



## REPLACEMENT PROSPECTUS

**For an offer of 17,500,000 CDIs at an issue price of A\$0.20 each to raise A\$3,500,000**

This replacement prospectus has been issued to provide information on the initial public offer of 17,500,000 CHESS Depositary Interests (**CDIs**) over 17,500,000 fully paid ordinary shares (**Shares**) in the capital of eSense-Lab Ltd. (**Company**) (i.e. a ratio of 1 CDI for 1 Share) at an issue price of A\$0.20 per CDI to raise a total of A\$3,500,000 (before costs) (**Offer**).

It is proposed that the Offer will close at 5.00pm (WST) on 23 January 2017. The Directors reserve the right to close the Offer earlier or to extend this date without notice. Applications must be received before that time.

The Company is an Israel incorporated entity registered under the Israeli Companies Law, 5759-1999, with registration number 515440923. The Company is registered under the Corporations Act, with Australian Registered Body Number (ARBN) 616 228 703.

This is an important document and requires your immediate attention. It should be read in its entirety. Please consult your professional adviser(s) if you have any questions about this document.

Investment in the CDIs offered pursuant to this Prospectus should be regarded as **highly speculative** in nature, and investors should be aware that they may lose some or all of their investment. Refer to Section 6 for a summary of the key risks associated with an investment in the CDIs.

This is a replacement prospectus dated 22 December 2016 (**Replacement Prospectus** or **Prospectus**). This Replacement Prospectus replaces the original prospectus dated 6 December 2016 (**Original Prospectus**).



Lead Manager to the Offer

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# IMPORTANT INFORMATION

## Offer of CDIs

This Prospectus is issued by eSense - Lab Ltd. (Israel company registration number 515440923) (ARBN 616 228 703) (**Company**) for the purposes of Chapter 6D of the Corporations Act 2001 (Cth) (**Corporations Act**).

The Offer contained in this Prospectus is an initial public offering to acquire CHESS Depositary Interests (**CDIs**) over fully paid ordinary shares in the Company (**Shares**). Each CDI will represent one underlying Share. The Shares offered under this Prospectus will be issued to investors in the form of CDIs so that those investors may trade the Shares on ASX and settle the transactions through CHESS. Note that in this Prospectus, the terms "Shares" and "CDIs" may be used interchangeably, except where the context requires otherwise.

Refer to Sections 1.8 and 8 for further information regarding CDIs and Shares.

## Prospectus

This Replacement Prospectus is dated, and was lodged with ASIC on, 22 December 2016 (**Prospectus Date**). This Replacement Prospectus replaces the Original Prospectus. For the purposes of this document, this Replacement Prospectus will be referred to as either the "Replacement Prospectus" or the "Prospectus".

In the event there are any inconsistencies between the Original Prospectus and the Replacement Prospectus, the Replacement Prospectus shall prevail.

This Replacement Prospectus has been issued to, amongst other things include:

- an updated indicative timetable to the Offer (page viii);
- additional disclosure regarding the potential effect of the vesting of the Performance Rights (Section 1.5);
- additional information regarding the Company's reconstructed terpene profiles and their chemical similarity with the targeted plant (Sections 2.2 to 2.5 inclusive);
- removal of the Independent Market Report and clarification regarding the immediate and future targeted potential markets for the Company's products (Sections 2.6 and 2.7);
- additional disclosure regarding the potential expansion into pharmaceutical products incorporating the Company's products with cannabinoids (Sections 2 and 6.1(n));
- additional information regarding the assignment of intellectual property rights by the founder of the Company's technology, Dr Yaron Penn, to the Company (Section 7.2);
- additional information regarding the Convertible Loans (Section 7.8); and
- additional information regarding director fees paid to Mr Ilan Saad (Section 9.7).

On 8 December 2016, the Company applied to ASX for admission of the Company to the Official List and quotation of its Shares on ASX.

Neither ASIC nor ASX (or their respective officers) take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

## Withdrawal Rights of Applicants

Any Applicant who, prior to the date of this Replacement Prospectus, has lodged an Application offered under the Original Prospectus, will be provided with a copy of this Replacement Prospectus and has the right to withdraw their Application and be repaid their Application Monies without interest, provided that their request to withdraw their Application is received by the Company within 1 calendar month of the date of this Replacement Prospectus. A request to withdraw an Application under the terms of this section of the Replacement Prospectus should be in writing signed by the Applicant and given to the Company using one of the same contact methods and details normally used for the Application for Shares as stated in Section 1.7 of the Prospectus. If you do not wish to withdraw your Application, you do not need to take any action.

## Applications received

The Company advises that 310 Applications have been received as at the date of this Replacement Prospectus, for a total of 16,742,450 Shares with a total value of \$3,348,490 banked as cleared funds. However, no Applications have been processed and no Shares have been issued under the Original Prospectus.

## New Applications

New applications for Shares on and from the date of this Replacement Prospectus must be made using the Replacement Application Form attached to or accompanying this Replacement Prospectus. The Replacement Application Form contains detailed instructions on how it is to be completed.

Applications made on the application form attached to or accompanying the Original Prospectus on or after the date of this Replacement Prospectus will not be valid.

## Expiry date

This Prospectus expires at 5:00pm (WST) on the date which is 13 months after the Prospectus Date and no securities will be issued on the basis of this Prospectus after this expiry date.

## Not investment advice

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. It is important that you read this Prospectus in its entirety and seek professional advice where necessary.

No person is authorised to give any information or to make any representation in connection with the Offer, other than as is contained in this Prospectus. Any information or representation not contained in this Prospectus should not be relied on as having been made or authorised by the Company or the Directors in connection with the Offer.

## Speculative investment

The securities offered pursuant to this Prospectus should be considered highly speculative. There is no guarantee that the securities offered pursuant to this Prospectus will make a return on the capital invested, that dividends will be paid on the securities or that there will be an increase in the value of the securities in the future.

Prospective investors should carefully consider whether the securities offered pursuant to this Prospectus are an appropriate investment for them in light of their personal circumstances, including their financial and taxation position. Refer to Section 6 for details relating to the key risks applicable to an investment in the Company's securities.

## Copies of the Prospectus and Application Forms

This Prospectus may be made available in electronic form. Persons having received a copy of the Prospectus in electronic form, or other prospective investors may obtain a paper copy of this Prospectus and the Application Form (free of charge) from the offices of the Lead Manager in Australia during the Offer Period by contacting the Company or the Lead Manager. Contact details for the Company and the Lead Manager are detailed in the Corporate Directory.

The Offer constituted by this Prospectus is only available to persons receiving this Prospectus and Application Form within Australia, or, subject to the provisions outlined in Section 1.12, Hong Kong or Israel.

Applications will only be accepted on the Application Form attached to, or accompanying, this Prospectus. The Corporations Act prohibits any person from passing on to another person the Application Form unless it is accompanied by or attached to a complete and unaltered copy of this Prospectus.

Prospective investors wishing to subscribe for securities under the Offer should complete the Application Form. If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application.

## No cooling-off rights

Cooling-off rights do not apply to an investment in CDIs issued under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

## Website

No document or information included on the Company's website is incorporated by reference into this Prospectus.

