

## ASX RELEASE

ASX Code: ESE

31 July 2020

### Quarterly Update and Appendix 4c

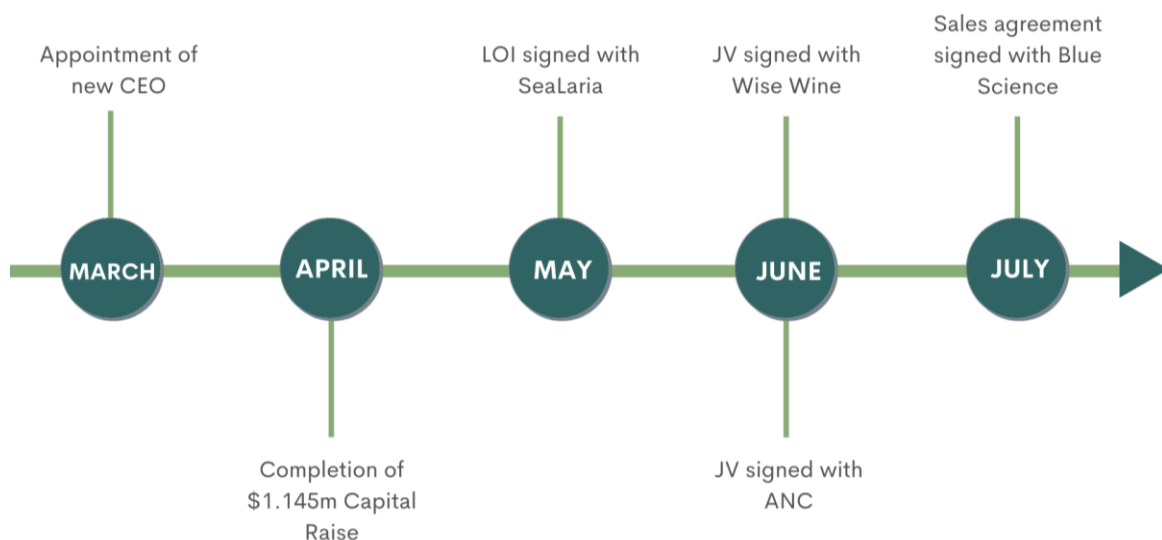
#### eSense validates updated commercialisation model in June Quarter

##### Investment highlights:

- ✓ eSense secured three agreements to supply its unique terpenes across multiple revenue-generating markets
- ✓ Signed exclusive sales agency contract, within minimum sales targets over 5 years of A\$10 million of product sales, in the lucrative US market<sup>1</sup>
- ✓ Signed joint venture agreements with initial orders anticipated to provide revenue of ~A\$950,000 to the Company<sup>2</sup>
- ✓ Working towards more large revenue joint-venture opportunities
- ✓ Ongoing research into anti-viral qualities of terpenes

Life-sciences research and development company **eSense-Lab Limited (ASX: ESE)** (“eSense” or “the Company”) is pleased to provide a summary of the Company’s activities for the quarter that ended on 30 June 2020, along with its Appendix 4C.

The Company has been successful in achieving a number of key strategic milestones and contracts during the two recent quarters to be well positioned to increase sales and revenue growth.



<sup>1</sup> As announced on 7 July 2020, these sales targets are not, and should not be construed as forecasts. Investors should be aware that there is a risk that these sales targets will not be met.

<sup>2</sup> Comprising an initial ~US\$600,000 (~A\$863,500) in revenue for product orders to supply terpenes to the joint venture under the Wise Wine joint venture agreement (announced on 18 June 2020), and A\$100,000 in revenue from up front product orders to supply terpenes to the joint venture under the ANC joint venture agreement (announced 15 June 2020).



## Business activities

### Joint venture agreements signed

Establishing joint ventures for mutual development of products with different partners allows the Company to position itself across multiple revenue-generating markets, and demonstrates the broad range of applications of eSense's terpenes.

This year, significant changes have been made to eSense's leadership team and business strategy in order to best leverage its core terpenes technology for revenue growth. Under this new guidance, eSense has signed several agreements across a range of markets:

- ✓ **SeaLaria (LOI)** – Therapeutic skin creams and sanitiser
- ✓ **Wise Wine** – Hand and surface sanitisers
- ✓ **Blue Science** – Hand and surface sanitisers
- ✓ **ANC** – Skin care, hair care and hand sanitiser

The Company has favoured this approach as it reduces the upfront capital expenditure required to expand global reach, and significantly reduces costs associated with sales and distribution. Since the inception of this strategy, eSense has been able to leverage the distribution channels of its partners to gain access to four significant global markets; Israel/Middle East, Australia, China and the US.



### Blue Science Solutions: entering the US market

On July 7, 2020 eSense announced it had signed an exclusive Sales Agency Agreement with US-based Blue Science Solutions Inc ("Blue Science") to expand into the world's largest consumer market for terpenes-based products, the United State ("US"). Blue Science is a US-based company that delivers non-toxic cleaning and disinfecting solutions across a variety of industries.

The Sales Agency Agreement with Blue Science will provide eSense with a number of benefits including:

- ✓ an exclusive agreement covering the distribution in the US of all terpenes based products to be developed by the Company in the cleaning and disinfecting solutions market segment;
- ✓ access to Blue Science's scientists to assist in product development;



- ✓ local sourcing of ingredients and manufacturing;
- ✓ access to an established supply chain network across the US;
- ✓ access to the IBM Rapid Supplier Connect Network;
- ✓ agreed minimum sales targets of A\$3 million in the first 12 months, and A\$10 million over a 5 year period, to be met in order for Blue Science to maintain exclusivity in the US; and
- ✓ logistics expertise.

As disclosed previously, investors should be aware that the minimum sales targets set out above are not forecasts, and investors should note that there is a risk that they will not be achieved.

