

## 1. Company details

Name of entity:	Avecho Biotechnology Limited
ABN:	32 056 482 403
Reporting period:	For the year ended 31 December 2023
Previous period:	For the year ended 31 December 2022

## 2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	58.1% to	473,551
Loss from ordinary activities after tax attributable to the owners of Avecho Biotechnology Limited	up	46.7% to	(3,436,561)
Loss for the year attributable to the owners of Avecho Biotechnology Limited	up	46.7% to	(3,436,561)

### Explanation of loss from ordinary activities after tax

Total revenue decreased by 58% for the 2023 financial year to \$473,551 (31 December 2022: \$1,129,260), primarily due to a reduction in Vital ET® sales when compared to the 2022 financial year.

Other income increased to 60% to \$1,167,984 (31 December 2022: \$727,823), primarily due to higher R&D tax incentives of \$1,075,567 (31 December 2022: \$622,923). The increase in the research and development activities for the 2023 financial year compared to 2022 financial year was due to the pre-Phase-III trials of CBD soft-gel capsule which commenced during the 2023 financial year.

Expenses from continuing operations, excluding cost of sales, increased 18% to \$4,560,750 (31 December 2022: \$3,863,332), primarily due to higher research and development costs of \$2,117,263 (31 December 2022: \$1,593,880).

At 31 December 2023, the Consolidated Entity held \$5,504,396 in cash and cash equivalents (31 December 2022: \$1,468,210). The net assets of the Consolidated Entity increased by \$3,952,874 to \$6,377,770 as at 31 December 2023 (31 December 2022: \$2,424,896). Working capital, being current assets less current liabilities, was \$6,160,327 as at 31 December 2023 (31 December 2022: \$2,105,685).

## 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.20</u>	<u>0.13</u>

## 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 details

### *Details of audit:*

This report and the accompanying Annual report of Avecho Biotechnology Limited for the year ended 31 December 2023 has been audited.

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## 11. Attachments

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

Annual report of Avecho Biotechnology Limited for the year ended 31 December 2023 is attached.

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## 12. Signed

Signed  \_\_\_\_\_

Date: 29 February 2024

Dr Gregory Collier  
Chairman

# **Avecho Biotechnology Limited**

**ABN 32 056 482 403**

**Annual Report - 31 December 2023**

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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: <a href="mailto:info@avecho.com.au">info@avecho.com.au</a>
Share registry	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>

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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 (referred to hereafter as the 'Consolidated Entity') at the end of, or during, the year ended 31 December 2023.

### Directors

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

Dr Gregory Collier (Chairman)  
Dr Ross Murdoch (Non-Executive Director)  
Mr Matthew McNamara (Non-Executive Director)

### Principal activities

Avecho Biotechnology Limited 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.

The Consolidated Entity'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.

### Dividends

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

### Review of operations

#### **Capital raising to fund Phase III Clinical Trial for CBD Soft-Gel Capsule**

The Company commenced a capital raise in April 2023 to fund the pivotal Phase III clinical trial designed to test the Company's proprietary CBD soft-gel capsule for the treatment of insomnia. The raise was undertaken in two parts.

On 10 May 2023, Avecho completed the non-renounceable entitlement offer of one (1) fully paid ordinary share for every 1 existing share held by eligible shareholders at an issue price of \$0.006 per share, raising an amount of approximately \$2 million. The initial contribution from our shareholders allowed the Company to commence the initial Phase III activities with the manufacture of our product.

On the 28 August 2023, Avecho announced it had received firm commitments from sophisticated and institutional investors to raise \$6 million by way of a placement, which was completed in two separate tranches;

- 536,128,321 fully paid ordinary shares at an issue price of \$0.006 per share to raise approximately \$3.22 million (before transaction costs), which was completed on 8 September 2023; and
- 471,004,997 fully paid ordinary shares at an issue price of \$0.006 per share to raise approximately \$2.84 million (before transaction costs), on 22 November 2023.

The total capital raised during 2023 for was approximately \$8 million (before transaction costs).

#### **Phase III Clinical Trial Activities and Timelines**

At the conclusion of the initial entitlement offer which raised \$2 million in May 2023, Avecho commenced manufacturing activities to support its pivotal Phase III Clinical Trial with a US-based Contract Manufacturing Organisation ("CMO"), Procaps Group (NASDAQ: PROC).

Procaps spent the remainder of the 2023 financial year conducting the manufacturing work necessary to support the Good manufacturing practice (GMP) manufacture of the capsule to be used in both the pivotal Phase III clinical trial, as well as the formal registration batches used to demonstrate formal stability. The documentation from registration batches is a key component of a future registration submission to the TGA or FDA and proves that the product can be manufactured reproducibly with a pharmaceutically acceptable shelf life.

With the placement Avecho was able to commence the remaining activities required to begin the Phase III trial. These included building the electronic database that will capture all the trial information from patients and final preparations at the various sites. The trial will be conducted across 5 sites around Australia; Melbourne, Brisbane, Perth, Western Sydney and Central Coast.

Patient recruitment and dosing is currently planned for March 2024. The Company anticipates it will reach its interim analysis toward the end of the 2024 financial year, depending on the final rate of patient recruitment for the study. The interim analysis will be a key milestone, allowing the company to review the data set for any observed effect, and repower the study to determine how many remaining patients are required to maximise the chance of a successful outcome. If no difference is seen between treatment groups, Avecho will not continue to dose the remaining patients.

Avecho's Phase III study occurs at a pivotal moment, particularly considering Australia's unique regulatory environment that allows OTC registration of pharmaceutical CBD products. This situation presents a significant commercial opportunity, as OTC products can be accessible directly to consumers without prescriptions. With insomnia being a widespread problem and existing treatments having various limitations, Avecho's market entry could fulfill a substantial unmet medical need.

### **Expanding cannabinoid portfolio**

In June 2023, Avecho announced it has completed the development of first generation TPM gummies containing cannabinoids. Gummies are chewable, jelly-like preparations made from a mixture of glycerin and gelatin and can incorporate a range of medications or nutraceutical ingredients. With the inclusion of edibles, Avecho's current cannabinoid portfolio now contains four different dosage forms with increased absorption – oral oils, oral soft-gel capsules, oral edibles and topical gels.

### **TPM business development agreements**

During the 2023 financial year, Avecho announced a series of agreements with third parties for products outside of the core CBD program. These agreements would allow third parties to fund development programs for TPM enhanced products of interest for their own portfolios.

New York-based global biopharmaceutical company Athenex submitted Avecho's TPM®-enhanced phytonadione injectable product to the FDA for feedback via a pre-IND meeting request. Formal FDA feedback stated that the existing toxicology package demonstrating the safety of TPM appeared sufficient to support the use of the TPM in a phytonadione injection – although toxicology reports would need to be examined in more detail to confirm adequacy upon submission of an IND application. Injectable products maker, Sagent Pharmaceuticals, purchased Athenex's injectable assets in June 2023 after Athenex attempted to spin-out their injectable business, dissolving the partnership with Avecho.

Avecho commenced work with NYSE-listed global consumer packaged goods business Perrigo Company plc (NYSE: PRGO), focussing on development of a topical TPM®-enhanced ibuprofen gel for the US market. Perrigo is planning the development of a pain-related indication using the ibuprofen TPM® gel. Avecho is managing the manufacture of the Ibuprofen TPM® product in Australia using a third party GMP contract manufacturer.

In May 2023, Avecho secured a licensing and development agreement with Arthur Group to produce a series of optimised cancer drugs solubilised using TPM. This work is being conducted in the Arthur Group's US facility.

With the addition of cannabinoid gummies to the portfolio, Avecho's CEO dedicated a substantial amount of time towards the end of the 2023 financial year to exploring business opportunities within the North America medicinal and recreational cannabis market. The products that make up these lucrative North American markets are already commodities without commercial differentiation, presenting unique and immediate opportunities for Avecho's cannabinoid products.

The Company will update the market as to future material developments arising from these discussions.

### **Extended patent protection**

In May 2023, the Company announced that the US Patent and Trade Marks Office (USPTO) has allowed its new patent application directed to an optimized manufacturing process for TPM. The patent protecting the manufacture of TPM has always been the core intellectual property. Now granted, the US patent will provide Avecho with monopoly rights to Avecho's TPM manufacturing process until at least December 2037. With this new patent, allowed in the largest pharmaceutical market in the world, Avecho ensured our ability to protect our technology and products that contain the technology, well into the future. In addition to the US, the manufacturing patent is granted in India, Japan, Mexico, Russia and Singapore, was also allowed for grant in Europe, Korea and Australia. Further territories are currently examining the manufacturing patent.

During the 2023 financial year, new IP covering the combination of TPM and cannabinoids completed the PCT phase and has now entered the National/Regional phase, with specific national applications for patents within individual countries.

A new provisional patent was submitted for further cannabinoid compositions augmented by TPM in December 2023.

### **Review of financial results**

The loss for the Consolidated Entity after providing for income tax amounted to \$3,436,561 (31 December 2022: \$2,342,391).

Total revenue decreased by 58% for the 2023 financial year to \$473,551 (31 December 2022: \$1,129,260), primarily due to a reduction in Vital ET® sales when compared to the 2022 financial year.

Other income increased to 60% to \$1,167,984 (31 December 2022: \$727,823), primarily due to higher R&D tax incentives of \$1,075,567 (31 December 2022: \$622,923). The overall increase in the research and development activities for the 2023 financial year compared to 2022 financial year was due to the pre-Phase-III trials of CBD soft-gel capsule which commenced during the 2023 financial year.

Expenses from continuing operations, excluding cost of sales, increased 18% to \$4,560,750 (31 December 2022: \$3,863,332), primarily due to higher research and development costs of \$2,117,263 (31 December 2022: \$1,593,880).

At 31 December 2023, the Consolidated Entity held \$5,504,396 in cash and cash equivalents (31 December 2022: \$1,468,210). The net assets of the Consolidated Entity increased by \$3,952,874 to \$6,377,770 as at 31 December 2023 (31 December 2022: \$2,424,896). Working capital, being current assets less current liabilities, was \$6,160,327 as at 31 December 2023 (31 December 2022: \$2,105,685).

### Significant changes in the state of affairs

On 10 May 2023 the Company completed a non-renounceable entitlement offer of 1 new fully paid ordinary share (New Share) for every 1 existing share held by eligible shareholders at an issue price of \$0.006 per New Share as announced to ASX on 3 April 2023 (Entitlement Offer). Participants in the Entitlement Offer were also entitled to 3 free attaching options, with an exercise price of \$0.012 each and expiring 3 years from their issue date (New Options) for every 2 New Shares subscribed under the Entitlement Offer.

