Avecho Biotechnology Limited

ABN 32 056 482 403

Annual Report - 31 December 2025

Avecho Biotechnology Limited
Contents
31 December 2025

Corporate directory	2
Directors' report	3
Auditor's independence declaration	18
Consolidated statement of profit or loss and other comprehensive income	19
Consolidated statement of financial position	20
Consolidated statement of changes in equity	21
Consolidated statement of cash flows	22
Notes to the consolidated financial statements	23
Consolidated entity disclosure statement	47
Directors' declaration	48
Independent auditor's report to the members of Avecho Biotechnology Limited	49
Shareholder information	53

Avecho Biotechnology Limited
Corporate directory
31 December 2025

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

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 2025.

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)
Ms Kathy Connell (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.

Avecho's lead asset is a proprietary cannabidiol ("CBD") TPM soft-gel capsule demonstrated to increase CBD absorption. The CBD capsule is currently undergoing Phase III clinical development for the treatment of insomnia.

Dividends

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

Review of operations

Phase III CBD insomnia trial advances toward interim analysis

During the 2024 financial year, the Company continued dosing on its pivotal Phase III Clinical Trial ("the Trial") for its proprietary TPM®-enhanced CBD soft-gel capsule targeting insomnia. The trial was expanded to increase efficiencies, with the addition of three new clinical trial sites and protocol amendments aimed at increasing the rate of recruitment.

Towards end of 2025, a total of 190 patients had been dosed with study medication, representing the majority of the approximately 210 participants required for the planned interim analysis.

Recruitment has continued into early 2026 to enrol the remaining participants. The Company noted that the pace of recruitment reflects the highly specific inclusion and exclusion criteria designed to select the patient population most appropriate for assessing the product's efficacy and safety, which is intended to maximise the likelihood of a successful clinical outcome.

Once recruitment is complete, Avecho will move to the final steps required to conduct the interim analysis, with formal timelines to be confirmed at that point. The Company is targeting completion of the interim analysis in the first half of 2026, which is expected to represent a major clinical and commercial inflection point for the CBD TPM® program.

Licensing agreement

In March 2025, the Company received independent commercial validation of the value of the CBD program, entering into a licensing agreement with Sandoz AG (Sandoz) for the exclusive commercialisation rights of its TPM®-enhanced CBD product in Australia. Sandoz is a global leader in generic pharmaceutical and biosimilar medicines that provides over 800 million patient treatments annually around the world. Avecho and Sandoz working towards plans for TGA registration and commercialization, with an initial focus on increasing the rate of recruitment on the Phase III clinical trial. Several initiatives are now underway which have accelerated recruitment as the trial proceeds towards an interim analysis.

Avecho received an upfront payment of A$4.8 million (USD 3 million) and entitled for future payments of US$16 million for achieving development milestones prior to commercial sales. In addition, Avecho will be entitled for tiered royalties ranging from 14% to 19% on net sales upon commercialisation. Under the agreement, Sandoz would be purchasing the product from Avecho for commercial sales. Avecho retains the rights to commercialise the product in all other territories, with Sandoz granted a right of first refusal to exceed any commercial offers Avecho receives.

Following the successful licensing of Australian rights to Sandoz, Avecho has broadened its business development efforts to target additional international markets. Licensing discussions remain active across multiple jurisdictions as the Company seeks to secure further agreements beyond Australia.

Avecho raises $2.5 million to accelerate commercial manufacturing for CBD insomnia product
In October 2025, Avecho announced it had secured firm commitments from institutional and sophisticated investors to raise $2.5 million (before transaction costs) via a placement, providing funding to accelerate commercial manufacturing activities required to support a future TGA submission and commercial supply of its lead CBD TPM® soft-gel capsule for insomnia. The Company completed the placement on 3 November 2025.

Proceeds from the Placement are being used to bring forward and complete critical manufacturing activities required for regulatory approval and future commercialisation. These include manufacturing registration batches for long-term stability testing, scaling up production to commercial batch sizes, finalising regulatory manufacturing documentation, and producing capsules for use in the second Phase III CBD insomnia trial patient cohort. Funding will also support ongoing trial costs through to the interim analysis.

The accelerated manufacturing program is designed to position Avecho to lodge a TGA submission as soon as possible following a successful Phase III outcome, while also preparing for future commercial supply in Australia and potential expansion into additional markets, including through ongoing licensing discussions.

Corporate Activities
In May 2025, the Company received R&D Grants of $1,695,102 for the year ended 30 December 2024 under the Australian Government's R&D Tax Incentive Scheme. The Company repaid $931,512 R&D advances provided by Endpoints Capital. The loan arrangement enabled the Company to access anticipated R&D tax refunds earlier during the 2024 financial year, allowing timely reinvestment into the Phase III program.

Review of financial results
The loss for the Consolidated Entity after providing for income tax amounted to $4,416,623 (31 December 2024: $3,122,048).

Revenue for the period consisted mainly of Vital ET® sales, with the sales during 2025 increased by 9% to $1,237,762 (31 December 2024: $1,132,672), compared to the 2024 financial year.

R&D tax incentives for the year was $1,995,884 (31 December 2024: $1,635,464). Overall increase in R&D tax incentives is consistent with the increased R&D activities attributable to the Phase III Clinical Trial evaluating the efficacy of its oral cannabidiol capsule for the treatment of insomnia. The Company invested $4,311,137 (31 December 2024: $3,591,156) on R&D activities during the year.

Expenses from continuing operations, primarily comprising administrative and corporate costs, increased 27% to $2,581,540 (31 December 2024: $2,039,467). Share based payments, payroll and investor relationship expenses were the key contributors for the increase in the operating expenses.

At 31 December 2025, the Consolidated Entity held $4,663,491 in cash and cash equivalents (31 December 2024: $2,374,534). The net assets of the Consolidated Entity decreased by $1,710,088 to $1,559,650 as at 31 December 2025 (31 December 2024: $3,269,738). Net asset position of the Consolidated Group includes $4,832,762 upfront licensing fee received from with Sandoz Group AG, which has been treated as a "contract liability" for accounting purposes. Working capital, being current assets less current liabilities, was $6,347,425 as at 31 December 2025 (31 December 2024: $3,099,882).

The net operating cash inflows for the year was $1,103,098 (31 December 2024: outflow $3,968,718). In addition to the funds received from Sandoz as noted below, Avecho raised $2.5 million (before transaction costs) via a placement in November 2025, providing funding to continue with the Phase III CBD insomnia trial.

Significant changes in the state of affairs
On 3 March 2025, Avecho announced that it has signed a licensing and development agreement with Sandoz. Under the terms of the agreement, Sandoz will pay Avecho a US$3 million (~A$4.8 million) upfront payment for the exclusive rights to commercialize the CBD capsule for insomnia in Australia, with a first right of refusal for additional international territories. Avecho is also eligible for up to $US16M in development milestones prior to commercialization, along with tiered royalties ranging from 14-19% on net sales. Avecho will oversee the manufacturing and supply of the CBD capsule through third-party CMOs and will supply the finished product to Sandoz for commercialization. On 28 March 2025, the Company announced the receipt of the US$3M (~A$4.79M) from Sandoz AG.

On 16 April 2025, the Company issued 4,166,666 fully paid ordinary shares at an issue price of $0.006 (0.60 cents) per share to employees under the Company's Equity Incentive Plan.