The Company notes that it is still finalising product formulations and pricing for terpenes based products in this market segment and will notify the market when this is established.

### **Continued research into anti-viral qualities of terpenes**

eSense's lab continues researching and testing its proprietary terpene mix, TRP-ENV™ with promising results of terpenes' anti-viral synergistic effects. Discussions are ongoing with several Israeli universities, hospitals and virology labs to establish further testing and research into the exact nature of terpenes' anti-viral abilities. TRP-ENV™ is intended to be used for the creation of hand and surface sanitisers with enhanced anti-viral properties, together with a significant reduction in the sanitiser's ethanol levels (ethanol can be an irritant to the skin).

Further, eSense is investigating additional distribution and sales agreements with other partners to broaden its exposure within Australia and globally, and will announce to the market when appropriate.

**Itzik Mizrahi, CEO of eSense**, said "We have worked hard to achieve a number of strategic and operational milestones over the last four months, and are proud of the progress to date. In addition to their therapeutic and wellness benefits, our terpenes have exciting possible applications in a post-COVID world, and are focused on being well positioned to service this growing market. We are hard at work continuing to pursue more joint-venture opportunities and researching further potential applications of our technology."

### **Corporate activities**

#### **Appointment of Non-Executive Director and Joint Company Secretaries**

During the quarter, the Company appointed Mr Peter Hatful as Non-Executive Director, and Miss Erlyn Dale and Mr Winton Willesee as Joint Company Secretaries

The appointments follow the resignations of Mr Piers Lewis and Mr Amit Edri as Non-Executive Directors of e-Sense and Mr James Bahen as Company Secretary.

#### **Completion of Capital Raisings**

During the quarter, the Company raised A\$1,145,000 (before costs) via the issue of A\$250,000 of loan notes, and a placement of A\$895,000, all of which was settled in June 2020 by the issue of an aggregate of 286,250,000 CDIs (and 143,125,000 free attaching Options) following shareholder approval on 9 June 2020.



The Company also received a working capital loan of \$50,000, which was settled in June by the issue of 12,500,000 CDIs (and 6,250,000 free attaching Options), following receipt of shareholder approval on 9 June 2020.

#### **Expenditure Incurred During the Quarter**

Net cash from used in operating activities	USD\$517k
Net cash used in investing activities	USD\$ 2k
Net cash used in financing activities	USD\$711k

#### **Related Party Payments**

During the quarter ended 30 June 2020, the Company made payments of \$54k to related parties and their associates, being payment for directors' fees.

#### **Cash Position**

eSense's cash on hand at the end of the quarter was approximately USD\$379k.

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

**Ends**

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**For further information, please contact:**

#### **Investor enquiries**

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**About eSense-Lab | Registered office: Suite 5 CPC, 145 Stirling Highway, Nedlands, Western Australia, Australia 6009**  
eSense-Lab Ltd (ASX: ESE) is an Israel-based life-sciences company leading the market in evidence-based terpene product development for medicinal and wellness uses. To learn more, please visit [www.esense-lab.com](http://www.esense-lab.com)



## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

eSense Lab Limited (ASX:ESE)

**ABN**

616 228 703

**Quarter ended ("current quarter")**

30 June 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter US\$'000</b>	<b>Year to date (6 months) US\$'000</b>
<b>1. Cash flows from operating activities</b>		2
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development		(2)
(b) product manufacturing and operating costs		(32)
(c) advertising and marketing	(51)	(81)
(d) leased assets	(33)	(33)
(e) staff costs	(190)	(253)
(f) administration and corporate costs	(219)	(413)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(24)	(24)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (institutes)		34
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(517)</b>	<b>(802)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(2)	(2)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter US\$'000</b>	<b>Year to date (6 months) US\$'000</b>
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(2)</b>	<b>(2)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	744	744
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings (IFRS 16)	(33)	(33)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>711</b>	<b>711</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	164	472
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(517)	(802)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2)	(2)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	711	711

## Quarterly cash flow report for entities subject to Listing Rule 4.7B

<b>Consolidated statement of cash flows</b>		<b>Current quarter US\$'000</b>	<b>Year to date (6 months) US\$'000</b>
4.5	Effect of movement in exchange rates on cash held	23	
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>379</b>	<b>379</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter US\$'000</b>	<b>Previous quarter US\$'000</b>
5.1	Bank balances	379	379
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>379</b>	<b>379</b>

**6. Payments to related parties of the entity and their associates**

6.1	Aggregate amount of payments to related parties and their associates included in item 1	54
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

**Current quarter  
US\$'000**

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Related to fees paid to the directors and their associates.

**7. Financing facilities**

*Note: the term 'facility' includes all forms of financing arrangements available to the entity.*

*Add notes as necessary for an understanding of the sources of finance available to the entity.*

	<b>Total facility amount at quarter end US\$'000</b>	<b>Amount drawn at quarter end US\$'000</b>
7.1	-	-
7.2	-	-
7.3	-	-
7.4	<b>Total financing facilities</b>	-

**7.5 Unused financing facilities available at quarter end**

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

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<b>8. Estimated cash available for future operating activities</b>	<b>US\$'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(517)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	379
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	379
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>0.73</b>

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Yes, the Company anticipates continued negative operating cashflow for the next quarter.

2. Has the entity 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?

Answer: Yes, the Company is in discussions with relevant providers of capital and is confident of being able to secure the required capital to sustain its operations.

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

Answer: Yes, refer question 2 above.

## Compliance statement

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

Date: 31 July 2020

Authorised by: The Board of eSense Lab Limited  
(Name of body or officer authorising release - see note 4)

## Notes

- This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- If this quarterly cash flow 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 cash flow 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.
- 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.
- If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".



5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.