



APPENDIX 4D

AND

30 JUNE 2020 HALF YEAR REPORT

## 1. Company details

Name of entity:	Avecho Biotechnology Limited
ABN:	32 056 482 403
Reporting period:	For the period ended 30 June 2020
Previous period:	For the period ended 30 June 2019

## 2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	95.3%* to	196,989
Loss from ordinary activities after tax attributable to the owners of Avecho Biotechnology Limited	down	137.8% to	(872,487)
Loss for the period attributable to the owners of Avecho Biotechnology Limited	down	137.8% to	(872,487)

### Explanation of loss from ordinary activities after tax

\*Total revenue was decreased by 95.3% for the period to \$196,989 (2019: \$4,176,196), mainly due to prior period revenue including **one-time licence fee** from Ashland for the global exclusive manufacturing rights to Vital ET® and TPM® for use in personal care products.

The loss for the Consolidated Entity after providing for income tax amounted to \$872,487 (30 June 2019: profit of \$2,305,152).

Other income was increased by 116% to \$615,671 (2019: \$285,013), attributed to COVID-19 PAYG and payroll tax subsidy of \$70,245 from the Australian Federal and State Government (2019: nil), \$64,072 EMDG grant (2019: nil), and net foreign exchange gain of \$192,464 (2019: \$8,675 loss).

Expenses from continuing operations were considerably lower at \$1,640,477 (2019: \$1,982,808), consisting of:

- lower amortisation and depreciation expense of \$288,084 due to majority of fixed assets being fully depreciated in the prior year (2019: \$345,580);
- lower travel costs of \$2,484 (2019: \$109,283); and
- lower spend on R&D of \$75,282 (2019: \$122,069).

## 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.21	0.32

## 4. Control gained over entities

Not applicable.

## 5. Loss of control over entities

Not applicable.

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## 6. Dividends

### *Current period*

There were no dividends paid, recommended or declared during the current financial period.

### *Previous period*

There were no dividends paid, recommended or declared during the previous financial period.

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## 7. Dividend reinvestment plans

Not applicable.

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## 8. Details of associates and joint venture entities

Not applicable.

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## 9. Foreign entities

### *Details of origin of accounting standards used in compiling the report:*

Not applicable.

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## 10. Audit status

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half Year Report.

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## 11. Attachments

### *Details of attachments (if any):*

The Half Year Report of Avecho Biotechnology Limited for the period ended 30 June 2020 is attached.

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## 12. Signed

Signed 

Date: 27 August 2020

Dr Greg Collier  
Chairman

# **Avecho Biotechnology Limited**

**ABN 32 056 482 403**

## **Half Year Report - 30 June 2020**

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Directors	Dr Greg Collier (Non-Executive Chairman) Dr Ross Murdoch (Non-Executive Director) Mr David Segal (Non-Executive Director) Mr Matthew McNamara (Non-Executive Director)
Chief Executive Officer	Dr Paul Gavin
Company Secretary	Ms Melanie Leydin
Registered office	Unit A8, 2A Westall Road Clayton VIC 3168 Australia
Principal place of business	Unit A8, 2A Westall Road Clayton VIC 3168 Australia Telephone: +61 3 9002 5000 Email: <a href="mailto:info@avecho.com.au">info@avecho.com.au</a>
Share register	Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston Street Abbotsford VIC 3067 Australia Telephone: +61 3 9415 5000 Fax: +61 3 9473 2500
Auditor	Grant Thornton Audit Pty Ltd Collins Square Tower 5 727 Collins Street Melbourne VIC 3008
Stock exchange listing	Avecho Biotechnology Limited securities are listed on the Australian Securities Exchange. (ASX code: AVE)
Website	<a href="http://www.avecho.com.au">www.avecho.com.au</a>

The directors present their report, together with the financial statements, on the Consolidated Entity consisting of Avecho Biotechnology Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 30 June 2020.

