

## APPENDIX 4D

### HALF-YEAR REPORTING PERIOD

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

#### Results

#### Reporting Periods

- |                                  |                                     |
|----------------------------------|-------------------------------------|
| ▪ Current period:                | Six-month period ended 30 June 2019 |
| ▪ Previous corresponding period: | Six-month period ended 30 June 2018 |

		Percentage Change		30 June 2019 US\$'000s	30 June 2018 US\$'000s
▪ Revenue	Down	54%	to	5	11
▪ Profit/(Loss) from ordinary activities after tax	Down	23%	to	(908)	(1,186)
▪ Net Profit/(Loss) attributable to members	Down	23%	to	(908)	(1,186)

#### Dividends

Current period:

- |   | Amount per<br>security<br>US\$ | Franked<br>amount<br>US\$ |
|---|--------------------------------|---------------------------|
| ▪ Interim Dividend  | Nil                            | N/A                       |
| ▪ Date the Dividend is Payable:                             | N/A                            | N/A                       |
| ▪ Record Date for determining entitlements to the Dividend: | N/A                            | N/A                       |

Previous corresponding period:

- |                    | Amount per<br>security<br>US\$ | Franked<br>amount<br>US\$ |
|--------------------|--------------------------------|---------------------------|
| ▪ Interim Dividend | Nil                            | N/A                       |

#### Net Tangible Assets (NTA) per Security

				30 June 2019 US\$	30 June 2018 US\$
NTA backing per ordinary share	Up	%	to	0.008	0.014

#### Commentary on Results

Refer to the Review of Activities contained in the Directors' Report which forms part of the attached Interim Financial Report.

#### Dividend

There were no dividends paid or proposed to be made during the period.

#### Details of entities over which control has been gained or lost during the period

There were no entities over which control was gained or lost during the period.

**Details of associates and joint venture entities**

Not applicable

**Accounting standards used in compiling the report**

International Financial Reporting Standards



**eSENSE-LAB LTD**

**ARBN 616 228 703**

**FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2019**

**UNAUDITED**

**eSENSE-LAB LTD.**

**INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2019**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Review report on interim financial information	2
Statements of Financial Position	3
Statements of Comprehensive Loss	4
Statements of Changes in shareholders' equity	5
Statements of Cash Flows	6-7
Notes to the Interim Financial Statements	8-13

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



**REVIEW REPORT ON INTERIM FINANCIAL INFORMATION**  
**TO THE SHAREHOLDERS OF**  
**eSENSE-LAB LTD.**

**Introduction**

We have reviewed the accompanying statement of financial position of eSENSE-LAB LTD. (the "Company") as of June 30, 2019 and the related statements of comprehensive loss, changes in shareholders' equity and cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

**Scope of review**

We conducted our review in accordance with International standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Review of Interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of the Company as at June 30, 2019, and of its financial performance and its cash flows for the six months period then ended in accordance with International Accounting Standard.

**Material uncertainty related going concern**

We draw attention to Note 1.B to the financial statements, which indicates that the Company incurred a net loss of US\$ 0.7 million for the six months period ended June 30, 2019, and generated US\$ 8.7 million of accumulated losses since inception. As stated in the note, these events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Management future plans to overcome this uncertainty are also described in the note. Our review conclusion is not modified in respect of this matter.

Tel-Aviv, Israel  
August 27, 2019

Ziv haft  
Certified Public Accountants (Isr.)  
BDO Member Firm



Tel Aviv	Jerusalem	Haifa	Beer Sheva	Bene Berak	Kiryat Shmona	Petach Tikva	Modiin Illit	Nazareth Illit	Eilat
+972-3-6386868	+972-2-6546200	+972-4-8680600	+972-77-7784100	+972-73-7145300	+972-77-5054906	+972-77-7784180	+972-8-9744111	+972-4-6555888	+972-8-6339911

**Head Office:** Amot BDO House, 48 Menachem Begin Road, Tel Aviv 6618001, ISRAEL **Email:** [bdo@bdo.co.il](mailto:bdo@bdo.co.il) **Our Site:** [www.bdo.co.il](http://www.bdo.co.il)

BDO Israel, an Israeli partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms

