

Avecho Biotechnology Limited

ACN 056 482 403

Prospectus

A pro rata non-renounceable offer of 1 New Share for every 1 Existing Share held at an issue price of \$0.006 per New Share to raise up to approximately \$11 million before costs, with 3 free attaching New Options with an exercise price of \$0.012 expiring 3 years from the date of issue, for every 2 New Shares subscribed in the Entitlement Offer.

An offer of 150,000,000 JLM Options to the Joint Lead Managers (or their nominees).

Last date for acceptance and payment is 5:00 pm (AEST) on Wednesday, 3 May 2023 (unless extended)

This document is important and requires your immediate attention. It should be read in its entirety. Avecho Biotechnology Limited is subject to regular reporting and disclosure obligations. A copy of this document, and other documents lodged with the Australian Securities and Investments Commission (ASIC) may be obtained from, or inspected at, an ASIC office.

If you have any questions, you should contact your stockbroker, solicitor, accountant or other professional adviser.

This is a transaction-specific prospectus issued in accordance with section 713 of the *Corporations Act 2001* (Cth).

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES OF AMERICA

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IMPORTANT NOTICES

This Prospectus is dated 3 April 2023 and was lodged with ASIC on that date. Neither ASIC nor ASX take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. The Prospectus expires 13 months after the date of this Prospectus. No securities will be issued on the basis of this Prospectus any later than 13 months after the date of issue of this Prospectus.

This Prospectus contains an offer of continuously quoted securities (as defined in the Corporations Act) and options to acquire continuously quoted securities and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus, regard has been had to the fact that Avecho is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

Avecho may make additional announcements after the date of this Prospectus and throughout the period that the Entitlement Offer is open that may be relevant to your consideration about whether you should participate in the Entitlement Offer. No party other than Avecho has authorised or caused the issue of this Prospectus, or takes any responsibility for, or makes, any statements, representations or undertakings in this Prospectus or for any action you take in reliance on this Prospectus.

By returning an Application Form or otherwise making payment through BPAY® in accordance with the instructions on the Application Form, you acknowledge that you have read this Prospectus and you have acted in accordance with, and agree to the terms of, the applicable Entitlement Offer as detailed in this Prospectus.

Foreign offers

This Prospectus and the accompanying Application Form do not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make that offer or invitation. In particular, this Prospectus does not constitute an offer to Ineligible Foreign Shareholders to participate in the Entitlement Offer and may not be distributed in the United States of America and the New Securities may not be offered or sold, directly or indirectly, to persons in the United States of America, unless such person is otherwise determined by Avecho to be eligible.

This Prospectus is not to be distributed in, and no offer of New Securities is to be made in countries other than Australia and New Zealand to the extent the offer can be made in accordance with applicable securities laws (see section 1.17 for restrictions). The distribution of this Prospectus (including an electronic copy) in other jurisdictions may be restricted by law and, therefore, persons who come into possession of this Prospectus should seek advice on and observe these restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Entitlement Offer, the Entitlements, the New Securities, or otherwise permit the public offering of the New Securities, in any jurisdiction other than Australia.

Foreign exchange control restrictions or restrictions on remitting funds from your country to Australia may apply. Each Application will be subject to all requisite authorities

and clearances being obtained for Avecho to lawfully receive any or all of the Application Monies.

Definitions, currency and time

Defined terms used in this Prospectus are contained in section 7. All references to currency are to Australian dollars and all references to time are to Australian Eastern Standard Time unless otherwise indicated.

Taxation consequences for Applicants

There will be tax implications associated with participating in the Entitlement Offer and receiving New Securities. Avecho considers that it is not appropriate to give advice regarding the tax consequences of subscribing for New Securities under this Prospectus, the conversion of New Options into Shares, or the subsequent disposal of any New Securities. Avecho recommends that you consult your professional tax adviser in connection with the Entitlement Offer.

Privacy

Avecho collects information about each Applicant provided on an Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in Avecho.

By submitting an Application Form, you will be providing personal information to Avecho (directly or through the Share Registry). Avecho collects, holds and will use that information to assess your Application. Avecho collects your personal information to process and administer your security holding in Avecho and to provide related services to you. Avecho may disclose your personal information for purposes related to your security holding in Avecho, including to the Share Registry, Avecho's related bodies corporate, agents, contractors and third-party service providers, including mailing houses and professional advisers, and to ASX and regulatory bodies. You can obtain access to personal information that Avecho holds about you. To make a request for access to your personal information held by (or on behalf of) Avecho, please contact Avecho through the Share Registry.

Governing law

This Prospectus, the Entitlement Offer and the contracts formed on acceptance of the Applications are governed by the law applicable in Victoria, Australia. Each Applicant submits to the exclusive jurisdiction of the courts of Victoria and courts competent to hear appeals from those courts.

No representations

No person is authorised to give any information, or to make any representation, in connection with the Entitlement Offer which is not contained in this Prospectus. Any information or representation in connection with the Entitlement Offer not contained in the Prospectus may not be relied upon as having been authorised by Avecho or any of its officers. Except as required by law, and only to the extent so required, none of Avecho, or any other person, warrants or guarantees the future performance of Avecho or any return on any investment made pursuant to this Prospectus.

Past performance

Investors should note that Avecho's past performance, including past share price performance, cannot be relied

upon as an indicator of (and provides no guidance as to) Avecho's future performance including Avecho's future financial position or share price performance.

Forward looking statements

This Prospectus contains certain forward-looking statements with respect to the financial condition, results of operations, projects and business of Avecho and certain plans and objectives of the management of Avecho. These forward-looking statements involve known and unknown risks, uncertainties and other factors which are subject to change without notice and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct.

Forward-looking statements are provided as a general guide only and there can be no assurance that actual outcomes will not differ materially from these statements. Neither Avecho, nor any other person, gives any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statement will actually occur. In particular, those forward-looking statements are subject to significant uncertainties and contingencies, many of which are outside the control of Avecho. A number of important factors could cause actual results or performance to differ materially from the forward-looking statements. Investors should consider the forward-looking statements contained in this Prospectus in light of those disclosures.

Risks

Refer to section 4 of the Prospectus for a summary of general and specific risk factors that may affect Avecho.

Trading of New Securities

Avecho will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to persons who trade New Securities they believe will be issued to them before they receive their holding statements, whether on the basis of confirmation of the allocation provided by Avecho or the Share Registry or otherwise, or who otherwise trade or purport to trade New Securities in error or to which they do not hold or are not entitled.

If you are in any doubt as to these matters, you should first consult with your stockbroker, accountant or other professional adviser.

CHAIRMAN'S LETTER

3 April 2023

Dear Shareholder

As a valued Shareholder of Avecho Biotechnology Limited ACN 056 482 403 (**Avecho** or **Company**), I am pleased to offer you the opportunity to participate in a pro rata non-renounceable offer of 1 new fully paid ordinary share (**New Share**) for every 1 Existing Share held on the Record Date at an issue price of \$0.006 per New Share. Every 2 New Shares will be accompanied by 3 free attaching options with an exercise price of \$0.012, expiring 3 years from the date of issue (**New Options**). The Company will apply for the quotation of the New Options on ASX. The offer of New Shares and New Options (**Entitlement Offer**) will raise up to approximately \$11 million before costs (excluding funds raised from the exercise of New Options, if any).

The issue price of \$0.006 per Share under the Entitlement Offer represents a:

- 33.33% discount to the last closing price of \$0.009 on Friday, 31 March 2023 (being the last trading day before Avecho announced the Entitlement Offer); and
- 26.83% discount to the 15-day volume weighted average price of Shares on ASX of \$0.0082 as at Friday, 31 March 2023.

The number of New Shares and New Options that you are entitled to subscribe for under the Entitlement Offer (**Entitlement**) is set out in your personalised Entitlement and Acceptance Form that is enclosed with this Prospectus.

Entitlements are non-renounceable and will not be tradeable on ASX or otherwise transferable. Eligible Shareholders who do not take up their Entitlements in full will not receive any payment or value in respect of those entitlements that they do not take up.

Peak Asset Management and CPS Capital are joint lead managers (**Joint Lead Managers**) to the Entitlement Offer. The Entitlement Offer is not underwritten.

Use of funds

The proceeds of the Entitlement Offer will provide funds for:

- manufacturing activities associated with the production of test articles to be used in the Phase III clinical trial, in addition to formal stability studies required for a future regulatory submission;
- the conduct of a pivotal randomised, placebo-controlled Phase III clinical trial testing the company's proprietary CBD soft-gel capsule's ability to manage the symptoms of insomnia; and
- costs of the Entitlement Offer.

