

ASX RELEASE

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eSense-Lab Establishes Management in March Quarter

Investment highlights:

- eSense-Lab strengthens management with new Chief Executive Officer Mr Itzik Mizrahi
- Commercialisation reviews underway
- \$1.145 million capital raising

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 that ended on 31 March 2020, along with its Appendix 4C.

Business activities

Commercialisation review

The eSense Board implemented a commercialisation review of its product suite. The Board notes that expanding the commercial reach of the Company is essential in generating long term shareholder value.

Corporate

New Management

Chief Executive Officer

The Company strengthened its management with the appointment of Mr Itzik Mizrahi as Chief Executive Officer (**'CEO'**), replacing interim CEO Mr Piers Lewis. Mr Lewis remains with the Company as a Non-executive Director.

Mr Mizrahi brings a wealth of experience in global big pharma, with over 20 years tenure in management positions. As the previous Head of Clinical at Pfizer Pharmaceuticals Israel, and General Manager at Actelion Pharmaceuticals Israel, he had full accountability for clinical departments, commercial operational efficiency and regulatory compliance.

Mr Mizrahi will lean on this experience to bring renewed vigour to eSense's business strategy at a critical time for eSense as it prepares for a new wave of technological development and revenue growth. He believes that eSense's superior platform, technology and unique profile places eSense in an advantageous position as it expands and commences commercialisation on the global scale. Positioning eSense to leverage its assets will be a priority for Mr Mizrahi following the completion of a strategic review of the Company.

eSense CEO, Itzik Mizrahi said "I'm pleased to advise that I have reviewed all relevant aspects of the Company's operation, making necessary adjustments toward a leaner operation and a much more focused R&D focused organisation. Together with the leadership team, we are starting to build not only new leads and paths to further innovation but new relationships with organisations that together will help us grow our business and allow for, in time, new commercial activities".

Chief Financial Officer and Company Secretary

Further to the new CEO appointment, the company appointed Mr Moshe Hukaylo as Chief Financial Officer (**'CFO'**) and Mr James Bahen as Company Secretary.

Mr Hukaylo has vast CFO experience in public and private companies and has served as CFO of Pfizer Pharmaceuticals Israel, and prior to that he served in Merck-Serono Israel and in InterPharm. Mr Hukaylo has extensive experience in financial management, business strategy, process improvement and supply chain. Mr Hukaylo has also accompanied fast-growing companies from their early stages through to the regulated arena of public companies.

Mr James Bahen is a Chartered Secretary with 5 years company secretary and public company experience. Mr Bahen has experience in assisting company boards with navigating ASX listing rule requirements in matters such as acquisitions/disposals and capital raisings. Mr Bahen is a member of the Governance Institute of Australia and holds a Graduate Diploma of Applied Finance and a Bachelor of Commerce degree majoring in Accounting and Finance.

Mr Sebastian Andre resigned as Company Secretary and Mr Mike Edwards resigned as Non-Executive Director of e-Sense.

Cash Position

eSense's cash on hand at the end of the quarter was approximately USD\$164,000.

Subsequent to the end of the quarter, the company announced a AUD\$1,145,000 capital raising via the issue of AUD\$250,000 (before costs) loan notes and commitments for a further AUD\$895,000 (before costs).

Loan Notes

The Company raised AUD\$250,000 (before costs) through the issue of unsecured Loan Notes (**'Loan Notes'**) to sophisticated investors (**'Noteholders'**). The Loan Notes have a face value of \$0.01 each with a coupon rate of 12% per annum and a maturity date of 1 September 2020 (which may be extended to 1 December 2020 as outlined below) (**'Maturity Date'**). Subject to shareholder approval at the Annual General Meeting to be held in late May 2020 (**'AGM'**), each Loan Note will convert into one (1) Chess Depositary Interest (**'CDI'**) at a conversion price of AUD\$0.004 per CDI on the Maturity Date.

Subject to shareholder approval, each Noteholder will also receive one (1) free attaching unlisted option (**'Option'**) for every two CDIs that are issued to the Noteholder on conversion. The Options will be exercisable at AUD\$0.01 each and will expire 18 months after their date of issue and will be issued upon conversion of the Loan Notes.