## Foreign Investors

No action has been taken to register or qualify the securities the subject of this Prospectus or the Offer, or otherwise to permit the public offering of the Company's securities, in any jurisdiction outside Australia. Subject to the provisions outlined in Section 1.12, persons resident in Hong Kong and Israel are eligible to participate in the Offer. The distribution of this Prospectus in jurisdictions outside of Australia may be restricted by law and persons who come into possession of this Prospectus outside of Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer of securities in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

## Using this Prospectus

Persons wishing to subscribe for securities offered by this Prospectus should read this Prospectus in its entirety in order to make an informed assessment of the assets and liabilities, financial position and performance, profits and losses, and prospects of the Company and the rights and liabilities attaching to the securities offered pursuant to this Prospectus. If persons considering subscribing for securities offered pursuant to this Prospectus have any questions, they should consult their stockbroker, solicitor, accountant or other professional adviser for advice.

## Privacy Statement

By completing and returning an Application Form, you will be providing personal information directly or indirectly to the Company, the Share Registry, and related bodies corporate, agents, contractors and third party service providers of the foregoing (**Collecting Parties**). The Collecting Parties will collect, hold and use that information to assess your

Application, service your needs as a security holder and to facilitate distribution payments and corporate communications to you as a security holder.

By submitting an Application Form, you authorise the Company to disclose any personal information contained in your Application Form (**Personal Information**) to the Collecting Parties where necessary, for any purpose in connection with the Offer, including processing your Application and complying with applicable law, the Listing Rules, the ASX Settlement Operating Rules and any requirements imposed by any applicable regulatory authority.

If you do not provide the information required in the Application Form, the Company may not be able to accept or process your Application.

If the Offer is successfully completed, your Personal Information may also be used from time to time and disclosed to persons inspecting the register of security holders, including bidders for your securities in the context of takeovers, regulatory authorities, authorised securities brokers, print service providers, mail houses and the Share Registry.

Any disclosure of Personal Information made for the above purposes will be on a confidential basis and in accordance with the Privacy Act 1988 (Cth) and all other legal requirements. If obliged to do so by law or any public authority, Personal Information collected from you will be passed on to third parties strictly in accordance with legal requirements. Once your Personal Information is no longer required, it will be destroyed or de-identified. As at the Prospectus Date, the Company does not anticipate that Personal Information will be disclosed to any overseas recipient, other than to the Company's non-Australian resident Directors.

Subject to certain exemptions under law, you may have access to Personal Information that the Collecting Parties hold about you and seek correction of such information. Access and correction requests, and any other queries regarding this privacy statement, must be made in writing to the Share Registry at the address set out in the Corporate Directory of this Prospectus. A fee may be charged for access.

## Forward-Looking Statements

This Prospectus contains forward-looking statements which are identified by words such as "believes", "estimates", "expects", "targets", "intends", "may", "will", "would", "could", or "should" and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the Prospectus Date, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management of the Company. Key risk factors associated with an investment in the Company are detailed in Section 6. These and other factors could cause actual results to differ materially from those expressed in any forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

The Company cannot and does not give assurances that the results, performance or achievements expressed or implied in

the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

#### **Industry data**

This Prospectus contains opinions, market data, estimates and projections made by third parties. These publications may state or imply that the information contained in them has been obtained from sources believed to be reasonable and reliable, but the Company has not independently verified the accuracy or completeness of such information. There is no assurance that any of this information will be achieved. These matters involve risks and uncertainties and are subject to change based on various factors, including those detailed in Section 6.

#### **Photographs and Diagrams**

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

#### **Regulation of eSense - Lab Ltd**

As the Company is not established in Australia, its general corporate activities (apart from offering securities in Australia) are not regulated by the Corporations Act or by ASIC, but are instead regulated by Israeli company law (including the Companies Law) and other applicable Israeli law and the Ministry of Justice - Corporations Authority of the State of Israel. Refer to Section 9.1 for further information.

#### **Currency**

All financial amounts contained in this Prospectus are expressed as Australian currency unless otherwise stated. Conversions may not reconcile due to rounding. All references to "\$" or "A\$" are references to Australian dollars, all references to "NIS" are references to the Israeli new shekel, and all references to "US\$" are references to United States dollars.

#### **Time**

All references to time in this Prospectus are references to WST, being the time in Perth, Western Australia, unless otherwise stated.

#### **Glossary**

Defined terms and abbreviations used in this Prospectus are detailed in the glossary in Section 11.

## CORPORATE DIRECTORY

### **Directors**

Dr Brendan de Kauwe  
Mr Haim Cohen  
Mr Eran Gilboa  
Mr Ilan Saad  
Ms Galit Assaf  
Mr Quentin Megson

### **Company Secretary**

Mr Steven Wood

### **Principal Office - Israel**

8 Sapir Street  
Nes Tziona, Israel

Telephone: +972.50.6610.402  
Email: info@esense-lab.com

### **Registered Office - Australia**

C/- Otsana Capital  
108 Outram Street  
West Perth WA 6005

### **Proposed ASX Code**

ESE

### **Website**

esense-lab.com

### **Share Registry\***

Link Market Services Limited  
Central Park, Level 4  
152 St Georges Tce  
Perth WA 6000

### **Auditor**

BDO Ziv Haft  
Amot Bituach House  
48 Derech Menachem Begin Road  
Tel Aviv  
6618001 Israel

### **Lead Manager and Corporate Advisor**

Otsana Capital  
108 Outram Street  
West Perth WA 6005

### **Australian Legal Advisor**

Bellanhouse Legal  
Ground Floor  
11 Ventnor Avenue  
West Perth WA 6005

### **Israeli Legal Advisor**

Goldfarb Seligman & Co  
Ampa Tower  
98 Yigal Alon Street, Tel Aviv  
6789141 Israel

### **Intellectual Property Experts**

Dr. Tsivion Patent and IP Office  
2 HaTochen Street  
PO Box 3148, Caesarea  
3088900 Israel

### **Investigating Accountant**

BDO Corporate Finance (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008

\* This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus.

## LETTER FROM THE CHAIRMAN

Dear Investor

On behalf of the Company's Directors, it is my pleasure to invite you to become an investor in eSense - Lab Ltd. (**Company**).

The Company is a technology and research and development company headquartered in Israel, specialising in the commercialisation of the phytochemical profiling of plants. The Company's technology enables it to "reverse engineer" a comprehensive model of a targeted rare or valuable plant, and reconstruct the "terpene profile" of that plant by using alternative natural sources. Terpenes are naturally occurring compounds (classified as phytochemicals) which account for the flavour and fragrance of plants. Each plant has its own unique terpene profile, which is the naturally occurring formulation of different individual terpenes.

The Company's initial focus is on the analysis and reconstruction of terpene profiles of the cannabis plant. Importantly, whilst the Company has replicated the targeted characteristics (primarily flavour and fragrance) of cannabis in its reconstructed terpene profiles, these are not manufactured from cannabis itself and do not contain cannabinoids. Cannabinoids are the chemical compounds that provide cannabis with its psychoactive quality. Hence, the terpene profiles capable of being produced by the Company are not considered to be subject to the same legislative and regulatory regimes governing cannabis, cannabis extracts and cannabinoids. The Company's initial focus will be on the supply of its reconstructed cannabis terpene profiles for use in e-liquids (such as those used in e-cigarettes).

The Company's technology is also intended to be applied by the Company in the future to other lucrative target plants such as ginseng, saffron, and other rare or valuable plants or spices. Reconstructed terpene profiles from such plants may have the potential to be used in the same manner in which essential oils are used (such as food and beverages, cosmetic products, and household products).