It is expected that the total cost of the Phase III clinical trial will be approximately \$12 million. The Company intends to leverage the research & development tax re-imbursalment on the trial spend to fund the day-to-day operations of the Company in addition to any cost over-run on the Phase III trial.

Upon successful completion of the Entitlement Offer, the Board intends to consider the appointment of a further Director who would complement the skills of the existing Board with a focus on the Company's needs as it progresses through the Phase III clinical trial.

Risks

All investors should be aware that an investment in Avecho carries a number of significant risks, including:

- the Entitlement Offer is not underwritten;
- uncertainty surrounding the future financial performance of Avecho, and potential requirement for Avecho to raise additional funds;
- risks associated with the development and commercialisation of Avecho's technology;
- risk regarding Avecho's ability to protect its intellectual property rights; and
- risks and challenges commonly faced by online product offerings including the risk of technology changes, unauthorised hacking, disruption, general misuse or unauthorised disclosure of a user's personal data.

This is just a summary of the risks relevant to investing in Avecho. I encourage all investors to read the risks section in section 4 carefully before deciding whether to participate in the Entitlement Offer.

Other information

This Prospectus contains important information, including:

- instructions on how to apply, detailing how to participate in the Entitlement Offer, and a timetable of key dates;
- a personalised Entitlement and Acceptance Form, to be completed in accordance with the instructions; and
- instructions on how to take up all or part of your Entitlement via BPAY®.

The Entitlement Offer closes at 5:00 pm (AEST) on Wednesday, 3 May 2023.

Please read in full the details on how to submit your application, which are set out in this Prospectus. For further information regarding the Entitlement Offer, please call the offer information line on 1300 850 505 (within Australia) and +61 3 9415 5000 (outside Australia) between 8:30 am to 5:00 pm (AEST) Monday to Friday during the offer period.

The Company has also launched an online Investor Hub where Shareholders can engage directly with management and access additional information. You can access the Hub at: <https://ave.freshamplify.com/welcome>.

You should also consult your stockbroker, solicitor, accountant or other professional adviser to evaluate whether or not to participate in the Entitlement Offer.

On behalf of the Board, I encourage you to consider this investment opportunity and thank you for your ongoing support.

Yours sincerely



Dr Gregory Collier
Chairman

SUMMARY OF THE ENTITLEMENT OFFER

Entitlement Offer	1 New Share for every 1 Existing Share held by an Eligible Shareholder, with every 2 New Shares being accompanied by 3 free attaching New Options expiring 3 years from the date of issue.
Issue Price	\$0.006 per New Share
Exercise Price of New Options	\$0.012 per New Option
Amount to be raised under the Entitlement Offer (excluding funds raised from exercise of Options, if any)	Up to approximately \$11 million
Shares and Options on issue as at the date of this Prospectus	1,837,869,344 Shares 122,443,182 quoted Options expiring 31 December 2023 97,844,268 unquoted Options with various expiry dates
Total number of New Shares and New Options to be issued under the Entitlement Offer	Up to approximately 1,837,869,344 New Shares (subject to rounding) Up to approximately 2,756,804,016 New Options (subject to rounding)

Key dates

Activity	Time and Date (AEST)
Announcement of Entitlement Offer	Monday, 3 April 2023
Lodgement of Prospectus with ASIC and ASX	Monday, 3 April 2023
Shares begin to trade on an “ex-entitlement” basis	Wednesday, 5 April 2023
Record Date for determining Eligible Shareholders under the Entitlement Offer	7:00pm on Thursday, 6 April 2023
Entitlement Offer open and Prospectus and Applications Forms sent to Eligible Shareholders	Thursday, 13 April 2023
Entitlement Offer close	5:00pm on Wednesday, 3 May 2023
New Shares quoted on a deferred settlement basis (from market open)	Thursday, 4 May 2023
Results of Entitlement Offer announced to ASX	Tuesday, 9 May 2023
Issue Date – allotment and issue of New Securities	Wednesday, 10 May 2023
Normal trading of New Securities	Thursday, 11 May 2023

This timetable is indicative only and subject to change. The Directors may vary these dates subject to the Listing Rules. An extension of the Closing Date will delay the anticipated date for issue of the New Shares and New Options. The Directors also reserve the right not to proceed with the whole or part of the Entitlement Offer any time before the allotment and issue of the New Shares and New Options. In that event, the relevant Application Monies (without interest) will be returned in full to Applicants.

The commencement of quotation of New Securities is subject to the discretion of ASX.

Cooling off rights do not apply to an investment in New Securities. You cannot withdraw your Application once it has been accepted.

ENQUIRIES

If you have any investor relations questions about the Entitlement Offer, please call the offer information line, on 1300 850 505 (within Australia) and +61 3 9415 5000 (outside Australia). Alternatively, contact your stockbroker, solicitor, accountant or other professional adviser.

The Company has also launched an online Investor Hub where Shareholders can engage directly with management and access additional information. You can access the Hub at:
<https://ave.freshamplify.com/welcome>.

1. DESCRIPTION AND EFFECT OF THE ENTITLEMENT OFFER

1.1 Overview of Entitlement Offer

The Entitlement Offer is a pro rata non-renounceable offer of 1 new fully paid ordinary share (**New Share**) for every 1 Existing Share held on the Record Date at an issue price of \$0.006 per New Share. Every 2 New Shares will be accompanied by 3 free attaching options with an exercise price of \$0.012, expiring 3 years from the date of issue (**New Options**). The Company will apply for the quotation of the New Options on ASX. The offer of New Shares and New Options (**Entitlement Offer**) will raise up to approximately \$11 million before costs (excluding funds raised from the exercise of New Options, if any).

Eligible Shareholders who are on Avecho's share register on the Record Date are entitled to acquire 1 New Share for every 1 Existing Share held on the Record Date, as well as 3 attaching New Options for every 2 New Shares subscribed in the Entitlement Offer (**Entitlement**). Fractional Entitlements will be rounded down to the nearest whole number of New Shares and New Options.

A personalised Entitlement and Acceptance Form setting out your Entitlement accompanies this Prospectus. Eligible Shareholders may subscribe for all or part of their Entitlement and those who take up their Entitlements in full may also subscribe for Additional Shares.

Eligible Shareholders should be aware that an investment in Avecho involves risks. The risk factors identified by Avecho are summarised in section 4 of this Prospectus.

1.2 This Prospectus also contains the following offers of Securities:

- (a) the Additional Share Facility which is summarised in section 1.11;
- (b) the Shortfall Offer which is summarised in section 1.12; and
- (c) the JLM Options Offer which is summarised in section 1.13.

1.3 Purpose of the Entitlement Offer

The Entitlement Offer will raise up to approximately \$11 million. It is anticipated that the funds raised from the Entitlement Offer (excluding funds raised from exercise of New Options, if any) will be applied as follows:

Description	Use of Funds	
	Use of funds (A\$m)	Use of funds (%)
GMP manufacture of CBD soft-gel capsule for use in Phase III clinical trials and registration batches for formal stability	1.30m	11.8%
Main study costs including patient recruitment, investigator and site costs in addition to CRO management of the study	9.35m	85%
Costs of the Entitlement Offer	0.35m	3.2%

It is expected that the total cost of the Phase III clinical trial will be approximately \$12 million. The company intends to leverage the research & development tax re-imbursement on the trial spend to fund the day-to-day operations of the company in addition to any cost over-run on the Phase III trial.

The above table is a statement of current intentions as of the date of this Prospectus. The above proposed use of funds and their relative priority is subject to ongoing review and

evaluation by Avecho. As with any budget, the actual use of funds raised under the Entitlement Offer may change depending on the outcome of the programs as they proceed. Avecho reserves the rights to alter the way in which funds are applied on this basis.

1.4 No trading of Entitlements

Eligible Shareholders' Entitlements under the Entitlement Offer are personal and cannot be renounced, traded, transferred, assigned or otherwise dealt with.

1.5 Opening and closing dates

The Entitlement Offer will open on 9:00 am (AEST) on Thursday, 13 April 2023 and will close at 5:00 pm (AEST) on Wednesday, 3 May 2023 or such later date as determined by Avecho in its absolute discretion, subject to compliance with the Listing Rules.

