

## ASX RELEASE

ASX Code: ESE

29 January 2021

### eSense Quarterly Activities Report

#### eSense progresses research and secures working capital funding

##### Investment highlights:

- ✓ Entry into loan note agreements with a number of sophisticated and professional investors to raise US\$936K (A\$1,216K) to meet operational expenditure and fund working capital requirements
- ✓ Appointment of new Global Chief Executive Officer to drive the Company's strategy
- ✓ Identification of two candidates to be considered by shareholders to be appointed External Directors on the Board
- ✓ Encouraging research results into anti-viral qualities of terpenes
- ✓ Progression across joint venture agreements for mutual development of products for commercialisation

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 31 December 2020, along with its Appendix 4C. The Company has been progressing its research into the anti viral nature of terpenes and potential commercialisation of its products.

##### Business activities

###### Joint Research with Israeli Ministry of Health Central Virology Lab

As announced on 27 November 2020, the Company's proprietary terpene, TRP-ENV, demonstrated potent anti-viral activity against the HCoV-OC43 corona strain virus following incubation with the virus for a period of 30 minutes. Through our collaborative activities with SeaLaria and Wise-Wine, TRP-ENV was furthered tested for its anti-viral activity against HCoV-OC43 corona strain virus in combination with SeaLaria's red algae and Wise Wine's 70% ethanol. In parallel, a combination study of TRP-ENV with low level ethanol was also implemented as part of ESE's internal project to assess anti-viral synergism between these two substances.

All combinations were evaluated for their anti-viral activity following incubation with the virus for a period of 1,3,10 and 30min. The combination of TRP-ENV with SeaLaria's red algae resulted in an immediate neutralisation of the virus, which was at least as effective as 70% ethanol at all tested time points.

Similarly, an immediate virus neutralisation was obtained with the combination of TRP-ENV with either <70% ethanol or 70% Wise Wine ethanol. However, no difference could be seen in comparison to ethanol alone as both <70% and 70% ethanol also demonstrated an immediate virus neutralisation.



## Joint Venture Agreements

The Company is active in a range of operations, with its goal being to achieve commercial sales in the near term. In order to achieve this, eSense has established, and is continuing to pursue, a number of joint venture agreements for mutual development of products with different partners. This business model allows the Company to position itself across multiple revenue-generating markets, and demonstrates the broad range of applications of eSense's terpenes.

The Company has been testing formulas for both eSense's own brand, and for collaborations with previously announced partners Wise Wine, SeaLaria and BetterAir.

### ✓ **SeaLaria**

As noted above, the combination of TRP-ENV and SeaLaria's red algae resulted in an immediate virus neutralisation effect following incubation with the HCov-OC43 corona virus strain. The Company is undertaking an ongoing stability test of an alcohol-free hand sanitiser formulation comprising TRP-ENV and gelatinised red algae which, over a period of 1.5 months at room temperature, has indicated a level of stability acceptable for a lab scale production. At this point, an upscale of the formulation should be implemented and re-tested for shelf life at room temperature for a period of up to 1 year and at accelerated conditions for 4 months. The stability period at accelerated conditions represents a shelf life of 1 year at room temperature and therefore provides sufficient stability input for commercialisation. In light of these encouraging results, ESE is currently in advanced discussions with SeaLaria to realise a definitive agreement (as contemplated in the previously announced LOI with SeaLaria), to produce an alcohol-free hand sanitiser.

### ✓ **Wise Wine**

As noted above, the combination of TRP-ENV and Wise Wine 70% ethanol resulted in an immediate virus neutralisation effect following incubation with HCov-OC43 corona virus strain. The Company is undertaking an ongoing stability test of a hand sanitiser formulation comprising TRP-ENV and Wise Wine ethanol which, over a period of 1.5 months at room temperature, has indicated a level of stability acceptable for a lab scale production. At this point, an upscale of the formulation should be implemented and re-tested for shelf life at room temperature for a period of 1-1.5 months before commercialisation. In light of these results, the Company is preparing to drive commercial production of sanitisers under the joint venture with Wise Wine.

