-	-	3,207,182
Lease liabilities	128,709	131,270	755,311	1,015,290
Total	3,335,891	131,270	755,311	4,222,472
As 31 December 2022				
Trade and other payables	1,979,346	-	-	1,979,346
Lease liabilities	151,550	155,185	1,043,232	1,349,967
Total	2,130,896	155,185	1,043,232	3,329,313

NOTE 38. FINANCIAL RISK MANAGEMENT (CONT.)
(d) Liquidity risk (continued)

Exposure to liquidity risk (continued)

The cash flows in the maturity analysis are not expected to occur significantly earlier or be for a significantly different amount than contractually disclosed above.

(e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Group is not exposed to any significant interest rate risk. There is minimal exposure to the impact of adverse changes in benchmark interest rates. The Group is exposed to variable interest rate risks at the reporting date on cash and short-term deposits. A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased or decreased profit after tax by $87,854 (2022: $13,032). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The source and nature of this risk arise from operations and translation risks. The Group's reporting currency is United States Dollars ("USD"). However, the international operations give rise to an exposure to changes in foreign exchange rates as amounts of expenditure are from Australia and denominated in currencies other than USD.

The carrying amounts of the Group's foreign currency denominated financial assets (trade and other receivables including accrued income) and financial liabilities (trade and other payables) at the reporting date were as follows:

	CONSOLIDATED	
	2023	*2022*
	$	$
AUD financial assets converted to USD	9,140,418	1,402,132
AUD financial liabilities converted to USD	(389,619)	(346,097)
Net exposure in statement of financial position	8,750,799	1,056,035

A reasonably possible strengthening (weakening) of the Unites States Dollar against all other currencies at 31 December 2023 would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

NOTE 38. FINANCIAL RISK MANAGEMENT (CONT.)
(e) Market risk (continued)

Currency risk (continued)

	% CHANGE	PROFIT BEFORE TAX STRENGTHEN	PROFIT BEFORE TAX WEAKEN	EQUITY STRENGTHEN	EQUITY WEAKEN
	$	$	$	$	$
2023					
Australian Dollars	10%	875,080	(875,080)	875,080	(875,080)
2022					
Australian Dollars	10%	105,604	(105,604)	105,604	(105,604)

The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months and the spot rate at each reporting date.

DIRECTORS DECLARATION

31 December 2023

1. In the opinion of the Directors of Next Science Limited (the "Company"):

   a. The consolidated financial statements and notes that are set out on pages 49 to 100 and the Remuneration Report on pages 32 to 47 in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the financial position of the Company as at 31 December 2023 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

   b. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they be come due and payable.

2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 31 December 2023.

3. The Directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of Directors:

Aileen Stockburger

Aileen Stockburger
Chair and Independent Non-Executive Director

28 February 2024

KPMG

Independent Auditor's Report

To the shareholders of Next Science Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Next Science Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 31 December 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2023
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes, including material accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

KPMG

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Revenue Recognition – USD 22,179,327	
Refer to Note 6 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
We focused on revenue recognition as a key audit matter due to the significant audit effort required by us to test the Group's revenue given the: • Significance of revenue to the financial statements; • Varying terms and conditions within each customer contract such as product sales, advance deposits, true up payments and milestone payments. This increases the effort required by the audit team to evaluate the timing and measurement of revenue recognised by the Group, and associated contract liabilities; • High degree of estimation required to calculate the period end revenue recognition adjustment for Durable Medical Equipment (DME) product sales; • Group has manual processes and controls which may increase the risk of error in recognition of revenue at the end of the reporting period due to differing terms of trade and differing delivery periods of customer contracts.	Our procedures included: • Reviewed new and modified contracts and considered management's assessment of revenue recognition in accordance with AASB 15 *Revenue from contracts with customers.* • Evaluated the appropriateness of the Group's revenue recognition policies against the requirements of AASB 15 *Revenue from Contracts with Customers*. • Obtained an understanding of and assessed management's recognition and estimation of revenue from the new collagen products (DME) through examination of the underlying arrangements and substantive sampling. • For a sample of transactions, across customer contracts including product sales, advance deposits, true up payments and milestone payments, we: ○ checked the terms and conditions of the customer contract for consistency to the Group's policy for timing and measurement of revenue recognition; ○ checked the amount, nature and date of revenue recognition through evaluation of the terms and conditions in the underlying customer contract, date of completion of freight forwarding services from underlying freight documents, underlying sales invoices and bank statement cash receipts. • For the calculation of deferred revenue, we reviewed the calculation based on the remaining life of the contract with reference to the underlying customer contract. • Selected a sample of revenue transactions across