On 27 May 2025, the Company issued 142,618,373 Options to directors and employees at an exercise price of $0.0066 (0.66 cents), expiring on 27 November 2028, subject to various vesting conditions.

On 28 May 2025, the Consolidated Entity received R&D Grants of $1.7m for the year ended 31 December 2024 under the Australian Government's R&D Tax Incentive Scheme.

On 3 November 2025, the Company issued 500,000,000 fully paid ordinary shares at an issue price of $0.005 per share, raising approximately $2.5 million (before transaction costs). On the same day, the Company also issued 20,000,000 options, each exercisable at $0.012, with an expiry date of 10 May 2026.

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 2025 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.

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 $4.7 million, and net assets of $1.6 million as at 31 December 2025. 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 and ability to raise additional funding to ensure the Consolidated Entity's ability to generate sufficient cash inflows to settle its creditors and other liabilities.

Research and development risk

The Consolidated Entity's product range includes products that are in pre-clinical and clinical development phases and need to be further tested before they can be commercialised. 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, 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.

In addition, the Consolidated Entity is currently entitled to receive R&D Grants under the Australian Government's R&D Tax Incentive Scheme. There is a risk that the Australian Government may make material changes to the scheme, which may impact the funding available to the Consolidated Entity for its operations.

The Consolidated Entity monitors legislative and regulatory developments and engages proactively with key stakeholders to manage the above risks.

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 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 service providers or 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:	11,749,999 quoted options 6,338,595 unquoted options

Name:	Dr Ross Murdoch
Title:	Non-Executive Director
Qualifications:	PhD GAICD
Experience and expertise:	Dr Murdoch has over 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 was the CEO of Avecho from January 2015 to March 2019, prior to transitioning to a non-executive director of the Company. 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:	2,499,999 quoted options 3,169,298 unquoted options

Name:	Matthew McNamara
Title:	Non-Executive Director
Qualifications:	BSc (Hons), MBA
Experience and expertise:	Mr McNamara was appointed as a Director of the Company on 13 January 2020 and was re-appointed as a Director at the Annual General Meeting held on 23 May 2023. Mr Matthew McNamara has over 35 years' executive and funds management experience in the healthcare and medical sciences sector. He has a BSc (Hons) in Molecular Biology, has a 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. 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):	None
Interests in shares:	1,666,666 ordinary shares
Interests in options:	2,499,999 quoted options 3,169,298 unquoted options

Name:	Kathy Connell
Title:	Non-Executive Director
Experience and expertise:	Ms Connell is an internationally recognised healthcare and life sciences leader with deep and broad investment and licensing expertise, delivering a solid track record of value creating deals across pharmaceuticals, medtech, vaccines consumer and digital healthcare for some of the world's largest companies. For the past 20 years, Ms Connell has held senior executive leadership positions in biotechnology, pharmaceutical, medical device and consumer health sectors specialising in business development, licensing, acquisitions and venture investment, as well as having worked in healthcare and lifesciences executive search and management consulting with Korn Ferry. During her tenure at Johnson & Johnson and Sanofi, Ms Connell led external innovation investment, licensing and acquisition across ANZ, with more than $US1B of capital being deployed in Australia with industry, academia, VCs and government organisations. A dedicated advocate of diversity, equity and inclusion, Ms Connell co-founded Medicines Australia's Pharmaceutical Australia Inclusion Group (PAIG) – a special working group designed to foster diverse and inclusive corporate cultures and was awarded BioMelbourne Network's Woman of the Year in 2018 for her leadership in supporting Australia's high priority strategic growth sectors of biotech, medtech and pharmaceuticals. Ms Connell serves as a Non-Executive Director for ASX listed Opthea as well as Proto Axiom, a biotech investment company with an incubation arm and BioNSW, the peak body for Life Sciences companies and professionals in NSW. She is also an advisory board member for Flinders University Medical Device Research Institute. Ms Connell is a registered psychologist, holding tertiary degrees and qualifications in Applied Science, Psychology, Mediation and Law as well as being a Graduate of the Australian Institute of Company Directors.
Other current directorships:	Opthea Limited (ASX / NASDAQ: OPT)
Former directorships (last 3 years):	None
Interests in shares:	None
Interests in options:	7,162,942 unquoted 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.

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 2025, and the number of meetings attended by each director were:

	Full Board	
	Held	**Attended**
Gregory Collier	7	7
Ross Murdoch	7	6
Matthew McNamara	7	7
Katherine Connell	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 & Nomination Committee and Audit & Risk 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.

During the year ended 31 December 2025, the Company issued 142,618,373 unlisted options (31 December 2024: 3,993,644) under the Plan which includes 110,925,401 options issued to KMP (31 December 2024: 3,993,644).

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 2025 $	31 December 2024 $
Chairman	100,000	100,000
Non-Executive Director	55,910	55,275

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 for the 2025 financial year was $267,731 (31 December 2024: $248,092). Director fees include statutory superannuation contributions as required under Australian superannuation guarantee legislation.

Non-executive director's fees are reviewed periodically 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 during the year ended 31 December 2025 and 31 December 2024.

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
No remuneration consultants were engaged to provide remuneration services during the financial year (2024: None).

Voting and comments made at the Company's Annual General Meeting ('AGM') on 27 May 2025
At the Company's AGM held on 27 May 2025, 98.34% of the votes received supported the adoption of the remuneration report for the year ended 31 December 2024. 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)
- Kathy Connell (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.

31 December 2025	Salary and fees $	Annual leave[i] $	Bonus $	Post-employment benefits Superannuation $	Long service leave[i] $	Share-based payments Options[ii] $	Total $
Directors:							
Gregory Collier	100,000	-	-	-	-	16,194	116,194
Ross Murdoch[iii]	50,032	-	-	5,878	-	8,097	64,007
Matthew McNamara[iii]	50,032	-	-	5,878	-	8,097	64,007
Katherine Connell[iii]	50,032	-	-	5,878	-	12,438	68,348
Chief Executive Officer							
Paul Gavin[iv]	362,500	17,108	12,500	41,125	55,378	161,940	650,551
Other Key Management Personnel:							
Roksan Libinaki[v]	262,500	(13,197)	12,500	29,375	(611)	80,970	371,537
	875,096	3,911	25,000	88,134	54,767	287,736	1,334,644

(i) Annual leave and long service leave entitlements are 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 fair value of options granted, which is recognised over the vesting period.
(iii) On 1 July 2025, Non-Executive Director fees during the year were updated as required under the Australian superannuation guarantee legislation. There have been no other changes to non-executive director fees in either 31 December 2025 or 31 December 2024.
(iv) Dr Paul Gavin was granted 2,083,333 fully paid ordinary shares valued at $12,500 for achieving 2024 key performance indicators in his CEO contract.
(v) Dr Roksan Libinaki was granted 2,083,333 fully paid ordinary shares valued at $12,500 for achieving 2024 key performance indicators in her COO contract.