The purpose of the Offer is to raise A\$3,500,000 (before associated costs) by the issue of 17,500,000 CHESS Depositary Interests (**CDIs**) over 17,500,000 fully paid ordinary shares in the capital of the Company (**Shares**) (i.e. a ratio of 1 CDI for 1 Share) at an issue price of A\$0.20 per CDI.

The proceeds of the Offer are intended to be utilised to enable the Company to:

- (a) scale up the Company's production process to a level capable of commercial production, initially through the use of a third-party commercial laboratory, and later through the Company's own commercial laboratory;
- (b) undertake further research and development for additional terpene profiles and products incorporating terpenes (including edibles, beverages, cosmetic and household products); and
- (c) undertake further business development to execute the Company's "go-to-market" strategy by securing commercial customers, distributors and licensees for the terpene profiles capable of development by the Company.

This Prospectus contains detailed information about the Offer and the current and proposed operations of the Company, as well as the risks pertaining to an investment in the Company. Potential investors in the Company should carefully consider those risks (detailed in Section 6).

I encourage you to read the Prospectus carefully and in its entirety before making your investment decision and if required, consult with your stockbroker, solicitor, accountant or other independent professional advisor.

On behalf of the Directors, I invite you to consider this opportunity to invest in the Company, and look forward to welcoming you as an investor.

Yours faithfully

A handwritten signature in black ink, appearing to be 'B. de Kauwe', with a long horizontal flourish extending to the right.

**Dr Brendan de Kauwe**  
**Chairman**



## KEY OFFER DATES

Indicative timetable	
Lodgement of Replacement Prospectus with ASIC	22 December 2016
Opening Date for the Offer	22 December 2016
Closing Date for the Offer	23 January 2017
Issue of CDIs and commencement of deferred settlement trading on ASX	30 January 2017
Expected despatch of holding statements	31 January 2017
Expected commencement of trading on ASX on a normal settlement basis	1 February 2017

### Dates may change

The above dates are indicative only and may change without notice.

The Company, in consultation with the Lead Manager, reserves the right to vary any and all of the above dates without notice (including, subject to the Listing Rules and the Corporations Act, to close the Offer early, to extend the date the Offer closes, to accept late applications, either generally or in particular cases, or to cancel or withdraw the Offer before settlement, in each case without notifying any recipient of this Prospectus or Applicants). If the Offer is cancelled or withdrawn before settlement, all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act.

Investors are encouraged to submit their Application Forms as soon as possible after the Offer opens.

## KEY OFFER STATISTICS

Key Offer Details	
Securities offered under the Offer	CDIs <sup>1</sup>
Ratio of CDIs per Share	1 for 1
Price per CDI	A\$0.20
Number of CDIs available under the Offer	17,500,000
Gross proceeds from the Offer	A\$3,500,000

Capital Structure	
Securities on issue immediately prior to Admission	
• Shares/CDIs <sup>2</sup>	44,361,311
• Options	638,689 <sup>3</sup>
• Performance Rights	36,000,000 <sup>4</sup>
Securities on issue upon Admission	
• Shares/CDIs <sup>2</sup>	61,861,311
• Options	5,638,689 <sup>4</sup>
• Performance Rights	36,000,000 <sup>5</sup>

**Notes:**

1. CDIs are CHESS Depository Interests over underlying Shares. Refer to Section 1.8 for further information on CDIs.
2. The rights attaching to the Shares and CDIs are summarised in Section 8.
3. Comprised of 638,689 Options held by the Company's scientific advisor, exercisable at NIS 0.01 and vesting annually over a three year period. These Options were issued pursuant to the Incentive Plan summarised in Section 9.8. Every Option is exercisable into one Share.
4. 5,000,000 Options are to be issued to the Lead Manager on the terms and conditions summarised in Section 9.3.
5. The Company intends to issue prior to Admission a total of 36,000,000 Performance Rights comprised of 3,000,000 Class A Performance Rights, 3,000,000 Class B Performance Rights, 15,000,000 Class C Performance Rights and 15,000,000 Class D Performance Rights. Refer to Section 9.4 for the terms and conditions of the Performance Rights and Section 1.5 for an illustration of the potential effect of the vesting of the Performance Rights on the capital structure of the Company.

## INVESTMENT OVERVIEW

The information below is a selective overview only and not intended to provide full information for investors intending to apply for securities offered pursuant to this Prospectus. Prospective investors should read this Prospectus in full before deciding whether to invest in the securities the subject of the Offer.

Topic	Summary	More Information
<b>A. Company and Business Overview</b>		
<b>Who is the issuer of this Prospectus?</b>	eSense - Lab Ltd. (ARBN 616 228 703) ( <b>Company</b> ), a company incorporated in, and registered under the laws of, Israel, with registration number 515440923.	-
<b>What is the Company's business?</b>	<p>The Company is a technology and research and development company specialising in the commercialisation of the phytochemical profiling of plants.</p> <p>The Company combines genetics, mRNA, protein expression and phytochemical profiles to generate a comprehensive model of targeted plants. The Company can then use this model to 'reverse engineer' a terpene profile, which is a naturally occurring formulation of different individual terpenes which together, exactly replicate the flavour, fragrance and other desired characteristics of the targeted plant.</p> <p>The Company's lead product is reconstructed cannabis Terpene Profiles. As at the Prospectus Date, the Company has developed Terpene Profiles for 10 different strains of cannabis, and has Terpene Profiles for over 20 additional strains of cannabis under development. Whilst the Company has replicated characteristics of cannabis in its reconstructed Terpene Profiles, these are not manufactured from cannabis itself and do not contain cannabinoids. Cannabinoids are the chemical compounds that provide cannabis with its psychoactive quality. The Company's initial focus will be on the supply of its reconstructed cannabis terpene profiles for use in e-liquids (such as those used in e-cigarettes).</p> <p>The Company has already entered into a supply agreement with Allor Vaporizers, an electronic vaporizer company, for the supply of e-liquids comprising the Company's reconstructed cannabis Terpene Profiles. Refer to Section 7.10 for a summary of this supply agreement.</p>	Sections 2.1 to 2.15

Topic	Summary	More Information
<b>What products does the Company offer?</b>	<p>The Company's lead product is its reconstructed cannabis Terpene Profiles. In the future, the Company intends to develop Terpene Profiles for other rare or valuable plants or spices such as sandalwood, ginseng, or saffron.</p> <p>The Company has developed samples of its reconstructed cannabis Terpene Profiles for evaluation by potential customers. While the Company has not previously provided commercial supplies of its reconstructed cannabis Terpene Profiles, the funds raised from the Offer are intended to facilitate the Company satisfying its existing order with Allor Vaporizers, ramp up its in-house production capabilities, and further market its technology.</p>	Sections 2.5, 2.6 and 2.12
<b>What jurisdictions does the Company operate in?</b>	<p>The Company is based in Israel. The Company's first sales contract is with Allor Vaporizers, a company based in the United States (refer to Section 7.10 for a summary of this supply agreement).</p> <p>As the Company's products do not contain any cannabis extracts or cannabinoids (cannabinoids are the chemical compounds that provide cannabis with its psychoactive quality), the Directors do not believe there are any restrictions on where the Company's products may be marketed or sold.</p> <p>If in the future the Company seeks to have cannabinoids combined with its products for pharmaceutical purposes, or distribute its products to third parties who may incorporate cannabinoids into the Company's products for pharmaceutical purposes, the Company will be required to ensure that all legal and regulatory requirements applicable to it are satisfied. This will likely also require the satisfactory completion of clinical trials (or other testing). Please refer to Section 6.1(n) for further details regarding the potential risks of seeking to expand into this industry. The Company cautions investors against placing undue reliance on the prospects of the Company's products being combined with cannabinoids for pharmaceutical products.</p>	Section 2.1
<b>Who are the people behind the Company?</b>	<p>The key personnel of the Company are Israel-based scientists and executives. Eran Gilboa, Haim Cohen, Ilan Saad and Galit Assaf are all Israeli-based Directors of the Company. All of the Directors and key management personnel are conversant and literate in English.</p> <p>Brendan de Kauwe and Quentin Megson are</p>	Section 4.1