	differing terms of trade and extended delivery periods for the last two weeks of the reporting period and the first two weeks of the next reporting period. For each sample selected, we checked the amount and timing of revenue recorded by the Group to the underlying customer contracts, sales invoice and to freight documents. • Assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in Next Science Limited's annual report which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report, Remuneration Report and Corporate Directory. The Our Purpose Page, Chairman's Letter, Managing Director's Report and Investor Information are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Next Science Limited for the year ended 31 December 2023, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 12 to 24 of the Directors' report for the year ended 31 December 2023.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Kevin Leighton

Partner

Sydney

28 February 2024

INVESTOR INFORMATION AS AT 4 MARCH 2024

NUMBER OF SECURITYHOLDERS

At the specified date, there were 4,421 holders of ordinary shares (quoted), 11 holders of options over ordinary shares (unquoted) and three holders of performance rights (unquoted). These were the only classes of equity securities on issue.

SHAREHOLDING DISTRIBUTION

SIZE OF SHAREHOLDING	NUMBER OF HOLDERS	NUMBER OF SHARES	% OF ISSUED CAPITAL
1-1,000	1,070	559,159	0.19
1,001 – 5,000	1,323	3,716,402	1.27
5,001 – 10,000	590	4,621,735	1.58
10,001 – 100,000	1,191	39,793,031	13.64
100,001 and above	247	243,004,776	83.31
Total	**4,421**	**291,695,103**	**100**

TWENTY LARGEST HOLDERS OF ORDINARY SHARES

	NAME	SHARES HELD	% OF ISSUED CAPITAL
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	59,990,423	20.57
2	AUCKLAND TRUST COMPANY LTD <SECOND PACIFIC MASTER SUPERANNUATION FUND>	56,019,938	19.20
3	UBS NOMINEES PTY LTD	16,528,388	5.67
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	11,839,023	4.06
5	MR CHARLES ROBERT DIRCK WITTENOOM	5,118,880	1.75
6	JUDITH LEE MITCHELL	4,706,975	1.61
7	DR MATTHEW FRANCO MYNTTI	4,171,824	1.43
8	CITICORP NOMINEES PTY LIMITED	3,815,931	1.31
9	MR JAMES FONG SEETO	3,000,000	1.03
10	BNPP NOMS PTY LTD HUB24 CUSTODIAL SERV LTD	2,925,007	1.00
11	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,921,688	1.00
12	S G ANDREW PTY LTD <S G ANDREW SUPER FUND A/C>	2,745,000	0.94
13	MR DEAN ANTHONY MACKENZIE	2,514,258	0.86
14	BOND STREET CUSTODIANS LIMITED <LAM1 - D08047 A/C>	2,460,427	0.84
15	MR EVAN PHILIP CLUCAS & MS LEANNE JANE WESTON <KURANGA NURSERY SUPER A/C>	2,251,187	0.77
16	BELGRAVIA STRATEGIC EQUITIES PTY LTD	1,965,000	0.67
17	TWENTY FIFTH ELPORTO PTY LTD <TWENTY FIFTH ELPORTO SF A/C>	1,800,000	0.62
18	BROOK ST SMSF PTY LTD <BROOK ST SMSF A/C>	1,255,702	0.43
19	RETZOS EXECUTIVE PTY LTD <RETZOS EXECUTIVE S/FUND A/C>	1,057,146	0.36
20	MR TIMOTHY IAN DOUGLAS	1,032,075	0.35
	Total	**188,118,872**	**64.49**