31 December 2024	Salary and fees $	Annual leave[i] $	Post-employment benefits Superannuation $	Long-term benefits Long service leave[i] $	Share-based payments Options[ii] $	Total $
Directors:						
Gregory Collier	100,000	-	-	-	-	100,000
Ross Murdoch[iii]	49,689	-	5,574	-	-	55,263
Matthew McNamara[iii]	49,689	-	5,574	-	-	55,263
Katherine Connell[iii]	33,746	-	3,820	-	8,487	46,053
Chief Executive Officer						
Paul Gavin	227,000	(2,588)	25,538	6,873	-	256,823
Other Key Management Personnel:						
Roksan Libinaki	241,667	3,239	27,208	30,209	-	302,323
	701,791	651	67,714	37,082	8,487	815,725

(i) Annual leave and long service leave entitlements are 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 fair value of options granted, which is recognised over the vesting period.
(iii) On 1 July 2023, Non-Executive Director fees during the year were updated as required under the Australian superannuation guarantee legislation. There have been no other changes to non-executive director fees during the period.

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.

Name (Title)	Term of agreement and notice period	Base salary including superannuation*	Termination payments**
Dr Paul Gavin (Chief Executive Officer)	No fixed term and a notice period of 6 months	$380,000	6 months
Dr Roksan Libinaki (Chief Operating Officer)	No fixed term and a notice period of 3 months	$280,000	3 months

* Base salary quoted as at 31 December 2025, reviewed annually by the Board.
** 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.

Share-based compensation
Issue of shares
Details of shares issued to directors and other key management personnel as part of compensation during the year ended 31 December 2025 are set out below:

Name	Date	Shares*	Issue price	$
Paul Gavin	16/04/2025	2,083,333	$0.006	12,500
Roksan Libinaki	16/04/2025	2,083,333	$0.006	12,500

Options

Name	Number of options granted	Grant date	Vesting and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Kathy Connell	998,411	26/04/2024	26/04/2024	26/10/2027	$0.006	$0.004
Kathy Connell	998,411	26/04/2024	26/04/2025	26/10/2027	$0.006	$0.004
Kathy Connell	998,411	26/04/2024	26/04/2026	26/10/2027	$0.006	$0.004
Kathy Connell	998,411	26/04/2024	26/04/2027	26/10/2027	$0.006	$0.004
Gregory Collier	1,584,649	27/05/2025	27/05/2025	27/11/2028	$0.007	$0.005
Gregory Collier	1,584,649	27/05/2025	27/05/2026	27/11/2028	$0.007	$0.005
Gregory Collier	1,584,649	27/05/2025	27/05/2027	27/11/2028	$0.007	$0.005
Gregory Collier	1,584,648	27/05/2025	26/05/2028	27/11/2028	$0.007	$0.005
Kathy Connell	792,325	27/05/2025	27/05/2025	27/11/2028	$0.007	$0.005
Kathy Connell	792,325	27/05/2025	27/05/2026	27/11/2028	$0.007	$0.005
Kathy Connell	792,325	27/05/2025	27/05/2027	27/11/2028	$0.007	$0.005
Kathy Connell	792,323	27/05/2025	26/05/2028	27/11/2028	$0.007	$0.005
Matthew McNamara	792,325	27/05/2025	27/05/2025	27/11/2028	$0.007	$0.005
Matthew McNamara	792,325	27/05/2025	27/05/2026	27/11/2028	$0.007	$0.005
Matthew McNamara	792,325	27/05/2025	27/05/2027	27/11/2028	$0.007	$0.005
Matthew McNamara	792,323	27/05/2025	26/05/2028	27/11/2028	$0.007	$0.005
Ross Murdoch	792,325	27/05/2025	27/05/2025	27/11/2028	$0.007	$0.005
Ross Murdoch	792,325	27/05/2025	27/05/2026	27/11/2028	$0.007	$0.005
Ross Murdoch	792,325	27/05/2025	27/05/2027	27/11/2028	$0.007	$0.005
Ross Murdoch	792,323	27/05/2025	26/05/2028	27/11/2028	$0.007	$0.005
Paul Gavin	15,846,485	27/05/2025	27/05/2025	27/11/2028	$0.007	$0.005
Paul Gavin	15,846,485	27/05/2025	27/05/2026	27/11/2028	$0.007	$0.005
Paul Gavin	15,846,485	27/05/2025	27/05/2027	27/11/2028	$0.007	$0.005
Paul Gavin	15,846,486	27/05/2025	26/05/2028	27/11/2028	$0.007	$0.005
Roksan Libinaki	7,923,243	27/05/2025	27/05/2025	27/11/2028	$0.007	$0.005
Roksan Libinaki	7,923,243	27/05/2025	27/05/2026	27/11/2028	$0.007	$0.005
Roksan Libinaki	7,923,243	27/05/2025	27/05/2027	27/11/2028	$0.007	$0.005
Roksan Libinaki	7,923,242	27/05/2025	26/05/2028	27/11/2028	$0.007	$0.005

Options granted carry no dividend or voting rights and contain a service condition that the employee/director remain an employee/director at the prescribed vesting date.

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 2025 are set out below:

Name	Number of options granted during the year 31 December 2025	Number of options granted during the year 31 December 2024	Number of options vested during the year 31 December 2025	Number of options vested during the year 31 December 2024
Gregory Collier	6,338,595	-	1,584,649	1,497,616
Matthew McNamara	3,169,298	-	792,325	998,411
Ross Murdoch	3,169,298	-	792,325	998,411
Kathy Connell	3,169,298	3,993,644	792,325	998,411
Paul Gavin	63,385,941	-	15,846,485	-
Roksan Libinaki	31,692,971	-	7,923,243	-

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 2025 (31 December 2024: 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 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:

	2025	2024	2023	2022	2021
Share price at financial year end (cents)	0.90	0.25	0.35	1.50	1.50
Basic earnings per share (cents per share)	(0.14)	(0.10)	(0.15)	(0.13)	(0.19)
Diluted earnings per share (cents per share)	(0.14)	(0.10)	(0.15)	(0.13)	(0.19)

	2025 $	2024 $	2023 $	2022 $	2021 $
Total revenue from continuing operations	1,237,762	1,132,672	473,551	1,129,260	793,600
Loss from continuing operations	(4,416,623)	(3,122,048)	(3,436,561)	(2,342,391)	(3,416,116)

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
Ordinary shares					
Gregory Collier	9,833,333	-	-	-	9,833,333
Ross Murdoch	3,333,333	-	-	-	3,333,333
Matthew McNamara	1,666,666	-	-	-	1,666,666
Paul Gavin	13,434,174	2,083,333	-	-	15,517,507
Roksan Libinaki	12,249,999	2,083,333	-	-	14,333,332
	40,517,505	4,166,666	-	-	44,684,171

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	Balance at the end of the year
Options over ordinary shares					
Gregory Collier	11,749,999	6,338,595	-	-	18,088,594
Matthew McNamara	2,499,999	3,169,298	-	-	5,669,297
Ross Murdoch	2,499,999	3,169,298	-	-	5,669,297
Kathy Connell	3,993,644	3,169,298	-	-	7,162,942
Paul Gavin	2,499,999	63,385,941	-	-	65,885,940
Roksan Libinaki	542,337	31,692,971	-	-	32,235,308
	23,785,977	110,925,401	-	-	134,711,378

Loans to key management personnel

No loans were made to KMP during the year, nor are there any loans to KMP outstanding.

Director related transactions

Other than the director fees, there were no other transactions were made with the directors.

