

ASX RELEASE

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eSense-Lab ramps up commercialisation activities and expands R&D in June quarter

Investment highlights:

- Received first e-juice order, which was then expanded, in lucrative North American market
- Prepared for launch of new commercial website through which e-Sense can directly sell its products to businesses and customers
- Extensive product development for many new products including large topical cream market
- Research and development services refined, set to provide new revenue stream
- Cannabis-based research and development continues to expand potential of new products

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 30 June 2019, along with the Appendix 4C. During the quarter, eSense received its first order from North America and continued to commercialise and expand its product portfolio.

Business activities

First order from North America received

During the quarter, eSense Lab received the first order for its electronic cigarette liquid (‘e-juice’) product for distribution in the USA and Canada. E-juice is used for vaporising or “vaping” and is a safer alternative to smoking.

The order was made under a commercial non-exclusive distribution agreement for the supply of e-juice to VaporSpec Inc. (‘VaporSpec’), a California-based company and premier distributor of products to both the wholesale and retail vaping markets.

The initial order was for several hundreds of bottles of various e-juice flavours to be distributed to various end user commercial retail distributors and points of sale.

Post quarter, eSense Lab announced VaporSpec had placed an additional order for 10,000 30mL bottles with the Company, further demonstrating VaporSpec’s satisfaction and trust in eSense products [ASX Announcement: 2 July 2019].

The Company announced the distribution agreement with VaporSpec in Q1 CY19 [ASX Announcement: 7 February 2019]. The agreement calls for minimum quantities of e-Juice to be supplied in 10 ml. bottles. Minimum annual quantities rise from 450,000 bottles in the first year to 5 million bottles in Year 3 of the agreement.

Business development to drive further commercialisation

To further ramp up commercialisation, eSense-Lab has been implementing a number of business development initiatives.

During the quarter, eSense began preparing for the launch of a commercial website for B2B (business to business) and B2C (business to consumer) activities and sales. The website will feature eSense's existing products as well as an innovative new product catalogue which will be marketed via the internet and social media. The Company anticipates that the commercial website will be launched during the September quarter and sees it as a distribution mechanism with the potential to greatly expand the Company's brand and customer base.

In parallel, eSense continued to meet with Israeli and international companies to promote increased awareness of the Company and its products. To support this initiative, eSense is preparing for its inaugural participation in CannX 2019, a major cannabis industry conference and exhibition to be held in Israel from September 9-10.

Extensive product development

eSense continued to work on the expansion of its product portfolio during the quarter. R&D activities included, but were not limited to, the following:

- An ointment based on a unique gel technology for slow release of CBD and terpenes. The ointment comprises cannabidiol (CBD) infused with eSense's Super Lemon Haze or Sour Diesel reverse-engineered terpene blends and has a potential to assist wound healing, pain relief of joints and muscles and inflamed skin
- A skin conditioning topical cream comprising CBD and eSense's OG-Kush or Lavender Kush reverse-engineered terpene blends for the use of skin moisturising and conditioning
- A lip balm comprising CBD and eSense's Granddaddy Purple or Mango Kush reverse-engineered terpene blends for the use of cracked and damaged lips
- A marshmallow comprising CBD and eSense's Mango Kush reverse-engineered terpene blends
- A "Pineapple Express" flavour
- A terpene dispersion that can enhance flavours of beer and other beverages
- An e-liquid formulation for commercial purposes made in collaborating with Israeli cannabis company Cannasdaq
- The addition of a new strain, "Tangie" and plans to develop more global strains based on analysis conducted on Israeli strains

Strengthening R&D process and offering

eSense-Lab provides technological laboratory services for other organisations to develop their products, which will add a new avenue for revenue. The Company is currently negotiating service agreements with Israeli-based companies and will provide updates as they are completed.

eSense has introduced working standards for product development and manufacture, which will improve its terpene blend shelf life and stability assessment under ambient and cooling conditions over 12-24 months.

The working standards will also improve routine activity such as the quality assessment of raw materials.

Corporate

eSense's cash on hand at the end of the quarter was approximately US\$1,248,000.

Chairman, Piers Lewis said: "I am delighted that we not only received our first order from the massive North American market during the June quarter, but that the order size was subsequently increased post quarter. This is a strong vote of confidence in eSense Lab and builds on our existing international sales. eSense Lab has completed the development of a number of new products including topical creams and work continues on many others. We hope that our growing product offering and the provision of research and development facility services will create a number of revenue stream to the Company. With rising sales and product offerings, our outlook is becoming increasingly positive."

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eSense-Lab Ltd (ASX:ESE) is a life sciences company creating virtual plant-based products for medicinal and recreational consumption. Headquartered in Israel, eSense-Lab combines genetics, mRNA expression, phytochemical characterisation and unique formulations to generate comprehensive models of rare or high value plants. With multi-disciplinary research and development expertise, eSense has game-changing techniques and unique reverse-engineering capabilities, placing it at forefront of the growing international terpene market. eSense has created virtual cannabis, with all the characteristics of the real plant, without the psychoactive and heavily regulated cannabinoid compound, for mass consumer consumption.

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