### ✓ **BetterAir**

Following an internal set of experiments (refer to the Quarterly Activities Report released by the Company on 3 November 2020) the R&D team selected 12 individual terpenes that showed minimal toxicity in the presence of BetterAir's bacillus bacteria and have good potential for an anti-corona virus activity.

The selected terpenes were mixed in various ratios to create blends with different aroma characteristics, followed by selection of 9 blend candidates that were characterised as having a good aroma. The selected blends entered into an additional selection round for co-existence with BetterAir's bacillus bacteria, with a final blend chosen and termed TRP-BIO.

TRP BIO is intended to be evaluated at Sheba Medical Center for synergistic anti-viral effects with BetterAir's bacteria during January 2021. Protocol for the anti-viral experiment in the



presence of TRP-BIO and BetterAir's bacteria combinations was designed in collaboration with BetterAir's scientific team.

✓ **ANC and Blue Science**

The Company is continuing to work with Blue Science Solutions LLC (**Blue Science**) to develop and distribute its sanitiser products in the United States. The definition of the most desired product line is nearing completion, and the process of sourcing the required sanitiser product line has been high graded, with a finished product line anticipated in the second half of 2021.

The Company is continuing to prepare for the manufacturing and production of its product with ANC Enterprises Pty Ltd (**ANC**), and is awaiting the outcome of its testing with Blue Science, in order to determine the correct product line before commencing the process of manufacturing and distribution of its terpene infused sanitiser line

## Corporate activities

### New Management

#### Chief Executive Officer

During the quarter, the Company strengthened its management with the appointment of Mr Yoav Elishoov as Global Chief Executive Officer, with Country Chief Executive Officer Mr Itzik Mizrahi, to depart the Company at the end of February 2021.

Mr Elishoov brings to the Company vast experience in commercial, market access, regulatory affairs and marketing roles with global pharmaceutical companies. Mr Elishoov has served as the CEO of Trima Ltd, one of Israel's leading pharmaceutical companies, established the Oncology Business unit of Novartis Israel as a new entity, managing it for more than a decade, and has served as the regulatory affairs director of Novartis Israel.

Mr Elishoov's multidisciplinary experience through various positions make him an ideal fit for the organisation, and the Company is excited to welcome him aboard.

**eSense CEO, Mr Yoav Elishoov** said: *"eSense's plant profiling technology is remarkably unique, and one of the reasons I joined the Company as International CEO. During the first half of 2020, the Company established joint ventures agreements with a number of partners across a range of markets, and I will be dedicated to taking these products from ideas and research to established products, for the benefit of our customers and shareholders. We will continue to pursue additional multinational opportunities in order to bring the value of our unique technology to the community."*

### Update on External Director Appointments and Voluntary Suspension

The Company's securities were suspended from trading on 27 July 2020 until the appointment by Shareholders of two External Directors at a general meeting of the Company ("**General Meeting**"), and pending the response by the Company to certain queries from ASX. Refer to the Company's ASX announcement dated 31 July 2020.

The Company is continuing to participate in ongoing dialogue with the ASX, and is endeavouring to respond to its queries as efficiently as possible.

As disclosed previously, having regard to independent legal advice received by the Company to date, the Company does not consider the matters identified (including in respect of Board composition) to have the effect of invalidating any material actions or decisions of the Board, nor



any material transactions undertaken by the Company during any periods of non-compliance. Further, to the extent that these matters require rectification, that rectification can be lawfully achieved by either ratification by shareholders at a general meeting to be convened as soon as practicable, or ratification by a compliant and appropriately composed Board, Audit Committee or Remuneration Committee.

In respect of the appointment of External Directors, as announced on 4 December 2020, the Company has now identified two candidates which it proposes to put forward to shareholders for consideration and appointment as External Directors, being Ms Maayan Bar and Ms Deborah Gilmour.

Ms Bar and Ms Gilmour would bring professional legal and financial expertise to the Board, and together, the Company believes their appointments as External Directors will strengthen the governance of the Company. Further information about each of these candidates are set out in the announcement released by the Company on 4 December 2020.