The Entitlement Offer was closed on 3 May 2023 with applications received for 324,289,814 New Shares, raising an amount of approximately \$2 million. On 10 May 2023, the Company completed issuing of 324,289,814 New Shares and 486,434,641 New Options to participating eligible shareholders.

On the 28 August 2023, the Company announced it had received firm commitments from sophisticated and institutional investors to raise \$6 million by way of a placement ("Placement"). The Placement will be conducted on the same terms as the Company's Entitlement Offer announced to ASX on 3 April 2023. The \$6 million Placement was completed in two separate tranches;

- 536,128,321 fully paid ordinary shares at an issue price of \$0.006 per share to raise approximately \$3.22 million (before transaction costs), which was completed on 8 September 2023; and
- 471,004,997 fully paid ordinary shares at an issue price of \$0.006 per share to raise approximately \$2.84 million (before transaction costs), on 22 November 2023. On the same day, the Company also issued 1,510,699,959 free attaching options, exercisable at \$0.012 each, expiring on 10 May 2026.

In addition, the Company issued 150,000,000 Broker Options, exercisable at \$0.012 each and expiring on 10 May 2026, to the Joint Lead Managers as compensation for the capital raising services.

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

### Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 31 December 2023 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.

### Business Development Program

Avecho was actively engaged in a range of business development activities throughout the 2023 financial year, both for its differentiated cannabinoid products and legacy pharmaceutical portfolio. These are summarised in the Review of operations section.

The Company looks forward to concluding further deals on various products during the 2024 financial year.

### Risks and uncertainties

The Consolidated Entity is subject to risks that are specific to the Consolidated Entity and the Consolidated Entity's business activities, as well as general risks.



#### *Future funding risks*

The Consolidated Entity had cash and cash equivalents of \$5.5 million, and net assets of \$6.4 million as at 31 December 2023. The Consolidated Entity requires additional financing in the future to sufficiently fund the continued research, development and operations and its other longer-term objectives. The Consolidated Entity's ability to raise additional funds will be subject to, among other things, factors beyond the control of the Consolidated Entity and its Directors, including cyclical factors affecting the economy and share markets generally. If for any reason the Consolidated Entity was unable to raise future funds, its ability to achieve its milestones or continue future development / commercialisation of its technology / product would be significantly affected.

The Directors regularly review the cash flow requirements to ensure that the Consolidated Entity has sufficient cash inflows to settle its creditors and other liabilities. In addition, the Consolidated Entity is eligible for certain government grants and R&D tax incentive.

#### *Research and development risk*

The Consolidated Entity's product range includes products that are in clinical development phase and need to be further tested before they can progress to human clinical trials. Pre-clinical and clinical development of the Consolidated Entity's products could take several years to complete and might fail for several reasons including but not limited to lack of efficacy, failure to obtain regulatory approval, difficulty or failure to manufacture the Consolidated Entity's products on a large scale, or toxicity. The Consolidated Entity monitors product developments and engages proactively with key stakeholders to manage this risk.

#### *Regulatory and licensing risks*

The research, development, manufacture and sale of products is subject to a number of regulations prescribed by government authorities in Australia and overseas. Generally, there is a high rate of failure for drug candidates proceeding through pre-clinical and clinical trials. Further, even if the Consolidated Entity views the results of a trial to be positive, the FDA or other regulatory authorities may disagree with the Consolidated Entity's interpretation of the data. Thus, any product deploying Avecho' technology may be shown to be unsafe, non-efficacious, difficult or impossible to manufacture on a large scale, uneconomical to market, compete with superior products marketed by third parties, fail to secure meaningful reimbursement approval, or not be as attractive as alternative treatments.

The Consolidated Entity monitors legislative and regulatory developments and engages proactively with key stakeholders to manage this risk.

#### *Dependence on service providers and third-party collaborators*

There is no guarantee that the Consolidated Entity will be able to find suitable third-party providers and third-party collaborators including academic institutions to complete the development and commercialisation of its products. The Consolidated Entity therefore is exposed to the risk that any of these parties can experience problems related to operations, financial strength or other issues, and collaborative agreements may be terminable by the Consolidated Entity's partners. Non-performance, suspension or termination of relevant agreements could negatively impact the progress or success of the Consolidated Entity's product development efforts, financial condition and results of operations.

The Consolidated Entity monitors commercial developments and engages proactively with key stakeholders to manage this risk.

#### *Reliance on key personnel*

The Consolidated Entity's success depends to a significant extent upon its key management personnel, as well as other management and technical personnel including those employed on a contractual basis. The loss of the services of such personnel or the reduced ability to recruit additional personnel could have an adverse effect on the performance of the Consolidated Entity.

The Consolidated Entity maintains a mixture of permanent staff and expert consultants to advance its programs and ensure access to multiple skill sets. The Consolidated Entity reviews remunerations and staffing requirements regularly.

#### Intellectual property risk

The Consolidated Entity's ability to leverage its innovation and expertise is dependent on its ability to protect its intellectual property including maintaining patent protection for its product candidates and their respective targets and any improvements to it. A failure or inability to protect the Consolidated Entity's intellectual property rights could have an adverse impact on operating and financial performance. The Consolidated Entity may incur significant costs in maintaining or defending its intellectual property rights.

The Consolidated Entity proactively monitors applications and renewals of patents and licences; and requires relevant stakeholders to comply with the requirements set out in the confidentiality policy.

#### IT system failure and cyber security risks

Any information technology system is potentially vulnerable to interruption and/or damage from a number of sources, including but not limited to computer viruses, cyber security attacks and other security breaches, power, systems, internet and data network failures, and natural disasters.

The Consolidated Entity is committed to preventing and reducing cyber security risks through outsourcing the IT management to a reputable services provider. In addition, the Consolidated Entity has an insurance policy covering IT and cyber security matters.

#### Environmental regulation

The Company is registered with relevant authorities to use certain compounds in the manufacture of goods. All waste chemicals are disposed of using accredited service providers with notification to the relevant authorities.

The Company is not aware of any breaches of any environmental regulations.

#### Information on directors

Name:	Dr Gregory Collier
Title:	Non-Executive Chairman
Qualifications:	PhD
Experience and expertise:	Dr Collier has more than 25 years' experience spanning operational, clinical and scientific aspects of pharmaceutical research, development and commercialisation. Dr Collier has led the planning and execution of multiple commercial transactions including in and out licensing deals and major M&A activities, and he has successfully taken a drug from discovery through to regulatory approval.

Notably, Dr Collier steered ChemGenex Pharmaceuticals Limited from a research-based Company with a market capitalisation of \$10 million to a Company with completed clinical trials and regulatory dossiers submitted to the FDA and EMA. In 2011, ChemGenex was sold to Cephalon Inc. (now subsidiary of Teva Pharmaceuticals Industries Limited) for \$230 million.

Prior to his commercial pharmaceutical career, Dr Collier had an outstanding academic career resulting in over 150 peer reviewed publications, and senior authorship on 33 patents. Dr Collier was the inaugural Alfred Deakin Professor at Deakin University, and also held positions at Melbourne University, Monash University and the University of Toronto. In 2010, Dr Collier was awarded the Roche Award of Excellence for his contribution to the biotechnology industry.

Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	9,833,333 ordinary shares
Interests in options:	5,990,465 unlisted options 11,749,999 quoted options

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Name: Dr Ross Murdoch  
Title: Non-Executive Director  
Qualifications: PhD GAICD  
Experience and expertise: Dr Murdoch joined Avecho as CEO in January 2015 and was appointed as director in April 2015. He has almost 30 years' experience as a leader within the global healthcare, pharmaceutical and biotechnology industries. He has held senior management and executive positions in Australia, the USA and Europe, with responsibility for the strategy, development and commercialisation of products, product portfolios and the building and rebuilding of new and existing businesses.

Highlights of his career include Senior Vice President at Shire Pharmaceuticals (one of the world's leading specialty pharmaceutical companies), based in the USA and Switzerland, where he founded and grew both the Emerging Products Business and Haematology Business and President and COO of Prana Biotechnology Limited based in Australia.

Dr Murdoch has a BSc degree with honours from Monash University, a PhD in Clinical Pharmacology from the University of Melbourne and additional postgraduate training in Health Economics from Monash University Business School. He is also a Graduate of the Australian Institute of Company Directors.

Other current directorships: None  
Former directorships (last 3 years): None  
Interests in shares: 3,333,333 ordinary shares  
Interests in options: 3,993,644 unlisted options  
2,499,999 quoted options

Name: Matthew McNamara  
Title: Non-Executive Director  
Qualifications: BSc (Hons), MBA  
Experience and expertise: Mr Matthew McNamara has over 30 years' executive and funds management experience in the healthcare and medical sciences sector. He has a BSc (Hons) in Molecular Biology, has an MBA, and is a GAICD.

In 2003, he founded BioBridge Australia, a biotechnology commercialisation advisory company and advised a number of public biotechnology / investment companies.

Mr McNamara is currently Director and Chief Investment Officer of Horizon 3 Healthcare, a healthcare fund manager that has invested in Avecho Biotechnology Limited through trustee Melbourne Securities Corporation Limited.

He is presently a director of Microbio Pty Ltd, ESN Cleer Pty Ltd and Cardiac Dimensions Pty Ltd. He has held previous directorship in Adherium Ltd (ASX: ADR), Avita Medical Ltd (ASX: AVH), Bioxyne Ltd (ASX: BXN) and Saluda Medical Pty Ltd.

Mr McNamara has also served as CIO of BioScience Manager Pty Ltd, and was CEO of SciCapital Pty Ltd, a Life Sciences Venture Capital fund.

Other current directorships: None  
Former directorships (last 3 years): Adherium Ltd (ASX: ADR)  
Interests in shares: 1,666,666 ordinary shares  
Interests in options: 3,993,644 unlisted options  
2,499,999 quoted options

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

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### Company secretary

#### **Melanie Leydin - BBus (Acc. Corp Law) CA FGIA**

Ms Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. Ms Leydin is a member of the Institute of Chartered Accountants, Fellow of the Governance Institute of Australia and is a Registered Company Auditor. Ms Leydin graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and from February 2000 to October 2021 was the principal of Leydin Freyer which was acquired by Vistra in November 2021. Ms Leydin is now Vistra Australia's Managing Director and Regional Managing Director. Vistra is a prominent provider of governance and compliance solutions and finance and accounting solutions in the Fund, Corporate, Capital Markets, and Private Wealth sectors.