1.6 Eligibility of Shareholders

The Entitlement Offer is being offered to each Shareholder on the Record Date who:

- (a) are registered as a holder of fully paid ordinary shares in Avecho as at 7:00 pm (AEST) on Thursday, 6 April 2023 (**Record Date**);
- (b) have a registered address in Australia or New Zealand as noted on the Company's share register, or are a Shareholder that the Company has otherwise determined is eligible to participate in the Entitlement Offer;
- (c) are not in the United States and are not a person (including nominees or custodians) acting for the account or benefit of a person in the United States (to the extent such person holds existing shares for the account or benefit of such person in the United States); and
- (d) are eligible under all applicable securities laws to receive an offer under the Entitlement Offer,

(Eligible Shareholders).

Any Shareholder who is not an Eligible Shareholder will be an Ineligible Foreign Shareholder. Avecho reserves the right to determine whether a Shareholder is an Eligible Shareholder or an Ineligible Foreign Shareholder.

By returning a completed personalised Entitlement and Acceptance Form with payment or making a payment by BPAY®, you will be taken to have represented and warranted that you satisfy each of the criteria listed above to be an Eligible Shareholder. Nominees, trustees or custodians are, therefore, advised to seek independent professional advice as to how to proceed.

The Entitlement Offer is not being extended to the Ineligible Foreign Shareholders because of the small number of those Shareholders, the number and value of the Shares they hold and the cost of complying with applicable regulations in foreign jurisdictions. Avecho may (in its absolute discretion) extend the Entitlement Offer to Shareholders that have registered addresses outside Australia and New Zealand in accordance with applicable law.

1.7 No underwriting

The Entitlement Offer is not underwritten.

1.8 Rights attaching to New Shares

The New Shares issued under the Entitlement Offer will be fully paid and rank equally with Existing Shares. Further information regarding the rights attached to New Shares is included in section 5.3.

1.9 Rights attaching to New Options

Shares issued on the conversion of the New Options will be fully paid and rank equally with Existing Shares. Further information regarding the rights attached to New Options is included in section 5.4.

1.10 Allotment of New Shares and New Options

Application for quotation of the New Shares and New Options on ASX will be made to ASX within seven days following the date of this Prospectus. Allotment of the New Shares and New Options under the Entitlement Offer will take place as soon as practicable after the close of the Entitlement Offer.

Application Monies will be held by Avecho on trust for Applicants until the New Shares and New Options are allotted. No interest will be paid on Application Monies.

It is the responsibility of Applicants to determine the number of New Shares and New Options allotted and issued to them before trading the New Shares and New Options. The sale by an Applicant of New Shares and New Options before receiving their holding statement is at the Applicant's own risk.

No New Shares or New Options will be allotted or issued on the basis of this Prospectus later than 13 months after the date issue of this Prospectus.

1.11 Additional Share Facility

An Additional Share Facility will be available to provide an opportunity for those Eligible Shareholders that have taken up their full Entitlements to apply for Additional Shares and Additional Options. Additional Shares and Additional Options comprise New Shares and New Options under the Entitlement Offer which are not taken up by other Eligible Shareholders, as well as those which Ineligible Foreign Shareholders would have been offered had they been eligible to participate.

Additional Shares will be offered at the Issue Price. Every 2 Additional Shares will be issued together with 3 Additional Options with an exercise price of \$0.012 and expiring 3 years from the original issue date of the New Options. The Additional Share Facility is an offer made pursuant to this Prospectus and will close on the Closing Date unless the Directors in their absolute discretion otherwise determine.

Eligible Shareholders may apply for Additional Shares and Additional Options by completing the relevant part of the Entitlement and Acceptance Form or by paying through BPAY®.

There is no guarantee that Eligible Shareholders will receive the number of Additional Shares and Additional Options applied for, or that they will receive any at all.

If any Applications for Additional Shares and Additional Options are not accepted in part or in full, the relevant portion of the Application Monies will be refunded without interest as soon as practicable.

The allocation of any Additional Shares and Additional Options under the Additional Share Facility will be at the discretion of the Directors.

No Additional Shares or Additional Options will be issued if, to do so would, to the extent of the knowledge of Avecho, result in a breach of the Listing Rules or the restrictions on obtaining or increasing relevant interests of greater than 20% of Avecho's issued voting shares under Chapter 6 of the Corporations Act, or would otherwise be contrary to the Corporations Act or the Listing Rules.

1.12 Shortfall Offer

As the Entitlement Offer is not underwritten, there may be New Shares and New Options not taken up by Eligible Shareholders, including under the Additional Share Facility and those not able to be taken up by Ineligible Foreign Shareholders (these being **Shortfall Shares** and **Shortfall Options**).

The Directors reserve the right to place Shortfall Shares and Shortfall Options to any person within three months of the Closing Date, as permitted by the Listing Rules. Shortfall Shares will be offered at the Issue Price. Every 2 Shortfall Shares will be issued together with 3 Shortfall Options with an exercise price of \$0.012 each and expiring 3 years from the original issue date of the New Options.

Shortfall Shares and Shortfall Options to be placed will be offered under a separate offer made pursuant to this Prospectus (**Shortfall Offer**). Eligible Shareholders will have the opportunity to subscribe for Shortfall Shares and Shortfall Options in the Entitlement and Acceptance Form. The Shortfall Offer will remain open for up to three months following the Closing Date, at the discretion of the Directors.

1.13 JLM Options Offer

CoPeak Corporate Pty Ltd ACN 632 277 144 as the Trustee for Peak Asset Management Unit Trust ABN 891 265 739 (**Peak Asset Management**) and CPS Capital Group Pty Ltd ACN 088 055 636 (**CPS Capital**) have been appointed as joint lead managers to the Entitlement Offer. The terms of the of the appointment of the Joint Lead Managers are summarised in section 5.9.

As part of the fees payable to the Joint Lead Managers, the Company has agreed to issue 150,000,000 JLM Options to the Joint Lead Managers (or their nominee(s)). The JLM Options will be issued to the Joint Lead Managers at \$0.00001 per JLM Option. The JLM Options will otherwise be issued on the same terms as the New Options.

The JLM Options are being offered only to the Joint Lead Managers (or their nominee(s)) under a separate offer made pursuant to this Prospectus (**JLM Options Offer**). The purpose of the JLM Options Offer is to remove the need for an additional disclosure document to be issued under the JLM Options Offer or upon exercise of the JLM Options. An application form will be provided to the Joint Lead Managers in relation to the JLM Options Offer.

1.14 Prices of Shares

The latest closing market sale price of Shares on ASX was \$0.009 on Friday, 31 March 2023, being the last trading day before Avecho announced the Entitlement Offer.

1.15 Further information

Eligible Shareholders can obtain a copy of this Prospectus from www.computersharecas.com.au/aveoffer or by calling the offer information line on 1300 850 505 (within Australia) and +61 3 9415 5000 (outside Australia) at any time from 8:30 am to 5:00 pm (AEST) Monday to Friday during the offer period. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. The electronic version of this Prospectus will not include an Entitlement and Acceptance Form unless it is accessed through www.computersharecas.com.au/aveoffer.

The Prospectus, and all other documents related to the Entitlement Offer, can be obtained from, or inspected at, an ASIC office.

A replacement Entitlement and Acceptance Form can be requested by calling the offer information line on 1300 850 505 (within Australia) and +61 3 9415 5000 (outside Australia) at any time from 8:30 am to 5:00 pm (AEST) Monday to Friday during the offer period.

1.16 Target market determination

Design and distribution obligations are intended to help consumers obtain appropriate financial products by requiring issuers and distributors to have a consumer-centric products. The design and distribution obligations require product issuers to make publicly available a target market determination that explains the target market for the offer, any distribution conditions, and any information related to reviewing and monitoring conduct in relation to the target market determination.

The Company has prepared a target market determination which has been released to ASX by the Company or you can request a paper copy by contacting the offer information line on 1300 850 505 (within Australia) and +61 3 9415 5000 (outside Australia) at any time from 8:30 am to 5:00 pm (AEST) Monday to Friday during the offer period.

1.17 Foreign Shareholders

This Prospectus and the accompanying Entitlement and Acceptance Form do not constitute an offer in any place which, or to any person to whom, it would be unlawful to make such an offer. This Prospectus constitutes a disclosure document under section 713 of the Corporations Act. No action has been taken to register this Prospectus in any jurisdiction other than Australia.

(a) United States of America

This Prospectus is not an offer to sell, nor a solicitation of an offer to buy, securities in the United States. The New Shares and New Options have not been, and will not be, registered under the US Securities Act or the securities law of any state or other jurisdiction of the United States of America and may not be offered or sold, directly or indirectly, in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and any applicable US state securities laws.

