



ASX Announcement

29 July 2022

Avecho Quarterly Activities Report and Appendix 4C

Key Highlights

- Essential preparation underway for the commencement of **Phase III CBD soft-gel program**;
- High profile exposure for Phase II data trialling the effectiveness of cannabinoids for treating arthritis of the hand, in **top tier media and as part of the International Cannabis Research Society Conference** in Galway;
- Promising **business development and partnership discussions** ongoing for cannabinoid and broader portfolio of human health products;
- Receipt of \$1,007,990.22 under the Australian Government's **Research and Development Tax Incentive Scheme**;
- Cash balance of \$3.13m on 30 June 2022.

Melbourne, Australia, 29 July 2022 - Avecho Biotechnology Limited (ASX: AVE) ("Avecho" or the "Company"), focused on developing and commercialising innovative products using its proprietary TPM® drug delivery system, has today released its Quarterly Activities Report and Appendix 4C for the quarter ended 30 June 2022.

CBD soft-gel capsule: Phase III Trial preparation

Essential preparation is ongoing to support the commencement of Avecho's CBD Phase III Trial ("the trial") for its soft-gel product, which is principally focused on registration of an over-the-counter product for an insomnia-related indication.

The Company has begun engaging external service providers that will be responsible for the conduct of the trial. Remaining service providers will be finalised shortly, which will allow the protocol to be completed and submitted to ethics for approval in Q3 2022. The expertise of the service providers will be fundamental to the successful completion of the trial.

The CBD capsule passed further milestones during the quarter, with the first batches of material manufactured at Catalent proving to be stable after 12 months of storage at room temperature. The Company has engaged further contract manufacturers overseas to ensure the product can be tailored for a range of markets. Production is currently being scaled up in preparation for its use in the Phase III Trial as well as formal batches for the product registration process.

Topical CBD gel for Osteoarthritis: In the spotlight

Earlier this calendar year, Avecho announced positive results from a Phase II Trial testing a proprietary topical CBD gel for the management of painful symptoms associated with osteoarthritis ("OA") of the hand. This study was undertaken in partnership with the Lambert Initiative and has attracted significant market interest.

The positive trial results attracted top tier media coverage in The Herald Sun (print, online) and on Channel 7 News (television), which included an interview with one of the trial participants who shared how the treatment had positively impacted her experience of activities of daily living, by easing arthritis of the hand.



The trial results were also presented by the Lambert Initiative at the 32nd Annual International Cannabinoid Research Society Symposium ("ICRS") in Galway, Ireland, in June 2022. The ICRS conference is the premier annual meeting for cannabinoid research. The results of our study were supported by emerging research presented at the conference and consequently met with great enthusiasm.

Avecho, in partnership with Lambert Initiative, is continuing to plan larger, placebo-controlled trials examining varied uses for topical cannabinoid gels – a promising opportunity for commercial growth.

Business development and partnerships

Avecho is continuing its engagement with potential partners and licensees across its portfolio of CBD and broader human health products. Discussions continue with potential licensees for a range of opportunities in the cannabinoid space.

The Company completed the first manufacturing campaign in the US for the CBD capsules to be used in Perland's clinical program, which will commence later in the 2022 CY year.

Avecho has been working with Team SAAS to finalise the composition of their cannabis distillate for sale into the US edibles market.

AB Vista concluded their studies examining the combination of TPM with other ingredients in feed additives used to manage diarrhea in pigs. Results demonstrated that a product combining TPM® with other feed additives was able to produce a reduction in swine diarrhoea. However, the improvement was not greater than that observed for an internal product under development at AB Vista. Consequently, AB Vista have elected to proceed with their own internal product, and will not be examining the TPM further.

Corporate: Significant Research & Development tax incentive return

During the Quarter ended 30 June 2022, the Company received a significant sum of \$1,007,990 from its R&D tax return related to FY 2021, thus Avecho had net operating inflow of \$709K, including \$283K invested in R&D activities. Administration and corporate costs were \$69K during the quarter.

Avecho continues to manufacture and sell Vital ET® to Ashland for use in the global personal care industry, receiving \$667K from sales made during the current and previous quarter.

At the end of the quarter, the Company held \$3.13m in cash.

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 \$52K.

For enquiries, please contact

Dr Paul Gavin
Avecho Biotechnology Limited
+61 3 9002 5000

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

32 056 482 403

Quarter ended ("current quarter")

30 JUNE 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	404	764
1.2 Payments for		
(a) research and development	(283)	(569)
(b) product manufacturing and operating costs	(159)	(488)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs*	(141)	(412)
(f) administration and corporate costs	(69)	(247)
(g) patent portfolio costs	(50)	(123)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	1,008	1,008
1.8 Other (EMDG)	-	20
1.9 Net cash from / (used in) operating activities	709	(48)

*Some staff costs are reallocated in payments for research and development

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(h) entities	-	-
(i) businesses	-	-
(j) property, plant and equipment	-	(48)
(k) investments	-	-
(l) intellectual property	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(m) 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	-	(48)

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	(20)	(40)
3.10 Net cash from / (used in) financing activities	(20)	(40)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,440	3,265
4.2 Net cash from / (used in) operating activities (item 1.9 above)	709	(48)

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(48)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(20)	(40)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,129	3,129

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	2,043	2,354
5.2	Call deposits	1,086	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)	3,129	2,440

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	(52)
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.

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>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.</i>		
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)	709
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,129
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	3,129
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<i>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.</i>	
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	
<i>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.</i>	

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: 29 July 2022

Authorised by: By the Board of Avecho Biotechnology Limited
(Name of body or officer authorising release – see note 4)

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.