### **Directors**

The following persons were directors of Avecho Biotechnology Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

Dr Greg Collier (Non-Executive Chairman) (Executive Chairman until 30 April 2020, and becoming Non-Executive Chairman on 1 May 2020)  
Dr Ross Murdoch (Non-Executive Director)  
Mr David Segal (Non-Executive Director)  
Mr Matthew McNamara (Non-Executive Director) (appointed 13 January 2020)

### **Principal activities**

The principal activities of the Consolidated Entity are the development, production, sale and licensing of products incorporating its patented platform technology TPM, for the pharmaceutical, animal health and nutrition industries.

### **Review of operations**

Avecho's core business strategy is to develop and commercialise its TPM® technology. Each of the business divisions, Human Health, Animal Health and Nutrition, and Production, have progressed with the common goal of advancing commercialisation of the Company's TPM® technology.

Avecho has remained largely unaffected by the current COVID-19 crisis. Strict social distancing guidelines and work from home practices have been implemented, and staff continue to work to advance the ongoing programs. There have been minor delays where research studies relied on partnership or collaboration with third parties around the world, as local shutdowns for specific countries have affected ongoing laboratory practices and the ability to transport material.

During the six-month ending 30 June 2020, Avecho completed a management restructure, with the appointment of Dr Paul Gavin and Dr Roksan Libinaki, as CEO and COO, respectively.

#### *Human Health*

Avecho continued its initial development of an oral cannabinoid product with enhanced solubility and absorption. The Company signed supply partnerships with Purisys and Tasmanian Alkaloids for the provision of both synthetic cannabinoids and natural cannabis extracts to facilitate this early research and development, as well as safeguard future commercial supply. Early work undertaken by Avecho and partners demonstrated that TPM® could increase the solubility of cannabinoids, a limitation that leads to poor oral bioavailability, high variability in absorption, and difficulty in developing aqueous dosage forms. Ongoing research aims to identify optimal formulation compositions that maximise these effects in-vitro and in subsequent animal models in-vivo. These studies will prioritise formulations for testing in upcoming clinical trials. Avecho's cannabinoid program will aim to develop a pharmaceutical dosage form and will support the benefits of including TPM® in natural extracts for the medicinal cannabis market. This will open additional licensing opportunities for the use of TPM® in third-party medicinal cannabis products, both in Australia and around the world, including the large North American markets.

This year our core injectables program continued to advance. Having passed formal stability, business development materials were finalised for a number of products in the injectable portfolio to support further licensing discussions. In parallel, the Company interviewed a range of international partnering and advisory firms in order to broaden the outreach and increase the likelihood of successful licensing deals. Avecho's preferred firm was subsequently engaged and has now begun work on the licensing campaign. Our Propofol TPM® formulation, previously partnered with Terumo, was successfully reformulated and has resumed development. It will also form part of the business development campaign.

#### *Animal Health portfolio*

The Company continued to pursue animal health opportunities with third parties. A number of our commercial partners continued to evaluate the utility of TPM® in feed and veterinary products for livestock. Performance and proof-of-concept studies are being undertaken by and with these partners. Avecho is currently working with the European Food and Safety Authority (EFSA) in regards to its application for TPM® to be utilised as a feed additive in the EU.

*Production portfolio*

We continue to support Ashland's manufacturing requirements, under our previous arrangement (i.e. at profit) for Vital ET® and TPM® for use in personal care products, as they work to implement and scale up the manufacturing methods in their US facilities. We manufactured 1.8 tonnes of product in 2020.

**Review of financial results**

The loss for the Consolidated Entity after providing for income tax amounted to \$872,485 (30 June 2019: profit of \$2,305,152).

Total revenue was decreased by 95.3% for the period to \$196,989 (2019: \$4,176,196), mainly due to prior period revenue including one-time licence fee from Ashland for the global exclusive manufacturing rights to Vital ET® and TPM® for use in personal care products.