Topic	Summary	More Information
	Australian-based Directors of the Company. The Australian-based Directors have extensive Australian corporate experience, particularly with ASX-listed entities.	
<b>What is the Company's financial position?</b>	<p>Although the intellectual property of the Company has been under development for the past six years, the Company was only recently incorporated (on 13 April 2016) and therefore has a limited operating and financial history.</p> <p>As at the Prospectus Date, the Company has primarily funded its operations through A\$1 million worth of convertible loans, which will convert into CDIs of the Company prior to Admission.</p>	Section 5
<b>How does the Company plan to generate revenue?</b>	<p>The Company intends to use part of the funds raised under the Offer to complete the supply of its first Terpene Profiles for commercial sale. The first commercial sale is expected to occur by April 2017, based on the steps to production summarised in Section 2.12.</p> <p>Revenue is intended to be derived from the following possible sources:</p> <ul style="list-style-type: none"> <li>(a) B2B - "Business to Business" sales of reconstructed Terpene Profiles to product manufacturers (initially as e-liquids, and potentially as food, beverage, household products, cosmetics or therapeutic product manufacturers in the future); or</li> <li>(b) B2C - "Business to Consumer" through the development of the Company's own end-products which incorporate reconstructed Terpene Profiles (again, such as e-liquids, food, beverage, household products, cosmetics or therapeutic products).</li> </ul> <p>The Company's initial focus will be on "B2B".</p> <p>In addition, the Company's initial focus will be on the supply of its reconstructed cannabis Terpene Profiles for use in e-liquids (such as those used in e-cigarettes), consistent with its existing sales contract.</p> <p>The Company cautions investors that any expansion into markets other than e-liquids comprising cannabis Terpene Profiles is subject to the risk that the Company's products are not readily accepted by the market. Refer to Section 6.1(c) for further information.</p>	Section 2.14
<b>What is the proposed process for the launch of</b>	The Company has already received its first commercial purchase order for its reconstructed	Section 2.12

Topic	Summary	More Information
the commercial sales of the first reconstructed Terpene Profiles?	<p>cannabis Terpene Profiles.</p> <p>Following Admission, the Company intends on undertaking the following steps to produce the reconstructed Terpene Profiles required to satisfy its current purchase order, and any additional purchase orders it receives in the interim:</p> <ul style="list-style-type: none"> <li>(a) complete its 'approved raw materials list' for its first commercially available reconstructed Terpene Profiles;</li> <li>(b) acquire 'base terpenes' and refine them as necessary in order to reconstruct the Terpene Profiles;</li> <li>(c) reconstruct the Terpene Profiles, initially through a third-party commercial facility, and later through the Company's own commercial laboratory (once established); and</li> <li>(d) dispatch the reconstructed Terpene Profiles to the customer.</li> </ul> <p>It is intended that the Company will be in a position to satisfy its first commercial purchase order by April 2017.</p>	
What are the Company's key expense items?	<p>The Company expects its expenses will largely comprise:</p> <ul style="list-style-type: none"> <li>(a) research and development costs (primarily the employee and subcontractor costs);</li> <li>(b) the acquisition of commercial laboratory equipment;</li> <li>(c) rental of an office and laboratory space; and</li> <li>(d) business development, sales and marketing.</li> </ul>	Section 2.15
Why is the Company seeking to raise funds?	<p>The Company is seeking to raise funds in order to:</p> <ul style="list-style-type: none"> <li>(a) assist the Company to meet the requirements of ASX and satisfy Chapters 1 and 2 of the Listing Rules, as part of the Company's application for Admission;</li> <li>(b) scale up the production process to a level capable of commercial production, initially through the use of a third-party commercial laboratory, and later through the Company's own commercial laboratory;</li> <li>(c) undertake further research and development for additional Terpene Profiles and products incorporating reconstructed Terpene Profiles (including edibles, beverages, cosmetic and household products, therapeutic products</li> </ul>	Section 1.4

Topic	Summary	More Information
	<p>and, subject to the receipt of any necessary regulatory approvals, satisfactory completion of any necessary clinical trials (or other testing) and third-party agreements, pharmaceutical products); and</p> <p>(d) undertake further business development to execute the Company's "go-to-market" strategy by securing commercial customers, distributors and licensees for the reconstructed Terpene Profiles capable of development by the Company.</p>	
<p><b>Who are the Company's competitors?</b></p>	<p>The Directors are not aware of any direct competitor which supplies reconstructed Terpene Profiles similar to those intended to be produced by the Company.</p> <p>There are aspects of the Company's proposed products which are similar with existing defined products. These existing defined products (primarily e-liquids) are extracted from the base plant itself, rather than through the reverse engineering process proposed by the Company, or only comprise a low number of terpenes (typically a maximum of 10-15) whereas the Company's products comprise 30-100 terpenes and other key constituent products (such as alkaloids). Accordingly, there are some key differences between the products which are presently available, and those proposed to be developed by the Company.</p> <p>There are also understood to be potential competitors engaged in the analysis of the chemical composition of targeted plants, however, the Directors are not aware of any such businesses who analyse such targeted plants to the same degree as the Company, who are also involved in the production of reconstructed Terpene Profiles based on this analysis.</p>	<p>Section 2.9</p>
<p><b>B. Investment highlights</b></p>		
<p><b>Strong potential markets for lead products</b></p>	<p>The Company's lead product is its reconstructed cannabis Terpene Profiles. The Company elected to focus on this lead product as a result of the recent and anticipated growth in consumption and interest in cannabis products. The Company's products however intentionally do not include cannabinoids and therefore are distinguishable from the cannabis plant itself or extracts which may include cannabinoids.</p> <p>The Company's initial focus will be on the supply of its reconstructed cannabis Terpene Profiles for use</p>	<p>Sections 2.6 and 2.7</p>

Topic	Summary	More Information
	<p>in e-liquids (such as those used in e-cigarettes), consistent with its existing sales contract.</p> <p>In the future, the Company intends to commercialise its reconstructed cannabis Terpene Profiles for use in products including edibles, beverages, cosmetic and household products, therapeutic products and, subject to the receipt of any necessary regulatory approvals, satisfactory completion of any necessary clinical trials (or other testing) and third-party agreements, pharmaceutical products.</p> <p>The Company cautions investors that any expansion into markets other than e-liquids is subject to the risk that the Company's products are not readily accepted by the market. Refer to Section 6.1(c) for further information.</p>	
<b>Technology advantages</b>	<p>The Company's technology enables it to reverse engineer and reconstruct the Terpene Profile of a targeted plant (to a similarity of 99.9%) using alternate natural sources.</p> <p>The Company's technology also provides it with the ability to exclude certain aspects of a targeted plant's phytochemical composition from the Company's products, such as cannabinoids in the case of the Company's reconstructed cannabis Terpene Profiles.</p> <p>The Company intends to use the funds raised under the Offer to, amongst other things, move the Company to commercial production of such reconstructed Terpene Profiles.</p> <p>Once in commercial production, the key advantages of the Company's technology over its present competitors are considered to be the following:</p> <ul style="list-style-type: none"> <li>(a) <b>Commercially viable:</b> The Company's technology enables the development and reconstruction of Terpene Profiles of valuable target plants using alternative and less expensive raw materials. Accordingly, the costs of reconstructing the Terpene Profiles from the alternate sources have the potential to be significantly lower than if the Terpene Profiles were developed using the valuable target plant itself.</li> <li>(b) <b>Scalable:</b> By reconstructing a Terpene Profile using more readily available raw materials, the Company's capacity to produce Terpene Profiles is likely to have greater scalability than if the target plant itself was used as the</li> </ul>	Section 2.8