Ms Leydin has over 30 years' experience in the accounting profession and over 20 years' experience holding Board positions including Company Secretary and CFO of ASX listed entities. Ms Leydin has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies, initial public offerings, secondary raisings and shareholder relations.

### Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 31 December 2023, and the number of meetings attended by each director were:

	Full Board	
	Held	Attended
Gregory Collier	7	7
Ross Murdoch	7	7
Matthew McNamara	7	7

Held: represents the number of meetings held during the time the director held office.

The full Board assumes the responsibility of the Remuneration Committee and Audit Committee.

### Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Consolidated Entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Relationship between remuneration and the Consolidated Entity's performance
- Additional disclosures relating to key management personnel

#### **Principles used to determine the nature and amount of remuneration**

The objective of the Consolidated Entity's executive remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitive and reasonable, enabling the Company to attract and retain key talent
- Aligned to the Company's strategic and business objectives and creation of shareholder value
- Transparent and easily understood; and
- Acceptable to shareholders

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Consolidated Entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

### **Executive remuneration**

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Consolidated Entity.

The executive remuneration framework has three components:

- Base pay and benefits
- Short-term incentives
- Long-term incentives through participation in Avecho Equity Incentive Plan (EIP)

A combination of these components comprises an executive's total remuneration, with base pay and benefits at an appropriate level to competitive market benchmarks.

#### **Base pay and benefits**

Executives receive their base pay and benefits structured as a Total Remuneration Package (TRP) which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion. Superannuation is included in the TRP.

Eligible employees can receive cash bonus based on a percentage of their fixed base salary should they meet expected KPIs. Executives including CEO and COO are eligible to receive up to 20% of their fixed base salary as a bonus. Executive bonus is set to be paid on an annual basis as 50% cash and 50% in terms of fully paid ordinary shares.

Bonus outcomes are discretionary and are based on performance criteria outlined in their respective contracts, the overall health of the business and other factors which may arise. The Board approves the total bonus pool, the corporate component as well as the total awarded to each KMP.

#### **Long term incentives**

On 23 May 2023, the shareholders approved the Equity Incentive Plan ("Plan") at its Annual General Meeting. The Plan would enable eligible directors, officers, employees, and contractors (including Executive and Non-Executive directors, officers, employees and contractors of the Company's subsidiaries) to receive shares, options to acquire shares in the Company, other securities, or rights or interests such as performance rights.

No directors or their associates can or can be issued shares, options or other securities or rights under the Plan unless shareholder approval of specific issues to them is obtained. Under the Plan the Company may acquire shares on market to be held on trust for directors or their associates.

The Company can issue up to 183 million equity securities (shares, options or other rights including performance rights each conditionally entitling the applicable holder to one fully paid ordinary shares upon exercise or achievement of the applicable milestone) over the next three years. Any additional issues under the Plan above that number would require further shareholder approval, unless the total number of securities issued does not exceed 5% of the then issued shares of the Company.

The objectives of the Plan are to:

- Provide eligible employees with an additional incentive to work to improve the performance of the Company;
- Attract and retain eligible employees essential for the continued growth and development of the Company;
- Promote and foster loyalty and support amongst eligible employees for the benefit of the Company;
- Enhance the relationship between the Company and eligible employees for the long-term mutual benefit of all parties; and
- Provide eligible employees with the opportunity to acquire shares, options or rights in the Company, in accordance with the Plan.

As at 31 December 2023, the Company issued nil performance rights (31 December 2022: nil) and nil unlisted options (31 December 2022: nil) under the Plan.

#### **Non-executive remuneration**

The Company's remuneration strategy for non-executive directors is to remunerate them appropriately for their time and expertise, which has been determined to involve a combination of fixed fees and a non-performance based equity component. All non-executive directors receive a fixed fee.

	Consolidated	
	31 December 2023	31 December 2022
	\$	\$
Chairman	100,000	100,000
Non-Executive Director	55,500	55,500

Fees are determined within an aggregate non-executive director's pool limit approved by shareholders. The aggregate currently stands at \$400,000 and was approved by shareholders at 2014 Annual General Meeting. This amount, or part thereof, is divided among non-executive directors as determined by the Board and reflecting time and responsibility related to the Board and committees. The aggregate fees paid to non-executive directors was \$210,500 (31 December 2022: \$210,500). Director fees include statutory superannuation contributions as required under Australian superannuation guarantee legislation.

Non-executive director's fees are reviewed annually by the Board. Other than a revision to superannuation as required under the Australian superannuation guarantee legislation, there have been no changes to non-executive director fees in either 31 December 2023 or 31 December 2022.

Other than statutory superannuation, Non-Executive Directors do not receive other retirement benefits nor do they participate in any short-term incentive programs. Non-executive directors are entitled to participate in the long-term incentive scheme as detailed in the Executive remuneration section.

**Use of remuneration consultants**

If remuneration consultants are to be engaged to provide remuneration recommendations as defined in section 9B of the Corporations Act 2001, then they are engaged by, and report directly to, the Board. No remuneration consultants were engaged to provide remuneration services during the financial year.

**Voting and comments made at the Company's Annual General Meeting ('AGM') on 23 May 2023**

At the Company's AGM held on 23 May 2023, 99.29% of the votes received supported the adoption of the remuneration report for the year ended 31 December 2022. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

**Details of remuneration**

The key management personnel of the Consolidated Entity consisted of the following directors and executives of Avecho Biotechnology Limited:

- Gregory Collier (Chairman)
- Ross Murdoch (Non-Executive Director)
- Matthew McNamara (Non-Executive Director)

Other key Executive personnel:

- Paul Gavin (Chief Executive Officer)
- Roksan Libinaki (Chief Operating Officer)

Details of the remuneration of key management personnel of the Consolidated Entity are set out in the following tables.

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31 December 2023	Short-term benefits Salary and fees \$	Annual leave <sup>(i)</sup> \$	Post-employment benefits Superannuation \$	Long-term benefits Long service leave <sup>(i)</sup> \$	Share-based payments Options <sup>(ii)</sup> \$	Total \$
<i>Directors:</i>						
Gregory Collier	100,000	-	-	-	15,100	115,100
Ross Murdoch	49,887	-	5,363	-	10,066	65,316
Matthew McNamara	49,887	-	5,363	-	10,066	65,316
<i>Chief Executive Officer</i>						
Paul Gavin	227,000	(535)	24,402	8,787	32,142	291,796
<i>Other Key Management Personnel:</i>						
Roksan Libinaki	200,000	(2,857)	21,500	7,989	16,071	242,703
	<u>626,774</u>	<u>(3,392)</u>	<u>56,628</u>	<u>16,776</u>	<u>83,445</u>	<u>780,231</u>

(i) Employee leave benefits represent annual leave and long service leave entitlements, measured on an accrual basis, and reflects the net movement in the entitlements over the year. Negative movement indicates leave taken that exceeds leave accrued during the year.

(ii) Represents value of options granted in prior periods recognised over the vesting period. No new options were granted in the 2023 financial year as part of key management personnel remuneration.

31 December 2022	Short-term benefits Salary and fees \$	Annual leave <sup>(i)</sup> \$	Post-employment benefits Superannuation \$	Long-term benefits Long service leave <sup>(i)</sup> \$	Share-based payments Options <sup>(ii)</sup> \$	Total \$
<i>Directors:</i>						
Gregory Collier	100,000	-	-	-	11,135	111,135
Ross Murdoch	50,114	-	5,136	-	7,423	62,673
Matthew McNamara	50,114	-	5,136	-	7,423	62,673
<i>Chief Executive Officer</i>						
Paul Gavin	227,000	10,897	23,268	9,233	84,422	354,820
<i>Other Key Management Personnel:</i>						
Roksan Libinaki	200,000	7,800	20,500	8,431	42,211	278,942
	<u>627,228</u>	<u>18,697</u>	<u>54,040</u>	<u>17,664</u>	<u>152,614</u>	<u>870,243</u>

(i) Employee leave benefits represent annual leave and long service leave entitlements, measured on an accrual basis, and reflects the net movement in the entitlements over the year. Negative movement indicates leave taken that exceeds leave accrued during the year.

(ii) Represents value of options granted in prior periods recognised over the vesting period. No new options were granted in the 2022 financial year as part of key management personnel remuneration.

**Service agreements**

Remuneration and other terms of employment for the executives are formalised in service agreements which include a position description that sets out duties, rights and responsibilities as well as entitlements on termination. All service agreements include provision that the Company can dismiss the employee at any time without notice if the employee is guilty of serious misconduct, becomes unable to pay debts or is found guilty by court of a criminal offence.

The entitlement to participate in Avecho Employee Incentive Plan is governed by the Equity Incentive Plan Rules and may not be specifically detailed in the service agreement.

Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause, any unvested options or rights will immediately be forfeited.

<b>Name (Title)</b>	<b>Term of agreement and notice period</b>	<b>Base salary including superannuation*</b>	<b>Termination payments**</b>
Paul Gavin (Chief Executive Officer)	No fixed term and a notice period of 6 months	\$250,268	6 months
Roksan Libinaki (Chief Operating Officer)	No fixed term and a notice period of 3 months	\$220,500	3 months

\* Base salary quoted as at 31 December 2023, reviewed annually by the Board. Other than a revision to superannuation as required under the Australian superannuation guarantee legislation, there have been no changes to executive salaries during 31 December 2023.

\*\* Base salary payable if the Company terminates employee with notice and without cause.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

In addition, on 20 November 2020, the Company granted Executives option over ordinary shares in accordance with the provisions of the EIP. These options expire on 20 May 2024 (being 42 months from grant date).

**Share-based compensation**

*Issue of shares*

There were no shares issued to Directors and other Key Management Personnel as part of compensation during the year ended 31 December 2023.