Other income was increased by 116% to \$615,671 (2019: \$285,013), attributed to COVID-19 PAYG and payroll tax subsidy \$70,245 from the Australian Federal and State Government, \$64,072 EMDG grant (2019: nil) and net foreign exchange gain of \$192,464 (2018: \$8,675 loss).

- lower amortisation and depreciation expense of \$288,084 due to the majority of fixed assets being fully depreciated in prior year (2019: \$345,580);
- lower travel costs of \$2,484 (2019: \$109,283); and
- lower spend on R&D of \$75,282 (2019: \$122,069).

As at 30 June 2020, the Consolidated Entity held \$2,548,118 in cash and cash equivalents (31 December 2019: \$3,210,540). The net assets of the Consolidated Entity decreased by \$752,485 to \$4,006,466 as at 30 June 2020 (31 December 2019: \$4,758,951). Working capital, being current assets less current liabilities, was \$3,259,785 (31 December 2019: \$3,733,319).

The net operating cash outflow for the period was \$806,569 (2019: inflow \$2,607,310). This is mainly due to \$3,571,429 on-time licence fee received in prior year from Ashland.

**Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the Consolidated Entity during the financial period.

On 27 April 2020, the Company issued 20,000,000 fully paid ordinary shares to employees as a Sign-on Bonus in accordance with their letter of appointment.

**Matters subsequent to the end of the financial period**

On 18 August 2020, the Company issued 7,221,847 unlisted performance rights to a consultant for nil consideration. Each performance right is a right to acquire one fully paid share, subject to the satisfaction of vesting conditions.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

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

On behalf of the directors



Dr Greg Collier  
Chairman

27 August 2020




## Auditor's Independence Declaration

### To the Directors of Avecho Biotechnology Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Avecho Biotechnology Limited for the period ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



M A Cunningham  
Partner – Audit & Assurance

Melbourne, 27 August 2020

		<b>Consolidated</b>	
	<b>Note</b>	<b>30 June 2020</b>	<b>30 June 2019</b>
		<b>\$</b>	<b>\$</b>
Revenue from contracts with customers	5	196,989	4,176,196
Cost of sales		(44,671)	(180,842)
Gross profit		152,318	3,995,354
Other income	6	615,675	292,606
Employee and directors benefits expenses	7	(693,256)	(650,098)
Legal expenses		(11,510)	(26,777)
Research expenses		(75,282)	(122,069)
Consultancy and professional fees		(232,272)	(295,518)
Amortisation and depreciation		(288,084)	(345,580)
Other expenses	8	(336,872)	(539,741)
Finance costs		(3,204)	(3,025)
<b>Profit/(loss) before income tax expense</b>		<b>(872,487)</b>	<b>2,305,152</b>
Income tax expense		-	-
<b>Profit/(loss) after income tax expense for the period attributable to the owners of Avecho Biotechnology Limited</b>		<b>(872,487)</b>	<b>2,305,152</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		2	13
Other comprehensive income for the period, net of tax		2	13
<b>Total comprehensive income for the period attributable to the owners of Avecho Biotechnology Limited</b>		<b>(872,485)</b>	<b>2,305,165</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	13	(0.06)	0.15
Diluted earnings per share	13	(0.06)	0.15

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

		Consolidated	
		31 December	
	Note	30 June 2020	2019
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		2,548,118	3,210,540
Trade and other receivables		1,000,206	755,432
Inventories		140,264	148,764
Other current assets		71,836	163,412
Total current assets		3,760,424	4,278,148
<b>Non-current assets</b>			
Plant and equipment		75,417	93,710
Right-of-use assets		46,426	86,218
Intangibles	9	627,000	857,000
Total non-current assets		748,843	1,036,928
<b>Total assets</b>		4,509,267	5,315,076
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		175,909	188,061
Lease liabilities		53,154	89,493
Provisions		271,576	267,275
Total current liabilities		500,639	544,829
<b>Non-current liabilities</b>			
Lease liabilities		-	7,696
Provisions		2,162	3,600
Total non-current liabilities		2,162	11,296
<b>Total liabilities</b>		502,801	556,125
<b>Net assets</b>		4,006,466	4,758,951
<b>Equity</b>			
Issued capital	10	232,752,424	232,632,424
Reserves		28,152,822	28,152,820
Accumulated losses		(256,898,780)	(256,026,293)
<b>Total equity</b>		4,006,466	4,758,951