**eSENSE-LAB LTD.**  
**ARBN 616 2828 703**

**STATEMENTS OF FINANCIAL POSITION**

	Note	June 30, 2019	December 31, 2018
		Unaudited	audited
		'000's (US\$)	
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents		1,250	1,983
Restricted cash		20	19
Other receivables		37	40
<b>TOTAL CURRENT ASSETS</b>		<b>1,307</b>	<b>2,042</b>
<b>NON-CURRENT ASSETS:</b>			
Right of use asset		74	-
Property, plant and equipment		104	121
<b>TOTAL NON-CURRENT ASSETS</b>		<b>178</b>	<b>121</b>
<b>TOTAL ASSETS</b>		<b>1,485</b>	<b>2,163</b>
<b>CURRENT LIABILITIES:</b>			
Derivative financial Liability	3	180	341
Lease liability		60	-
Trade and other payables		117	185
<b>TOTAL CURRENT LIABILITIES</b>		<b>357</b>	<b>526</b>
<b>NON CURRENT LIABILITIES:</b>			
Lease liability		13	-
<b>SHAREHOLDERS' EQUITY:</b>			
Issued capital	4	7,716	7,455
Reserves		2,098	2,151
Accumulated losses		(8,699)	(7,969)
<b>TOTAL EQUITY</b>		<b>1,115</b>	<b>1,637</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,485</b>	<b>2,163</b>

August 26, 2019

Date of approval  
of the financial  
statements

Haim Cohen  
CEO

Kobi Cohen  
CFO

**The accompanying notes form part of these financial statements.**

**eSENSE-LAB LTD.**  
**ARBN 616 2828 703**

**STATEMENTS OF COMPREHENSIVE LOSS**

	Note	Six months period ended June 30, 2019	Six months period ended June 30, 2018
		<b>Unaudited</b>	
		<b>'000's (US\$)</b>	
		<b>(except loss per share)</b>	
Revenues		5	11
Cost of sale		2	5
<b>Gross profit</b>		3	6
<b>Operating Expenses</b>			
Selling and marketing expenses		159	165
Research and development expenses		116	229
General and administrative expenses		636	798
<b>Operating loss</b>		908	1,186
Financial income		198	13
Financial expenses		20	31
Financial expenses, net		178	18
<b>Total comprehensive loss for the period</b>		730	1,204
<b>Loss per share</b>			
Basic loss per share	6	\$(0.004)	\$(0.017)

The accompanying notes form part of these financial statements.

**eSENSE-LAB LTD.**  
**ARBN 616 2828 703**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

<b>For the six months ended June 30, 2019:</b>	<b>Issued Capital</b>	<b>Reserves</b>	<b>Accumulated Losses</b>	<b>Total</b>
	<b>Unaudited</b>			
	<b>'000's (US\$)</b>			
<b>Balance at January 1, 2019</b>	7,455	2,151	(7,969)	1,637
Changes during the period:				
Capital issue, net	141			141
Issue of shares based payment	14	53		67
Issue of shares to performance rights holders	106	(106)		-
Total comprehensive loss for the period			(730)	(730)
<b>Balance at June 30, 2019 (Unaudited)</b>	<b>7,716</b>	<b>2,098</b>	<b>(8,699)</b>	<b>1,115</b>

<b>For the six months ended June 30, 2018:</b>	<b>Issued Capital</b>	<b>Reserves</b>	<b>Accumulated Losses</b>	<b>Total</b>
	<b>Unaudited</b>			
	<b>'000's (US\$)</b>			
<b>Balance at January 1, 2018</b>	5,832	2,151	(5,768)	2,215
Changes during the period:				
Total comprehensive loss for the period	-	-	(1,204)	(1,204)
<b>Balance at June 30, 2018 (Unaudited)</b>	<b>5,832</b>	<b>2,151</b>	<b>(6,972)</b>	<b>1,011</b>

The accompanying notes form part of these financial statements.



eSENSE-LAB LTD.

ARBN 616 2828 703

STATEMENTS OF CASH FLOWS

	Note	Six months period ended June 30, 2019	Six months period ended June 30, 2018
		Unaudited	
		'000's (US\$)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss for the period		(730)	(1,204)
Adjustments to reconcile net loss to net cash Used in operating activities:			
Depreciation		45	16
Decrease/(Increase) in other receivables		3	(20)
Decrease in trade and other payables		(68)	(67)
Issue of shares based payment		67	-
Changes in fair value of derivative financial liability		(198)	(46)
<b>Net cash used in operating activities</b>		<b>(881)</b>	<b>(1,321)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sale of property, plant and equipment		2	-
Restricted cash		(1)	-
<b>Net cash provided by investing activities</b>		<b>1</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance of shares, net	4	141	-
Lease payments		(30)	-
Interest payments		(1)	-
Issuance of warrants derivative as part of package	3	37	-
Repayment of derivative financial liability		-	(153)
<b>Net cash provided by (used in) financing activities</b>		<b>147</b>	<b>(153)</b>
<b>Increase (Decrease) in cash and cash equivalents</b>		<b>(733)</b>	<b>(1,474)</b>
Cash and cash equivalents at the beginning of the period		1,983	2,425
<b>Cash and cash equivalents at the end of the period</b>		<b>1,250</b>	<b>951</b>

The accompanying notes form part of these financial statements.