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### Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Paul Gavin	9,984,109	20/11/2020	20/11/2020	20/05/2024	\$0.017	\$0.011
Paul Gavin	9,984,109	20/11/2020	20/11/2021	20/05/2024	\$0.017	\$0.011
Paul Gavin	9,984,109	20/11/2020	20/11/2022	20/05/2024	\$0.017	\$0.011
Paul Gavin	9,984,109	20/11/2020	20/11/2023	20/05/2024	\$0.017	\$0.011
Roksan Libinaki	4,992,054	20/11/2020	20/11/2020	20/05/2024	\$0.017	\$0.011
Roksan Libinaki	4,992,054	20/11/2020	20/11/2021	20/05/2024	\$0.017	\$0.011
Roksan Libinaki	4,992,055	20/11/2020	20/11/2022	20/05/2024	\$0.017	\$0.011
Roksan Libinaki	4,992,055	20/11/2020	20/11/2023	20/05/2024	\$0.017	\$0.011
Gregory Collier	1,497,616	31/05/2021	31/05/2021	29/11/2024	\$0.017	\$0.020
Gregory Collier	1,497,616	31/05/2021	31/05/2022	29/11/2024	\$0.017	\$0.020
Gregory Collier	1,497,616	31/05/2021	31/05/2023	29/11/2024	\$0.017	\$0.020
Gregory Collier	1,497,617	31/05/2021	31/05/2024	29/11/2024	\$0.017	\$0.020
Ross Murdoch	998,411	31/05/2021	31/05/2021	29/11/2024	\$0.017	\$0.020
Ross Murdoch	998,411	31/05/2021	31/05/2022	29/11/2024	\$0.017	\$0.020
Ross Murdoch	998,411	31/05/2021	31/05/2023	29/11/2024	\$0.017	\$0.020
Ross Murdoch	998,411	31/05/2021	31/05/2024	29/11/2024	\$0.017	\$0.020
Matthew McNamara	998,411	31/05/2021	31/05/2021	29/11/2024	\$0.017	\$0.020
Matthew McNamara	998,411	31/05/2021	31/05/2022	29/11/2024	\$0.017	\$0.020
Matthew McNamara	998,411	31/05/2021	31/05/2023	29/11/2024	\$0.017	\$0.020
Matthew McNamara	998,411	31/05/2021	31/05/2024	29/11/2024	\$0.017	\$0.020

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 31 December 2023 are set out below:

Name	Number of options granted during the year	Number of options granted during the year	Number of options vested during the year	Number of options vested during the year
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Gregory Collier	-	-	1,497,616	1,497,616
Matthew McNamara	-	-	998,411	998,411
Ross Murdoch	-	-	998,411	998,411
Paul Gavin	-	-	9,984,109	9,984,109
Roksan Libinaki	-	-	4,992,055	4,992,054

### Performance rights

There were no performance rights over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 31 December 2023 (31 December 2022: Nil).

### Relationship between remuneration and the Consolidated Entity's performance

Typical of companies in the biotech sector at the Company's stage of development, performance metrics, such as total revenues or profitability, are not an appropriate measure of executive performance. The following table shows the Company's total revenues over the five-year period from 2019 to 2023.

	2023 \$	2022 \$	2021 \$	2020 \$	2019 \$
Total revenue from continuing operations	473,551	1,129,260	793,600	384,627	4,238,113
Loss from continuing operations	(3,436,561)	(2,342,391)	(3,416,116)	(2,634,853)	849,955

The main focus is on growth in shareholder value through achievement of development and commercial milestones. The Board, however, recognises that share price performance is relevant and has linked share price performance to the vesting of executive long term equity incentives.

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2023	2022	2021	2020	2019
Share price at financial year end (cents)	0.35	1.50	1.50	2.90	0.40
Basic earnings per share (cents per share)	(0.15)	(0.13)	(0.19)	(0.17)	0.05
Diluted earnings per share (cents per share)	(0.15)	(0.13)	(0.19)	(0.17)	0.05

**Additional disclosures relating to key management personnel**

*Shareholding*

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Other	Balance at the end of the year
<i>Ordinary shares</i>					
Gregory Collier	2,000,000	-	7,833,333	-	9,833,333
Ross Murdoch	1,666,667	-	1,666,666	-	3,333,333
Matthew McNamara	-	-	1,666,666	-	1,666,666
Paul Gavin	10,859,508	-	-	-	10,859,508
Roksan Libinaki	11,100,441	-	-	-	11,100,441
	<u>25,626,616</u>	<u>-</u>	<u>11,166,665</u>	<u>-</u>	<u>36,793,281</u>

*Option holding*

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised / Expired	Others <sup>(i)</sup>	Balance at the end of the year
<i>Options over ordinary shares</i>					
Gregory Collier	5,990,465	-	-	11,749,999	17,740,464
Matthew McNamara	3,993,644	-	-	2,499,999	6,493,643
Ross Murdoch	3,993,644	-	-	2,499,999	6,493,643
Paul Gavin	39,936,436	-	-	-	39,936,436
Roksan Libinaki	19,968,218	-	-	-	19,968,218
	<u>73,882,407</u>	<u>-</u>	<u>-</u>	<u>16,749,997</u>	<u>90,632,404</u>

(i) Free attaching Options received by the Directors, who participated in the capital raising during the year ended 31 December 2023.

***This concludes the remuneration report, which has been audited.***

### Shares under option

Unissued ordinary shares of Avecho Biotechnology Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
20/11/2020	20/05/2024	\$0.017	83,866,515
31/05/2021	29/11/2024	\$0.017	13,977,753
10/05/2023	10/05/2026	\$0.012	486,430,104
22/11/2023	10/05/2026	\$0.012	1,660,699,959
			2,244,974,331

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

### Shares issued on the exercise of options and performance rights

The following ordinary shares of Avecho Biotechnology Limited were issued during the year ended 31 December 2023 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
4,537 options granted on 10 May 2023	\$0.012	4,537

### Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

### Indemnity and insurance of auditor

The Company has agreed to indemnify its auditors, Grant Thornton Audit Pty Ltd, to the extent permitted by law, against any claim by a third party arising from the Company's breach of their agreement. The indemnity stipulates that the Company will meet the full amount of any such liabilities including a reasonable amount of legal costs.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

### Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

### Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 19 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 19 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional accountants (including independence standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

**Officers of the Company who are former partners of Grant Thornton Audit Pty Ltd**

There are no officers of the Company who are former partners of Grant Thornton Audit Pty Ltd.

**Auditor's independence declaration**

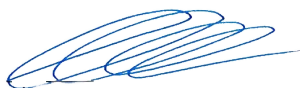
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

**Auditor**

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



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Dr Gregory Collier  
Chairman

29 February 2024

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**Grant Thornton Audit Pty Ltd**

Level 22 Tower 5  
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## 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 audit of Avecho Biotechnology Limited for the year ended 31 December 2023, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



J D Vasilou  
Partner – Audit & Assurance

Melbourne, 29 February 2024

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**Avecho Biotechnology Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2023**



		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
		<b>\$</b>	<b>\$</b>
Revenue from contracts with customers	5	473,551	1,129,260
Cost of sales (including impairment of inventory)		<u>(517,346)</u>	<u>(336,142)</u>
Gross profit		<u>(43,795)</u>	<u>793,118</u>
Research and development tax incentive and other income	6	1,167,984	727,823
Research and development expenses	7	(2,117,263)	(1,593,880)
Administration and corporate expenses	8	(2,428,131)	(2,263,103)
Finance costs		<u>(15,356)</u>	<u>(6,349)</u>
<b>Loss before income tax expense</b>		<b>(3,436,561)</b>	<b>(2,342,391)</b>
Income tax expense	9	<u>-</u>	<u>-</u>
<b>Loss after income tax expense for the year attributable to the owners of Avecho Biotechnology Limited</b>		<b>(3,436,561)</b>	<b>(2,342,391)</b>
Other comprehensive loss for the year, net of tax		<u>-</u>	<u>-</u>
<b>Total comprehensive loss for the year attributable to the owners of Avecho Biotechnology Limited</b>		<b><u>(3,436,561)</u></b>	<b><u>(2,342,391)</u></b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	27	(0.15)	(0.13)
Diluted earnings per share	27	(0.15)	(0.13)

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

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		Consolidated	
	Note	31 December 2023 \$	31 December 2022 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	5,504,396	1,468,210
Trade and other receivables	11	1,099,563	745,994
Inventories		97,117	401,979
Other current assets	12	302,566	235,006
<b>Total current assets</b>		<u>7,003,642</u>	<u>2,851,189</u>
<b>Non-current assets</b>			
Plant and equipment		147,305	222,038
Right-of-use assets		168,363	246,075
Intangibles		-	26,250
<b>Total non-current assets</b>		<u>315,668</u>	<u>494,363</u>
<b>Total assets</b>		<u>7,319,310</u>	<u>3,345,552</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	181,952	276,415
Contract liabilities		158,376	-
Lease liabilities		76,926	70,923
Provisions	14	426,061	398,166
<b>Total current liabilities</b>		<u>843,315</u>	<u>745,504</u>
<b>Non-current liabilities</b>			
Lease liabilities		98,225	175,152
<b>Total non-current liabilities</b>		<u>98,225</u>	<u>175,152</u>
<b>Total liabilities</b>		<u>941,540</u>	<u>920,656</u>
<b>Net assets</b>		<u>6,377,770</u>	<u>2,424,896</u>
<b>Equity</b>			
Issued capital	15	244,605,505	237,528,800
Reserves	16	29,212,656	29,000,426
Accumulated losses		(267,440,391)	(264,104,330)
<b>Total equity</b>		<u>6,377,770</u>	<u>2,424,896</u>

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 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 loss for the year, net of tax	-	-	-	-
Total comprehensive loss 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 15)	1,989	-	-	1,989
Share-based payments	25,440	203,268	-	228,708
Transfer of other reserve balance	-	(305,323)	305,323	-
Issue of broker options	(100,500)	100,500	-	-
Balance at 31 December 2022	<u>237,528,800</u>	<u>29,000,426</u>	<u>(264,104,330)</u>	<u>2,424,896</u>

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 January 2023	237,528,800	29,000,426	(264,104,330)	2,424,896
Loss after income tax expense for the year	-	-	(3,436,561)	(3,436,561)
Other comprehensive loss for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(3,436,561)	(3,436,561)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 15)	7,286,705	-	-	7,286,705
Share-based payments (note 28)	-	102,730	-	102,730
Share options lapsed (note 16)	-	(100,500)	100,500	-
Issue of broker options (note 16)	(210,000)	210,000	-	-
Balance at 31 December 2023	<u>244,605,505</u>	<u>29,212,656</u>	<u>(267,440,391)</u>	<u>6,377,770</u>



		Consolidated	
	Note	31 December 2023 \$	31 December 2022 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		758,215	1,192,827
Receipts from R&D tax incentive and Export Market Development Grants		723,888	1,039,938
Payments to suppliers and employees (inclusive of GST)		(4,686,095)	(3,900,327)
Finance costs paid		(11,479)	(1,992)
Interest received		35,516	4,347
		<u>                    </u>	<u>                    </u>
Net cash used in operating activities	26	<u>(3,179,955)</u>	<u>(1,665,207)</u>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		-	(53,124)
		<u>                    </u>	<u>                    </u>
Net cash used in investing activities		-	(53,124)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	15	8,003,594	1,989
Costs paid for issue of shares		(716,529)	-
Payment of principal element of lease liabilities		(70,924)	(80,212)
		<u>                    </u>	<u>                    </u>
Net cash from/(used in) financing activities		<u>7,216,141</u>	<u>(78,223)</u>
		<u>                    </u>	<u>                    </u>
Net increase/(decrease) in cash and cash equivalents		4,036,186	(1,796,554)
Cash and cash equivalents at the beginning of the financial year		1,468,210	3,264,764
		<u>                    </u>	<u>                    </u>
Cash and cash equivalents at the end of the financial year	10	<u><u>5,504,396</u></u>	<u><u>1,468,210</u></u>

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

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## **Note 1. General information**

The financial statements cover Avecho Biotechnology Limited as a consolidated entity consisting of Avecho Biotechnology Limited (the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year (collectively the 'Consolidated Entity'). 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. Refer to the corporate directory for further information.