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

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 January 2019	232,632,424	30,415,923	(259,148,541)	3,899,806
Adjustment to opening accumulated losses for change in accounting standard	-	-	(7,115)	(7,115)
Balance at 1 January 2019 - restated	232,632,424	30,415,923	(259,155,656)	3,892,691
Profit after income tax expense for the period	-	-	2,305,152	2,305,152
Other comprehensive income for the period, net of tax	-	13	-	13
Total comprehensive income for the period	-	13	2,305,152	2,305,165
<i>Transactions with owners in their capacity as owners:</i>				
Transfer	-	(2,154,301)	2,154,301	-
Employee equity settlement benefits	-	10,186	-	10,186
Balance at 30 June 2019	<u>232,632,424</u>	<u>28,271,821</u>	<u>(254,696,203)</u>	<u>6,208,042</u>

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 January 2020	232,632,424	28,152,820	(256,026,293)	4,758,951
Loss after income tax expense for the period	-	-	(872,487)	(872,487)
Other comprehensive income for the period, net of tax	-	2	-	2
Total comprehensive income for the period	-	2	(872,487)	(872,485)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares as sign-on bonus	120,000	-	-	120,000
Balance at 30 June 2020	<u>232,752,424</u>	<u>28,152,822</u>	<u>(256,898,780)</u>	<u>4,006,466</u>

Note	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	195,791	4,429,842
Receipt of recoveries	-	87,500
Receipt of government grants	114,072	-
Other receipts	33,000	-
Payments to suppliers and employees (inclusive of GST)	<u>(1,149,432)</u>	<u>(1,910,032)</u>
Net cash from/(used in) operating activities	<u>(806,569)</u>	<u>2,607,310</u>
<b>Cash flows from investing activities</b>		
Interest received	<u>605</u>	<u>15,907</u>
Net cash from investing activities	<u>605</u>	<u>15,907</u>
<b>Cash flows from financing activities</b>		
Principle element of lease payments	<u>(45,713)</u>	<u>(44,611)</u>
Net cash used in financing activities	<u>(45,713)</u>	<u>(44,611)</u>
Net increase/(decrease) in cash and cash equivalents	(851,677)	2,578,606
Cash and cash equivalents at the beginning of the financial period	3,210,539	2,111,171
Effects of exchange rate changes on cash and cash equivalents	<u>189,256</u>	<u>-</u>
Cash and cash equivalents at the end of the financial period	<u><u>2,548,118</u></u>	<u><u>4,689,777</u></u>

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

## **Note 1. General information**

The financial statements cover Avecho Biotechnology Limited as a Consolidated Entity consisting of Avecho Biotechnology Limited and the entities it controlled at the end of, or during, the period. The financial statements are presented in Australian dollars, which is Avecho Biotechnology Limited's functional and presentation currency.

Avecho Biotechnology Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Unit A8, 2A Westall Road  
Clayton VIC 3168  
Australia

A description of the nature of the Consolidated Entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 August 2020.

## **Note 2. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 30 June 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

### **Basis of preparation**

These general purpose financial statements for the interim half-year reporting period ended 30 June 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

### **Going concern**

The Consolidated Entity has incurred a loss after tax of \$872,487 during the half year ended 30 June 2020 (2019: profit of \$2,305,152), experienced net cash outflows from operations of \$806,569 (2019: net inflow of \$2,607,310) and at 30 June 2020 has cash and cash equivalents of \$2,548,118 (31 December 2019: \$3,210,540).

During and since the end of the financial year, the directors continue to pursue a number of actions to ensure the Consolidated Entity can continue to fund its operations including meeting with potential business partners on licencing and partnering opportunities.