Loans to related parties

No loans were made to director related parties during the year and there are no loans to director related parties outstanding.

Transactions with director related entities
The terms and conditions of transactions with KMP and their related entities were no more favourable to KMP than those available, or which might reasonably be expected to be available, for similar transactions on an arm's length basis.

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of Avecho Biotechnology Limited under option outstanding at the date of this report.

Grant date	Expiry date	Exercise price	Number under option
10/05/2023	10/05/2026	$0.012	486,430,104
22/11/2023	10/05/2026	$0.012	1,660,699,959
26/04/2024	26/10/2027	$0.006	3,993,644
27/05/2025	27/11/2028	$0.007	142,618,373
03/11/2025	10/05/2026	$0.012	20,000,000
			2,313,742,080

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
There were no shares issued on the exercise of options and performance rights during the year ended 31 December 2025 (31 December 2024: Nil).

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 20 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 20 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

Dr Gregory Collier
Chairman

27 February 2026

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222

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 2025, 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 Vasiliou
Partner – Audit & Assurance

Melbourne, 27 February 2026

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Avecho Biotechnology Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2025

	Note	Consolidated 31 December 2025 $	Consolidated 31 December 2024 $
Revenue from contracts with customers	5	1,237,762	1,132,672
Cost of sales		(349,386)	(460,746)
Gross profit		888,376	671,926
Research and development tax incentive and other income	6	2,049,038	1,893,782
Research and development expenses	7	(4,311,137)	(3,591,156)
Administration and corporate expenses	8	(2,581,540)	(2,039,467)
Finance costs		(461,360)	(57,133)
Loss before income tax expense		(4,416,623)	(3,122,048)
Income tax expense	9	-	-
Loss after income tax expense for the year attributable to the owners of Avecho Biotechnology Limited		(4,416,623)	(3,122,048)
Other comprehensive loss for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of Avecho Biotechnology Limited		(4,416,623)	(3,122,048)
		Cents	**Cents**
Basic losses per share	28	(0.14)	(0.10)
Diluted losses per share	28	(0.14)	(0.10)

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

Avecho Biotechnology Limited
Consolidated statement of financial position
As at 31 December 2025

	Note	Consolidated 31 December 2025 $	Consolidated 31 December 2024 $
Assets			
Current assets			
Cash and cash equivalents	10	4,663,491	2,374,534
Trade and other receivables	11	2,204,549	2,246,461
Inventories		8,066	137,459
Other assets (prepaid assets)		180,522	51,823
Total current assets		7,056,628	4,810,277
Non-current assets			
Plant and equipment		20,746	80,133
Right-of-use assets		12,949	90,651
Other assets		15,730	15,730
Total non-current assets		49,425	186,514
Total assets		7,106,053	4,996,791
Liabilities			
Current liabilities			
Trade and other payables	12	198,289	212,885
Borrowings	13	-	978,443
Lease liabilities		14,473	83,753
Provisions	14	496,441	435,314
Total current liabilities		709,203	1,710,395
Non-current liabilities			
Contract liabilities	15	4,832,762	-
Lease liabilities		-	14,472
Provisions	14	4,438	2,186
Total non-current liabilities		4,837,200	16,658
Total liabilities		5,546,403	1,727,053
Net assets		1,559,650	3,269,738
Equity			
Issued capital	16	246,901,334	244,605,505
Reserves	17	28,466,690	28,055,984
Accumulated losses		(273,808,374)	(269,391,751)
Total equity		1,559,650	3,269,738

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

Avecho Biotechnology Limited
Consolidated statement of changes in equity
For the year ended 31 December 2025

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 January 2024	244,605,505	29,212,656	(267,440,391)	6,377,770
Loss after income tax expense for the year	-	-	(3,122,048)	(3,122,048)
Other comprehensive loss for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(3,122,048)	(3,122,048)
Transactions with owners in their capacity as owners:				
Share-based payments (note 29)	-	14,016	-	14,016
Share options lapsed (note 17)	-	(1,170,688)	1,170,688	-
Balance at 31 December 2024	244,605,505	28,055,984	(269,391,751)	3,269,738

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 January 2025	244,605,505	28,055,984	(269,391,751)	3,269,738
Loss after income tax expense for the year	-	-	(4,416,623)	(4,416,623)
Other comprehensive loss for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(4,416,623)	(4,416,623)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	2,312,829	-	-	2,312,829
Share-based payments (note 29)	25,000	368,706	-	393,706
Issue of broker options (note 17)	(42,000)	42,000	-	-
Balance at 31 December 2025	246,901,334	28,466,690	(273,808,374)	1,559,650

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Avecho Biotechnology Limited
Consolidated statement of cash flows
For the year ended 31 December 2025

	Note	Consolidated 31 December 2025 $	Consolidated 31 December 2024 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		6,491,167	566,234
Receipts from R&D tax incentive and Export Market Development Grants		1,695,102	1,066,298
Payments to suppliers and employees (inclusive of GST)		(7,089,174)	(5,655,323)
Finance costs paid		(3,240)	(7,538)
Interest received		9,243	61,611
Net cash from/(used in) operating activities	27	1,103,098	(3,968,718)
Cash flows from investing activities			
Payments for security deposits		-	(15,730)
Net cash used in investing activities		-	(15,730)
Cash flows from financing activities			
Proceeds from issue of shares		2,500,000	-
Share issue transaction costs		(187,171)	-
Repayment of borrowings		(1,043,218)	-
Payment of principal element of lease liabilities		(83,752)	(76,926)
Receipts from borrowings		-	931,512
Net cash from financing activities		1,185,859	854,586
Net increase / (decrease) in cash and cash equivalents		2,288,957	(3,129,862)
Cash and cash equivalents at the beginning of the financial year		2,374,534	5,504,396
Cash and cash equivalents at the end of the financial year	10	4,663,491	2,374,534

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

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 27 February 2026.

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.

Rounding of amounts
Avecho Biotechnology Limited is a type of Company that is referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial statements have been rounded to the nearest dollar.

Functional and presentation currency
The financial statements are presented in Australian dollars, which is Consolidated Entity's functional and presentation currency.

Note 2. Material accounting policy information (continued)

Going concern

The 31 December 2025 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 $4,416,623 for the year ended 31 December 2025. 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.

The Directors determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. The assessment of the going concern assumption is based on the Consolidated Entity's cash flow projections and application of a number of judgements and estimates including the following:

- As at 31 December 2025 the working capital being current assets less current liabilities, position of the Consolidated Entity was a surplus of $6,347,425 and the Consolidated Entity had net assets of $1,559,650, including cash and cash equivalents of $4,663,491;
- The Consolidated Entity has the ability to raise additional working capital through the issue of equity, as needed, and has a successful history in raising funds and has previously been well supported by its major shareholders;
- On 3 March 2025, the Company announced that it had signed a licensing and development agreement with Sandoz. Under the terms of the agreement, Sandoz paid Avecho a US$3 million (~A$4.8 million) upfront payment for the exclusive rights to commercialize the CBD capsule for insomnia in Australia, with a first right of refusal for additional international territories. Avecho is also eligible for up to $US16M in development milestones prior to commercialization, along with tiered royalties ranging from 14-19% on net sales; and
- 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;
- The Consolidated Entity has prepared detailed cash flow forecasts and the Directors believe that they will have sufficient cash to fund the research and development and operations for the 12 months from signing the financial report.