Topic	Summary	More Information
	<p>raw material.</p> <p>(c) <b>100% consistent:</b> Due to the inherent variances in raw target plants, it may not be possible to create a 100% consistent Terpene Profile on a commercial level using the raw target plant itself. The Company's reverse engineering technology has the capability of reconstructing 100% consistent Terpene Profiles.</p> <p>(d) <b>Standardisation:</b> The ability of the Company's technology to produce a standardised product is intended to enable reconstructed Terpene Profiles produced by the Company to be used in pharmaceutical formulations in the future (subject to the completion of necessary clinical trials (or other testing) and regulatory approvals and third-party agreements with pharmaceutical companies).</p> <p>(e) <b>Regulatory regime:</b> In the case of the Company's lead product, its reconstructed cannabis Terpene Profiles, the Terpene Profiles do not contain any cannabis extracts. Rather, the Terpene Profiles reconstructed by the Company replicate the scent and flavour of cannabis strains using alternate natural sources. Accordingly, the Company's activities are not considered to be subject to the same legislative and regulatory regimes governing cannabis and cannabis extracts.</p> <p>(f) <b>100% natural:</b> The Company's technology uses 100% natural and organic raw material to construct Terpene Profiles.</p> <p>(g) <b>Broad potential:</b> Although the Company's lead product is in the production of cannabis Terpene Profiles, the technology has the potential to be applied to other lucrative target plants such as ginseng, saffron and sandalwood. Accordingly, the Company can adjust its business plans to address changes in demand for targeted plants. It currently takes the Company approximately two to three months to develop a Terpene Profile for a new strain.</p>	
Unique and disruptive technology with unmatched current competitors	Based on the research undertaken by the Directors and the experience of the Company's scientific team, the Directors are not aware of any existing business involved in the analysis of target plants and the reverse engineering of the Terpene Profiles of those plants in the same manner and degree	Section 2.9

Topic	Summary	More Information
	undertaken by the Company.	
<b>Strong intellectual property position</b>	<p>All intellectual property rights comprised in the technology proposed to be utilised by the Company has been assigned to the Company by the technology's founder, Dr Yaron Penn, the Company's chief technical officer.</p> <p>A provisional patent application has also been lodged by Dr Penn, and assigned to the Company, in respect of the reference model for mixtures of phytochemicals, which is the basis of the Company's technology.</p>	Sections 3 and 7.2
<b>C. Key risks</b>		
<p>Prospective investors should be aware that subscribing for securities in the Company involves a number of risks and uncertainties. The risk factors set out in Section 6 and other risks applicable to all listed securities, may affect the value of the Company's securities in the future. Accordingly an investment in the Company should be considered highly speculative. This overview summarises only some of the risks that apply to an investment in the Company and investors should refer to Section 6 for a more detailed summary of the risks.</p>		
<b>Limited operating history</b>	Incorporated in April 2016, the Company has a limited operating history. To date, the Company has principally developed its technology and intellectual property and has not commenced commercialisation. Given the Company's limited operating history, there can be no guarantee that the Company will achieve commercial viability.	Section 6.1(a)
<b>Consumer demand risk</b>	<p>Although the Company has already entered into a sales agreement with one commercial purchaser for the incorporation of its reconstructed Terpene Profiles into e-liquids (refer to Section 7.10 for a summary of this supply agreement), there is no certainty that there will be sufficient consumer demand for the Company's product.</p> <p>The Company considers that there is a risk that consumers may be more inclined to purchase a product extracted from the target plant itself rather than the Company's reconstructed Terpene Profiles for the reasons detailed below, despite the advantages of the Company's products which are outlined in Section 2.8:</p> <ul style="list-style-type: none"> <li>Although the Company's products are comprised of natural sources, and from a molecular perspective are identical to the Terpene Profile of the targeted plant, the Company's product is nevertheless comprised of base products extracted from alternate natural sources, rather than the targeted plant itself.</li> </ul>	Section 6.1(b)

Topic	Summary	More Information
	<p>Some consumers may be concerned that the Company's products are 'not original' as they are not extracted from the targeted base plant itself, despite the fact that the Terpene Profile is chemically identical in all respects considered chemically relevant by the Company.</p> <ul style="list-style-type: none"> <li>• The Company's analysis process is capable of analysing the phytochemical composition of the targeted plant to an accuracy of 99.9%. The difference of less than 0.1% is understood by the Company to be constituted by minor terpenes and other phytochemicals which are in such low concentrations they are not considered to give rise to any material difference between the Company's reconstructed Terpene Profile and the Terpene Profile of the targeted plant. In some cases it is not even certain if such minor terpenes are actually present in particular strains of plants, or whether they are unique variances to a specific plant. Nevertheless, some consumers may be concerned that the 0.1% which is not accounted for in the analysed phytochemical profile may contain therapeutic or other benefits of the targeted plant.</li> <li>• The Company will not in all cases replicate the entirety of the analysed phytochemical profile of the target plant. For example, in the case of cannabis, part of the phytochemical composition of cannabis is phytocannabinoids, which provide cannabis with its psychoactive quality. The Company intentionally does not include phytocannabinoids in its products. Phytocannabinoids do not comprise the 'Terpene Profile' of the cannabis plant. Some consumers may not be interested in the Company's product as they are only interested in the psychoactive effects of the phytocannabinoids, or may be concerned that the removal of the phytocannabinoid aspect of the profile affects its safety or other perceived benefits.</li> </ul>	
New market risks	<p>The market the Company initially intends to target is the e-liquids market for cannabis Terpene Profiles.</p> <p>Any efforts to enter a new market space holds the risk that the product offering does not meet the needs or demands of the market. New vertical markets usually cost substantially more to penetrate than a known market and may also result</p>	Section 6.1(c)