The Consolidated Entity may need to raise additional capital in order to execute its near term and medium term plans for development and commercialisation of its technology, in the event that sufficient revenue is not generated in the normal course of business.

The existence of these conditions indicates a material uncertainty that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern.

## Note 2. Significant accounting policies (continued)

Notwithstanding the above, the financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity, the realisation of assets, settlement of liabilities through the normal course of business including the presumption that sufficient funds will be available to finance the operations of the Consolidated Entity. In adopting this position, the directors have had regard to the Consolidated Entity's successful track record in raising capital. The directors believe the Consolidated Entity has the ability to raise additional capital from existing and new investors should it be required.

The directors plan to continue the Consolidated Entity's operations on the basis as outlined above, and believe sufficient plans are in place to ensure the Consolidated Entity can meet its obligations and liabilities for at least twelve months from the date of this report.

If the Consolidated Entity is unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Consolidated Entity be unable to continue as a going concern and meet its debts as and when they become due and payable.

### New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the period ended 30 June 2020.

## Note 3. Critical accounting judgements, estimates and assumptions

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas of assumptions and estimates are:

### (1) R&D Tax Incentives

From 1 July 2011 the Australian Government has provided a tax incentive, in the form of a refundable tax offset of 43.5%, for eligible research and development expenditure. Management has assessed its research and development activities and expenditure to determine which are likely to be eligible under the scheme. For the period ended 30 June 2020 the Consolidated Entity has recorded an item in other income of \$258,552 (2019: \$197,513) to recognise this amount which relates to this period.

### (2) Share-based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the binomial and Black-Scholes methods taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

### (3) Estimated impairment of intangibles

The Consolidated Entity tests whether intangible assets have suffered any impairment at each reporting date. The recoverable amount of intangible assets is assessed at its value in use. This calculation requires the use of assumptions.

## Note 4. Operating segments

### Identification of reportable operating segments

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer in assessing the performance and in determining the allocation of resources.

The operating segments are identified by management based on the Consolidated Entity's risks and returns that are affected predominantly by differences in the products and services provided. The reportable segments are based on aggregated operating segments determined according to the nature of the products and services provided, with each reportable segment representing a strategic business unit that offers different products and serves different markets.

#### Note 4. Operating segments (continued)

##### Production

Production portfolio manufactures and sells TPM® and Vital ET® for the use in drug delivery and cosmetic formulations.

##### Human Health

Avecho's Human Health portfolio covers the reformulation of pharmaceutical injectable, oral and topical/transdermal dosage forms. Revenue is derived from royalty streams, licencing and contract research.

The division continues to prioritise development on a range of injectable dosage forms that use TPM® to increase drug solubility. These products are the focus of an ongoing licensing campaign, which also includes other assets developed by the Human Health division (TPM®/Oxymorphone, TPM®/Oxycodone and TPM®/Diclofenac).

Avecho commenced its initial development of an oral cannabinoid product with enhanced solubility and absorption. Early work undertaken by Avecho and partners demonstrated that TPM® could increase the solubility of cannabinoids, a limitation that leads to poor oral bioavailability, high variability in absorption, and difficulty in developing aqueous dosage forms. Avecho's cannabinoid program will aim to develop a pharmaceutical dosage form and will support the benefits of including TPM® in natural medicinal cannabis extracts. This will open additional licensing opportunities for the use of TPM® in third-party medicinal cannabis products, both in Australia and around the world, including the large North American markets.

##### All other segments

The Animal Health and Nutrition segment did not meet materiality levels and is included in the other segments.