If shareholders do not approve the conversion of the Loan Notes into CDIs and the issue of the attaching Options:

- the Loan Notes will be repayable in cash; and
- the Maturity Date will be extended to 1 December 2020.

Interest on the Loan Notes is payable in cash on conversion or repayment.

Placement

The Company received firm commitments for a further AUD\$895,000 (before costs) through a conditional placement of CDIs to sophisticated investors at an issue price of AUD\$0.04 per CDI (**'Placement'**). Investors will also receive one (1) free attaching unlisted Option for every two CDIs that the Investor subscribes for under the Placement. The Options will be on the same terms as the Options being issued on conversion of the Loan Notes.

Settlement of the Placement through the issue of the CDIs and the Options will be conditional on obtaining prior shareholder approval at the AGM.

If shareholders do not approve the Placement at the AGM it will not proceed.

Clients of the Company's mandated Corporate Advisor, EverBlu Capital Pty Ltd (**'EverBlu'**), were among the Investors that participate in the Placement.

Use of funds and structure of Capital Raising

Proceeds from the Loan Notes and the Placement will be used by eSense to fund research and development, business development, scope further opportunities for the Company and general working capital purposes.

The Company notes that it considered other structures for raising capital. However, it was considered that the Loan Note offer together with the conditional Placement was the most appropriate structure for the company to use to raise capital at this point in time.

The Company considered that a pro rata rights issue was not the appropriate structure because:

- the Company did not consider that an underwriter would be available on reasonable terms given prevailing market conditions, and a non-underwritten rights issue would not provide the Company with sufficient certainty as to the amount it could raise; and
- the Company considered that, given its cash balance and short-term cash flow requirements, the time and cost involved in a pro rata rights issue made this an unsuitable capital raising structure for the Company at this time.

The Loan Note component was required to ensure that the Company has sufficient available to cash to meet its short term cash flow requirements pending shareholder approval of the Placement at the upcoming AGM. Also, the Company's available placement capacity (including that the Company's approval under LR 7.1A has lapsed) meant that the Loan Notes structure had to be preferred over a placement to meet the Company's cash flow requirements, as the Company's available capacity would not have enabled it to raise sufficient funds through a placement to provide an appropriate buffer of available cash up until the AGM.

EverBlu acted as the Lead Manager to the Loan Note and Placement offers. Under the terms of its mandate, EverBlu will be paid the following fees in relation to the Offer (subject to prior shareholder approval): 15,000,000 CDIs and 40,000,000 unlisted Options on the same terms as the Options to be issued on conversion of the Loan Notes and the Placement.

Update to Working Capital Loan

The Company notes that the terms of the AUD\$50,000 working capital loan from EverBlu (**Loan**) announced on 2 April 2020 have been varied. The issue of CDIs to repay the Loan (at a deemed issue price equal to AUD\$0.004 per CDI, being the conversion price under the Loan Notes and the issue price under the Placement) is conditional on the Company receiving prior shareholder approval at the AGM. If shareholders do not approve the issue of these repayment CDIs, the Loan will be repaid in cash.

As previously announced, the issue of one (1) free attaching Option for every two CDIs issued to repay the Loan is also subject to prior shareholder approval. The terms of these Options are the same as those being issued on conversion of the Loan Notes and under the Placement.

UPDATE - E-Quits and VaporSpec Distribution Agreements

The Company refers to the announcements made to the ASX on 7 February 2019, 16 April 2019, 2 July 2019 in respect to the distribution agreement with VaporSpec, and 16 January 2019, 13 March 2019, 1 November 2019 in respect to the distribution agreement with E-Quits, the Company further announced on 31 January 2020 that the Board implemented a commercialisation review of its product suite and distribution agreements. Following this review, the Company notes its concerns regarding its ability to see both the E-Quits and VaporSpec distribution agreements materialising into meaningful revenue due to the changing landscape of the vaping and e-smoke industry. As such, these previously announced deals are now practically redundant as the industry comes to terms with the new restrictions and the Company does not believe we will see any meaningful revenue from these agreements moving forward.

Related Party Payments

During the quarter ended 31 March 2020, the Company made payments of USD\$69,000 to related parties and their associates. These payments relate to fees paid to the directors and their associates.

This announcement has been authorised by the Board of Directors of eSense.

Ends

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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.