ASX Announcement

28 October 2020

ASX Market Announcements
ASX Limited
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Sydney NSW 2000

Avecho Quarterly Activities Report and Appendix 4C

Melbourne, **Australia, 28 October 2020** - Avecho Biotechnology Limited (ASX: AVE) ("Avecho" or the "Company"), a company that develops and commercialises innovative Human and Animal Health products using its proprietary drug delivery system called TPM®, is pleased to release its Quarterly Activities Report and Appendix 4C for the quarter ended 30 September 2020.

Key Highlights

- Continued advancement of Avecho's Human and Animal Health Programs.
- Continued development of oral cannabinoids combined with Avecho's TPM® to enhance absorption.
  - In-vitro testing of candidate TPM® cannabinoid formulations completed.
  - Initial animal studies testing of candidate TPM® cannabinoid formulations completed.
- Business Development campaign introduces new companies Avecho's human health portfolio.
- Cash balance at the close of quarter was A$2.64m.

Operations

Our core injectables program continued to advance. The Propofol TPM® formulation, improved by Avecho to increase its safety, resumed toxicology testing at Charles River. The prior formulation had been developed in collaboration with Terumo Corporation, Japan, but was proven to be unsuitable for a continuous 24 hour infusion. The improved formulation was designed to allow a safe, 24 hour infusion of the product as indicated by the commercial product label. A successful safety study is critical for the future licensing of the product.

Avecho's external licensing outreach began with a focus on partnering the human health assets. Reactions to the outreach have been generally positive, initiating a number of discussions with new companies that have not previously encountered Avecho's reformulated products. These discussions are ongoing and encompass a broad range of products in the human health portfolio.

Avecho continued development of oral cannabinoid products with enhanced solubility and absorption. Researchers at Bioneer:FARMA, located within the University of Copenhagen, completed the first round of formulation testing *in vitro*. This work was supplemented by supporting experiments at The Monash Institute of Pharmaceutical Sciences. Various formulations containing TPM® were assessed for their ability to solubilize CBD during simulated gastro-intestinal digestion, which is required for drug absorption *in-vivo*. Test formulations containing TPM® were found to significantly increase the solubilisation of CBD during gastric and intestinal *in vitro* digestion. These formulations were subsequently tested for their ability to increase oral bioavailability *in-vivo*, the results of which were recently communicated to the market. The TPM® formulations increased oral CBD absorption by ~5-40 times when compared to control formulations containing CBD alone. These formulations will now be taken into human clinical trials.

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.

Avecho continues to remain 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.

Corporate
During the quarter, Avecho had net operating inflows of A$116K, including receipt of $615K R&D incentive for the tax year ending 30 June 2019, offset by A$140K invested in R&D activities. At the end of the quarter, the Company held A$2.64m in cash. The Company remains committed to its R&D programs, while continuing to demonstrate prudent cash management and adapt its operational policies and procedures in line with COVID-19 mitigation measures.

Payments to related parties and their associates during the quarter as outlined in Section 6 of the accompanying Appendix 4C to this quarterly activities report were A$63K. These payments are related to director fees for the quarter.

For enquiries, please contact
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This announcement has been authorised by the Board of Directors of Avecho Biotechnology Limited.

About Avecho
Avecho Biotechnology Limited (ASX: AVE) develops and commercialises innovative Human and Animal Health products using its proprietary drug delivery system called TPM® (Tocopherol Phosphate Mixture). TPM® is derived from Vitamin E using unique, proprietary and patented processes and is proven to enhance the solubility and oral, dermal and transdermal absorption of drugs and nutrients.

Avecho's major projects include delivering TPM® enhanced injectable, oral and topical products for the human health market, including the recently announced application of TPM® to cannabinoids. The Company is also developing TPM® to enhance feed efficiency and health of livestock.

See more here - avecho.com.au

Forward-Looking Statements
Certain statements in this announcement are forward looking statements. Forward looking statements can generally be identified by the use of words such as "anticipate", "estimate", "expect", "project", "intend", "plan", "believe", "target", "may", "assume" and words of similar import. These forward-looking statements speak only as at the date of this announcement. These statements are based on current expectations and beliefs and, by their nature, are subject to a number of known and unknown risks and uncertainties that could cause the actual results, performances and achievements to differ materially from any expected future results, performance or achievements expressed or implied by such forward looking statements.

No representation, warranty or assurance (express or implied) is given or made by AVE that the forward-looking statements contained in this announcement are accurate, complete, reliable or adequate or that they will be achieved or prove to be correct. Except for any statutory liability which cannot be excluded, AVE and its respective officers, employees and advisers expressly disclaim any responsibility for the accuracy or completeness of the forward looking statements and exclude all liability whatsoever (including negligence) for any direct or indirect loss or damage which may be suffered by any person as a consequence of any information in this announcement or any error or omission therefrom.

Subject to any continuing obligation under applicable law or relevant listing rules of the ASX, AVE disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements in these materials to reflect any change in expectations in relation to any forward looking statements or any change in events, conditions or circumstances on which any statement is based. Nothing in these materials shall under any circumstances create an implication that there has been no change in the affairs of AVE since the date of the announcement.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity	
AVECHO BIOTECHNOLOGY LIMITED	

ABN	Quarter ended ("current quarter")
32 056 482 403	30 SEPTEMBER 2020

	Consolidated statement of cash flows	Current quarter $A'000	Year to date (9 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	24	220
1.2	Payments for		
	(a) research and development	(140)	(370)
	(b) product manufacturing and operating costs	(18)	(99)
	(c) advertising and marketing	-	-
	(d) leased assets	(15)	(38)
	(e) staff costs	(137)	(428)
	(f) administration and corporate costs	(188)	(517)
	(g) patent portfolio costs	(51)	(247)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	1
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	616	616
1.8	Other (EMDG, PAYG subsidy)	25	172
1.9	**Net cash from / (used in) operating activities**	**116**	**(690)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**-**	**-**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other - Payment of principal element of lease liabilities	(23)	(69)
3.10	**Net cash from / (used in) financing activities**	**(23)**	**(69)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	2,548	3,211
4.2	Net cash from / (used in) operating activities (item 1.9 above)	116	(690)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(23)	(69)
4.5	Effect of movement in exchange rates on cash held	(4)	185
4.6	**Cash and cash equivalents at end of period**	**2,637**	**2,637**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	2,551	2,462
5.2	Call deposits	86	86
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**2,637**	**2,548**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	63
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

N/A

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	116
8.2	Cash and cash equivalents at quarter end (Item 4.6)	2,637
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	2,637
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	**N/A**

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 28 October 2020

Authorised by: By the Board of Avecho Biotechnology Limited

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.