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 29 February 2024.

## **Note 2. Material accounting policy information**

The accounting policies that are material to the Consolidated Entity are set out either in the respective notes or below. The accounting policies adopted are consistent with those of the previous financial year, 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.

### *Critical accounting estimates*

The preparation of the 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 where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Avecho Biotechnology Limited as at 31 December 2023 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

## Note 2. Material accounting policy information (continued)

Where the Company loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Company recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in note 23.

### Going concern

The 31 December 2023 financial statements have been prepared on the going concern basis, which assumes continuity of normal business activities and the realization of assets and the settlement of liabilities in the ordinary course of business.

The Consolidated Entity made a loss after tax of \$3,436,561 and incurred net operating cash outflows of \$3,179,955 during the year. The continuing viability of the Consolidated Entity and its ability to continue as a going concern is dependent upon the Consolidated Entity being successful in its continuing efforts in R&D activities, potential licensing on existing products and accessing additional sources of capital to meet the commitments.

As a result of these matters there is a material uncertainty that may cast significant doubt upon the Consolidated Entity's ability to continue as a going concern and therefore whether the Consolidated Entity will realise its assets and settle its liabilities in the ordinary course of business at the amounts recorded in the financial statements.

In considering the ability of the Consolidated Entity to continue as a going concern the Directors considered the following matters:

- As at 31 December 2023 the working capital position of the Consolidated Entity was a surplus of \$6,160,327 and the Consolidated Entity had net assets of \$6,377,770, including cash and cash equivalents of \$5,504,396;
- The Consolidated Entity has the ability to raise additional working capital through the issue of equity, as needed;
- The Consolidated Entity has a successful history in raising funds and is well supported by its major shareholders;
- The Consolidated Entity have a successful history of
  - Being eligible for Research and Development (R&D) tax incentives and various other government grants
  - Licensing existing patented products
  - Selling TPM® and Vital ET® products to Ashland and Themis; and
  - Other avenues that may be available to the Consolidated Entity.

The Directors will continue to monitor the ongoing funding requirements of the Consolidated Entity. As a consequence of the above, the directors believe that, notwithstanding the Consolidated Entity's operating results for the year, the Consolidated Entity will be able to continue as a going concern and therefore, these financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Consolidated Entity not continue as a going concern.

### Foreign currency translation

Items included in the financial statements of each of the Consolidated Entity's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Avecho Biotechnology Limited's functional and presentation currency.

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## Note 2. Material accounting policy information (continued)

### *Foreign currency transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

### *Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

### **Impairment of assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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## Note 2. Material accounting policy information (continued)

### Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

### Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

## 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:

### *R&D Tax Incentives*

Under the Research and Development (R&D) Tax Incentive scheme, the Consolidated Entity receives a 18.5% refundable tax offset above the Consolidated Entity's tax rate, of eligible expenditures if its turnover is less than \$20 million per annum provided it is not controlled by income tax exempt entities. A R&D plan is required to be filed with AusIndustry in the following financial year, and based on this filing, the Consolidated Entity would be able to the incentive in cash. Management performs a detailed review of the Consolidated Entity's total research and development expenditure to determine the potential claim under the R&D tax incentive legislation. There is a significant degree of judgement and interpretation of the R&D tax legislation required by management to assess the eligibility of the R&D expenditure under the scheme. This is to avoid the risk that expenses claimed are ineligible and the methodology adopted is not appropriate or not in accordance with the ATO guidelines including inaccurate calculations of the R&D tax incentive refund. For the period ended 31 December 2023 the Consolidated Entity has recorded R&D tax incentive of \$1,075,567 (31 December 2022: \$622,923), in relation to 2023 financial year. This R&D tax incentive is subject to the Consolidated Entity completing the R&D tax application process and income tax returns on a timely basis.

### *Share-based payment transactions*

The Consolidated Entity measures the cost of equity-settled transactions 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, as discussed in note 28. 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.

#### Note 4. Operating segments

##### Identification of reportable operating segments

The Consolidated Entity is organised into two operating segments based on differences in products and services provided:

##### Production

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

##### Human Health

Human Health portfolio covers delivery of pharmaceutical products through gels, injectables and patches including conduct of research and development activities.

Minimal activities are conducted under the Animal Health and Nutrition segments and therefore these not separately identified nor monitored.

These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. The information reported to the CODM is on a monthly basis.

##### Operating segment information

<b>Consolidated - 31 December 2023</b>	<b>Production</b>	<b>Human Health</b>	<b>Corporate</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Sales to external customers	473,551	-	-	473,551
Cost of sales	(517,346)	-	-	(517,346)
Interest income	-	-	35,516	35,516
Research and development tax incentive and other income	36,600	1,075,567	20,301	1,132,468
Depreciation and amortisation	(26,250)	-	(152,445)	(178,695)
Employee and directors benefit expense	(34,376)	(688,925)	(610,348)	(1,333,649)
Research expenses	-	(1,467,417)	-	(1,467,417)
Other operating expenses from continuing operations	(270,352)	-	(1,310,637)	(1,580,989)
<b>Loss before income tax expense</b>	<b>(338,173)</b>	<b>(1,080,775)</b>	<b>(2,017,613)</b>	<b>(3,436,561)</b>
Income tax expense				-
<b>Loss after income tax expense</b>				<b>(3,436,561)</b>
<b>Assets</b>				
Segment assets	138,630	1,076,206	6,104,474	7,319,310
<b>Total assets</b>				<b>7,319,310</b>
<b>Liabilities</b>				
Segment liabilities	483	213,413	727,644	941,540
<b>Total liabilities</b>				<b>941,540</b>

Note 4. Operating segments (continued)

<b>Consolidated - 31 December 2022</b>	<b>Production</b> \$	<b>Human Health</b> \$	<b>Corporate</b> \$	<b>Total</b> \$
Sales to external customers	1,129,260	-	-	1,129,260
Cost of sales	(336,142)	-	-	(336,142)
Interest income	-	-	4,347	4,347
Research and development tax incentive and other income	76,907	622,923	-	699,830
Depreciation and amortisation	(75,750)	-	(154,601)	(230,351)
Employee and directors benefit expense	(66,052)	(617,966)	(750,616)	(1,434,634)
Research expenses	-	(1,004,498)	-	(1,004,498)
Other operating expenses from continuing operations	(67,945)	-	(1,102,258)	(1,170,203)
<b>Profit/(loss) before income tax expense</b>	<b>660,278</b>	<b>(999,541)</b>	<b>(2,003,128)</b>	<b>(2,342,391)</b>
Income tax expense				-
<b>Loss after income tax expense</b>				<b>(2,342,391)</b>
<b>Assets</b>				
Segment assets	1,231,542	687,927	1,426,083	3,345,552
<b>Total assets</b>				<b>3,345,552</b>
<b>Liabilities</b>				
Segment liabilities	57,502	131,439	731,715	920,656
<b>Total liabilities</b>				<b>920,656</b>

Understanding segment results

Revenues from external customers comes from the sale of TPM® and Vital ET® products on a wholesale basis as well as licence revenue. Approximately 85% of revenue attributed to the Production segment was derived from a single external customer group (31 December 2022: 92%).

The Consolidated Entity is domiciled in Australia. The amount of its revenue from external customers broken down by location of customers is shown below.

Geographical information

	<b>Sales, Licences and Royalties</b>		<b>Geographical non-current assets</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
	\$	\$	\$	\$
Australia	38,307	24,550	315,668	494,363
Switzerland	403,444	1,009,945	-	-
United States	-	69,263	-	-
India	31,800	25,502	-	-
	<b>473,551</b>	<b>1,129,260</b>	<b>315,668</b>	<b>494,363</b>

The geographical non-current assets above are measured in the same way as on the financial statements. These assets are allocated based on the operations of the segments and physical location of assets.

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.



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

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue from continuing operations</b>		
Sale of goods transferred at a point in time	473,551	1,059,998
Licence revenue recognised over time	-	69,262
	<u>473,551</u>	<u>1,129,260</u>
Total revenue from contracts with customers	<u>473,551</u>	<u>1,129,260</u>

*Accounting policy for revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the Consolidated Entity is expected to be entitled in exchange for transferring goods or services to a customer. There is no significant variable consideration or financing elements in relation to the Consolidated Entity's revenue.

All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue arises mainly from manufacturing and sale of Vital ET® and TPM® and licence fees. To determine whether to recognise revenue, the Consolidated Entity follows a 5-step process:

- 1 Identifying the contract with a customer
- 2 Identifying the performance obligations
- 3 Determining the transaction price
- 4 Allocating the transaction price to the performance obligations
- 5 Recognising revenue when/as performance obligations are satisfied.

Revenue is recognised either at a point in time or over time, when the Consolidated Entity satisfies performance obligations by transferring the promised goods or services to its customers.

The Consolidated Entity recognises contract liabilities for consideration received in respect to unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Consolidated Entity satisfies a performance obligation before it receives the consideration, the Consolidated Entity recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

**Sale of Vital ET® and TPM®**

Revenue from sale of Vital ET® and TPM® for a fixed fee per kilogram is recognised when or as the Consolidated Entity transfers control of the assets to the customer. For sale of Vital ET®, invoices are due upon 45 days of invoice date. For sale of TPM®, a 50% down payment invoice is raised and paid, prior to completion of customer order. The remaining 50% invoice amount is issued on delivery. In both cases, revenue is recognised at a point in time when the goods are freight on board, at which point control has transferred to the customer and represents the point in time that there is no unfulfilled obligation that could affect the customer's acceptance of the goods.

The Consolidated Entity has no retrospective volume discounts/rebates and no significant warranty claim history to reporting date which would require a significant warranty provision.