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.

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 24.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Avecho Biotechnology Limited as at 31 December 2025 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.

Note 2. Material accounting policy information (continued)

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.

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.

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.

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.

Note 2. Material accounting policy information (continued)

Impairment of assets

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.

New or amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any material impact on the financial performance or position of the Consolidated Entity.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2025. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

AASB 18 Presentation and Disclosure in Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2027 and early adoption is permitted. The standard replaces IAS 1 'Presentation of Financial Statements', with many of the original disclosure requirements retained and there will be no impact on the recognition and measurement of items in the financial statements. But the standard will affect presentation and disclosure in the financial statements, including introducing five categories in the statement of profit or loss and other comprehensive income: operating, investing, financing, income taxes and discontinued operations. The standard introduces two mandatory sub-totals in the statement: 'Operating profit' and 'Profit before financing and income taxes'. There are also new disclosure requirements for 'management-defined performance measures', such as earnings before interest, taxes, depreciation and amortisation ('EBITDA') or 'adjusted profit'. The standard provides enhanced guidance on grouping of information (aggregation and disaggregation), including whether to present this information in the primary financial statements or in the notes. The Consolidated Entity will adopt this standard from 1 July 2027 and it is expected that there will be a significant change to the layout of the statement of profit or loss and other comprehensive income.

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 2025 the Consolidated Entity has recorded R&D tax incentive of $1,982,754 (31 December 2024: $1,635,464), in relation to 2025 financial year. 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.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Share-based payment transactions
The Consolidated Entity measures the cost of equity-settled transactions with employees 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 29. 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

Consolidated - 31 December 2025	Production $	Human Health $	Corporate $	Total $
Sales to external customers	1,237,762	-	-	1,237,762
Cost of sales	(349,386)	-	-	(349,386)
Interest income	-	-	9,243	9,243
Research and development tax Incentive and other income	36,598	2,000,884	2,313	2,039,795
Depreciation and amortisation	-	-	(137,089)	(137,089)
Employee and directors benefit expense	(313,228)	(868,345)	(825,933)	(2,007,506)
Research expenses	-	(3,520,798)	-	(3,520,798)
Other operating expenses from continuing operations	(216,846)	-	(1,471,798)	(1,688,644)
Profit/(loss) before income tax expense	394,900	(2,388,259)	(2,423,264)	(4,416,623)
Income tax expense				-
Loss after income tax expense				(4,416,623)
Assets				
Segment assets	1,912,017	1,982,754	3,211,282	7,106,053
Total assets				7,106,053
Liabilities				
Segment liabilities	57,502	4,964,201	524,700	5,546,403
Total liabilities				5,546,403

Note 4. Operating segments (continued)

Consolidated - 31 December 2024	Production $	Human Health $	Corporate $	Total $
Sales to external customers	1,132,672	-	-	1,132,672
Cost of sales	(460,746)	-	-	(460,746)
Interest income	-	-	61,611	61,611
Research and development tax incentive and other income	35,458	1,793,840	2,873	1,832,171
Depreciation and amortisation	(9,250)	-	(135,635)	(144,885)
Employee and directors benefit expense	(6,279)	(712,588)	(529,399)	(1,248,266)
Research expenses	-	(2,922,618)	-	(2,922,618)
Other operating expenses from continuing operations	(231,858)	(46,931)	(1,093,198)	(1,371,987)
Profit/(loss) before income tax expense	459,997	(1,888,297)	(1,693,748)	(3,122,048)
Income tax expense				-
Loss after income tax expense				(3,122,048)
Assets				
Segment assets	1,067,058	1,645,372	2,284,361	4,996,791
Total assets				4,996,791
Liabilities				
Segment liabilities	626	978,443	747,984	1,727,053
Total liabilities				1,727,053

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 97% of revenue attributed to the Production segment was derived from a single external customer group (31 December 2024: 96%).

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

	Sales, Licences and Royalties		Geographical non-current assets	
	31 December 2025 $	31 December 2024 $	31 December 2025 $	31 December 2024 $
Australia	136,983	38,167	49,425	186,514
Switzerland	1,068,532	352,622	-	-
Americas	-	708,540	-	-
India	22,500	33,343	-	-
France	9,747	-	-	-
	1,237,762	1,132,672	49,425	186,514

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

	Consolidated 31 December 2025 $	Consolidated 31 December 2024 $
Sale of goods transferred at a point in time	1,237,762	1,132,672

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.

Note 6. Research and development tax incentive and other income

	Consolidated 31 December 2025 $	Consolidated 31 December 2024 $
Net foreign exchange gain	-	35,456
Research and development tax incentive	1,995,884	1,635,464
Export Market Development Grants (EMDG)	36,598	-
Project income	5,000	158,376
Other	2,313	2,875
Interest income	9,243	61,611
	2,049,038	1,893,782

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

	Consolidated 31 December 2025 $	Consolidated 31 December 2024 $
Consultancy and laboratory consumables	38,808	55,771
Clinical development expenses	3,481,990	2,866,847
Employment expenses associated with research and development	790,339	668,538
	4,311,137	3,591,156

Note 8. Administration and corporate expenses

	Consolidated 31 December 2025 $	Consolidated 31 December 2024 $
Professional and consultancy fees	316,444	434,076
Insurance	330,866	339,902
Patent portfolio expenses	184,204	231,858
Salaries and other employee expenses (non - R&D)	413,334	199,645
Director fees	267,731	247,678
Superannuation expenses	142,397	118,388
Share based payments expenses (note 29)	393,705	14,017
Shareholder and listing expenses	187,964	167,012
Depreciation of right-of-use assets and plant and equipment	137,089	144,885
Occupancy expenses	58,751	52,716
Other sundry expenses	149,055	89,290
	2,581,540	2,039,467

Note 9. Income tax

	Consolidated 31 December 2025 $	Consolidated 31 December 2024 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(4,416,623)	(3,122,048)
Tax at the statutory tax rate of 25%	(1,104,156)	(780,512)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	93,779	3,504
Non-deductible R&D expenditure subject to incentive	880,200	730,655
Non-assessable income - R&D incentive	(498,971)	(408,866)
Non-deductible expenses	13,312	-
	(615,836)	(455,219)
Unused tax losses and tax offsets not recognised as deferred tax assets	615,836	455,219
Income tax expense	-	-

	Consolidated 31 December 2025 $	Consolidated 31 December 2024 $
Deferred tax assets not recognised		
The following items have not been brought to account as deferred tax assets:		
Payables, accrued expenses, and provisions	139,747	141,414
Intangibles	327,358	285,614
Property plant and equipment	57,174	47,365
Expense deductible in future periods	109,123	69,411
Other	381	1,894
Tax losses not recognised at current tax rate of 25% (31 December 2024: 25%)	47,383,432	46,740,876
Total deferred tax assets not recognised	48,017,215	47,286,574

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

	Consolidated	
	31 December 2025 $	31 December 2024 $
Current assets		
Cash at bank	4,663,491	2,374,534

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

	Consolidated	
	31 December 2025 $	31 December 2024 $
Current assets		
Trade receivables	155,981	569,311
R&D tax incentive credit receivable	1,982,754	1,645,372
Other receivables	65,814	31,778
	2,048,568	1,677,150
	2,204,549	2,246,461

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.