Topic	Summary	More Information
	in a diversion of the attention and time of management and the scientific team. Accordingly, such efforts may have a materially adverse effect on the value and prospects of the Company.	
<b>Manufacturing and production risks</b>	<p>The Company is an early-stage company and has yet to develop its Terpene Profiles on a commercial scale. Accordingly, the commercialisation phase for the Company's Terpene Profiles (summarised in Section 2.9) is subject to a number of technological and development risks which may result in unforeseen and unavoidable delays.</p> <p>These risks include, amongst other things, overestimating the ease at which the Terpene Profiles may be developed, availability of necessary base terpenes to reconstruct the Terpene Profiles, availability of appropriately skilled third parties, and unforeseen bugs and errors.</p> <p>Delays in completing the commercial availability of the Company's products will translate into delays in the Company receiving revenue.</p>	Section 6.1(d)
<b>Intellectual property</b>	<p>The Company relies on its intellectual property rights and there is a risk that the Company may fail to protect its rights for a number of reasons. The Company uses a mixture of legal (eg confidentiality obligations, intellectual property policies and lodgement of patent applications) and technical (eg data encryption) methods to protect its intellectual property.</p> <p>As the Company grows, there is a risk that these actions may not be adequate and may not prevent the misappropriation of its intellectual property or deter independent development of similar products by others.</p> <p>The Company may be required to incur significant expenses in monitoring and protecting its intellectual property rights.</p> <p>There is also a risk that the Company may contravene, or be alleged to have contravened, the intellectual property rights of third parties.</p>	Sections 6.1(e) to (g)
<b>Competition and new technologies</b>	Although the Board is not currently aware of any direct competitors offering the same product as the Company, a rival product offering or technology developments by third-party competitors may have a materially adverse effect on the value and prospects of the Company.	Section 6.1(h)
<b>Third party risk</b>	The operations of the Company require the	Section 6.1(i)

Topic	Summary	More Information
	involvement of a number of third parties, including suppliers of raw materials and third-party laboratories. Financial failure, default or contractual non-compliance on the part of such third parties may have a material impact on the Company.	
<b>Material contract risk</b>	The Company's first sales contract is with Allor Vaporizers, a company based in the United States (refer to Section 7.10 for a summary of this supply agreement). Financial failure, default or contractual non-compliance on the part of Allor Vaporizers would affect the Company's financial position. The Company would be required to negotiate and enter into alternate agreements sooner than otherwise may be the case. Such alternate supply agreements may not be readily available, or available on reasonable terms, and this would impact the Company's financial position.	Section 6.1(j)
<b>Reliance on information technology and laboratory equipment</b>	<p>The Company's business will be dependent upon the performance, reliability and availability of its information technology and laboratory equipment. Any damage to, or failure of, this technology or equipment may have a material impact on the Company.</p> <p>The Company's business will also be dependent on the availability of third-party laboratories. The Company has entered into a memorandum of understanding with Herbal Remedies Laboratories Ltd (HRL), a third-party laboratory, for the Company to use the laboratory's services to satisfy its initial purchase orders, until such time as the Company establishes its own commercial laboratory. If the Company and HRL are unable to formalise the definitive terms of this memorandum of understanding, or HRL breaches the memorandum of understanding, the Company would need to enter into an agreement with an alternative third-party laboratory. There is no guarantee that such an alternative will be readily available, or available on reasonable terms, and this could impact the Company's financial position. The requirement to engage an alternative third-party laboratory would also likely delay the Company's timeline to commercial production.</p>	Section 6.1(k)
<b>Reliance on key personnel</b>	Success of the business will depend on the Directors and the officers of the Company to develop the business and manage operations, and on the ability to attract and retain key quality staff and consultants.	Section 6.1(l)

Topic	Summary	More Information
	<p>The management team is currently comprised of a team of personnel who the Directors consider can cover on a temporary basis for any other member of the team who may leave the Company, until such time as the Company engages a replacement.</p> <p>However, the loss of multiple key persons or the inability to find new key persons (or delays in finding such key persons) could have a material adverse effect on the business.</p>	
<b>Regulatory environment - current products</b>	<p>The Company is exposed to the risks posed by current and potential future regulations and legislation that apply to the industries in which it proposes to operate.</p> <p>Changes in the regulatory environment in Israel, the United States and other countries the Company may supply its products to may have adverse consequences for the Company.</p> <p>While the Company has replicated the characteristics of cannabis in its Terpene Profiles, these are not manufactured from cannabis itself and do not contain cannabinoids (neither synthetic nor cannabis plant derived). Cannabinoids are the chemical compounds that provide cannabis with its psychoactive quality.</p> <p>Accordingly, although the Company's reconstructed cannabis Terpene Profiles are not considered to be subject to the same legal restrictions as cannabis, cannabis extracts or cannabinoids, if any relevant jurisdiction imposes such restrictions on the Company's reconstructed Terpene Profiles and any necessary regulatory approvals are not readily attainable, the Company will be required to revise its strategy to focus on an alternate jurisdiction or alter its focus to be on an alternate valuable target plant.</p>	Section 6.1(m)
<b>Regulatory environment - potential expansion into cannabinoid pharmaceutical products</b>	<p>The Company may in the future seek to have its reconstructed cannabis Terpene Profiles incorporated into pharmaceutical products which contain cannabinoids. Any such incorporation would be subject to the following key risks and obligations:</p> <ul style="list-style-type: none"> <li>• The Company complying with any legal or regulatory requirements applying to products containing cannabinoids in the relevant jurisdiction. The legal and regulatory regime applicable to products containing cannabinoids differs across jurisdictions and may be expensive and time consuming to appropriately navigate and obtain all necessary approvals.</li> </ul>	Section 6.1(n)

Topic	Summary	More Information
	<p>There is also no certainty that the Company will be able to supply such products to a particular jurisdiction within the confines of the applicable legal or regulatory regime.</p> <ul style="list-style-type: none"> <li>• The Company entering into an agreement with a third-party pharmaceutical company. To date, the Company has not entered into any such agreements and there is therefore no certainty of demand for the Company's products in this market; and</li> <li>• the completion of all necessary clinical trials (or other testing) for pharmaceutical products, and receipt of any necessary FDA (or equivalent) approvals for pharmaceutical products. Such trials and regulatory approvals can be lengthy and expensive.</li> </ul> <p>There is therefore no certainty that the Company will enter into the cannabinoid-pharmaceutical industry. In this case, the Company's intention is to focus on the other potential industries, such as e-liquids, food and beverages, therapeutic products which do not contain cannabinoids, and other household products.</p>	
<b>Product liability and brand risks</b>	<p>As a manufacturer and supplier of products designed to be exposed to humans, the Company will face an inherent risk of exposure to product liability claims, regulatory action and litigation.</p> <p>Such claims, or a failure to successfully establish and maintain the Company's brand, may have an adverse effect on the business.</p>	Sections 6.1(o) and (p)
<b>Risks of Israeli company</b>	<p>The Company is incorporated and based in Israel. Accordingly, political, economic and military conditions in Israel and the surrounding region may directly affect the Company's business.</p> <p>Any hostilities involving Israel or the interruption or curtailment of trade within Israel or between Israel and its trading partners, or the mandatory military service obligations of Israeli citizens (including the Company's Israeli-based Directors and key management and scientific personnel) could materially and adversely affect the Company's business.</p>	Sections 6.1(q) to (s)
<b>Liquidity risk</b>	<p>The Company anticipates that approximately 39,361,311 Shares will be classified as restricted securities by ASX upon Admission, which will comprise approximately 63.63% of the issued share capital on an undiluted basis. In addition, the Company anticipates that all of the Options and</p>	Section 6.1(u)