(b) New Zealand

The New Shares and New Options are not being offered to the public within New Zealand other than to existing shareholders of Avecho with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct Act 2013 and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2021.

This document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

2. HOW TO APPLY

2.1 Shareholder's choices

The number of New Shares and New Options to which Eligible Shareholders are entitled under the Entitlement Offer (i.e. their Entitlement) is shown on the accompanying Entitlement and Acceptance Form. If Eligible Shareholders have more than one registered holding of Shares, Eligible Shareholders will be sent more than one personalised Entitlement and Acceptance Form and Eligible Shareholders will have a separate Entitlement for each separate holding.

Eligible Shareholders may:

- (a) take up their Entitlement in full (refer to section 2.2);
- (b) take up their Entitlement in full and apply for Additional Shares and Additional Options under the Additional Share Facility (refer to section 2.3);
- (c) take up part of their Entitlement and allow the balance to lapse (refer to section 2.4); or
- (d) do nothing and allow their Entitlement to lapse (refer to section 2.5).

Ineligible Foreign Shareholders may not take up any of their Entitlements.

Avecho reserves the right to reject any Entitlement and Acceptance Form that is not correctly completed or that is received after the Closing Date.

The Closing Date for acceptance of the Entitlement Offer is 5:00 pm (AEST) on Wednesday, 3 May 2023 (however, that date may be varied by Avecho, in accordance with the Listing Rules).

Please consult with your stockbroker, accountant or other professional adviser if you have any queries or are uncertain about any aspect of the Entitlement Offer. You should also refer to section 4 of this Prospectus for a summary of general and specific risk factors that may affect Avecho.

2.2 Taking up all of your Entitlement

If you wish to take up your Entitlement in full, follow the instructions set out on the Entitlement and Acceptance Form.

Please return your completed Entitlement and Acceptance Form together with your Application Monies in accordance with the instructions shown on the Entitlement and Acceptance Form to the Share Registry so that it is received no later 5:00 pm (AEST) on Wednesday, 3 May 2023.

You may also take up all of your Entitlement by payment of the Application Monies through BPAY® in accordance with the instructions on the Entitlement and Acceptance Form. If payment is being made through BPAY®, you do not need to return the Entitlement and Acceptance Form. Your payment must be received by no later than 5:00 pm (AEST) on Wednesday, 3 May 2023.

Refund amounts, if any, will be paid in Australian dollars and without any interest. You will be paid either by cheque sent by ordinary post to your address as recorded on the share register (the registered address of the first-named in the case of joint holders), or by direct credit to the nominated bank account as noted on the share register as at the closing date of the offer.

2.3 Taking up all of your Entitlement and applying for Additional Shares and Additional Options

If you have applied to take up all of your Entitlement, you may also apply for Additional Shares and Additional Options by following the instructions set out on the Entitlement and Acceptance Form. Additional Shares and Additional Options comprise New Shares and New Options under the Entitlement Offer which are not taken up by other Eligible Shareholders, as well as those which Ineligible Foreign Shareholders would have been offered had they been eligible to participate.

If your Application for Additional Shares and Additional Options is successful (in whole or in part), those Additional Shares and Additional Options will be issued to you at the same time that the other New Shares and New Options are issued under the Entitlement Offer.

There is no guarantee that Eligible Shareholders will receive the number of Additional Shares and Additional Options applied for, or that they will receive any at all.

If any Applications for Additional Shares and Additional Options are not accepted in part or in full, the relevant portion of the Application Monies will be refunded without interest as soon as practicable.

The allocation of any New Securities under the Additional Share Facility will be at the discretion of the Directors.

2.4 Taking up part of your Entitlement and allow for the balance to lapse

If you wish to take up part of your Entitlement, please complete the Entitlement and Acceptance Form for the number of New Shares and New Options you wish to take up and follow the instructions set out on the Entitlement and Acceptance Form.

You may arrange for payment through BPAY® in accordance with the instructions on the Entitlement and Acceptance Form. If payment is made through BPAY® and Avecho receives an amount that is less than the Issue Price multiplied by your Entitlement (**Reduced Amount**), your payment may be treated as an application for as many New Shares and New Options as the Reduced Amount will pay for in full.

The portion of your Entitlement not taken up will lapse without further action by you.

2.5 Allow your Entitlement to lapse

If you do not wish to accept all or any part of your Entitlement, do not take any further action and that part of your Entitlement will lapse.

2.6 Consequences of not accepting your Entitlement

If you do not accept all of your Entitlement in accordance with the instructions set out, any New Shares and New Options that you would have otherwise been entitled to under the Entitlement Offer (or New Shares and New Options that relate to the portion of your Entitlement that has not been accepted) may be allocated in the Additional Share Facility or the Shortfall Offer.

Your percentage shareholding in Avecho may be diluted if you do not accept all or a part of your Entitlement. Further information regarding dilution is contained in section 3.4 of the Prospectus.

2.7 Payment

The consideration for the New Shares and New Options is payable in full on application by a payment of \$0.006 per New Share. Payment instructions are set out on the Entitlement and Acceptance Form. It is your responsibility to ensure your Application Monies are received by

the Share Registry by no later than 5:00 pm (AEST) on Wednesday, 3 May 2023. Your financial institution may implement earlier cut-off times with regard to electronic payment, and you should take that into consideration.

Payments by cash or cheque will not be accepted. Receipts for payment will not be issued.

2.8 Entitlement and Acceptance Form is binding

A completed and lodged Entitlement and Acceptance Form with the requisite Application Monies, or a payment made through BPAY®, constitutes a binding offer to acquire New Shares and New Options (including Additional Shares and Additional Options, as applicable) on the terms of this Prospectus and, once paid, cannot be withdrawn. If the Entitlement and Acceptance Form is not completed correctly it may still be treated as a valid Application for New Shares and New Options. The Directors' (or their delegates') decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is at their sole discretion and final.

By completing and returning your personalised Entitlement and Acceptance Form with the requisite Application Monies or making a payment by BPAY®, you will also be deemed to have acknowledged, represented and warranted on behalf of each person on whose account you are acting that you:

- (a) acknowledge that you have read and understood this Prospectus and the accompanying Entitlement and Acceptance Form in their entirety;
- (b) agree to be bound by the terms of the Entitlement Offer, this Prospectus and Avecho's constitution;
- (c) authorise Avecho to register you as the holder(s) of the New Shares and New Options allotted to you;
- (d) declare that all details and statements made in the Application are complete and accurate;
- (e) declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Entitlement Offer;
- (f) acknowledge that, once Avecho or the Share Registry receives the Entitlement and Acceptance Form or your payment by BPAY®, you may not withdraw it except as allowed by law;
- (g) apply for the number of New Shares and New Options specified in the Entitlement and Acceptance Form, or for which you have submitted payment of any Application Monies, at the Issue Price per New Share;
- (h) authorise Avecho and the Share Registry and their respective officers or agents to do anything on your behalf necessary for the New Shares and New Options to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in the Entitlement and Acceptance Form;
- (i) acknowledge and agree that:
 - (1) determination of eligibility of investors for the purposes of the Entitlement Offer was determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of Avecho; and
 - (2) Avecho and its related bodies corporate and affiliates, disclaim any duty or liability (including for negligence) in respect of that determination and the exercise or otherwise of that discretion, to the maximum extent by law;