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. Trade and other payables

	Consolidated	
	31 December 2025 $	31 December 2024 $
Current liabilities		
Trade payables	103,736	60,634
Accrued expenses	64,658	128,155
Other payables	29,895	24,096
	198,289	212,885

Refer to note 18 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 13. Borrowings

	Consolidated	
	31 December 2025 $	31 December 2024 $
Current liabilities		
R&D Incentive loan	-	978,443

The Company entered into a R&D Advance Facility agreement with Endpoints Capital, to advance on the Company's 2024 R&D tax incentive. The facility was secured against the Company's 2024 R&D tax incentive. Repayment of the amounts advanced from Endpoints Capital coincides with receipt of R&D tax incentives and incurred interest expenses of $111,706 at 15.8% per annum. The loan was fully repaid during the period upon receipt of the 2024 R&D tax incentive.

Refer to note 18 for further information on financial risk management.

Accounting policy for borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 14. Provisions

	Consolidated	
	31 December 2025 $	31 December 2024 $
Current liabilities		
Annual leave	115,825	130,277
Long service leave	380,616	305,037
	496,441	435,314
Non-current liabilities		
Long service leave	4,438	2,186
	500,879	437,500

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. Contract liabilities

	Consolidated 31 December 2025 $	Consolidated 31 December 2024 $
Non-current liabilities		
Contract liabilities	4,832,762	-

Reconciliation
Reconciliation of the written down values at the beginning and end of the current and are set out below:

Opening balance	-	-
Payments received in advance	4,832,762	-
Closing balance	4,832,762	-

On 3 March 2025 Avecho announced it has signed an exclusive ten-year development and licensing agreement with Sandoz Group AG for the commercial rights to Avecho's Phase III cannabidiol capsule for insomnia in Australia. Avecho retains the rights to commercialise the product in all other territories, with Sandoz granted a first right of refusal for these markets. In consideration of the rights granted, Sandoz paid an upfront licensing fee of US$3M (approx. A$4.8M), which has been recognised as contract liability in these financial statements. Avecho will recognise the revenue on satisfaction of the entity's performance obligations under the development and licensing agreement.

Unsatisfied performance obligations
The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $4,832,762 as at 31 December 2025 and is expected to be recognised as revenue in future periods as follows:

	Consolidated 31 December 2025 $	Consolidated 31 December 2024 $
Within 1 year	-	-
More than 1 year	4,832,762	-
	4,832,762	-

Accounting policy for contract liabilities
Contract liabilities represent the Consolidated Entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Consolidated Entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Consolidated Entity has transferred the goods or services to the customer.

Note 16. Issued capital

			Consolidated	
	31 December 2025 Shares	31 December 2024 Shares	31 December 2025 $	31 December 2024 $
Ordinary shares - fully paid	3,673,463,679	3,169,297,013	246,901,334	244,605,505

Note 16. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 January 2024	3,169,297,013		244,605,505
Balance	31 December 2024	3,169,297,013		244,605,505
Issue of shares as part of short term incentive	15 April 2025	4,166,666	$0.006	25,000
Share issue through placement	3 November 2025	500,000,000	$0.005	2,500,000
Share issue costs				(229,171)
Balance	31 December 2025	3,673,463,679		246,901,334

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 the 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 17. Reserves

	Consolidated 31 December 2025 $	Consolidated 31 December 2024 $
Restructuring reserve	27,812,871	27,812,871
Other equity-settled benefits	252,000	210,000
Foreign currency reserve	24,626	24,626
Employee equity-settled benefits reserve	377,193	8,487
	28,466,690	28,055,984

Restructuring reserve
The reserve represents the historical difference between the consideration provided to obtain control of a commonly controlled business and the net assets transferred to the Company.

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

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 29.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Restructuring reserve $	Other equity-settled benefits $	Foreign currency reserve $	Employee equity-settled benefits reserve $	Total $
Balance at 1 January 2025	27,812,871	210,000	24,626	8,487	28,055,984
Share-based payments	-	42,000	-	368,706	410,706
Balance at 31 December 2025	27,812,871	252,000	24,626	377,193	28,466,690

Note 18. 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.

Note 18. Financial risk management (continued)

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.

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 2025, the Consolidated Entity's had the following exposure to US dollar foreign currency not designated in cash flow hedges:

	Assets		Liabilities	
	31 December 2025	31 December 2024	31 December 2025	31 December 2024
Consolidated	**$**	**$**	**$**	**$**
US dollars *(AUD equivalent)*	3,897,001	897,309	-	-

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.

	AUD/USD strengthened	AUD strengthened		AUD/USD weakened	AUD weakened	
Consolidated - 31 December 2025	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
Net USD denominated financial assets	10%	(354,723)	(354,723)	10%	433,000	433,000

Note 18. Financial risk management (continued)

Consolidated - 31 December 2024	AUD/USD strengthened % change	AUD strengthened Effect on profit before tax	AUD strengthened Effect on equity	AUD/USD weakened % change	AUD weakened Effect on profit before tax	AUD weakened Effect on equity
Net USD denominated financial assets	10%	(81,574)	(81,574)	10%	99,701	99,701

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

Interest rate risk
The Consolidated Entity does not hold significant interest-bearing assets or liabilities that are denominated in variable interest rates and therefore not exposed to significant 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:

31 December 2025	≤ 6 months $	Total $
Financial assets		
Cash and cash equivalents	4,663,491	4,663,491
Trade and other receivables	155,981	155,981
Total financial assets	4,819,472	4,819,472

31 December 2024	≤ 6 months $	Total $
Financial assets		
Cash and cash equivalents	2,374,534	2,374,534
Trade and other receivables	569,311	569,311
Total financial assets	2,943,845	2,943,845

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.

Note 18. Financial risk management (continued)

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.

Consolidated - 31 December 2025	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Remaining contractual maturities $
Non-derivatives					
Non-interest bearing					
Trade payables	-	103,736	-	-	103,736
Interest-bearing - fixed rate					
Lease liability	5.50%	14,473	-	-	14,473
Total non-derivatives		118,209	-	-	118,209

Consolidated - 31 December 2024	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Remaining contractual maturities $
Non-derivatives					
Non-interest bearing					
Trade payables	-	60,634	-	-	60,634
Interest-bearing - fixed rate					
Borrowings	15.80%	978,443	-	-	978,443
Lease liability	5.50%	86,994	14,570	-	101,564
Total non-derivatives		1,126,071	14,570	-	1,140,641

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 19. 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)
Ms Katherine Connell (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)

Note 19. Key management personnel disclosures (continued)

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

	Consolidated 31 December 2025 $	Consolidated 31 December 2024 $
Short-term employee benefits	904,007	702,442
Post-employment benefits	88,134	67,714
Long-term benefits	54,767	37,082
Share-based payments	287,736	8,487
	1,334,644	815,725

Note 20. 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:

	Consolidated 31 December 2025 $	Consolidated 31 December 2024 $
Audit services		
Audit and review of the financial statements	80,395	77,559
Other services - network firms		
Tax compliance	19,975	19,000

Note 21. Contingent asset and liabilities

The Consolidated Entity provided bank guarantees in the form of term deposits totalling $15,730 (31 December 2024: $15,730) 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 2025 (31 December 2024: Nil).