Topic	Summary	More Information
	<p>Performance Rights will be classified as restricted securities by ASX. Accordingly, on a fully diluted basis, assuming all Performance Rights and Options vest within the escrow period and are exercised and that no other securities are issued, approximately 83.14% of the issued capital will be subject to escrow.</p> <p>These securities will be subject to an escrow period of up to 24 months from the date of Official Quotation. This could be considered to be an increased liquidity risk as a portion of the Company's issued capital will not be able to be traded freely for a period of time.</p>	
<b>D. Offer overview</b>		
<b>What is the Offer?</b>	The Offer is an initial public offering of 17,500,000 CDIs over 17,500,000 Shares (i.e. a ratio of 1 CDI for 1 Share) at an issue price of A\$0.20 per CDI to raise a total of A\$3,500,000 (before costs) ( <b>Offer</b> ).	Section 1.1
<b>What is the Offer price?</b>	A\$0.20 per CDI.	Section 1.1
<b>What are CDIs?</b>	<p>ASX uses an electronic system called CHESS for the clearance and settlement of trades on ASX.</p> <p>The Company is incorporated in Israel, and the requirements of Israeli laws that registered shareholders have the right to receive a stock certificate does not permit the CHESS system of holding uncertificated securities. Accordingly, to enable companies such as the Company to have their securities cleared and settled electronically through CHESS, depositary instruments called CDIs are issued.</p> <p>CDIs represent the beneficial interest in the underlying shares in a foreign company such as the Company and are traded in a manner similar to shares of Australian companies listed on ASX.</p> <p>Each CDI will be equivalent to one Share.</p>	Section 1.8
<b>What rights and liabilities attach to the CDIs being offered and underlying Shares?</b>	<p>A description of the Company's Shares, including the rights and liabilities attaching to them, is set out in Section 8.1.</p> <p>A description of the CDIs is set out in Section 8.2.</p>	Section 8
<b>Will the CDIs be quoted on ASX?</b>	<p>The Company applied to ASX on 8 December 2016 for official quotation of its Shares on ASX under the ASX Code "ESE".</p> <p>Admission is conditional on the ASX approving this</p>	Section 1.9



Topic	Summary	More Information
	application. If approval is not given within three months of the date of the Original Prospectus (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.	
<b>Are there any escrow arrangements?</b>	<p>Yes. Shares held by certain existing investors immediately prior to Admission will be subject to mandatory escrow arrangements for up to 24 months following Admission.</p> <p>The securities issued under this Offer are not expected to be subject to escrow.</p>	Section 1.13
<b>What is the Offer period?</b>	An indicative timetable for the Offer is set in the "Key Offer Dates" section of this Prospectus.	Page (vii)
<b>Why is the Offer being conducted?</b>	<p>The Offer is being conducted to:</p> <ul style="list-style-type: none"> <li>(a) assist the Company to meet the requirements of ASX and satisfy Chapters 1 and 2 of the Listing Rules, as part of the Company's application for admission to the ASX Official List; and</li> <li>(b) raise capital for the purposes outlined in Section 1.4.</li> </ul>	Section 1.4
<b>Is the Offer underwritten?</b>	No, but Otsana Capital has been appointed as the Lead Manager.	Sections 1.14 and 1.15
<b>What are the conditions of the Offer?</b>	<p>The Offer under this Prospectus is conditional upon the following events occurring:</p> <ul style="list-style-type: none"> <li>(a) the Company raising the Minimum Subscription (A\$3,500,000) under the Offer (refer to Section 1.2);</li> <li>(b) to the extent required by ASX or the Listing Rules, each person entering into a restriction agreement imposing such restrictions on trading on the Company's securities as mandated by the Listing Rules; and</li> <li>(c) ASX providing the Company with a list of conditions which, once satisfied, will result in ASX admitting the Company to the Official List.</li> </ul> <p>If these conditions are not satisfied, the Offer will not proceed and the Company will repay all Application Monies in accordance with the Corporations Act.</p>	Section 1.10

Topic	Summary	More Information
<b>E. Directors and Related Party Interests and Substantial Holders</b>		
<b>Who are the Directors?</b>	The Directors are Brendan de Kauwe (Chairman), Haim Cohen (Chief Executive Officer), Eran Gilboa, Ilan Saad, Galit Assaf, and Quentin Megson.	Section 4.1
<b>What benefits are being paid to Directors?</b>	<p>Haim Cohen has entered into a management services agreement with the Company pursuant to which he will be paid a gross service fee of US\$6,000 per month, plus VAT. Upon Admission, this fee shall be increased to US\$12,500 per month.</p> <p>Each of Eran Gilboa, Ilan Saad, Galit Assaf, and Quentin Megson have entered into board member agreements with the Company pursuant to which they will be paid A\$50,000 per annum for their director fees, commencing from Admission. As at the Prospectus Date, these Directors have not been paid or accrued any directors fees, except for Ilan Saad, who is to be paid a monthly fee of US\$3,000 (plus VAT, if applicable) from 1 October 2016.</p> <p>Brendan de Kauwe has entered into a board member agreement with the Company pursuant to which he will be paid A\$85,000 per annum for his director fees, which includes his additional services as Chairman. As with the other Directors, these fees will only become payable from Admission and as at the Prospectus Date, Dr de Kauwe has not been paid or accrued any directors' fees or Chairman's fees.</p> <p>In addition to the above the Company intends to issue Performance Rights to the Directors as incentive securities prior to Admission (refer to Section 9.6).</p>	Sections 7.3 and 9.7
<b>What important contracts with related parties is the Company a party to?</b>	<p>As well as being the Director and Chairman of the Company, Brendan de Kauwe is also a director of Otsana. In addition, Eran Gilboa is a Director of the Company and heads up the Israeli division of Otsana in Tel Aviv.</p> <p>The Company has engaged Otsana to act as its corporate advisor and lead manager of this Offer.</p> <p>In relation to Otsana's role as corporate advisor and lead manager, Otsana (or its nominees) will receive:</p> <ul style="list-style-type: none"> <li>(a) cash fees in the form of a retainer of A\$10,000 per month;</li> <li>(b) cash fees of up to A\$150,000 after completion of the Offer;</li> <li>(c) a 2% advisory fee on all monies raised under</li> </ul>	Section 7.7