**Licensing revenue**

Licensing revenue is recognised as the Consolidated Entity satisfies the performance obligations.

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**Note 6. Research and development tax incentive and other income**

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	\$	\$
Net foreign exchange gain	20,301	23,646
Research and development tax incentive	1,075,567	622,923
Export Market Development Grants (EMDG)	36,600	76,907
Interest income	35,516	4,347
	<u>1,167,984</u>	<u>727,823</u>

*Research and development tax incentive*

Research and Development tax incentives are recognised in accordance with AASB 120: Accounting for Government Grants and Government Assistance. The Research and development tax credit is recognised when there is reasonable assurance that the grant will be received and all conditions have been complied with. The grant has been recognised as other income within the period.

*Accounting policy for government grants*

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Consolidated Entity will comply with all attached conditions. Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

*Accounting policy for interest income*

Interest income is recognised on a time proportion basis using the effective interest rate method.

**Note 7. Research and development expenses**

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	\$	\$
Consultancy and laboratory consumables	33,273	83,894
Clinical development expenses	1,434,144	920,605
Employment expenses associated with research and development	649,846	589,381
	<u>2,117,263</u>	<u>1,593,880</u>

**Note 8. Administration and corporate expenses**

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>\$</b>	<b>\$</b>
Professional and consultancy fees	600,023	545,454
Insurance	343,140	266,601
Patent portfolio expenses	297,496	199,282
Salaries and other employee expenses (non - R&D)	267,637	334,241
Director fees	210,500	210,501
Superannuation expenses	102,936	97,242
Share based payments expenses (note 28)	102,730	203,268
Shareholder and listing expenses	190,924	159,169
Depreciation of right-of-use assets and plant and equipment	152,445	154,601
Amortisation of intangible assets	26,250	75,750
Other sundry expenses	134,050	16,994
	<u>2,428,131</u>	<u>2,263,103</u>

**Note 9. Income tax**

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>\$</b>	<b>\$</b>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(3,436,561)	(2,342,391)
Tax at the statutory tax rate of 25%	(859,140)	(585,598)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	25,683	50,817
Non-deductible R&D expenditure subject to incentive	618,509	395,360
Non-assessable income - R&D incentive	(268,892)	(155,731)
	(483,840)	(295,152)
Unused tax losses and tax offsets not recognised as deferred tax assets	483,840	295,152
Income tax expense	<u>-</u>	<u>-</u>

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>\$</b>	<b>\$</b>
<i>Deferred tax assets not recognised</i>		
The following items have not been brought to account as deferred tax assets:		
Payables, accrued expenses, and provisions	213,789	114,955
Intangibles	421,219	947,878
Property plant and equipment	13,704	13,089
Expense deductible in future periods	92,548	73,246
Other	1,697	-
Tax losses not recognised at current tax rate of 25% (31 December 2022: 25%)	46,050,374	45,090,048
Total deferred tax assets not recognised	<u>46,793,331</u>	<u>46,239,216</u>

## Note 9. Income tax (continued)

The above deferred tax assets (net of deferred tax liabilities) have not been recognised in the statement of financial position as the recovery is uncertain.

### *Tax losses*

Deferred tax assets have not been recognised in respect of carried forward tax losses.

### *Tax consolidation*

#### *(i) Members of the tax consolidated group and the tax sharing arrangement*

Avecho Biotechnology Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2009. Avecho Biotechnology Limited is the head entity of the tax consolidated group.

#### *(ii) Tax effect accounting by members of the tax consolidated group*

##### *Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting*

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Consolidated Entity has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes.

##### *Accounting policy for income tax*

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

### Note 9. Income tax (continued)

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Avecho Biotechnology Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### Note 10. Cash and cash equivalents

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	\$	\$
<i>Current assets</i>		
Cash at bank	5,488,666	1,382,480
Short term deposits	<u>15,730</u>	<u>85,730</u>
	<u><u>5,504,396</u></u>	<u><u>1,468,210</u></u>

#### *Accounting policy for cash and cash equivalents*

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

### Note 11. Trade and other receivables

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	\$	\$
<i>Current assets</i>		
R&D tax incentive credit receivable	1,076,206	687,927
Other receivables	<u>23,357</u>	<u>58,067</u>
	<u><u>1,099,563</u></u>	<u><u>745,994</u></u>

#### *Accounting policy for trade and other financial assets at amortised cost*

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 45 days.

The Consolidated Entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other financial assets at amortised cost are recognised at amortised cost, less any allowance for expected credit losses.

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**Note 11. Trade and other receivables (continued)**

*Fair value and credit risk*

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables.

**Note 12. Other current assets**

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	\$	\$
<i>Current assets</i>		
Prepayments	302,566	228,566
Other current assets	-	6,440
	<u>302,566</u>	<u>235,006</u>

**Note 13. Trade and other payables**

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	\$	\$
<i>Current liabilities</i>		
Trade payables	94,903	191,191
Accrued expenses	63,500	61,655
Other payables	23,549	23,569
	<u>181,952</u>	<u>276,415</u>

Refer to note 17 for further information on financial risk management.

Trade payables are non-interest bearing and are generally settled on 30 day terms. Other payables are non-trade payables and non-interest bearing.

*Accounting policy for trade and other payables*

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

The carrying amounts of trade and other payables are considered to be the same as fair values, due to their short term nature.

**Note 14. Provisions**

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	\$	\$
<i>Current liabilities</i>		
Annual leave	153,059	152,407
Long service leave	273,002	245,759
	<u>426,061</u>	<u>398,166</u>

#### Note 14. Provisions (continued)

##### Accounting policy for short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

##### Other long-term employee benefits

Long term employee benefits includes long service leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

##### Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

#### Note 15. Issued capital

	Consolidated			
	31 December 2023 Shares	31 December 2022 Shares	31 December 2023 \$	31 December 2022 \$
Ordinary shares - fully paid	3,169,297,013	1,837,869,344	244,605,505	237,528,800

##### Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 January 2022	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	1,837,869,344		237,528,800
Share issue through placement	10 May 2023	324,289,814	\$0.006	1,945,739
Share issued on exercise of options	28 June 2023	4,537	\$0.012	54
Share issue through placement	8 September 2023	536,128,321	\$0.006	3,216,770
Share issue through placement	22 November 2023	471,004,997	\$0.006	2,841,030
Share issue costs*		-	\$0.000	(926,888)
Balance	31 December 2023	3,169,297,013		244,605,505

\* On 22 November 2023, the Company issued 150,000,000 options at an exercise price of \$0.012 each, expiring on 10 May 2026. These options were issued as compensation for the capital raising services and recognised at their estimated fair value of \$210,000.

### Note 15. Issued capital (continued)

#### *Accounting policy for issued capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where Company purchases the Company's own equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Avecho Biotechnology Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Avecho Biotechnology Limited.

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### *Share buy-back*

There is no current on-market share buy-back.

#### *Capital risk management*

The Consolidated Entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Consolidated Entity may, from time-to-time issue new shares or return capital to shareholders and / or adjust the amount of dividends paid to shareholders.

### Note 16. Reserves

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>\$</b>	<b>\$</b>
Business combination reserve	27,812,871	27,812,871
Other equity-settled benefits	210,000	100,500
Foreign currency reserve	24,626	24,626
Employee equity-settled benefits reserve	<u>1,165,159</u>	<u>1,062,429</u>
	<u><u>29,212,656</u></u>	<u><u>29,000,426</u></u>

#### *Foreign currency reserve*

The reserve is used to record the translation from Phosphagenics Inc.'s functional currency into Avecho Biotechnology Limited's reporting currency.

#### *Business combinations reserve*

The reserve is used to record fair value adjustments relating to the business combination.

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### Note 16. Reserves (continued)

#### Other equity-settled benefits reserve

The reserve is used to record the value of equity benefits provided to suppliers as part of their remuneration.

On 10 February 2021, the Company issued 7,500,000 options at an exercise price of \$0.035 each. These options expired without exercise on 31 December 2023.

On 22 November 2023, the Company issued 150,000,000 options at an exercise price of \$0.012 each, expiring on 10 May 2026. These options were issued as compensation for the capital raising services and valued using Black-Scholes model at \$0.0014 per option using the following inputs.

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
22/11/2023	10/05/2026	\$0.0040	\$0.0120	100.00%	-	4.09%	\$0.0014

#### Employee share option and share plan reserve

The reserve is used to record the value of equity benefits, over the respective vesting periods, provided to employees and Directors as part of their remuneration. For further details refer to note 28.

### Note 17. Financial risk management

This note explains the Consolidated Entity's exposure to financial risks and how these risks could affect the Consolidated Entity's future financial performance. Current year profit and loss information has been included where relevant to add further context.

The Consolidated Entity's overall risk management program recognises the unpredictability of financial markets and seeks to minimise material adverse effects on the financial performance of the Consolidated Entity. Executive Leadership Team is responsible to the Board for the risk management program.

Risk	Source of exposure	Measurement	Management
Market risk - interest rate	Cash deposits at variable rates	Sensitivity analysis	n/a. The Consolidated Entity not exposed to significant interest rate risks.
Market risk - foreign exchange	Future commercial transactions	Cash flow forecasting	Cash flow forecasting over future foreign exchange transactions.
	Recognised financial assets and assets and liabilities not denominated in AUD	Cash flow forecasting	Cash flow forecasting over future foreign exchange transactions.
Credit risk	Cash and cash equivalents, trade receivables	Aging analysis	Apply credit limits.
Liquidity risk	Trade and other liabilities and future commercial transactions.	Cash flow forecasting	Rolling cash flow forecasting over current and future cash flow requirements.

#### Market risk

##### Foreign currency risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Consolidated Entity's functional currency. The Consolidated Entity is exposed to foreign exchange risk arising from currency exposures of transactions in US Dollars. The Consolidated Entity sells TPM® and Vital ET® products and buys raw materials for their production which are largely denominated in US Dollars. The Consolidated Entity still has outstanding commitments related to ongoing research and development, which are denominated in US Dollars as well.



**Note 17. Financial risk management (continued)**

The Consolidated Entity regularly monitors the potential impact of movements in foreign exchange exposure and from time to time may take out short-term foreign exchange hedges for committed expenditures.

At 31 December 2023, the Consolidated Entity's had the following exposure to US dollar foreign currency not designated in cash flow hedges:

	Assets		Liabilities	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Consolidated	\$	\$	\$	\$
US dollars - AUD equivalent	2,242	758,910	(9,258)	(4,661)

*Sensitivity*

The Consolidated Entity is primarily exposed to changes in US/AUD exchange rates. The sensitivity of profit or loss to changes in the USD/AUD exchange rate arises mainly from US-denominated financial assets and liabilities.

