

6 February 2020

Ms Cheng Tang
ASX Compliance Pty Ltd
Level 4
North Tower, Rialto
525 Collins Street
Melbourne VIC 3000

By Email

Dear Ms Tang

Appendix 4C Query

We refer to your letter dated 3 February 2020 ("ASX Letter") and provide the following responses to the questions raised in the letter. We have responded to your questions as numbered in your letter.

1. Does ESE expect that it will continue to have negative operating cash flows from the time being and, if not, why not?

Yes, the Company expects that it will continue to have a negative operating cash flow for the time being. The Company has currently implemented a commercialisation review of its product suite. The Board notes that the distribution agreements executed to date have been encouraging but expanding the commercial reach of the Company is essential for ESE's strategy to grow revenue and move to net positive cashflow position.

2. Has ESE taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Yes, the Company is taking necessary steps to raise further funds to fund its operations. These discussions are in-progress and ongoing, but no new arrangements have been finalised at the date of this letter. The Company will update the market in accordance with its continuous disclosure obligations.

3. Does ESE expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Based on the arrangements referred to in the response to Question 2 being completed in a timely manner, the Company expects to be able to continue its operations and to meet its business objectives.

- 4. Please confirm that ESE is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to the ASX in accordance with that rule that has not already been released to the market.**

Yes, the Company confirms it is in compliance with the listing rules, and in particular Listing Rule 3.1.

- 5. Please confirm that ESE's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of ESE with delegated authority from the board to response to ASX on disclosure matters.**

The responses to the above questions have been approved by the Board.

Yours faithfully,

Sebastian Andre
Company Secretary
eSense-Lab Limited
+61 6555 2950
info@esense-lab.com



3 February 2020

Reference: ODIN13297

Mr Sebastian Andre
Company secretary
eSense-Lab Limited

By email only

Dear Mr Andre

eSense-Lab Limited ('ESE'): Appendix 4C Query

ASX refers to ESE's Appendix 4C quarterly report for the period ended 31 December 2019 lodged with the ASX Market Announcements Platform and released on 31 January 2020 (the 'Appendix 4C').

ASX notes that ESE has reported:

- negative net operating cash flows for the quarter of \$335,000;
- cash at the end of the quarter of \$451,000; and
- estimated cash outflows for the next quarter of \$324,000.

It is possible to conclude, based on the information in the Appendix 4C, that if ESE were to continue to expend cash at the rate indicated by the Appendix 4C, ESE may not have sufficient cash to continue funding its operations.

Request for Information

In view of that, ASX asks ESE to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. Does ESE expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has ESE taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does ESE expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that ESE is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
5. Please confirm that ESE's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of ESE with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that ESE considers may be relevant to ASX forming an opinion on whether ESE is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 AM AEDT Friday, 7 February 2020**.

If we do not have your response by then, ASX will have no choice but to consider suspending trading in ESE's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, ESE's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market. Your response should be sent to me by e-mail at ListingsComplianceMelbourne@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to ESE's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that ESE's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in ESE's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Cheng Tang
Senior Adviser, Listings Compliance (Melbourne)