##### Operating segment information

	Production \$	Human Health \$	Other segments \$	Total \$
<b>Consolidated - 30 June 2020</b>				
<b>Sales, Licences and Royalties</b>	196,989	-	-	196,989
Cost of sales	(44,671)	-	-	(44,671)
Income from government subsidy and grants	-	172,221	220,648	392,869
Other Income	-	-	30,000	30,000
Net foreign exchange gain	317	2,247	189,904	192,468
Interest revenue	-	-	338	338
Depreciation and amortisation	-	-	(288,084)	(288,084)
Consulting and professional expenses	(6,200)	(3,141)	(222,931)	(232,272)
Employee and directors benefits expenses	(67,069)	(199,880)	(426,307)	(693,256)
Expenses allocated to inventory	18,468	-	-	18,468
Research expenses	(38,615)	(26,328)	(10,339)	(75,282)
Other operating expenses from continuing operations	(1,695)	(2,236)	(366,123)	(370,054)
<b>Profit/(loss) before income tax expense</b>	<b>57,524</b>	<b>(57,117)</b>	<b>(872,894)</b>	<b>(872,487)</b>
Income tax expense				-
<b>Loss after income tax expense</b>				<b>(872,487)</b>
<b>Assets</b>				
Segment assets	144,639	-	4,364,628	4,509,267
<b>Total assets</b>				<b>4,509,267</b>
<b>Liabilities</b>				
Segment liabilities	-	-	502,801	502,801
<b>Total liabilities</b>				<b>502,801</b>



**Note 4. Operating segments (continued)**

	Production \$	Human Health \$	Other segments \$	Total \$
<b>Consolidated - 30 June 2019</b>				
<b>Sales, Licences and Royalties</b>	4,151,919	24,277	-	4,176,196
Cost of sales	(180,842)	-	-	(180,842)
Recoveries	-	-	87,500	87,500
Interest revenue	-	-	7,593	7,593
Income from government grants	-	168,151	29,362	197,513
Depreciation and amortisation	-	-	(345,580)	(345,580)
Employee and directors benefit expense	(72,973)	(228,181)	(348,944)	(650,098)
Research expenses	(31,773)	(90,296)	-	(122,069)
Expenses allocated to inventory	46,396	-	4,590	50,986
Other operating expenses from continuing operations	(46,884)	(47,918)	(821,245)	(916,047)
<b>Profit/(loss) before income tax expense</b>	<b>3,865,843</b>	<b>(173,967)</b>	<b>(1,386,724)</b>	<b>2,305,152</b>
Income tax expense				-
<b>Profit after income tax expense</b>				<b>2,305,152</b>
<b>Consolidated - 31 December 2019</b>				
<b>Assets</b>				
Segment assets	148,776	267	5,166,033	5,315,076
<b>Total assets</b>				<b>5,315,076</b>
<b>Liabilities</b>				
Segment liabilities	-	-	556,125	556,125
<b>Total liabilities</b>				<b>556,125</b>

**Note 5. Revenue from contracts with customers**

	<b>Consolidated</b> <b>30 June 2020</b>	<b>30 June 2019</b>
	\$	\$
Sale of goods	192,373	580,490
Royalties	4,616	24,277
Licence fees*	-	3,571,429
Revenue from contracts with customers	<u>196,989</u>	<u>4,176,196</u>

\* Prior period includes \$3,571,429 (USD\$2,500,000) one-time licence fee from Ashland for the global exclusive manufacturing rights to Vital ET® and TPM® for use in personal care products.

*Disaggregation of revenue*

The disaggregation of revenue from contracts with customers is as follows:

	<b>Consolidated</b> <b>30 June 2020</b>	<b>30 June 2019</b>
	\$	\$
<i>Major product lines</i>		
Production	192,373	4,151,919
Human Health	4,616	24,277
	<u>196,989</u>	<u>4,176,196</u>

**Note 6. Other income**

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
Net foreign exchange gain	192,468	-
Income from government grants	392,869	197,513
Interest income	338	7,593
Legal cost refund	-	87,500
Project income	30,000	-
	<u>615,675</u>	<u>292,606</u>

**Note 7. Employee and directors benefits expenses**

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
Director fees	153,906	100,708
Research and development employee expenses	202,002	200,959
Redundancy costs	-	12,673
ESOP expenses	-	10,186
Other employee expenses	217,348	325,572
Issue of shares as Sign-On Bonus	120,000	-
	<u>693,256</u>	<u>650,098</u>