Note 22. Commitments

The Consolidated Entity does not have any commitments not recognised as liabilities at 31 December 2025 (31 December 2024: Nil).

Note 23. Related party transactions

Parent entity
Avecho Biotechnology Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 25.

Key management personnel
Disclosures relating to key management personnel are set out in note 19 and the remuneration report included in the directors' report.

Note 23. Related party transactions (continued)

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 24. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	31 December 2025 $	31 December 2024 $
Loss after income tax	(5,333,671)	(4,066,906)
Total comprehensive loss	(5,333,671)	(4,066,906)

Statement of financial position

	Parent	
	31 December 2025 $	31 December 2024 $
Total current assets	5,187,263	3,767,814
Total assets	5,236,688	3,954,328
Total current liabilities	709,203	1,710,395
Total liabilities	5,546,403	1,727,053
Equity		
Issued capital	246,901,334	244,605,505
Other equity-settled benefits	252,000	210,000
Employee equity-settled benefits reserve	377,192	8,487
Accumulated losses	(247,840,241)	(242,596,717)
Total equity/(deficiency)	(309,715)	2,227,275

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 2025 (31 December 2024: Nil).

Contingent liabilities
The parent entity had no contingent liabilities as 31 December 2025 (31 December 2024: Nil).

Capital commitments - plant and equipment
The parent entity had no capital commitments for plant and equipment as at 31 December 2025 (31 December 2024: Nil).

Note 24. Parent entity information (continued)

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 25. Interests in subsidiaries

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

		Ownership interest	
Name	Principal place of business / Country of incorporation	31 December 2025 %	31 December 2024 %
Vital Health Sciences Pty Ltd	Australia	100%	100%
Avecho Inc.[(i)]	USA	100%	100%

(i) There were no transactions or balances through US subsidiaries during the financial year ended 31 December 2025 (31 December 2024: Nil).

Note 26. Events after the reporting period

No matter or circumstance has arisen since 31 December 2025 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 27. Reconciliation of loss after income tax to net cash from/(used in) operating activities

	Consolidated	
	31 December 2025 $	31 December 2024 $
Loss after income tax expense for the year	(4,416,623)	(3,122,048)
Adjustments for:		
Depreciation and amortisation	137,089	144,885
Share-based payments	393,706	14,016
Interest expense	64,773	46,931
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	41,909	(1,146,899)
(Increase)/decrease in inventories	129,393	(40,342)
Increase in other current assets	(128,699)	250,739
(Decrease)/increase in trade and other payables	(14,591)	30,937
Increase/(decrease) in contract liabilities	4,832,762	(158,376)
Increase in provisions	63,379	11,439
Net cash from/(used in) operating activities	1,103,098	(3,968,718)

Note 28. Loss per share

	Consolidated 31 December 2025 $	Consolidated 31 December 2024 $
Loss after income tax attributable to the owners of Avecho Biotechnology Limited	(4,416,623)	(3,122,048)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	3,266,774,181	3,169,297,013
Weighted average number of ordinary shares used in calculating diluted earnings per share	3,266,774,181	3,169,297,013
	Cents	**Cents**
Basic losses per share	(0.14)	(0.10)
Diluted losses per share	(0.14)	(0.10)

As at 31 December 2025, the Consolidated Entity has 2,313,742,080 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.

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 29. 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).

All options granted to key management personnel have been issued in accordance with the provisions of the Equity Incentive Plan (EIP). Options granted carry no dividend or voting rights and contain a service condition that the employee/director remain an employee/director at the prescribed vesting date.

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

31 December 2025							
Grant date	**Expiry date**	**Exercise price**	**Balance at the start of the year**	**Granted**	**Exercised**	**Expired**	**Balance at the end of the year**
26/04/2024	26/10/2027	$0.006	3,993,644	-	-	-	3,993,644
27/05/2025	26/05/2028	$0.007	-	142,618,373	-	-	142,618,373
			3,993,644	142,618,373	-	-	146,612,017
Weighted average exercise price			*$0.006*	*$0.007*	*$0.000*	*$0.000*	*$0.007*

Note 29. Share-based payments (continued)

31 December 2024 Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	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)	-
26/04/2024	26/10/2027	$0.006	-	3,993,644	-	-	3,993,644
			97,844,268	3,993,644	-	(97,844,268)	3,993,644
Weighted average exercise price			*$0.017*	*$0.017*	*$0.000*	*$0.017*	*$0.006*

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.

The Consolidated Entity valued the options using Binomial Model Outcome valuation methodologies, with the following inputs used to determine the fair value for options granted during the current period:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
27/05/2025	27/11/2028	$0.005	$0.007	244.00%	-	3.39%	$0.005

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

	Consolidated 31 December 2025 $	31 December 2024 $
Issue of shares as part of short-term incentive	25,000	-
Unlisted options to Executives and employees	323,880	5,529
Unlisted options to Directors	44,826	8,487
	393,706	14,016

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.

Avecho Biotechnology Limited
Consolidated entity disclosure statement
As at 31 December 2025

Entity name	Entity type	Place formed / Country of incorporation	Ownership interest %	Tax residency
Avecho Biotechnology Limited	Body corporate	Australia	-	Australia
Vital Health Sciences Pty Ltd	Body corporate	Australia	100.00%	Australia
Avecho Inc.	Body corporate	USA	100.00%	Australia

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 2025 and of its performance for the financial year ended on that date;
- 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 information disclosed in the attached consolidated entity disclosure statement is true and correct.

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

Dr Gregory Collier
Chairman

27 February 2026

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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 2025, 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 material accounting policy information, the consolidated entity disclosure statement 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 2025 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.

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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 $4,416,623 during the year ended 31 December 2025. 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
Research and development (R&D) tax incentive – Note 3 & 6	
Under the Research and Development (R&D) Tax Incentive scheme, the Group receives an additional deduction of 18.5% as a refundable tax offset in respect to eligible expenditures as defined by the R&D tax incentive legislation. An R&D plan is required to be filed with AusIndustry in the year following the expenditure, and based on this filing, the Group receives the incentive in cash. Management performs a detailed calculation of the Group's total research and development expenditure to determine the allowable claim under the R&D tax incentive legislation. Management are required to apply judgement in the interpretation of the R&D tax legislation to assess the eligibility of the R&D expenditure under the scheme. This area is a key audit matter due to the judgements and estimates associated with the calculation.	Our procedures included, amongst others: • Obtaining a detailed understanding of the underlying processes for claiming the R&D tax incentive, through discussion with individuals across the organisation and review of relevant documentation; • Assessing the design and implementation of relevant controls in relation to determining the R&D tax incentive at the year-end; • Obtaining an understanding of management's calculation model, identifying and assessing the key assumptions in the calculation; • Assessing the adequacy of the work of management's expert, including their competence and objectivity; • Engaging internal audit experts to assess the nature of the expenses claimed against the eligibility criteria of the R&D tax incentive scheme; • Validating the mathematical accuracy of the accrued R&D Tax Incentive; • Agreeing a sample of R&D expenditure within the calculation to underlying supporting documentation; • Comparing the estimates made in previous years to the amount of cash actually received after lodgement of the R&D tax incentive claim; • Inspecting copies of relevant correspondence with AusIndustry and the ATO related to historical claims; and • Assessing whether the disclosures in the financial statements, including on critical judgements and estimates, are appropriate.