INVESTOR INFORMATION AS AT 4 MARCH 2024

SUBSTANTIAL HOLDERS

Substantial holders as disclosed in substantial holding notices given to the Company were as follows:

NAME OF SUBSTANTIAL HOLDER	DATE OF NOTICE	NUMBER OF SHARES OVER WHICH RELEVANT INTEREST IS HELD	% OF ISSUED CAPITAL
Walker Group Holdings Pty Limited, Auckland Trust Company Limited as trustee of the Second Pacific Master Superannuation Fund and Lang Alexander Walker	2.11.2023	108,296,030	37.17
Thorney Technologies Ltd, TIGA Trading Pty Ltd, Thorney Investment Group entities and Jasforce Pty Ltd	20.9.2023	13,964,280	5.74

SECURITIES SUBJECT TO ESCROW

There were no securities subject to a restriction period or voluntary escrow period.

UNQUOTED OPTIONS OVER ORDINARY SHARES

There were 6,149,967 unquoted options over ordinary shares held as follows:

SIZE OF OPTION HOLDING	NUMBER OF HOLDERS	NUMBER OF OPTIONS	% OF ISSUED OPTIONS
1-1,000	0	0	0
1,001 – 5,000	0	0	0
5,001 – 10,000	0	0	0
10,001 – 100,000	4	100,000	1.63
100,000 and above	7	6,049,967	98.37
Total	**11**	6,149,967	**100**

Three executives of the Company - Dr Matthew Myntti, Jon Swanson and Robert Bell - hold 20% or more of the unquoted options on issue. The options were issued under the Company's executive long-term incentive plan.

UNQUOTED PERFORMANCE RIGHTS

There were 2,017,151 unquoted performance rights held as follows:

SIZE OF RIGHTS HOLDING	NUMBER OF HOLDERS	NUMBER OF RIGHTS	% OF ISSUED RIGHTS
1-1,000	0	0	0
1,001 – 5,000	0	0	0
5,001 – 10,000	0	0	0
10,001 – 100,000	0	0	0
100,000 and above	3	2,017,151	100
Total	**3**	2,017,151	**100**

Three executives of the Company - Dr Matthew Myntti, Jon Swanson and Robert Bell - hold 20% or more of the unquoted rights on issue. The rights were issued under the Company's executive long-term incentive plan.

INVESTOR INFORMATION AS AT 4 MARCH 2024

VOTING RIGHTS

Ordinary shares (including partly paid shares) carry voting rights on a one for one basis and unlisted options and rights do not carry voting rights.

UNMARKETABLE PARCELS

There are 1,228 holders of an unmarketable parcel of shares based on the closing market price of $0.36 at 4 March 2024.

CORPORATE DIRECTORY

DIRECTORS

Independent Non-Executive Chair	Aileen Stockburger
Managing Director	Harry Thomas Hall, IV
Non-Executive Directors	Grant Hummel Katherine Ostin Daniel Spira
Company Secretary	Gillian Nairn
Registered office	HWL Ebsworth Level 14, Australia Square 264-278 George Street Sydney NSW 2000
Share register	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000
Auditor	KPMG Australia 300 Barangaroo Avenue Sydney NSW 2000
Solicitors	HWL Ebsworth Lawyers Level 14, Australia Square 264-278 George Street Sydney NSW 2000
Stock exchange listing	Next Science Limited shares are listed on the Australian Securities Exchange (ASX code: NXS)
Website	www.nextscience.com
Corporate governance statement	https://www.nextscience.com/corp-governance/