The appointments of Ms Bar and Ms Gilmour are subject to shareholder approval, with further information to be set out in a Notice of Meeting which will be sent to shareholders in due course.

The Company anticipates being able to provide the market with a more fulsome update in the coming month in respect of timing and process to reinstatement to trading of the Company's securities. The Company thanks Shareholders for their patience during this time, and assures Shareholders that it is committed to navigating the process to reinstatement to trading in the most efficient manner possible.

### **Completion of Capital Raisings**

During the quarter, the Company entered into loan note agreements with a number of sophisticated and professional investors to raise AU\$1,216,000 to meet operational expenditure and fund working capital requirements. Refer to the ASX announcement released by the Company on 29 December 2020, and the Company's previous Quarterly Activities Report, released by the Company on 3 November 2020, for further information.

The Company is in the process of pursuing an additional capital raising to secure working capital to pursue its business objectives. Further updates will be made to the market in due course.

### **Cash Position and Expenditure on Operating Activities**

eSense's cash on hand at the end of the quarter was approximately US\$351K (A\$456K).

During the quarter, the company spent US\$401K (A\$521K) on Operating Activities, including:

- Staff costs - US\$149K (A\$193K)
- Administrative & corporate cost – US\$148K (A\$192)
- Interest and other cost of finance – US\$51K (A\$66K)
- Other operational cost – US\$53K (A\$69K)

The Company incurred cash expenditure of approximately US\$146K (A\$190K) on its projects during the quarter comprising research and development costs, product manufacturing and operating costs, advertising and marketing costs and staff costs. Refer to the Company's Appendix 4C released with this Report, for further information.



### Related Party Payments

During the quarter ended 31 December 2020, the Company made payments of US\$84K (\$A109K) to related parties and their associates. These payments related to fees paid to Directors and their associated entities for services provided to the Company.

(\*) The company reporting currency is US\$. Conversion to A\$ is made based on the AUD:USD exchange rate as of January 26, 2021 of 1 AUD = 0.77 USD.

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

**Ends**

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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)**
**ARBN**

616 228 703

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

31 December 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter US\$'000</b>	<b>Year to date (12 months) US\$'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	3
1.2 Payments for		
(a) research and development	(1)	(20)
(b) product manufacturing and operating costs	(14)	(50)
(c) advertising and marketing	(11)	(126)
(d) leased assets	(27)	(60)
(e) staff costs	(149)	(530)
(f) administration and corporate costs	(148)	(688)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(51)	(80)
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>(401)</b>	<b>(1,517)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	(3)	(5)
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (12 months) US\$'000
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>(3)</b>	<b>(5)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	744
3.2	Proceeds from issue of convertible debt securities	710	710
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	(20)	(53)
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>690</b>	<b>1,401</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	65	472
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(401)	(1,517)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	(5)

<b>Consolidated statement of cash flows</b>		<b>Current quarter US\$'000</b>	<b>Year to date (12 months) US\$'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	690	1,401
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>351</b>	<b>351</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	351	65
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>351</b>	<b>65</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter US\$'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	84
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p>Related to fees paid to the directors and their associates.</p>		

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

**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.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

	Total facility amount at quarter end US\$'000	Amount drawn at quarter end US\$'000
7.1	-	-
7.2	-	-
7.3	-	-
7.4		

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

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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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**8. Estimated cash available for future operating activities****US\$'000**

8.1	Net cash from / (used in) operating activities (Item 1.9)	(401)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	351
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	351
8.5	<b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	0.88

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

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

8.6.1 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.

8.6.2 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: The company will take steps during Q1 2021 to raise funding for its continued operations and new projects.

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

Answer: The Company expects to be able to continue its operations and to meet its business objectives on the basis that it has the ability to raise equity or debt funding, which it has a proven track record of being able to do.

## Compliance statement

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

Date: 29 January 2021

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

## Notes

1. 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.
2. 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.
3. 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.
4. 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.