**Note 8. Other expenses**

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
Net foreign exchange loss	-	8,675
Travel	2,485	109,284
Insurance	81,915	80,066
Shareholder and listing expenses	50,109	82,914
Patent portfolio expenses	154,654	226,338
Occupancy expenses	30,797	43,697
IT expense	19,489	4,108
Expenses allocated to inventory	(18,468)	(50,986)
Other expenses	15,891	35,645
	<u>336,872</u>	<u>539,741</u>

**Note 9. Non-current assets - intangibles**

	Consolidated 30 June 2020	31 December 2019
	\$	\$
Intellectual property	121,362,000	121,362,000
Less: Accumulated amortisation and impairment	(120,735,000)	(120,505,000)
	<u>627,000</u>	<u>857,000</u>

*Reconciliations*

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

Consolidated	Intellectual property \$	Total \$
Balance at 1 January 2020	857,000	857,000
Amortisation expense	(230,000)	(230,000)
Balance at 30 June 2020	<u>627,000</u>	<u>627,000</u>

**Impairment testing**

*Intellectual Property*

Intellectual property asset cost represents the amortised cost of nine patents acquired by the Company at 31 December 2004, less accumulated amortisation and adjusted for any accumulated impairment loss. Intellectual property is amortised over its useful life, being the patent life of between 15 -19 years at acquisition (to between 2020 and 2023), and tested for indicators of impairment at each reporting date. In 2010 one of the purchased patents was abandoned.

The fair value of the acquired patents is dependent on the continued sales of Vital ET® and the commercialisation of TPM®/Oxycodone prior to the expiry of the patents. Revenue assumptions related to this have been assessed for delays in revenue receipts, with delays of one year not materially impacting the value of the assets.

**Note 10. Equity - issued capital**

	Consolidated 30 June 2020	31 December 2019	Consolidated 30 June 2020	31 December 2019
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>1,597,457,420</u>	<u>1,577,457,420</u>	<u>232,752,424</u>	<u>232,632,424</u>

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$
Balance	1 January 2020	1,577,457,420		232,632,424
Issue of shares	27 April 2020	<u>20,000,000</u>	\$0.006	<u>120,000</u>
Balance	30 June 2020	<u>1,597,457,420</u>		<u>232,752,424</u>

### Note 11. Contingent asset and liabilities

There were no contingent asset and liabilities for the period ended 30 June 2020

### Note 12. Events after the reporting period

On 18 August 2020, the Company issued 7,221,847 unlisted performance rights to a consultant for nil consideration. Each performance right is a right to acquire one fully paid share, subject to the satisfaction of vesting conditions.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

### Note 13. Earnings per share

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
Profit/(loss) after income tax attributable to the owners of Avecho Biotechnology Limited	<u>(872,487)</u>	<u>2,305,152</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>1,584,600,277</u>	<u>1,577,457,420</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,584,600,277</u>	<u>1,577,457,420</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.06)	0.15
Diluted earnings per share	(0.06)	0.15

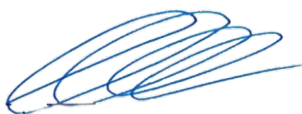
There are no instruments (e.g. share options) excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future. There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 30 June 2020 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Dr Greg Collier  
Chairman

27 August 2020

# Independent Auditor's Report

## To the Members of Avecho Biotechnology Limited

### Report on the review of the half year financial report

#### Conclusion

We have reviewed the accompanying half year financial report of Avecho Biotechnology Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Avecho Biotechnology Limited does not give a true and fair view of the financial position of the Group as at 30 June 2020, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

#### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110.

Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

#### Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of \$872,487 during the half year ended 30 June 2020, as well as net cash outflows from operations of \$806,569. These events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

### Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2020 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Avecho Biotechnology Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



M A Cunningham  
Partner – Audit & Assurance

Melbourne, 27 August 2020