- (j) declare that you were the registered holder(s) at the Record Date of the Shares indicated on the Entitlement and Acceptance Form;
- (k) acknowledge that the information contained in this Prospectus is not investment advice or a recommendation that New Shares and New Options are suitable for you, given your investment objectives, financial situation or particular needs;
- (l) acknowledge that this Prospectus is a transaction-specific prospectus under section 713 of the Corporations Act and does not contain the same level of disclosure as an initial public offering prospectus. In preparing this Prospectus, regard has been had to the fact that Avecho is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and professional advisers to whom investors may consult;
- (m) acknowledge that you have read and understood the risk factors in section 4 of this Prospectus and that an investment in Avecho is subject to risks;
- (n) acknowledge that neither Avecho or nor its respective related bodies corporate and affiliates and their respective directors, officers, partners, employees, representatives, agents, consultants or advisers, guarantees the performance of Avecho, nor do they guarantee the repayment of capital;
- (o) agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Entitlement Offer and of your holding of the New Shares and New Options on the Record Date;
- (p) authorise Avecho to correct any errors in your Application or other form provided by you;
- (q) you represent and warrant (for the benefit of Avecho) that you are not an Ineligible Foreign Shareholder and are otherwise eligible to participate in the Entitlement Offer;
- (r) you represent and warrant that the law of any place does not prohibit you from being given this Prospectus and the personalised Entitlement and Acceptance Form, nor does it prohibit you from making an application for New Shares and New Options;
- (s) are an Eligible Shareholder and are not in the United States of America and are not a person (including nominees or custodians) acting for the account or benefit of a person in the United States of America (to the extent such person holds ordinary shares in Avecho for the account or benefit of such person in the United States) (unless such person is otherwise determined by Avecho to be eligible) and are not otherwise a person to whom it would be illegal to make an offer or issue New Shares and New Options under the Entitlement Offer;
- (t) acknowledge that the New Shares and New Options have not been, and will not be, registered under the US Securities Act or under the laws of any other jurisdiction outside Australia;
- (u) have not and will not send any materials relating to the Entitlement Offer to any person in the United States of America or to any person (including nominees or custodians) acting for the account or benefit of a person in the United States of America; and
- (v) you understand and acknowledge that neither the Entitlements nor the New Shares and New Options have been, or will be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States. Notwithstanding the foregoing, the Entitlements may not be purchased, taken up or exercised by persons in the United States or by persons who are acting for the account or benefit of a person in the United States (unless such person is otherwise determined by Avecho to be eligible). Neither the Entitlements nor the New Shares and New Options may be offered, sold or resold in the United States except in a transaction exempt from, or not

subject to, the registration requirements of the US Securities Act and the applicable securities laws of any state or other jurisdiction in the United States.

2.9 Brokerage and stamp duty

No brokerage fee is payable by Eligible Shareholders who accept their Entitlement. No stamp duty is payable for subscribing for New Shares and New Options under the Entitlement Offer.

2.10 Notice to nominees and custodians

Nominees and custodians may not distribute any part of this Prospectus or any Entitlement and Acceptance Form in any country outside Australia, except to beneficial holders of Shares in New Zealand or any other country to the extent Avecho may determine it is lawful and practical to make the Entitlement Offer.

Avecho is not required to determine whether or not any registered holder or investor is acting as a nominee or custodian or the identity or residence of any beneficial owners of Existing Shares or Entitlements. Where any person is acting as a nominee or custodian for a foreign person, that person, in dealing with its beneficiary, will need to assess whether indirect participation in the Entitlement Offer by the beneficiary complies with applicable foreign laws. Avecho is not able to advise on foreign laws.

3. EFFECT OF THE ENTITLEMENT OFFER

3.1 Effect of the Entitlement Offer

The principal effects of the Entitlement Offer on Avecho are as follows:

- (a) Avecho may issue up to approximately 1,837,869,344 New Shares and up to approximately 2,756,804,016 New Options (in each case subject to rounding); and
- (b) Avecho's net cash position may increase by up to approximately \$11 million before costs (excluding any amounts that may be received from the exercise of New Options).

3.2 Effect on Consolidated Statement of pro forma Financial Position

The information in this section provides details of Avecho's historical financial information pro forma adjusted to take into account the effects of the Entitlement Offer, assuming the Entitlement Offer is fully subscribed. Shareholders should be aware that the Entitlement Offer is not underwritten. Full details of Avecho's historical financial information, including applicable notes and the accounting policies underlying their preparation, are contained in Avecho's financial report for the period ending 31 December 2022, which can be found on Avecho's website and in past announcements on the ASX. The table below shows the unaudited consolidated pro forma statement of financial position of Avecho as if the Entitlement Offer occurred as at 31 December 2022, assuming the Entitlement Offer is fully subscribed. The table has been prepared for illustrative purposes and has not been audited or reviewed. The pro-forma statement of financial position has been prepared on the same basis and using the same accounting policies as the Company's reviewed accounts for the year ended 31 December 2022.

Avecho Biotechnology Limited
Consolidated statement of
financial position

	Prior to Proposed Transactions – Position of Company as stated in latest audited, consolidated financial statements 31/12/2022 \$	Consolidated Effect of Proposed Transactions \$	Post Proposed Transactions - Pro forma \$	Percentage increase/decrease following Proposed Transactions %
ASSETS				
Current assets				
Cash and cash equivalents	1,468,210	10,916,944	12,385,154	744%
Trade and other receivables	745,993	-	745,993	0%
Inventories	401,980	-	401,980	0%
Other current assets	235,006	-	235,006	0%
Total Current Assets	2,851,189	10,916,944	13,768,133	383%
Non-Current Assets				
Plant and equipment	222,038	-	222,038	0%
Right-of-use assets	246,075	-	246,075	0%
Intangible assets	26,250	-	26,250	0%
Total Non-Current Assets	494,363	-	494,363	0%
Total Assets	3,345,552	10,916,944	14,262,496	326%
LIABILITIES				
Current Liabilities				
Trade and other payables	276,415	-	276,415	0%
Lease liabilities	70,923	-	70,923	0%
Provisions	398,166	-	398,166	0%
Total Current Liabilities	745,504	-	745,504	0%
Non-Current Liabilities				
Lease liabilities	175,152	-	175,152	0%
Total Non-Current Liabilities	175,152	-	175,152	0%
Total Liabilities	920,656	-	920,656	0%
Net Assets	2,424,896	10,916,944	13,341,840	450%
EQUITY				
Issued Capital	237,528,800	10,370,944	247,899,744	4%
Reserves	29,000,426	546,000	29,546,426	2%
Accumulated Losses	(264,104,330)	-	(264,104,330)	0%
Total Equity	2,424,896	10,916,944	13,341,840	450%

3.3 Effect on capital structure

Subject to rounding of fractional Entitlements, the capital structure of Avecho following the issue of Shares and Options under the Entitlement Offer and JLM Options Offer is expected to be as follows:

	As at the date of this Prospectus	Entitlement Offer (subject to rounding)	JLM Options Offer	Total
Shares	1,837,869,344	1,837,869,344	-	3,675,738,688
Options	220,287,450 ¹	2,756,804,016	150,000,000	3,127,091,466

3.4 Potential dilutionary impact on Shareholders

If all Eligible Shareholders take up their Entitlements in full each Eligible Shareholder's percentage interest in the total issued Shares of Avecho will remain the same and will not be diluted. Ineligible Foreign Shareholders will have their shareholdings diluted. Eligible Shareholders who elect to not take up their Entitlements in full, or at all, will have their shareholdings diluted.

The maximum number of New Shares which will be issued pursuant to the Entitlement Offer is 1,837,869,344 (subject to rounding of Entitlements). This equates to up to 100% of all the issued Shares in Avecho following completion of the Entitlement Offer.

The maximum number of New Options issued under the Entitlement Offer is 2,756,804,016. If all of these Options are exercised, this will equate to up to approximately 75% of all the issued Shares in Avecho following exercise of the Options (assuming no other existing options on issue prior to the Entitlement Offer are exercised).

3.5 Potential impact of Entitlement Offer on control of Avecho

Where all Eligible Shareholders subscribe for their full Entitlement there will be no effect on the control of Avecho as a result of the Entitlement Offer. All Eligible Shareholder shareholding percentages as at the Record Date will be maintained.

As at the date of the Prospectus, the relevant interests and voting power of the substantial shareholders of the Company (based on the last substantial shareholding notice lodged with the Company dated 22 October 2019) are as follows:

Substantial Shareholder	Number of Shares held	Voting power	Entitlement
Mr Mark Kerr	199,503,526	12.65%	199,503,526

As the Company does not propose to apply to ASIC for approval of the appointment of a nominee for the purposes of section 615 of the Corporations Act, no person will be permitted to acquire New Shares under the Entitlement Offer, Additional Share Facility or Shortfall Offer

¹ Includes 122,443,182 quoted Options expiring 31 December 2023 and 97,844,268 unquoted Options of various expiry dates.

to the extent that such acquisition results in that person holding a relevant interest exceeding 20% of the issued share capital of the Company on a post issue basis.

4. RISK FACTORS

4.1 Introduction

The purpose of this section is to outline the major risks, as identified by the Directors, associated with an investment in Avecho. The risks listed below are not exhaustive and this section does not propose to list every risk that may be associated with an investment in Avecho now, or in the future. The occurrence, or consequences, of some of the risks described in this section are partially or completely outside the control of Avecho or its Directors.

Prospective investors should read the whole of this Prospectus in order to fully appreciate the risks outlined in this section before making a decision to apply for New Securities.

