

ASX ANNOUNCEMENT



ASX Code: ESE

31 January 2019

eSense Lab Advances Commercialisation Activities in December Quarter

Investment Highlights

- Continued commercialisation activities with the supply of material to the UK market
- Finalised negotiations and signing of a commercial supply agreement for the supply of eSense terpene products to United Kingdom-based, E-Quits Group
- Completed the sale of seven litres of eSense-Lab terpene products to E-Quits with prepayment received for a further 2 litres shipped during December 2018
- Appointed Mr Piers Lewis as Chairman and Mr Amit Edri as a Non-Executive Director
- Continued discussions with a number of other parties

Life sciences company **eSense-Lab Ltd** ('eSense' or 'the Company'), (ASX: ESE), is pleased to provide a summary of the Company's activities for the quarter ended 31 December 2018, along with the Appendix 4C.

Business Activities

During the quarter, the Company announced that commercialisation activities were ongoing with the signing of a 2-year supply agreement ('the Agreement') with the UK group, E-Quits Group (trading as Lonjas UK). E-Quits has purchase eSense's Super Lemon Haze Mix for integration into a variety of products to be marketed in the UK, including terpenes for the food additive market.

The Agreement includes the supply of terpenes at a fixed price per litre. The Supply Agreement does not set any minimum order requirements. E-Quits have indicated that they will be providing a schedule of proposed orders in the upcoming months. The Agreement was signed after E-Quits successfully concluded a 6-month long pilot program.

E-Quits is one of the largest companies operating in the UK e-liquid market, acquiring other e-liquid manufacturers such as Lonjas UK and Proof E-liquids and establishing a retail distribution company called Vaping Warehouse.

Business Development

The Company is at various stages of negotiations with cannabis growers, e-liquid suppliers to the vape industry, wellness/ vitamin/ cosmetic companies and a company specialising in the supply of cannabinoid-based pharmaceutical products to the medical market.

During the quarter, the Company supplied samples to a new potential client with a unique product in the vape industry and also a new potential distributor in the USA.

Research and Development (R&D)

The Company's R&D team has been working on a number of projects including:

- The development of terpene infused electronic cigarette (e-cig) liquid samples for a potential client. The Company is awaiting a confirmation to deliver the samples.
- The development of a cannabis-based e-juice infused with terpenes and flavours.
- The development of Pineapple Express and Mango Kush terpene blends
- In collaboration with US-based 374 Labs¹, the Company is re-evaluating the terpene profiles of 5 of the Company's inventory cannabis strains. With gas chromatography-mass spectrometry² (GC-MS) analysis by 374 Labs completed, the Company is working on data analysis for implementation on current strains.
- Collaborating with several Israeli cannabis growers to build an inventory of cannabis strains. The Company purchased cannabis strains from IMC³ (Israel Medical Cannabis) and is in negotiation to purchase from Israeli growers Teva Adir⁴ and RMC. eSense improves GC-MS analysis method for terpene detection in cannabis strains.
- Development of a gel, cream, balm and candy formulated with cannabidiol and eSense's terpene blends is planned for next development.
- The development of working standards and standard operating procedures for, amongst other things, product development, storage and manufacture.

Finance and Corporate

During the quarter, the Company completed the issue of 93,966,671 Chess Depositary Interest ("CDIs") at a share price of AUD \$0.03 to raise AUD \$2.89 million (US \$2.04million) before costs ("the Placement"). The Placement was completed in two tranches. The Placement was completed by the Company's corporate advisors, EverBlu Capital. During January 2019, a further 11,033,433 CDI's were issued at AUD \$0.03 to bring the total placement amount to AUD \$3.2 million (US \$2.26 million) before costs.

Mr Piers Lewis was appointed as Non-Executive Independent Chairman and Mr Amit Edri as a Non-Executive Director. Mr Kobi Zecharia, a Non-Executive Director resigned during the quarter. Both appointees have significant corporate experience which will aid in accelerating the Company's commercialisation of its innovative plant-based products.

