

1. Company details

Name of entity:	Avecho Biotechnology Limited
ABN:	32 056 482 403
Reporting period:	For the year ended 31 December 2022
Previous period:	For the year ended 31 December 2021

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	42.3% to	1,129,260
Loss from ordinary activities after tax attributable to the owners of Avecho Biotechnology Limited	down	31.4% to	(2,342,391)
Loss for the year attributable to the owners of Avecho Biotechnology Limited	down	31.4% to	(2,342,391)

Explanation of loss from ordinary activities after tax

Total revenue increased by 42% for the year to 1,129,260 (31 December 2021: \$793,600), mainly attributable Vital ET® sales made to Ashland during the year.

Other income decreased by 36% to \$727,823 (31 December 2021: \$1,144,568), largely attributed to R&D tax incentives of \$622,923 (31 December 2021: \$1,124,946). Overall reduction in the research and development activities compared to 2021 financial year was as the Company moved into pre-Phase-III trials of CBD soft-gel capsule during 2022 financial year.

Expenses from continuing operations decreased by 24% to \$3,863,332 (31 December 2021: \$5,068,621), largely due to lower research and development cost of \$1,593,880 (31 December 2021: \$2,134,259).

At 31 December 2022, the Consolidated Entity held \$1,468,210 in cash and cash equivalents (31 December 2021: \$3,264,764). The net assets of the Consolidated Entity decreased by \$2,111,694 to \$2,424,896 as at 31 December 2022 (31 December 2021: \$4,536,590). Working capital, being current assets less current liabilities, was \$2,105,685 (31 December 2021: \$4,112,078).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.13</u>	<u>0.24</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

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.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit status

The financial statements are currently in the process of being audited by Grant Thornton Audit Pty Ltd. The Company expects to receive an unqualified audit opinion with an emphasis of matter regarding material uncertainty in relation to going concern.

11. Attachments

Details of attachments (if any):

The preliminary 2022 annual report of Avecho Biotechnology Limited is attached.

12. Signed

Signed  _____

Dr Gregory Collier
Chairman

Date: 28 February 2023

Avecho Biotechnology Limited

ABN 32 056 482 403

Preliminary Annual Report - 31 December 2022

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Directors	Dr Gregory Collier (Chairman) Dr Ross Murdoch (Non-Executive Director) Mr Matthew McNamara (Non-Executive Director)
Chief Executive Officer	Dr Paul Gavin
Company Secretary	Ms Melanie Leydin
Registered office and Principal place of business	Unit A8, 2A Westall Road Clayton VIC 3168 Australia Telephone: +61 3 9002 5000 Email: info@avecho.com.au
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	www.avecho.com.au

		Consolidated	
	Note	31 December 2022	31 December 2021
		\$	\$
Revenue from contracts with customers	2	1,129,260	793,600
Cost of sales		<u>(336,142)</u>	<u>(285,663)</u>
Gross profit		<u>793,118</u>	<u>507,937</u>
Research and development tax incentive and other income	3	727,823	1,144,568
Research and development expenses		(1,593,880)	(2,134,259)
Administration and corporate expenses		(2,263,103)	(2,924,387)
Finance costs		<u>(6,349)</u>	<u>(9,975)</u>
Loss before income tax expense		(2,342,391)	(3,416,116)
Income tax expense		<u>-</u>	<u>-</u>
Loss after income tax expense for the year attributable to the owners of Avecho Biotechnology Limited		(2,342,391)	(3,416,116)
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year attributable to the owners of Avecho Biotechnology Limited		<u>(2,342,391)</u>	<u>(3,416,116)</u>
		Cents	Cents
Basic earnings per share		(0.13)	(0.19)
Diluted earnings per share		(0.13)	(0.19)

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

		Consolidated	
	Note	31 December 2022 \$	31 December 2021 \$
Assets			
Current assets			
Cash and cash equivalents		1,468,210	3,264,764
Trade and other receivables	4	745,994	1,126,994
Inventories		401,979	196,732
Prepayments		235,006	219,244
Total current assets		<u>2,851,189</u>	<u>4,807,734</u>
Non-current assets			
Plant and equipment		222,038	247,327
Right-of-use assets		246,075	88,888
Intangibles		26,250	102,000
Total non-current assets		<u>494,363</u>	<u>438,215</u>
Total assets		<u>3,345,552</u>	<u>5,245,949</u>
Liabilities			
Current liabilities			
Trade and other payables	5	276,415	275,134
Lease liabilities		70,923	80,211
Provisions	6	398,166	340,311
Total current liabilities		<u>745,504</u>	<u>695,656</u>
Non-current liabilities			
Lease liabilities		175,152	13,703
Total non-current liabilities		<u>175,152</u>	<u>13,703</u>
Total liabilities		<u>920,656</u>	<u>709,359</u>
Net assets		<u>2,424,896</u>	<u>4,536,590</u>
Equity			
Issued capital	7	237,528,800	237,601,871
Reserves		29,000,426	29,001,981
Accumulated losses		(264,104,330)	(262,067,262)
Total equity		<u>2,424,896</u>	<u>4,536,590</u>