Consolidated - 31 December 2023	AUD/USD strengthened	AUD strengthened		AUD/USD weakened	AUD weakened	
	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
Net USD denominated financial assets	10%	638	638	10%	(780)	(780)

Consolidated - 31 December 2022	AUD/USD strengthened	AUD strengthened		AUD/USD weakened	AUD weakened	
	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
Net USD denominated financial assets	10%	(68,992)	(68,992)	10%	84,323	84,323

*Price risk*

The Consolidated Entity is not exposed to any significant price risk.

*Interest rate risk*

The Consolidated Entity does not holds significant interest bearing assets and therefore the income and operating cash flows are not exposed to significant market interest rate movements.

**Credit risk**

Credit risk arises from the financial assets of the Consolidated Entity comprising cash and cash equivalents and trade and other receivables. Credit risk refers to the risk the counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted a policy of only dealing with creditworthy counterparties and setting appropriate credit limits, as a means of mitigating the risk of financial loss from defaults.

The Consolidated Entity's exposure to counterparties are continuously monitored and the aggregate value of transactions concluded are with approved counterparties. The Consolidated Entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Consolidated Entity measures credit risk on a fair value basis.

The carrying value of financial assets recorded in the financial statements, net of any allowances for losses, represents the Consolidated Entity's maximum exposure to credit risk. Maturity analysis of financial assets and liabilities based on management's expectations as follows:

**Note 17. Financial risk management (continued)**

	≤ 6 months \$	Total \$
<b>31 December 2023</b>		
<b>Financial assets</b>		
Cash and cash equivalents	5,504,396	5,504,396
	<u>5,504,396</u>	<u>5,504,396</u>
<b>31 December 2022</b>		
<b>Financial assets</b>		
Cash and cash equivalents	1,468,210	1,468,210
	<u>1,468,210</u>	<u>1,468,210</u>

**Liquidity risk**

Prudent liquidity risk management implies maintain sufficient cash balances. Executive management and Directors regularly monitor the cash position of the Consolidated Entity, giving consideration to the level of expenditure and future project commitments.

**Remaining contractual maturities**

The following tables detail the Consolidated Entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Remaining contractual maturities \$
<b>Consolidated - 31 December 2023</b>					
<b>Non-derivatives</b>					
<i>Non-interest bearing</i>					
Trade payables	-	94,903	-	-	94,903
<i>Interest-bearing - fixed rate</i>					
Lease liability	5.50%	84,460	86,994	14,570	186,024
Total non-derivatives		<u>179,363</u>	<u>86,994</u>	<u>14,570</u>	<u>280,927</u>

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Remaining contractual maturities \$
<b>Consolidated - 31 December 2022</b>					
<b>Non-derivatives</b>					
<i>Non-interest bearing</i>					
Trade payables	-	191,191	-	-	191,191
<i>Interest-bearing - fixed rate</i>					
Lease liability	5.50%	82,400	84,460	101,563	268,423
Total non-derivatives		<u>273,591</u>	<u>84,460</u>	<u>101,563</u>	<u>459,614</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

**Fair value of financial instruments**

Due to the short term nature of the financial instruments, their carrying value is assumed to approximate their fair value.

## Note 18. Key management personnel disclosures

### Directors

The following persons were directors of Avecho Biotechnology Limited during the financial year:

Dr Gregory Collier (Chairman)  
Dr Ross Murdoch (Non-Executive Director)  
Mr Matthew McNamara (Non-Executive Director)

### Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity, directly or indirectly, during the financial year:

Paul Gavin (Chief Executive Officer)  
Roksan Libinaki (Chief Operating Officer)

### Compensation

The aggregate compensation made to directors and other members of key management personnel of the Consolidated Entity is set out below:

	<b>Consolidated</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	623,382	645,925
Post-employment benefits	56,628	54,040
Long-term benefits	16,776	17,664
Share-based payments	83,445	152,614
	<u>780,231</u>	<u>870,243</u>

## Note 19. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the Consolidated Entity, and its network firms:

	<b>Consolidated</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services</i>		
Audit and review of the financial statements	<u>87,680</u>	<u>78,280</u>
<i>Other services - network firms</i>		
Tax compliance	<u>21,630</u>	<u>22,500</u>

## Note 20. Contingent asset and liabilities

The Consolidated Entity provided bank guarantees in the form of term deposits totalling \$15,730 (31 December 2022: \$85,730) as security for the corporate credit card facility and the lease for the Company's principal place of business..

The Directors are not aware any other contingent assets or contingent liabilities as at 31 December 2023 (31 December 2022: Nil).

## Note 21. Commitments

The Consolidated Entity does not have any commitments not recognised as liabilities at 31 December 2023 (31 December 2022: Nil).

## Note 22. Related party transactions

### *Parent entity*

Avecho Biotechnology Limited is the parent entity.

### *Subsidiaries*

Interests in subsidiaries are set out in note 24.

### *Key management personnel*

Disclosures relating to key management personnel are set out in note 18 and the remuneration report included in the directors' report.

### *Transactions with other related parties*

There were no transactions with other related parties during the current and previous financial year.

### *Receivable from and payable to related parties*

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

### *Loans to/from related parties*

There were no loans to or from related parties at the current and previous reporting date.

## Note 23. Parent entity information

Set out below is the supplementary information about the parent entity.

### *Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(2,371,969)	(2,486,505)
Total comprehensive loss	(2,371,969)	(2,486,505)

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**Note 23. Parent entity information (continued)**

*Statement of financial position*

	<b>Parent</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>\$</b>	<b>\$</b>
Total current assets	6,906,036	1,715,241
Total assets	7,221,704	2,183,353
Total current liabilities	843,316	745,504
Total liabilities	941,541	920,656
Equity		
Issued capital	244,605,505	237,528,800
Other equity-settled benefits	210,000	100,500
Employee equity-settled benefits reserve	1,165,159	1,062,429
Accumulated losses	(239,700,501)	(237,429,032)
Total equity	<u>6,280,163</u>	<u>1,262,697</u>

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 December 2023 (31 December 2022: Nil).

*Contingent liabilities*

The parent entity had no contingent liabilities as 31 December 2023 (31 December 2022: Nil).

*Capital commitments - plant and equipment*

The parent entity had no capital commitments for plant and equipment as at 31 December 2023 (31 December 2022: Nil).

*Material accounting policy information*

The accounting policies of the parent entity are consistent with those of the Consolidated Entity, as disclosed in note 2, except for the following:

Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Investments in associates are accounted for at cost, less any impairment, in the parent entity.

Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

**Note 24. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

<b>Name</b>	<b>Principal place of business / Country of incorporation</b>	<b>Ownership interest</b>	
		<b>31 December 2023</b>	<b>31 December 2022</b>
		<b>%</b>	<b>%</b>
Vital Health Sciences Pty Ltd	Australia	100%	100%
Avecho Inc. <sup>(i)</sup>	USA	100%	100%

(i) There were no transactions or balances through US subsidiaries during the financial year ended 31 December 2023 (31 December 2022: Nil).

**Note 25. Events after the reporting period**

No matter or circumstance has arisen since 31 December 2023 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 26. Reconciliation of loss after income tax to net cash used in operating activities**

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax expense for the year	(3,436,561)	(2,342,391)
Adjustments for:		
Depreciation and amortisation	178,695	230,351
Impairment of inventories	365,596	-
Share-based payments	102,730	203,268
Allowance for expected credit losses and debts written off	(360)	(23,887)
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(353,569)	404,771
Increase in inventories	(60,734)	(205,247)
Increase in other current assets	(67,560)	(15,762)
(Decrease)/increase in trade and other payables	(94,463)	25,835
Increase in contract liabilities	158,376	-
Increase in provisions	27,895	57,855
Net cash used in operating activities	<u>(3,179,955)</u>	<u>(1,665,207)</u>

**Note 27. Earnings per share**

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax attributable to the owners of Avecho Biotechnology Limited	<u>(3,436,561)</u>	<u>(2,342,391)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>2,268,083,594</u>	<u>1,837,784,896</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>2,268,083,594</u>	<u>1,837,784,896</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.15)	(0.13)
Diluted earnings per share	(0.15)	(0.13)

As at 31 December 2023, the Consolidated Entity has 2,244,974,331 listed and unquoted options, which are excluded from the calculation of basic and diluted earnings per share. These equity instruments are considered to be anti-dilutive, as their inclusion would not decrease earnings per share nor increase the loss per share, from continuing operations.

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## Note 27. Earnings per share (continued)

### Accounting policy for earnings per share

Basic loss per share is calculated by dividing:

- the loss attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

### Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential
- ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares

## Note 28. Share-based payments

The Consolidated Entity provides benefits to service providers in the form of share-based payments. Employees render services in exchange for rights over shares (equity-settled transactions). There is currently one scheme in place to provide these benefits to employees, being the Equity Incentive Plan (EIP), under which following rights over shares are provided to employees and directors, as follows:

- On 20 November 2020, the Company granted 83,866,515 unlisted options to all Executives and staff at an exercise price of \$0.0169 (1.69 cents) per option, expiring on 20 May 2024. The options were valued using Binomial option pricing model. These options are subject to service condition and expiring on 20 May 2024 (being 42 months from grant date). These options vested to the executives and staff in four tranches:

- 1) Tranche 1: 20 November 2020
- 2) Tranche 2: 20 November 2021
- 3) Tranche 3: 20 November 2022
- 4) Tranche 4: 20 November 2023

All options granted to key management personnel have been issued in accordance with the provisions of the Equity Incentive Plan (EIP).

Set out below are summaries of options granted under the plan:

### 31 December 2023

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Expired	Balance at the end of the year
20/11/2020	20/05/2024	\$0.017	83,866,515	-	-	83,866,515
28/05/2021	29/11/2024	\$0.017	13,977,753	-	-	13,977,753
			97,844,268	-	-	97,844,268
<i>Weighted average exercise price</i>		\$0.017	\$0.017	\$0.000	\$0.000	\$0.017

### 31 December 2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Expired	Balance at the end of the year
20/11/2020	20/05/2024	\$0.017	83,866,515	-	-	83,866,515
28/05/2021	29/11/2024	\$0.017	13,977,753	-	-	13,977,753
			97,844,268	-	-	97,844,268
<i>Weighted average exercise price</i>		\$0.017	\$0.017	\$0.000	\$0.000	\$0.017

When a participant in the EIP ceases employment prior to the vesting of their options, the options are forfeited unless cessation of employment is due to retirement or death or otherwise provided by the Board of directors.