Cash on hand at the end of the quarter was US \$2,017,000.

eSense's CEO Haim Cohen said: "We are very pleased with the progress we have made this quarter. Our commercialisation activities are beginning to bear fruit and we have a number of exciting prospects in the pipeline. We are also making strides with regards to research and development, where we are getting some promising results working with new terpenes and flavours. We look forward to further advancing discussions with the interested parties we are in talks with and will update the market accordingly."

ENDS

¹ <http://www.374labs.com/services/>

² https://en.wikipedia.org/wiki/Gas_chromatography%E2%80%93mass_spectrometry

³ <http://en.imcagro.co.il/>

⁴ <http://www.tevadir.co.il/>

For further information, please contact:

Company Secretary

Ian Pamensky
+61 414 864 746
ian@cfo2grow.com.au

Media & Investor Enquiries

Julia Maguire
+61 419 815 386
julia@thecapitalnetwork.com.au

Corporate Advisor

EverBlu Capital
+61 2 8249 0000
info@everblucapital.com

About eSense-Lab | Registered Office: Level 14, 330 Collins Street, Melbourne, Victoria, Australia, 3000

eSense-Lab Ltd (ASX:ESE) is a life sciences research and development company creating natural plant-based products that heal and delight. Headquartered in Israel, eSense-Lab combines genetics, mRNA, protein expression and phytochemical profiles to generate a comprehensive model of rare or high value plants.

With multi-disciplinary R&D expertise, unique reverse engineering capabilities and game-changing techniques that enable re-engineering the chemical composition found in plants, e-Sense Lab re-formulates these for numerous commercial applications.

Cannabis is the first plant eSense is targeting for re-engineering. eSense is creating a cannabis plant that has all the characteristics of the real thing but does not contain the psychoactive and more heavily regulated cannabinoid compound.

To learn more about eSense-Lab, please visit www.esense-lab.com

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

eSense Lab Limited (ASX:ESE)

ARBN

616 228 703

Quarter ended ("current quarter")

31 December 2018

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (12 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	20
1.2 Payments for		
(a) research and development	(4)	(162)
(b) product manufacturing and operating costs	(36)	(77)
(c) advertising and marketing	(44)	(259)
(d) leased assets	(41)	(125)
(e) staff costs	(95)	(398)
(f) administration and corporate costs	(453)	(1,400)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	-	(3)
1.6 Income taxes paid	-	
1.7 Government grants and tax incentives	-	
1.8 Other – VAT received	88	170
1.9 Net cash from / (used in) operating activities	(585)	(2,233)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(29)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	(3)
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – restricted bank deposits	-	-
2.6	Net cash from / (used in) investing activities	-	(32)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of CDIs	2,050	2,050
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(118)	(118)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid	-	-
3.9	Other – <i>Reduction of a Security Deposit</i>	-	(31)
3.10	Net cash from / (used in) financing activities	1,932	1,901

4	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	658	2,425
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(585)	(2,233)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(32)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,932	1,901

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
4.5	Effect of movement in exchange rates on cash held	12	(44)
4.6	Cash and cash equivalents at end of quarter	2,017*	2,017*

* Excludes security deposits of US\$25,000 (Previous Quarter – US\$45,000) for assets purchased and the company credit cards. These funds are restricted.

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	1,872	632
5.2	Call deposits	145	26
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,017*	658*

* Excludes security deposits of US\$25,000 (Previous Quarter – US\$45,000) for assets purchased and the company credit cards. These funds are restricted.

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter
\$US'000

79

-

Relates to fees paid to the directors, their associates and the remuneration of the CEO.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter
\$US'000

-

-

None

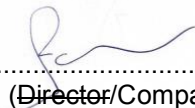
8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
None		

9. Estimated cash outflows for next quarter	\$US'000
9.1 Research and development	(60)
9.2 Product manufacturing and operating costs	(60)
9.3 Advertising and marketing	(80)
9.4 Leased assets	-
9.5 Staff costs	(150)
9.6 Administration and corporate costs	(270)
9.7 Other	-
9.8 Total estimated cash outflows	(620)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:..... Date:31 January 2019.....
(Director/Company secretary)

Print name:**Ian Pamensky**.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.