**eSENSE-LAB LTD.**  
**ARBN 616 2828 703**

**STATEMENTS OF CASH FLOWS**

**APPENDIX A: NON-CASH OPERATING ACTIVITIES**

	<b>Six months period ended June 30, 2019</b>	<b>Six months period ended June 30, 2018</b>
	<b>Unaudited</b>	
	<b>'000's (US\$)</b>	
<b>CONVERSION OF SHARES TO PERFORMANCE RIGHTS HOLDERS</b>	106	-

**The accompanying notes form part of these financial statements.**

**eSENSE-LAB LIMITED**  
**ARBN 616 2828 703**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF BUSINESS:**

**A. General**

eSENSE-LAB Ltd. was incorporated on April 13, 2016 under the Israeli law and started its operations in August 2016. On February 10, 2017 the company was admitted to the official list on the Australia Securities Exchange ("ASX"), with trading commencing on the February 14, 2017, after the Company raised AU\$ 3.5 million (US\$ 2.67 million) via the issue of 17,500,000 Chess Depositary Interest CDI (hereafter "shares"), financial product which is a unit of beneficial ownership in an underlying financial product which is quoted on the ASX market, at AU\$ 0.20 per share.

The Company is a technology and research and development company specializing in the commercialization of the phytochemical profiling of plants. The Company's technology enables it to "reverse engineer" a comprehensive model of a targeted plant and develop "terpene profiles" for the targeted plant by using alternative raw and naturally occurring materials.

The Company's goal is to achieve whole-plant phytochemical profiles for a vast variety of plants. The Company's initial focus is on the development and manufacturing of terpene profiles of the cannabis plant. The Company elected to focus initially on the development of terpene profiles for the cannabis plant due to the current strength and forecast growth of the industry for cannabis products. Importantly, whilst the Company has replicated the characteristics of cannabis in its profiles, these are not manufactured from cannabis itself and do not contain cannabinoids. Hence, the Company's cannabis profiles are legal in countries or states where cannabis is illegal.

The Company aims to develop and supply reconstructed, strain-specific, phytochemical profiles of targeted plants, with an initial focus on the cannabis industry. Such phytochemical profiles are intended to be supplied as a consistent, standardized, regulated and commercially viable solution for research and end-products for use by consumers. The Company's technology is also intended to be applied to other lucrative target plants in the future such as ginseng, saffron, sandalwood and other rare or valuable plants or spices.

**B. Going concern**

We draw the attention to the fact that the Company incurred a net loss of US\$ 0.7 million for the six months period ended June 30, 2019, and generated US\$ 8.7 million of accumulated losses since inception. These events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Management plans to overcome these uncertainties by continuing to undertake cost cutting measures to reduce ongoing cash burn as well as reviewing funding opportunities.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:**

The significant accounting policies followed in the preparation of the financial statements, on a consistent basis, are:

**A. Basis of preparation**

This interim financial statements of the company are for the six months period ended June 30, 2019 and are represented in United States Dollars (US\$). The general purpose interim financial statements have been prepared in compliance with the requirements of International Accounting Standard 34 "Interim Financial Reporting". They do not include all the information required in annual financial statements in accordance with IFRS, and should be read in conjunction with the financial statements of the Company for the year ended December 31, 2018, in accordance with requirements arising from the Australian securities exchange listing rules. The interim financial statements have been prepared in accordance with the same accounting policies adopted in the last annual financial statements of the company for the year ended December 31, 2018, except for the implementation of IFRS 16 as discussed in Note 2.C.

**B. New standard adopted by the company: IFRS 16**

The Company adopted IFRS 16 'Leases', which replaced IAS 17 'Leases' and IFRIC 4 'Determining whether an arrangement contains a lease', with effect from 1 January 2019. IFRS 16 provides a new model for lessee accounting in which the majority of leases are accounted for by the recognition in the financial statement of a right-of-use asset and a lease liability.