There are numerous widespread risks associated with investing in any form of business and with investing in the share market generally. There is also a range of specific risks associated with Avecho's business. The following summary, which is not exhaustive, represents some of the major risk factors which potential investors need to be aware of.

4.2 Risks specific to the Entitlement Offer

- (a) The anticipated use of the funds raised from the Entitlement Offer are detailed in section 1.3 of this Prospectus. These are statements of current intention as at the date of this Prospectus. Avecho will continue to review and evaluate the proposed uses of funds. The actual use of funds raised under the Entitlement Offer may change depending on various circumstances, including circumstances out of Avecho's control.
- (b) The Entitlement Offer may have the effect of diluting the percentage of each Shareholder's interest. If a Shareholder does not take up their Entitlement, that Shareholder's percentage interest in the total issued Shares of Avecho may be diluted. Ineligible Foreign Shareholders may have their shareholdings diluted.
- (c) The allocation of Shares to existing Shareholders has the potential to increase the level of control a Shareholder has over Avecho. Section 3.5 of this Prospectus details major Shareholders in Avecho and the effect that the Entitlement Offer will have upon those major Shareholders' shareholdings. Avecho will not issue any New Shares and New Options to Shareholders if to do so would, to the extent of the knowledge of Avecho, result in a breach of the Listing Rules or the restrictions on obtaining or increasing relevant interests of greater than 20% of Avecho's issued Shares under Chapter 6 of the Corporations Act, or would otherwise be contrary to the Corporations Act or the Listing Rules.

4.3 Risks specific to Avecho

- (a) Financial risk

There is uncertainty surrounding the future financial performance of Avecho. Avecho's ability to operate with a profit in the future will depend in part on its ability to successfully commercialise its products. Other factors that will determine Avecho's profitability are its ability to manage costs, execute development and growth strategies, penetrate emerging markets and comply with its debt obligations.

- (b) Commercial risk

The development and commercialisation of Avecho's technology is subject to an inherent risk of failure, including the possibility that the products developed by Avecho may fail to demonstrate any material benefit or advancement in brain optimisation or mental health well

being, be uncommercial to market or otherwise not commercially exploitable, or fail to achieve the support of physicians, patients or the wider medical industry.

(c) Future capital needs

It may be necessary for Avecho to raise additional funds in order to undertake further product development or fund other needs which arise. There is no assurance that such funding will be available to Avecho in the future or that it will be available on acceptable terms.

(d) Competition risk

The technological advancement and mental health awareness industries are competitive and are constantly subject to change. Some of Avecho's competitors have substantially greater financial and human resources than Avecho. Consequently, there is a possibility that other parties will develop new software and service offerings which will compete with or supersede Avecho's product and intellectual property, with resulting adverse effects on Avecho's performance and profitability.

(e) Intellectual property risk

Avecho's success will depend on its ability to protect its intellectual property while operating without infringing the property rights of third parties or having third parties circumvent Avecho's proprietary rights. Such intellectual property may not be capable of being legally protected and may be subject of an unauthorised disclosure or unlawfully infringed upon by third parties. Avecho may incur substantial costs in asserting or defending its intellectual property rights.

(f) Loss and theft of data

The Avecho's product involves the storage of its users' confidential, personal and sensitive information. Avecho's business could be materially disrupted by privacy breaches which may impact the security of client information / data, unauthorised hacking, disruption, general misuse or unauthorised disclosure of a user's personal data. While Avecho undertakes measures to prevent and detect the occurrence of such privacy breaches, there is a risk that such measures may not be adequate. Any data breach will need to be reported to the relevant authorities and may cause substantial reputational and financial damage to the Company.

(g) Human resources

Avecho's future success depends on its continuing ability to retain and attract highly qualified personnel. Competition for such personnel can be intense and there can be no assurance that Avecho will be able to attract and retain additional highly qualified personnel in the future. The ability to attract and retain the necessary personnel could have a material adverse effect on Avecho's financial position and reputation.

(h) Future payment of dividends

The payment of dividends on Avecho shares is dependent on a range of factors, including the availability of profits, and the capital requirements of Avecho's business. Any future dividends will be determined by the Avecho board, having regard to Avecho's operating results and financial position at the relevant time. There is no guarantee that any dividend will be paid by Avecho.

(i) Systems risk

Avecho product is technology and software based. Avecho faces significant risks and challenges commonly faced by online product offerings including the risk of technology changes, unauthorised hacking, disruption, general misuse or unauthorised disclosure of a user's personal data. Avecho incurs considerable expenditure on systems development and maintenance. The requirement to continue investment in and development of Avecho's

technology may require additional fund raising in the future, and there is no guarantee Avecho will be able to secure such funding in the future.

(j) International markets

Avecho operates across a number of jurisdictions and therefore there are certain risks inherent in operating internationally such as unexpected changes and regulatory requirements, fluctuations and currency exchange rates, political instability, war and other economic or political risks. Such events could adversely affect the ability of the company to grow and operate internationally.

(k) Research and development risk

The Company'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 Company'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 Company's products on a large scale, or toxicity. The Company monitors product developments and engages proactively with key stakeholders to manage this risk.

(l) Regulatory and licensing risk

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 Company views the results of a trial to be positive, the FDA or other regulatory authorities may disagree with the Company's interpretation of the data. Thus, any product deploying the Company's 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.

(m) Dependence on service providers and third-party collaborators

There is no guarantee that the Company 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 Company 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 Company's partners. Non-performance, suspension or termination of relevant agreements could negatively impact the progress or success of the Company's product development efforts, financial condition and results of operations.

4.4 General risks

(a) Economic risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on Avecho's development and production activities, as well as on its ability to fund those activities.

Further, share market conditions may affect the value of Avecho's quoted securities regardless of Avecho's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;

- (iii) currency fluctuations;
 - (iv) changes in investor sentiment toward particular market sectors;
 - (v) the demand for, and supply of, capital; and
 - (vi) terrorism or other hostilities.
- (b) Share price fluctuation

As Avecho shares are listed on the ASX, they are subject to the usual vagaries of stock markets and can be affected by many variables not directly related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of Avecho's securities. There is no guarantee that Avecho's shares will not decrease in price.

- (c) Legislative change

Changes in government regulations and policies may adversely affect the financial performance or the current and proposed operations of Avecho.

- (d) Taxation

Any change to the rate of company income tax in the jurisdictions in which Avecho operates will impact on financial performance, share flow, share price and shareholder returns.

4.5 Other risks

The above list of risk factors ought not to be taken as exhaustive of the risks faced by Avecho or by investors in Avecho. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of Avecho and the value of the New Securities offered under this Prospectus.

5. ADDITIONAL INFORMATION

5.1 Transaction specific prospectus

Avecho is a 'disclosing entity' (as defined in section 111AC of the Corporations Act) and therefore subject to regular reporting and disclosure obligations under the Corporations Act. Under those obligations, Avecho is obliged to comply with all applicable continuous disclosure and reporting requirements in the Listing Rules.

This Prospectus is issued under section 713 of the Corporations Act. This section enables a disclosing entity to issue a prospectus in relation to securities in a class which has been quoted by ASX at all times during the three months prior to the date of the Prospectus or options to acquire such securities. This Prospectus must contain all information that investors and their professional advisers would reasonably require to make an informed assessment of the effect of the Entitlement Offer on Avecho and the rights and liabilities attaching to the New Securities.

This Prospectus is a 'transaction specific prospectus'. In general terms, a transaction specific prospectus is only required to contain information in relation to the securities being offered. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

It is intended that this Prospectus be read in conjunction with and in addition to the publicly available information in relation to Avecho which has been notified to ASX. This Prospectus does not contain all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should have regard to other publicly available information in relation to Avecho before making a decision whether or not to invest. Information that is already in the public domain has not been reported in this Prospectus other than that information which is considered necessary to make this Prospectus complete.

Avecho has taken reasonable enquiries and precautions to ensure that it has complied with the requirements of ASX as applicable to disclosing entities, and which require Avecho to notify ASIC of information available to ASX, throughout the three months before the issue of this Prospectus.

ASX maintains files containing publicly disclosed information about all listed companies. Avecho's file is available for inspection at ASX in Melbourne during normal business hours. In addition, copies of documents lodged by, or in relation to, Avecho with ASIC may be obtained from, or inspected at, any ASIC office.

5.2 Information available to Shareholders

Avecho will provide a copy of each of the following documents, free of charge, to any Shareholder who so requests during the application period under this Prospectus:

- (a) the annual financial report lodged with ASIC for the year ended 31 December 2022; and
- (b) any continuous disclosure notices after the lodgement of the annual financial report and before the lodgement of the prospectus.

