

ASX Limited
Market Announcements Office

Avecho Secures Product License and Supply Agreement for US recreational cannabis market

Highlights:

- Avecho today announced it has entered into a licensing and supply agreement with Team SAAS LLC for the use of TPM® in recreational products in the US.
- Team SAAS LLC is a US-based company founded by Stuart Grimshaw and Alan Kwan actively pursuing opportunities in the recreational cannabis space.
- Team SAAS will sell a proprietary cannabis/TPM combination distillate for use in the manufacturing of recreational edibles in the US.
- Team SAAS have already received orders from Big Chief, the largest recreational cannabis supplier in the US.
- Agreement will support Avecho's ongoing plans to develop and commercialise CBD-based pharmaceutical products.

Melbourne, Australia, 2 February 2022: [Avecho Biotechnology Limited](#) (ASX:AVE, "Avecho", or "the Company") has today announced it has entered into a product license and supply agreement (the "Agreement") with Team SAAS LLC ("SAAS") granting SAAS exclusive rights to commercialise a recreational cannabis distillate containing TPM® for use in the manufacture of edible cannabis products in the US.

The Agreement signals a strategic step forward in Avecho's ambitions to increase the breadth of cannabis products and markets leveraging TPM formulations, and will occur in parallel to its existing work to register its CBD soft-gel product for sleep indications with the Therapeutic Goods Administration ("TGA") in Australia.

SAAS is a US-based company founded by Stuart Grimshaw, previously the CEO of the Bank of Queensland and EZCORP, and Alan Kwan, founder of One Tech, Executive Director of State Path Capital and Board member of Bionic Vision Technologies. The founders of SAAS have existing relationships with cannabis manufacturers in California, Oklahoma and other US states as well as some of the largest commercial distributors of recreational cannabis products.

SAAS will develop and commercialise a unique cannabis distillate that will be sold to recreational cannabis companies as a raw material for the manufacture of their own recreational cannabis products. Initial findings by SAAS in the US have demonstrated that the inclusion of TPM in edible gummies containing cannabis may increase the onset, duration or magnitude of effect. SAAS will use this data to support the distribution of a TPM based product to recreational cannabis companies for use in the manufacture of their own edible product brands. SAAS has already received its first order for the product from Big Chief, the largest recreational cannabis supplier in the USA.

The recreational cannabis market in the US represents a promising opportunity for development. Sales of cannabis related product in the US totaled US\$17.5Bn in 2020, which was a 29% increase from the previous year¹. Edibles, which will be the focus of the production, accounted for 20% of sales but represents the most popular form of consumption across all age groups. By 2025, this market is projected to reach US\$8.24Bn².

Under the terms of the Agreement, Avecho grants SAAS a non-transferable, exclusive right to use TPM in the manufacture and distribution of the SAAS product within the recreational market in the US. SAAS will purchase TPM directly from Avecho for an agreed fixed price, which will be manufactured and supplied from Avecho's Clayton facility. Avecho retains the rights to deal with retail facing recreational cannabis companies that may seek to include TPM in their own products. In addition, Avecho will receive a licence fee calculated by reference to SAAS' net profits after tax. Avecho will receive 50% of SAAS' net profit after tax on net sales of the product, which will be paid quarterly. SAAS must pay a minimum licence fee of US\$1M within the first 12 months, US\$2.5m within the first 2 years and US\$5 million within the first 4 years. If SAAS fails to pay these amounts, then Avecho has the right to terminate SAAS' exclusive rights and/or the agreement.

The Agreement is effective immediately and will continue for an initial term of 5 years unless terminated by agreement between both parties; by either party due to a material breach of the Agreement; or by Avecho at its discretion in the event that minimum performance milestones are not met.

Avecho CEO, Dr Paul Gavin, said: *"This arrangement with SAAS represents a fantastic opportunity for Avecho. We have long held a firm belief that our work and technology in the pharmaceutical cannabinoid space would drive interest in the other cannabis markets, including recreational. There are no significant development costs or timelines required to commercialise this TPM/cannabis product; allowing Avecho to begin deriving revenue in the very near term while we continue to progress the longer pharmaceutical programs."*

Immediate commercialisation of the SAAS product will focus on California, a \$US3.5Bn market on its own¹, before expanding into other US states that allow the sale of recreational cannabis products. As more states within the US accept recreational cannabis, the opportunity for the SAAS product is anticipated to increase.

Avecho CEO, Dr Paul Gavin, said: *"Recreational cannabis in the US and globally represents a large and lucrative market for TPM – based primarily on the fact that there is limited innovation and product differentiation, which we can seamlessly support. This third party Agreement is a highly considered move to diversify and strengthen Avecho's revenue streams, as we pursue pharmaceutical CBD product development as a central part of our core business."*

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This announcement is authorised for release by the Board of Directors of Avecho Biotechnology Limited.

¹ *U.S. Cannabis Sales Hit Record \$17.5 Billion As Americans Consume More Marijuana Than Ever Before* by Will Yakowicz, published on Forbes on 3 March 2021.

² *Sales of adult-use cannabis edibles in the United States from 2019 to 2025* by Jan Conway, published on Statista on 17 June 2021.

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About Avecho

Avecho Biotechnology Limited develops and commercialises innovative Human and Animal Health products using its proprietary drug delivery system called Tocopheryl Phosphate Mixture (**TPM**[®]). 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 and is also developing TPM[®] to enhance the feed efficiency and health of livestock.

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 Avecho 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, Avecho 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.

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