

ASX RELEASE

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30 July 2021

eSense Quarterly Activities Report

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 2021 (“**Quarter**”), along with its Appendix 4C. The Company has been progressing its research into the anti-viral nature of terpenes and possible commercialisation.

Business activities

Joint Research with Israeli Ministry of Health Central Virology Lab

As previously announced, experiments undertaken at the central virology lab of the Israeli Ministry of Health (“**MOH**”) to date have demonstrated:

- (a) potent anti-viral activity of the Company’s proprietary terpene, TRP-ENV, against the HCov-OC43 corona strain virus following incubation with the virus for a period of 30 minutes (refer to the ASX announcement dated 27 November 2020);
- (b) an immediate anti-viral activity against the HCov-OC43 corona strain virus by TRP-ENV in combination with a lower-level ethanol than was previously tested (“**Ethanol<<70%**”), which was superior to the relevant Ethanol <<70% alone, and at least as effective as 70% ethanol (refer to the ASX announcement dated 16 February 2021); and
- (c) an intermediate anti-viral activity of TRP-BIO (a unique terpene combination that can co-exist with BetterAir’s bacteria - refer to the Quarterly Activities Report announced on 29 January 2021) in combination with BetterAir’s bacterial population, which could not be seen in the presence of the bacteria alone.

The above studies were undertaken in furtherance of the Company’s goals to develop a superior, organic, dominant sanitiser product that provides added protection against bacteria and viruses, while reducing its ethanol content, and to seek out engagements with potential joint venture partners for the production of products utilising the Company’s proprietary terpenes. During the Quarter, the Company continued to progress determination of its commercialisation strategy in respect of these results.

Joint Venture Agreements

The Company is active in a range of operations, with its goal being to achieve commercial sales within a short period of time. 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. The Company has been testing formulas for both eSense’s own brand, and for collaborations with previously announced 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.

During the quarter, the Company progressed the following joint venture agreements:



✓ **SeaLaria**

As previously announced, 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, and a gel-based formula suitable for hand sanitising has since been developed at lab scale, which is now ready to enter the adaptation phase required for industrial scale up and mass production.

During the Quarter, the Company advanced discussions with SeaLaria with respect to entry into a formal agreement for commercial production of a cosmetic grade alcohol free hand sanitiser comprising TRP-ENV and gelatinized red algae. It is anticipated that the formal agreement will be finalised within the coming weeks.

✓ **Wise Wine**

The Company is monitoring and reviewing the progress of its existing joint venture with Wise Wine, however there were no material developments in respect of this opportunity during the quarter.

✓ **Other Proposed Joint Ventures**

During the period, the Company continued to progress a number of other preliminary stage engagements with potential joint venture partners for the co-development and production of products utilising the Company's proprietary terpenes.

Corporate activities

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, and pending the response by the Company to certain queries from ASX.

As announced on 25 June 2021 ("**Delisting Announcement**"), the Company has now formally applied to be removed from the Official List of ASX ("**Official List**") under ASX Listing Rule 17.11. Following comprehensive consideration, the Board of the Company determined that the removal of the Company from the Official List ("**Delisting**") is in the best interests of security holders for the reasons set out in the Delisting Announcement.

In response to the Delisting application, ASX has formally advised the Company that it has resolved to remove the Company from the Official List, subject to approval by a special resolution of ordinary security holders of the Company. The full terms of the confirmation decision from ASX are set out in the Delisting Announcement.

The Company dispatched a Notice of Meeting to Shareholders on 1 July 2021 for a Meeting to be held on 6 August 2021, seeking, amongst other things, shareholder approval for the Delisting, and approval to appoint Ms Maayan Bar and Ms Deborah Gilmour as External Directors.

The Company is in the process of assessing opportunities to seek an alternative listing on the TSX Venture Exchange (**TSXV**) or the Canadian Securities Exchange (**CSE**) following the Delisting, where it considers the Company will have greater access to capital, and shareholders will have the benefit of increased liquidity. As at the date of this announcement, no listing application has been made to the TSXV or CSE, and the proposed terms of any such listing (including a potential timeline) have



not been determined. Security holders should be aware that this is currently an expression of intention only. Any such listing is subject to a number of factors which are outside of the control of the Company (including the TSXV or CSE approving an application of the Company to be listed), and no guarantee can be given by the Company or its officers that a listing on the TSXV or CSE (or any other exchange) can or will be achieved by the Company.

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\$349,000 (US\$269,000) to meet operational expenditure and fund working capital requirements.

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

Cash Position

eSense's cash on hand at the end of the quarter was approximately AU\$183,000 (US\$141,000).

Expenditure Incurred on Projects During the Quarter

The Company incurred cash expenditure of approximately AU\$265,000 (US\$204,000) on its projects during the quarter comprising research and development costs, staff costs, and administration and corporate costs. Refer to the Company's Appendix 4C released with this Report, for further information.

Related Party Payments

During the Quarter, the Company made payments of AU\$25,000 (US\$19,000) to related parties and their associates. These payments related to fees paid to an entity associated with Director, Winton Willesee, for company secretarial services provided to the Company.

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

Ends

For further information, please contact:

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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



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")

30 June 2021

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (6 months) US\$'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	5
1.2 Payments for		
(a) research and development	(14)	(28)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(154)	(263)
(f) administration and corporate costs	(36)	(190)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(204)	(476)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(3)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (6 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)		
2.6	Net cash from / (used in) investing activities	-	(3)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	269	-
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	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	269	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	76	351
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(204)	(476)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(3)

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (6 months) US\$'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	269	269
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	141	141

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter US\$'000	Previous quarter US\$'000
5.1	Bank balances	141	76
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	141	76

6.	Payments to related parties of the entity and their associates	Current quarter US\$'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	19
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>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.</i></p>		

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.

	Total facility amount at quarter end US\$'000	Amount drawn at quarter end US\$'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

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.

8. Estimated cash available for future operating activities	US\$'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	204
8.2 Cash and cash equivalents at quarter end (Item 4.6)	141
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	141
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.69

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 continue to raise funds in the coming quarter.

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 records 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: 30 July 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.