Agreements that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases. A lease liability is recognized at the present value of future lease payments over the reasonably certain lease term. Variable lease payments that do not depend on an index or a rate are not included in the lease liability. The right-of-use asset is recognized at a value equivalent to the initial measurement of the lease liability adjusted for lease prepayments, lease incentives, initial direct costs and any restoration obligations. The subsequent amortization of the right-of-use asset and the interest expense related to the lease liability are recognized in the statement of comprehensive loss.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**B. New standard adopted by the company: IFRS 16 (CONT.):**

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs. The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment losses.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

## B. New standard adopted by the company: IFRS 16 (CONT.):

The effect of initially applied IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

Unaudited	'000's (US\$)
<b>Assets</b>	
Right-of-use assets	104
<b>Total assets</b>	104
<b>Liabilities</b>	
Lease liability	104
<b>Total liabilities</b>	104
<b>Total adjustment of equity:</b>	
Accumulated losses	-

At the date of initial application date the Company recognized the right-of-use assets based on the amount equal to the lease liability, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liability was recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

*The following is a reconciliation of the Company's liability in respect of operating leases disclosed in the financial statements as of December 31, 2018, discounted at the incremental borrowing interest rate on the date of initial application and lease commitments recognized on January 1, 2019 (Unaudited):*

Unaudited	'000's (US\$)
Operating lease commitments as of December 31, 2018	112
Weighted average incremental borrowing rate as of January 1, 2019	7.9%
<b>Lease liability at January 1, 2019</b>	<b>104</b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

## NOTE 3- DERIVATIVE FINANCIAL LIABILITY:

A. On January 25, 2019 the Company has completed a placement raising an aggregate amount of AU\$ 331,000 (Approx. US\$ 235,000) by the issue of 11,033,433 ordinary shares and 3,677,778 warrants. The transaction costs were recorded through equity in the amount of US\$ 14,900 and through profit and loss in the amount of US\$ 2,700. The warrants were classified as a derivative liability amounted to US\$ 37,000 and are re-measured each reporting date, with changes in fair value (including previous issued warrants) recognized in finance expense (income), net, since the exercise price of the warrants is denominated in AU\$ and the functional currency of the company is in US\$.

The fair value measurement is determined based on the level 2 fair value hierarchy, thus, inputs other than quoted prices (unadjusted) in active markets, that are observable either directly or indirectly.

Unaudited	'000's (US\$)
<b>As of January 1, 2019</b>	341
Issuance of warrants derivative as part of package	37
Changes in fair value of derivative financial liability	(198)
<b>As of June 30, 2019</b>	180

## NOTE 4 - ISSUED CAPITAL:

## Movements in fully paid ordinary shares

	Unaudited	
	Date	Number
<b>Balance as of December 31, 2018</b>		<b>165,105,982*</b>
Issue CDI's for placement	January 25, 2019	11,033,433
Issue of shares based payment	March 13, 2019	400,000
Issue of shares based payment	March 19, 2019	600,000
Performance rights converted into shares	March 19, 2019	3,000,000
<b>Balance at end of the period</b>	<b>June 30, 2019</b>	<b>180,139,415*</b>

\* Exclude 9,537,503 shares. The applicable shares will remain on the separate sub-register of unlisted securities until a resolution of an authorized body of the Company to move such securities from the sub-register of unlisted securities. The holders will waive all rights arising from such securities.

A. On January 25, 2019 the Company has completed raising capital that was announced in October 2018 and issued 11,033,433 ordinary shares and 3,677,778 warrants (see also note 3) to investors

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

**NOTE 4 - ISSUED CAPITAL (CONT.):**

in the amount of AU\$ 331,000 (approx. US\$ 237,000). In addition, the Company issued 10,000,000 warrants as a broker fee to the lead manager.

- B. On March 13, 2019 the Company issued 400,000 ordinary shares to a former director for nil cash in consideration for consulting services provided before cessation of his role.
- C. On March 19, 2019 the Company issued 600,000 ordinary shares to one of its employees of the Company for service provided.
- D. On March 19, 2019 3,000,000 Class A performance rights were converted to shares ordinary shares on 1:1 basis.

**NOTE 5 – SHARE BASED COMPENSATION****A. Performance rights:**

For performance rights converted to ordinary shares, see note 4.D.

**B. Warrants provided to service provider:**

On January 25, 2019, the Company issued 10,000,000 warrants as a broker fee to the lead manager (see note 4.A). The warrants have an exercise price of AU\$ 0.06 per share and will be expired upon 4 years from issuance. The warrants were valued using an adjusted form of the Black Scholes (1973) model, the transaction costs were recorded through equity in the amount of US\$ 45,000 and through profit and loss in the amount of US\$ 8,000.

**C. shares based payments:**

For share based payments issued, see notes 4.B and 4.C.

**NOTE 6 - LOSS PER SHARE:**

The following reflects income and share data used in the calculation of basic loss per share.

	Six period ended June 30, 2019	Six period ended June 30, 2018
	months	months
	ended	ended
	June 30, 2019	June 30, 2018
	Unaudited	
	'000's (US\$)	
Total loss for the period	(730)	(1,204)
	No.	No.
Weighted average number of shares in calculating basic loss per share	176,970,512	71,139,311
Loss per share:	(US\$ 0.004)	(US\$ 0.017)