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 2025 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:

a the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 (other than the consolidated entity disclosure statement); and

b the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and

for such internal control as the directors determine is necessary to enable the preparation of:

i the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

ii the consolidated entity disclosure statement that is true and correct and is free of 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: https://www.auasb.gov.au/media/bwvjcgre/ar1_2024.pdf. This description forms part of our auditor's report.

Report on the remuneration report

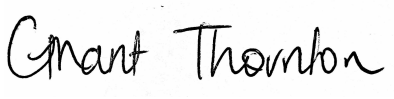
Opinion on the remuneration report

We have audited the Remuneration Report included in pages 9 to 16 of the Directors' report for the year ended 31 December 2025.

In our opinion, the Remuneration Report of Avecho Biotechnology Limited, for the year ended 31 December 2025 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, 27 February 2026

Avecho Biotechnology Limited ACN 056 482 403

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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 26 May 2026. 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 7 April 2026. Any nominations must be received in writing no later than 5.00pm (Melbourne time) on 7 April 2026 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 Directors seeking to be elected or re-elected will be provided in the Company's Notice of Annual General Meeting in due course.

Corporate Governance Statement
The Company's 2025 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 18 February 2026.

Distribution of equitable securities

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

Ordinary shares	Number of holders of ordinary shares	Number of ordinary shares	% of ordinary shares
1 to 1,000	462	111,541	0.00
1,001 to 5,000	765	2,326,808	0.06
5,001 to 10,000	554	4,336,286	0.12
10,001 to 100,000	2,064	90,239,662	2.46
100,001 and over	1,850	3,576,449,382	97.36
	5,695	3,673,463,679	100.00
Holding less than a marketable parcel	3,243	48,154,407	1.31

Quoted options	Number of holders of quoted option	Number of quoted options	% of quoted options
1 to 1,000	8	1,131	0.00
1,001 to 5,000	21	72,051	0.06
5,001 to 10,000	46	351,373	0.02
10,001 to 100,000	238	11,051,988	0.51
100,001 and over	416	2,155,653,520	99.47
	729	2,167,130,063	100.00

Unquoted options	Number of holders of unquoted options	Number of unquoted options	% of unquoted options
100,001 and over	10	146,612,017	100.00

Avecho Biotechnology Limited
Shareholder information
31 December 2025

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.	Paradyce Pty Ltd <The Paradyce A/C>	349,133,188	9.50
2.	Ms Chunyan Niu	188,700,000	5.14
3.	Rosscope Pty Ltd <Ross Copeland Family A/C>	89,973,986	2.45
4.	HSBC Custody Nominees (Australia) Limited	60,723,184	1.65
5.	Berne No 132 Nominees Pty Ltd <791994 A/C>	50,000,000	1.36
6.	Mr Joshua Gordon	50,000,000	1.36
7.	Mr Brandon Armon Batagol	44,532,406	1.21
8.	Jawess Pty Ltd <Kent Family Super Fund A/C>	42,814,606	1.17
9.	BNP Paribas Noms Pty Ltd	39,471,473	1.07
10.	Greensea Investments Pty Ltd	35,000,000	0.95
11.	Ice Cold Investments Pty Ltd <G & J Brown Super Fund A/C>	35,000,000	0.95
12.	Dr Maurice Arthur Trewhella + Mrs Elizabeth Trewhella <Simpetejen Super Fund A/C>	30,000,000	0.82
13.	Servbond Pty Limited <Servbond Pty Ltd S/F A/C>	29,615,982	0.81
14.	Mr Andrew James Caddy	28,000,000	0.76
15.	Dr Stephen Dennis Gipps	25,500,000	0.69
16.	King Corporate Pty Ltd	25,333,333	0.69
17.	Mr David Segal	25,000,000	0.68
18.	Citicorp Nominees Pty Limited	24,646,941	0.67
19.	BNP Paribas Nominees Pty Ltd <HUB24 Custodial Serv Ltd>	24,516,599	0.67
20.	Zico Investments Pty Ltd	24,000,000	0.65
		1,221,961,698	33.26

Quoted options over ordinary shares

		Number held	% of total quoted options issued
1.	Ms Chunyan Niu	242,998,516	11.21
2.	Jawess Pty Ltd <Kent Family Super Fund A/C>	200,000,000	9.23
3.	Paradyce Pty Ltd <The Paradyce A/C>	189,000,000	8.72
4.	18120 Pty Ltd <HMEJ A/C>	116,999,999	5.40
5.	Scintilla Strategic Investments Limited	100,000,000	4.61
6.	Servbond Pty Limited <Servbond Pty Ltd S/F A/C>	77,500,000	3.58
7.	Aldaoud Pty Ltd <Aldaoud Family A/C>	70,000,000	3.23
8.	Mr Peter Andrew Proksa	70,000,000	3.23
9.	Mr Brandon Armon Batagol	45,899,304	2.12
10.	Dr Stephen Dennis Gipps	45,250,000	2.09
11.	King Corporate Pty Ltd	45,134,622	2.08
12.	888 (Aust) Pty Ltd	38,499,998	1.78
13.	Danawa (Inv) Pty Ltd <Danawa S/F A/C>	25,000,000	1.15
14.	Lava Capital Pty Ltd	25,000,000	1.15
15.	Shriver Nominees Pty Ltd	21,000,000	0.97
16.	Hakuna Matata Investments Pty Limited <C & G Richardson S/F A/C>	20,000,000	0.92
17.	Mr Anthony Graeme Halls + Mrs Simone Justine Halls <Ellalily Superfund A/C>	20,000,000	0.92
18.	Zenix Nominees Pty Ltd	20,000,000	0.92
19.	Formica Investments Pty Ltd <The Formica Family S/F A/C>	18,506,350	0.85
20.	Zico Investments Pty Ltd	18,250,000	0.84
		1,409,038,789	65.02

Unquoted options over ordinary shares

		Number held	% of total unquoted options Issued
1.	PAUL GAVIN	63,385,941	43.23
2.	ROKSANI LIBINAKIS	31,692,971	21.62
3.	MR MAHMOUD EL-TAMIMY	7,923,243	5.40
4.	YINGWEN HU	7,923,243	5.40
5.	MS LIDA JOUBRAN	7,923,243	5.40
6.	MR STEVE GEYTENBEEK	7,923,243	5.40
7.	KATHERINE ELLEN DANIELLE CONNELL	7,162,942	4.89
8.	BARWON BIOTECHNOLOGY PTY LTD	6,338,595	4.32
9.	MR ROSS MURDOCH	3,169,298	2.16
10.	PELEHJ145 PTY LTD <M&L MCNAMARA SUPER FUND A/C>	3,169,298	2.16
		146,612,017	100.00

Avecho Biotechnology Limited
Shareholder information
31 December 2025

Substantial holders

Substantial holders in the Company (as disclosed in substantial holding notices given to the Company) are set out below:

	Ordinary shares Number held
Mark Gregory Kerr & associates	349,133,188*

**as reported in the last Form 604 lodged on the ASX on 25 June 2025*

Restricted Securities

There are no restricted securities or securities subject to voluntary escrow.

On-market Buy-back

There is no current on-market buy-back in relation to the Company's securities.

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.