5.3 Rights attaching to New Shares

New Shares issued pursuant to this Prospectus will rank equally in all respects with existing Shares. Full details of the rights attached to Shares are set out in Avecho's constitution, a copy of which can be inspected at Avecho's registered office. A summary of the significant rights, liabilities and obligations attaching to New Shares are set out below.

- (a) Voting rights

Subject to Avecho's constitution, the Listing Rules and rights or restrictions for the time being attached to any class or classes of Shares, at a general meeting every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and, on a poll, one vote for each fully paid Share. However, where a Shareholder appoints two persons as proxies, neither proxy is entitled to vote on a show of hands. The holder of partly paid Shares in the Company has a vote in respect of the Share on a poll which has the same proportionate value as the proportion that the amount paid on the Shares bears to the total amounts paid and payable (excluding amounts credited), provided that amounts paid in advance of a call are ignored when calculating a true proportion.

(b) General meeting and notices

Each holder of Shares will be entitled to receive notice of, and to attend and vote at, the Company's general meetings and to receive all notices, accounts and other documents required to be sent to Shareholders under Avecho's constitution, the Corporations Act and the Listing Rules.

(c) Dividends

The directors of Avecho may from time to time declare a final dividend or interim dividend to be paid to Shareholders entitled to the dividend. The dividend declared shall be payable equally on all Shares, except partly paid Shares which are entitled only to that part of the dividend which is in proportion to the amount paid (excluding amounts credited) on the share to the total amounts paid and payable (excluding amounts credited), in accordance with the Corporations Act.

(d) Winding up

Subject to the rights of Shareholders (if any) entitled to Shares with special rights in a winding up, all moneys and property that are to be distributed among Shareholders on a winding up, shall be so distributed amongst the Shareholders to return capital paid up on their Shares and to distribute any surplus in proportion to the amount paid up (not credited) on Shares held by them.

(e) Less than marketable parcel holdings

Subject to Avecho's constitution, the Company may at any time, but not more than once in any 12-month period, give written notice to a Shareholder whose holding of Shares is less than a marketable parcel (as that term is defined in the Listing Rules) of its intention to exercise powers under Avecho's constitution to sell the Shares and distribute the proceeds to that Shareholder. The Company must not exercise its power to sell an unmarketable parcel of Shares if within 6 weeks of providing written notice to the Shareholder of its intention to sell the Shares, the Shareholder provides written notice to the Company that it wishes to retain its Shares.

(f) Transfer of Shares

Subject to Avecho's constitution, a Shareholder may transfer Shares in accordance with the operating rules of the ASX, or by instrument which is in writing in any usual form or as approved by the directors of Avecho, a sufficient instrument under the Corporations Act, or in a form approved by ASX.

5.4 Rights attaching to New Options and JLM Options

New Options and JLM Options will be issued on the terms set out in this section. A reference to Options in this section will refer to New Options or JLM Options, as applicable.

(a) Exercise Price

The exercise price of each is \$0.012.

(b) Expiry

The Options will expire on 5:00 pm (AEST) on the day that is 3 years from their issue (or in the case of the JLM Options, from the issue of the New Options). After this time, any unexercised Option will automatically lapse.

(c) Entitlement

Each Option entitles the holder to subscribe for one fully paid Share upon exercise of the Option and payment of the Exercise Price prior to the Expiry Date.

(d) Terms of Exercise

The Options may be exercised at any time wholly or in part by delivering a duly completed form of notice of exercise together with a cheque for the Exercise Price per Option to the Company, at any time on or after the date of issue and allotment of the Options, and before the Expiry Date. Cheques must be drawn in Australian currency on an Australian bank and made payable to '**Avecho Biotechnology Limited**' and crossed 'Not Negotiable'.

On the valid exercise of the Options and payment of the Exercise Price, Avecho will issue Shares ranking equally in all respects with the New Shares.

Applications will be made for quotation of the Shares issued, upon valid exercise of Options, 5 Business Days of the date on which any Options are exercised.

(e) Rights to participate

Holders of Options do not have any right to participate in new issues of securities in the Company made to Shareholders generally during the currency of the Options without exercising the Option. However, Avecho will ensure that for the purposes of determining Entitlements to any such issue, the record date will be at least three business days after the issue is announced, giving the holders of Options the opportunity to exercise the Options prior to the date for determining Entitlements to participate in any such issue.

(f) Winding up

Options may be exercised within a period of 30 days after the occurrence of the Company passing a resolution for voluntary winding up or a compulsory winding up order is made.

(g) Quotation

Within 7 days of the date of this Prospectus, Avecho will apply to ASX for the Options to be listed as a tradeable security on ASX. At all times after listing, the Options may be transferred in the same manner as Shares unless classified as restricted securities under the Listing Rules and may be exercised by any other person or body corporate.

The transferability of the Options is subject to any restriction or escrow arrangement imposed by ASX or under the Corporations Act.

(h) Capital reorganisation

If, at any time, the issued capital of Avecho is reconstructed (including consolidation, subdivision, reduction or return), all rights of holders of Options will be changed in a manner consistent with the Corporations Act and the Listing Rules at the time of the reconstruction.

(i) Bonus Issues

A holder of Options does not have the right to participate in bonus issues or new issues of securities offered to Shareholders until Shares are allotted to the holder of the Options pursuant to the exercise of the Options.

If Avecho makes a bonus issue to existing shareholders and no Share has been issued in respect of that Option before the record date for determining Entitlements to the issue, then the number of Shares over which that Option is exercisable will be increased in the manner permitted by the Listing Rules applying at the time of the bonus issue.

(j) Pro rata issues

If Avecho makes a pro rata issue (other than a bonus issue) to existing Shareholders and no Share has been issued in respect of the Option before the record date for determining Entitlements to the issue, then the Exercise Price will be changed in the manner permitted by the Listing Rules applying at the time of the pro rata issue.

(k) Registered holders

Avecho is entitled to treat the holder of an Option as the absolute holder of that Option and is not bound to recognise any equitable or other claim to, or interest in, that Option on the part of any person other than the holder, except as ordered by a court of competent jurisdiction or as required by statute.

5.5 Corporate Governance

The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

In respect of the financial year ended 31 December 2022, the Company reported against the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition). Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has disclosed the reasons for the departure in its Appendix 4G and Corporate Governance Statement released to ASX on 15 March 2023.

Copies of the Company's corporate governance policies and procedures are available on the Company's website.

5.6 Litigation

As at the date of this Prospectus, Avecho is not involved in any material legal proceedings and the Directors are not aware of any material legal proceedings pending or threatened against Avecho.

5.7 Interests of Directors

As at the date of this Prospectus, the relevant interest of each of the Directors in the securities of Avecho are as follows:

Director	Shares	Options
Dr Gregory Collier	2,000,000	5,990,465
Dr Ross Murdoch	1,666,667	3,993,644
Mr Matthew McNamara	-	3,993,644

Details of the remuneration provided to the Directors and their associated entities during the financial year ended 31 December 2022 is detailed in the table below, as disclosed in the annual report lodged with the ASX on 15 March 2023.

31 December 2022	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Salary and fees	Annual leave ⁽ⁱⁱ⁾	Cash bonus	Super-annuation	Long service leave	Ordinary shares	Options	
	\$	\$	\$	\$	\$	\$	\$	\$
<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
	<u>200,228</u>	<u>-</u>	<u>-</u>	<u>10,272</u>	<u>-</u>	<u>-</u>	<u>25,981</u>	<u>236,481</u>

5.8 Interests of named persons

Except as disclosed in this Prospectus, no promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the distribution of this Prospectus, holds, or during the last two years has held, any interest in:

- (a) the formation or promotion of Avecho;
- (b) property acquired or proposed to be acquired by Avecho in connection with its formation or promotion of the Entitlement Offer; or
- (c) the Entitlement Offer,

and no amounts of any kind (whether in cash, Shares, or otherwise) have been paid or agreed to be paid to a promoter or any person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus for services rendered by that person in connection with the formation or promotion of Avecho or the Entitlement Offer.

Hamilton Locke has acted as Australian legal advisers to Avecho in relation to the Entitlement Offer. Avecho will pay approximately \$65,000 (exclusive of GST) to Hamilton Locke for these services. Hamilton Locke is paid normal hourly rates for other legal services it provides to Avecho.