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

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2021	232,778,295	28,537,271	(258,661,146)	2,654,420
Loss after income tax expense for the year	-	-	(3,416,116)	(3,416,116)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(3,416,116)	(3,416,116)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 7)	4,765,801	-	-	4,765,801
Share-based payments	-	532,485	-	532,485
Issue of shares on exercise of performance rights	57,775	(57,775)	-	-
Share options lapsed	-	(10,000)	10,000	-
Balance at 31 December 2021	237,601,871	29,001,981	(262,067,262)	4,536,590
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2022	237,601,871	29,001,981	(262,067,262)	4,536,590
Loss after income tax expense for the year	-	-	(2,342,391)	(2,342,391)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(2,342,391)	(2,342,391)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 7)	1,989	-	-	1,989
Issue of shares	25,440	-	-	25,440
Share-based payments	-	203,268	-	203,268
Transfer	-	(305,323)	305,323	-
Issue of broker options	(100,500)	100,500	-	-
Balance at 31 December 2022	237,528,800	29,000,426	(264,104,330)	2,424,896

	Note	Consolidated	
		31 December 2022	31 December 2021
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,192,827	787,560
Receipt of government grants and subsidy		1,039,938	515,741
Payments to suppliers and employees (inclusive of GST)		(3,900,327)	(4,395,714)
Finance costs paid		(1,992)	(6,792)
		<u>(1,669,554)</u>	<u>(3,099,205)</u>
Interest received		4,347	531
Net cash used in operating activities		<u>(1,665,207)</u>	<u>(3,098,674)</u>
Cash flows from investing activities			
Payments for plant and equipment		(53,124)	(202,821)
Net cash used in investing activities		<u>(53,124)</u>	<u>(202,821)</u>
Cash flows from financing activities			
Proceeds from issue of shares	7	1,989	5,060,001
Cost of issue of shares		-	(294,200)
Payment of principal element of lease liabilities		(80,212)	(72,318)
Net cash from/(used in) financing activities		<u>(78,223)</u>	<u>4,693,483</u>
Net increase/(decrease) in cash and cash equivalents		(1,796,554)	1,391,988
Cash and cash equivalents at the beginning of the financial year		3,264,764	1,872,776
Cash and cash equivalents at the end of the financial year		<u>1,468,210</u>	<u>3,264,764</u>

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

Note 1. Significant accounting policies

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

These preliminary 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 2021 and any public announcements made by the Avecho Biotechnology Limited during the year ended 31 December 2022 in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted in the preparation of the financial statements are consistent with those disclosed in annual financial statements for the year ended 31 December 2021. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Compliance with IFRS

The consolidated financial statements of the Avecho Biotechnology Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Note 2. Revenue from contracts with customers

	Consolidated	
	31 December 2022	31 December 2021
	\$	\$
Revenue from continuing operations		
Sale of goods and services transferred at a point in time	1,059,998	743,258
Royalties and licence revenue recognised over time	69,263	50,342
	<u>1,129,261</u>	<u>793,600</u>

Note 3. Research and development tax incentive and other income

	Consolidated	
	31 December 2022	31 December 2021
	\$	\$
Net foreign exchange gain	23,646	19,091
Research and development tax incentive	622,923	1,124,946
Export Market Development Grants (EMDG)	76,907	-
Interest income	4,347	531
	<u>727,823</u>	<u>1,144,568</u>

Note 4. Current assets - trade and other receivables

	Consolidated	
	31 December 2022	31 December 2021
	\$	\$
Trade receivables	-	63,567
Less: Allowance for expected credit losses	-	(23,887)
	<u>-</u>	<u>39,680</u>
R&D tax incentive credit receivable	687,927	1,028,035
Other receivables	58,067	59,279
	<u>745,994</u>	<u>1,087,314</u>
	<u><u>745,994</u></u>	<u><u>1,126,994</u></u>

Note 5. Current liabilities - trade and other payables

	Consolidated	
	31 December 2022	31 December 2021
	\$	\$
Trade payables	191,191	75,184
Accrued expenses	61,655	78,340
Other payables	23,569	121,610
	<u>276,415</u>	<u>275,134</u>
	<u><u>276,415</u></u>	<u><u>275,134</u></u>

Note 6. Current liabilities - provisions

	Consolidated	
	31 December 2022	31 December 2021
	\$	\$
Annual leave	152,407	123,833
Long service leave	245,759	216,478
	<u>398,166</u>	<u>340,311</u>
	<u><u>398,166</u></u>	<u><u>340,311</u></u>

Note 7. Equity - issued capital

	Consolidated			
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	Shares	Shares	\$	\$
Ordinary shares - fully paid	1,837,869,344	1,836,116,526	237,528,800	237,601,871
	<u>1,837,869,344</u>	<u>1,836,116,526</u>	<u>237,528,800</u>	<u>237,601,871</u>

Note 7. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 January 2021	1,598,894,680		232,778,295
Share issue through placement	17 February 2021	229,999,999	\$0.022	5,060,001
Issue of shares on exercise of performance rights	1 July 2021	7,221,847	\$0.008	57,775
Share issue costs		-	\$0.000	(294,200)
Balance	31 December 2021	1,836,116,526		237,601,871
Issue of shares to key management personnel	10 January 2022	1,696,000	\$0.015	25,440
Issue of shares on exercise of Options	1 September 2022	56,818	\$0.035	1,989
Share issue costs*		-	\$0.000	(100,500)
Balance	31 December 2022	<u>1,837,869,344</u>		<u>237,528,800</u>