**Note 28. Share-based payments (continued)**

Reconciliation of share based payments expense recorded in the statement of profit and loss relating to each class of share based payment:

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	\$	\$
Unlisted options to Executives and employees	67,498	177,285
Unlisted options to Directors	35,232	25,983
	<u>102,730</u>	<u>203,268</u>

*Accounting policy for share-based payments*

Share-based compensation benefits are provided to employees via the Avecho Employee Option Plan and an employee share scheme.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The fair value of options granted under the Avecho Employee Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

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In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 December 2023 and of its performance for the financial year 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Dr Gregory Collier  
Chairman

29 February 2024

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## Independent Auditor's Report

To the Members of Avecho Biotechnology Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Avecho Biotechnology Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, 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 year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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 our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Group incurred a net loss of \$3,436,561 and had net operating cash outflows of \$3,179,955 during the year ended 31 December 2023. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<b>Research and development (R&amp;D) tax incentive (Note 3 &amp; 6)</b> <p>Under the Research and Development (R&amp;D) Tax Incentive scheme, the Group receives a corporate tax rate plus 18.5% refundable tax offset of eligible expenditures if its turnover is less than \$20 million per annum, provided it is not controlled by income tax exempt entities. An R&amp;D plan is filed with AusIndustry in the following financial year, and based on this filing, the Group receives the incentive in cash.</p> <p>Management performs a detailed review of the Group's total research and development expenditure to determine the potential claim under the R&amp;D tax incentive legislation.</p> <p>There is a degree of judgement and interpretation of the R&amp;D tax legislation required by management to assess the eligibility of the R&amp;D expenditure under the scheme.</p> <p>This area is a key audit matter due to the judgements and estimates associated with the analysis</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"><li>• Obtaining the R&amp;D rebate calculations for the 2023 financial year and performing the following audit procedures:<ul style="list-style-type: none"><li>• Developing an understanding of the calculation, identifying and assessing key assumptions in the calculation;</li><li>• Testing the mathematical accuracy of the calculation;</li><li>• Testing a sample of claimed expenditure to source documentation and verifying the eligibility of the claimed expenditure;</li><li>• For labour costs included in the calculation, reviewing the appropriateness of the allocation to R&amp;D activities;</li><li>• Obtaining the assessment made by Management's experts in relation to the calculation and assessing the qualifications of Management's expert;</li><li>• Consulting with internal tax specialists to verify the accuracy and eligibility of the claimed expenditure in the calculation;</li></ul></li><li>• Inspecting copies of relevant correspondence with AusIndustry and the ATO;</li><li>• Comparing the estimated R&amp;D tax incentive receivable made in the prior year to cash received after lodgement of the R&amp;D tax claim; and</li><li>• Reviewing the adequacy of disclosures in the financial statements in relation to R&amp;D tax incentives.</li></ul>

### Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1\\_2020.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf). This description forms part of our auditor's report.

### Report on the remuneration report

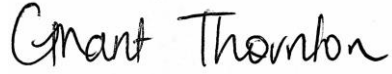
#### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 10 to 15 of the Directors' report for the year ended 31 December 2023.

In our opinion, the Remuneration Report of Avecho Biotechnology Limited, for the year ended 31 December 2023 complies with section 300A of the *Corporations Act 2001*.

## Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



J D Vasiliou  
Partner – Audit & Assurance

Melbourne, 29 February 2024

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**Registered Office**

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[info@avecho.com.au](mailto:info@avecho.com.au)

<https://avecho.com.au/contact-us/>

**Company Secretary**

Melanie Leydin

**Share Registry**

Shareholder information in relation to shareholding or share transfer can be obtained by contacting the Company's share registry:

Computershare Limited

GPO Box 2975 Melbourne VIC 3001 Australia

Tel: 1300 850 505

<https://www.computershare.com/au>

For all correspondence to the share registry, please provide your Security-holder Reference Number (SRN) or Holder Identification Number (HIN).

**Change of address**

Changes to your address can be updated online at <https://www.computershare.com/au> or by obtaining a Change of Address Form from the Company's share registry. CHESS sponsored investors must change their address details via their broker.

**Annual General Meeting**

The Annual General Meeting will be held in on 30 May 2024. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to the ASX immediately upon despatch.

The closing date for receipt of nomination for the position of Director is 9 April 2024. Any nominations must be received in writing no later than 5.00pm (Melbourne time) on 9 April 2024, at the Company's Registered Office.

The Company notes that the deadline for the nominations for the position of Director is separate to voting on Director elections. Details of the Director's to be elected will be provided in the Company's Notice of Annual General Meeting in due course.

**Corporate Governance Statement**

The Company's 2023 Corporate Governance Statement once released to the ASX will be available on the Company's website at <https://avecho.com.au/investor-centre/>.

**Annual report mailing list**

All shareholders are entitled to receive the Annual Report. In addition, shareholders may nominate not to receive an annual report by advising the share registry in writing, by fax, or by email, quoting their SRN/HIN.

**Securities exchange listing**

Avecho Biotechnology Limited's shares are listed on the Australian Securities Exchange and trade under the ASX code AVE. The securities of the Company are traded on the ASX under CHESS (Clearing House Electronic Sub-Register System).

### ASX Shareholder Disclosures

The following additional information is required by the Australian Securities Exchange in respect of listed public companies. The information is current as of 12 February 2024.

#### Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of ordinary shares	% of ordinary shares
1 to 1,000	454	109,729	0.00
1,001 to 5,000	804	2,394,428	0.08
5,001 to 10,000	584	4,593,728	0.14
10,001 to 100,000	2,178	92,689,634	2.92
100,001 and over	1,601	3,069,509,494	96.85
Rounding			0.01
	<b>5,612</b>	<b>3,169,297,013</b>	<b>100.00</b>
Holding less than a marketable parcel	4,382	147,620,841	4.66
	Number of holders of quoted options	Number of quoted options	% of quoted options
Quoted options			
1 to 1,000	6	1,123	0.00
1,001 to 5,000	22	77,050	0.00
5,001 to 10,000	46	351,373	0.02
10,001 to 100,000	247	11,521,961	0.54
100,001 and over	447	2,135,178,556	99.44
	<b>768</b>	<b>2,147,130,063</b>	<b>100.00</b>
	Number of holders of unquoted options	Number of unquoted options	% of unquoted options
Unquoted options			
100,001 and over	8	97,844,268	100.00

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## Equity security holders

### Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
1. Mr Mark Gregory Kerr + Mrs Linda Marie Kerr <Lindmark Inv Staff S/F A/C>	349,133,188	11.02
2. Ms Chunyan Niu	250,000,000	7.89
3. Rosscope Pty Ltd <Ross Copeland Family A/C>	85,513,129	2.70
4. HSBC Custody Nominees (Australia) Limited	84,056,019	2.65
5. Melbourne Securities Corporation Limited <Horizon 3 Biotech Fund A/C>	59,345,624	1.87
6. Jawess Pty Ltd <Kent Family Super Fund A/C>	50,000,000	1.58
7. Hirsch Financial Pty Ltd	49,878,323	1.57
8. Mr Brandon Armon Batagol	44,532,406	1.41
9. Melbourne Securities Corporation Limited <Horizon 3 Healthcare A/C>	41,666,666	1.31
10. BNP Paribas Noms Pty Ltd	39,367,251	1.24
11. 180 Markets Pty Ltd	38,333,333	1.21
12. 1215 Capital Pty Ltd	33,801,008	1.07
13. Hunt Prosperity Pty Ltd <Investius PB Micro Cap A/C>	33,333,333	1.05
13. Mcneil Nominees Pty Limited	33,333,333	1.05
15. Servbond Pty Limited <Servbond Pty Ltd S/F A/C>	31,000,000	0.98
16. Mr David Segal	23,000,000	0.73
17. Mr Raymond Laurence Carroll	22,500,000	0.71
18. Mr Tony Domenic Amato	22,000,000	0.69
19. Citicorp Nominees Pty Limited	20,970,215	0.66
20. FF Okram Pty Ltd <FF Okram A/C>	20,494,147	0.65
	<u>1,332,257,975</u>	<u>42.04</u>

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Quoted options over  
ordinary shares

	Number held	% of total quoted options issued
1. Ms Chunyan Niu	374,999,999	17.47
2. Mr Mark Gregory Kerr + Mrs Linda Marie Kerr <Lindmark Inv Staff S/F A/C>	164,000,000	7.64
3. Mr Raymond Laurence Carroll	100,000,000	4.66
4. Jawess Pty Ltd <Kent Family Super Fund A/C>	81,000,000	3.77
5. Ignite Equity Pty Ltd	76,077,315	3.54
6. Melbourne Securities Corporation Limited <Horizon 3 Healthcare A/C>	62,499,999	2.91
7. Hunt Prosperity Pty Ltd <Investius Pb Micro Cap A/C>	54,964,585	2.56
8. 180 Markets Pty Ltd	49,999,999	2.33
9. Mcneil Nominees Pty Limited	49,999,999	2.33
10. Mr Brandon Armon Batagol	45,899,304	2.14
11. Hirsch Financial Pty Ltd	45,000,000	2.10
12. Dr Stephen Dennis Gipps	43,750,000	2.04
13. King Corporate Pty Ltd	25,134,622	1.17
14. Millwest Investments Pty Ltd <Millwest A/C>	25,000,000	1.16
15. Netwealth Investments Limited <Wrap Services A/C>	24,999,998	1.16
16. Boutique Capital Pty Ltd <Phoenix Growth Fund A/C>	22,500,000	1.05
17. Kembla No 20 Pty Ltd <CAA A/C>	21,933,249	1.02
18. Mrs Susan Margaret Chudleigh + Mr John West Chudleigh	21,000,000	0.98
19. Mr Christopher John Richards + Mrs Linnet Richards	19,999,999	0.93
20. Shriver Nominees Pty Ltd	18,000,000	0.84
	<b>1,326,759,068</b>	<b>61.79</b>

Unquoted options

	Number on issue	Number of holders
Unlisted options issued on 20 November 2020 and expiring on 20 May 2024	83,866,515	5
Unlisted options issued on 31 May 2021 and expiring on 29 November 2024	13,977,753	3

The above unquoted options were issued under the Company's Equity Incentive Plan.

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares Number held
Mark Gregory Kerr	349,133,188*
Chunyan Niu	250,000,000*

\*as reported in the last Form 604 lodged on the ASX.

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Quoted and Unquoted options*

Quoted and unquoted options do not have voting rights.

*Unquoted performance rights*

Unquoted performance rights do not have voting rights.

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