5.9 Joint Lead Managers mandate

The Company has entered into a mandate with each of Peak Asset Management and CPS Capital for them to provide lead manager services to the Company in respect of the Entitlement Offer.

Pursuant to the mandate between Peak Asset Management and the Company, the Company has agreed to:

- (a) pay to Peak Asset Management a management fee of 0.50% (plus GST) of the maximum amount proposed to be raised under the Entitlement Offer (being a fee of \$55,136 plus GST);
- (b) pay to Peak Asset Management a success fee of 0.50% (plus GST) of gross proceeds actually raised in the Entitlement Offer;

- (c) pay to Peak Asset Management a placing fee of 4% (plus GST) of gross proceeds actually raised by Peak Asset Management from placing any Shortfall; and
- (d) issue 75,000,000 JLM Options to Peak Asset Management (or its nominees).

Pursuant to the mandate between CPS Capital and the Company, the Company has agreed to:

- (e) pay to CPS Capital a management fee of 0.50% (plus GST) of the maximum amount proposed to be raised under the Entitlement Offer (being a fee of \$55,136 plus GST);
- (f) pay to CPS Capital a success fee of 0.50% (plus GST) of gross proceeds actually raised in the Entitlement Offer;
- (g) pay to CPS Capital a placing fee of 4% (plus GST) of gross proceeds actually raised by CPS Capital from placing any Shortfall; and
- (h) issue 75,000,000 JLM Options CPS Capital (or its nominees).

The JLM Options proposed to be issued to Peak Asset Management and CPS Capital will be on the same terms as the New Options issued under the Entitlement Offer.

5.10 Consents

Each of the parties referred to in this section:

- (a) has not authorised or caused the issue of this Prospectus;
- (b) does not make, or purport to make, any statement in this Prospectus or on which a statement made in this Prospectus is based other than as specified in this section; and
- (c) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Each of the following has consented to being named in the Prospectus in the capacity as noted below and have not withdrawn such consent prior to the lodgement of this Prospectus with ASIC:

- (d) Peak Asset Management as Joint Lead Manager;
- (e) CPS Capital as Joint Lead Manager;
- (f) Hamilton Locke as Australian legal advisers to Avecho in relation to the Entitlement Offer; and
- (g) Computershare Investor Services Pty Limited as Share Registry.

There are a number of persons referred to elsewhere in this Prospectus who are not experts and who have not made statements included in this Prospectus nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in the Prospectus and did not authorise or cause the issue of the Prospectus.

5.11 Expenses of the Entitlement Offer

The estimated expenses of the Entitlement Offer (comprising of the fees due to ASIC fees, legal fees, printing and postages, Joint Lead Manager fees (assuming the Entitlement Offer is fully taken up by Eligible Shareholders) and other miscellaneous expenses) is \$356,206 (exclusive

of GST). In addition, the Company will issue the JLM Options to the Joint Lead Managers on the terms described in section 5.9

5.12 Electronic Prospectus

If you have received this Prospectus electronically, please ensure that you have received the entire Prospectus accompanied with the Entitlement and Acceptance Form. If you have not, please call the offer information line on 1300 850 505 (within Australia) and +61 3 9415 5000 (outside Australia) which will send you, for free, either a hard copy or a further electronic copy of the Prospectus. You may also obtain a copy of this Prospectus from Avecho's website at <https://avecho.com.au>.

6. DIRECTORS' AUTHORISATION

This Prospectus is issued by Avecho and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director and every person named in the Prospectus as a proposed Director has consented to the lodgement of this Prospectus with ASIC.

3 April 2023



Dr Gregory Collier

Non-Executive Chairman

7. DEFINITIONS

These definitions apply to the words and expressions used in this Prospectus.

"\$" or "AUD" means Australian dollars.

"**Additional Shares**" means New Shares under the Entitlement Offer which are not taken up Eligible Shareholders and New Shares which would have been offered to Ineligible Foreign Shareholders had they been eligible to participate in the Entitlement Offer.

"**Additional Options**" means New Options under the Entitlement Offer which are not taken up Eligible Shareholders and New Options which would have been offered to Ineligible Foreign Shareholders had they been eligible to participate in the Entitlement offer.

"**Additional Share Facility**" has the meaning given in section 1.11.

"**Applicant**" means an Eligible Shareholder who has submitted a duly completed Entitlement and Acceptance Form to Avecho accompanied by the relevant Application Monies or arranging for payment of the relevant Application Monies in accordance with the instructions on the Entitlement and Acceptance Form.

"**Application**" means an application for New Securities under the Entitlement Offer.

"**Application Form**" means an Entitlement and Acceptance Form.

"**Application Monies**" means the aggregate money payable for the New Shares and New Options applied for in a duly completed Entitlement and Acceptance Form or through BPAY®.

"**ASIC**" means the Australian Securities and Investments Commission.

"**ASX**" means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).

"**Avecho**" or "**Company**" means Avecho Biotechnology Limited ACN 056 482 403.

"**Board**" means the board of Directors of Avecho.

"**Business Day**" means a business day as defined in the Listing Rules.

"**Closing Date**" means 5:00 pm (AEST) on Wednesday, 3 May 2023, the day the Entitlement Offer closes, or any other date that Avecho in its absolute discretion determines, subject to the Listing Rules.

"**CPS Capital**" means CPS Capital Group Pty Ltd ACN 088 055 636.

"**Corporations Act**" means the *Corporations Act 2001* (Cth).

"**Directors**" means the directors of Avecho as appointed from time to time.

"**Eligible Shareholder**" has the meaning given in section 1.6.

"**Entitlement**" means the right to subscribe for New Shares and New Options under the Entitlement Offer.

"**Entitlement and Acceptance Form**" means the personalised acceptance form for the Entitlement Offer accompanying this Prospectus.

"**Entitlement Offer**" means a non-renounceable Entitlement Offer to Eligible Shareholders to subscribe for 1 New Share for every 1 Existing Share of which the Shareholder is the registered

holder on the Record Date, at the Issue Price pursuant to this Prospectus, in addition to 3 New Options attaching to every 2 New Shares.

"Exercise Price" means \$0.012 per Option.

"Existing Shares" means the Shares already on issue in Avecho as at the Record Date.

"Expiry Date" means the date on which the New Options and JLM Options automatically lapse, being the date that is 3 years from the date on which the New Options are issued.

"Ineligible Foreign Shareholder" means a Shareholder as at the Record Date who is not an Eligible Shareholder.

"Issue Price" means \$0.006 per New Share.

"JLM Options" means the Options to be issued under the JLM Options Offer.

"JLM Options Offer" has the meaning given in section 1.13.

"Joint Lead Managers" means Peak Asset Management and CPS Capital and **"Joint Lead Manager"** means any of them.

"Listing Rules" means the official listing rules of ASX.

"New Options" means Options to be allotted and issued under the Entitlement Offer on the basis of 3 New Options for every 2 New Shares subscribed under the Entitlement Offer, with the ability to be exercised into one Share on payment of the Exercise Price.

"New Securities" means New Shares, New Options or JLM Options, as applicable.

"New Shares" means Shares to be allotted and issued under the Entitlement Offer.

"Entitlement Offer" has the meaning given to it in section 1.1

"Options" means options to acquire Shares.

"Peak Asset Management" means CoPeak Corporate Pty Ltd ACN 632 277 144 as the Trustee for Peak Asset Management Unit Trust ABN 891 265 739.

"Prospectus" means this document.

"Record Date" means 7:00 pm (AEST) on Thursday, 6 April 2023.

"Reduced Amount" has the meaning given in section 2.4.

"Shareholders" means holders of Shares.

"Shares" means fully paid ordinary shares in the capital of Avecho.

"Shortfall Offer" has the meaning given to it in section 1.12.

"Shortfall Options" has the meaning given to it in section 1.12.

"Shortfall Shares" has the meaning given to it in section 1.12.

"Share Registry" means Computershare Investor Services Pty Limited ACN 078 279 277.

"US Securities Act" means the *United States Securities Act of 1933*, as amended.

Corporate directory

Avecho Biotechnology Limited

Unit A8 2A Westall Road
Clayton VIC 3168

<https://avecho.com.au/>

Directors

Dr Gregory Collier (Non-Executive Chair)

Dr Ross Murdoch (Non-Executive Director)

Mr Matthew McNamara (Non-Executive Director)

Company Secretary

Ms Melanie Leydin

Share Registry

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067

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

Solicitors to the offer

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123 Eagle Street
Brisbane QLD 4000

<http://hamiltonlocke.com.au/>