Topic	Summary	More Information																					
	<p>the Offer, plus 4% of any funds raised by Otsana or any funding sources introduced by Otsana; and</p> <p>(d) up to 5,000,000 Options (on the terms and conditions in Section 9.3).</p>																						
What interests do Directors have in the securities of the Company?	<p>As at the Prospectus Date, the Directors hold relevant interests in the Shares specified below. It is intended that the Company will issue the Performance Rights specified below to the Directors (or their nominee) prior to Admission.</p> <table border="1"> <thead> <tr> <th>Director</th><th>Shares</th><th>Performance Rights</th></tr> </thead> <tbody> <tr> <td>Brendan de Kauwe</td><td>1,453,157</td><td>2,982,813</td></tr> <tr> <td>Haim Cohen</td><td>1,123,627</td><td>2,533,172</td></tr> <tr> <td>Eran Gilboa</td><td>2,847,188</td><td>4,884,943</td></tr> <tr> <td>Ilan Saad</td><td>153,760</td><td>1,209,802</td></tr> <tr> <td>Galit Assaf</td><td>Nil</td><td>1,000,000</td></tr> <tr> <td>Quentin Megson</td><td>Nil</td><td>1,000,000</td></tr> </tbody> </table> <p>Refer to Section 9.4 for the terms and conditions of the Performance Rights, and to Section 9.6 for a summary of the classes of Performance Rights held.</p>	Director	Shares	Performance Rights	Brendan de Kauwe	1,453,157	2,982,813	Haim Cohen	1,123,627	2,533,172	Eran Gilboa	2,847,188	4,884,943	Ilan Saad	153,760	1,209,802	Galit Assaf	Nil	1,000,000	Quentin Megson	Nil	1,000,000	Section 9.6
Director	Shares	Performance Rights																					
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Quentin Megson	Nil	1,000,000																					
Substantial holders	<p>Based on the information known as at the Prospectus Date, on Admission it is anticipated that the following Shareholders will hold over 5% of the Shares on issue:</p> <table border="1"> <thead> <tr> <th>Shareholder</th><th>Shares</th><th>%</th></tr> </thead> <tbody> <tr> <td>Benjamin Karasik</td><td>6,298,226</td><td>10.18%</td></tr> <tr> <td>Efraim Malik</td><td>3,843,988</td><td>6.21%</td></tr> <tr> <td>Nitzan Orgal</td><td>3,622,515</td><td>5.86%</td></tr> </tbody> </table> <p>Benjamin Karasik was the initial Director of the Company upon its incorporation on 13 April 2016. Mr Karasik resigned as a Director effective 19 September 2016.</p>	Shareholder	Shares	%	Benjamin Karasik	6,298,226	10.18%	Efraim Malik	3,843,988	6.21%	Nitzan Orgal	3,622,515	5.86%	Section 9.12									
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Topic	Summary	More Information
<b>F. Key differences between Israeli and Australian company law</b>		
<p>As the Company is not incorporated in Australia, its general corporate activities (apart from any offering of securities in Australia) are not regulated by the Corporations Act or by ASIC but instead are regulated by the Companies Law and the Ministry of Justice - Corporations Authority of the State of Israel.</p> <p>Although there are similarities between the two jurisdictions from a company law perspective, there are differences with respect to operation of certain laws and regulations concerning shares of publicly listed companies including but not limited to:</p> <ul style="list-style-type: none"> <li>(a) corporate procedures;</li> <li>(b) transactions requiring shareholder approval;</li> <li>(c) shareholders' right to requisition meetings, vote and appoint proxies;</li> <li>(d) takeovers;</li> <li>(e) substantial shareholders reporting;</li> <li>(f) related party transactions;</li> <li>(g) protection of minority shareholders - oppressive conduct; and</li> <li>(h) "two-strikes" rule in relation to remuneration reports.</li> </ul> <p>For a detailed description of differences of the above, please refer to Section 9.1.</p>		
<b>G. Applications and Other Information</b>		
<b>How do I apply?</b>	Applications under the Offer can be made by completing the Application Form, in accordance with the instructions accompanying the Application Form.	Section 1.7
<b>What is the minimum application under the Offer?</b>	Applications must be for a minimum of 10,000 CDIs (A\$2,000).	Section 1.7
<b>Is there any brokerage, commission or stamp duty payable by Applicants?</b>	No brokerage, commission or stamp duty is payable by Applicants on acquisitions of CDIs under the Offer.	Section 1.7
<b>What is the allocation policy?</b>	<p>The Directors, in conjunction with the Lead Manager, will allocate Shares at their sole discretion with a view to ensuring an appropriate Shareholder base for the Company going forward.</p> <p>There is no assurance that any Applicant will be allocated any Shares, or the number of Shares for which the Applicant has applied.</p>	Section 1.10
<b>Who is eligible to participate in the</b>	The Offer is open to all investors with a registered address in Australia. In addition, subject to the	Section 1.12

Topic	Summary	More Information
<b>Offer?</b>	provisions outlined in Section 1.12, persons resident in Hong Kong and Israel are also eligible to participate in the Offer.	
<b>Can the Offer be withdrawn?</b>	The Company reserves the right not to proceed with the Offer at any time before the issue and transfer of CDIs to successful Applicants.  If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest) in accordance with the requirements of the Corporations Act.	Section 1.16
<b>What are the tax implications of investing in CDIs under the Offer?</b>	The tax consequences of any investment in CDIs under the Offer will depend upon your particular circumstances.  Prospective investors should obtain their own tax advice before deciding to invest.	Section 1.18
<b>Will the Company pay dividends?</b>	The Company does not expect to pay dividends in the near future as its focus will primarily be on growing the existing business.  Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend upon matters such as the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements, general business and other factors considered relevant by the Directors. No assurances are given in relation to the payment of dividends, or that any dividends may attach franking credits.	Section 2.16
<b>What is the cost of the Offer?</b>	The expenses of the Offer are estimated to be approximately A\$636,727.	Section 9.11
<b>H. Further information</b>		
<b>How can I obtain further information?</b>	Further information can be obtained by reading this Prospectus and consulting your professional advisors.  You can also contact the Company Secretary, Mr Steven Wood on +61 8 9488 8417 for further details.	Section 1.19

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## **1. Details of the Offer**

### **1.1 The Offer**

This Prospectus invites investors to apply for 17,500,000 CHESS Depositary Interests (CDIs) over 17,500,000 fully paid ordinary shares in the capital of the Company (Shares) (i.e. a ratio of 1 CDI for 1 Share) at an issue price of A\$0.20 per CDI to raise a total of A\$3,500,000 (before costs) (**Offer**).

The Offer is subject to a minimum subscription of A\$3,500,000 (refer to Section 1.2 for further details).

All Shares offered under this Prospectus will rank equally with the existing Shares on issue. Refer to Section 8.1 for details of the rights attaching to Shares.

Successful Applicants will receive CDIs in respect of Shares applied for. The issue of CDIs is necessary to allow ASX trading of securities of a company incorporated in Israel. CDIs give a holder similar, but not identical rights, to a holder of Shares. Refer to Sections 1.8 and 8.2 for further details of CDIs. Note that references in this Prospectus to "Shares" include references to "CDIs" as appropriate.

### **1.2 Minimum Subscription**

The minimum subscription under the Offer is A\$3,500,000 (being 17,500,000 Shares) (**Minimum Subscription**).

None of the Shares offered under this Prospectus will be issued if Applications are not received for the Minimum Subscription. Should Applications for the Minimum Subscription not be received within three months from the Prospectus Date, the Company will either repay the Application Monies (without interest) to Applicants or issue a supplementary prospectus or replacement prospectus and allow Applicants one month to withdraw their Applications and have their Application Monies refunded to them (without interest).

### **1.3 Purpose of Prospectus**

The purpose of this Prospectus is to:

- (a) raise A\$3,500,000 pursuant to the Offer (before associated costs of the Offer);
- (b) assist the Company to meet the requirements of ASX and satisfy Chapters 1 and 2 of the Listing Rules, as part of the Company's application for admission to the Official List; and
- (c) position the Company to seek to achieve the objectives detailed in Section 2.

## 1.4 Funding allocation

The following table shows the intended use of funds in the two year period following Admission:

Item	A\$	%
Cash reserves as at the Prospectus Date	875,000	-
Funds raised from the Offer	3,500,000	-
<b>Total funds available</b>	<b>4,375,000</b>	<b>100%</b>
Research expenses <sup>1</sup>	1,007,567	23%
Development and manufacturing <sup>2</sup>	857,567	20%
Sales and marketing <sup>3</sup>	259,000	6%
Business development <sup>4</sup>	490,600	11%
Working capital <sup>5</sup>	1,123,539	26%
Expenses of the Offer <sup>6</sup>	636,727	14%
<b>TOTAL</b>	<b>4,375,000</b>	<b>100%</b>

### Notes:

1. Research expenses includes costs in relation to relevant labour costs, the costs payable to external laboratories in connection with research, materials required as part of the research process (including laboratory disposables, chemicals and other associated costs), and the costs of acquiring necessary equipment.

As there is not considered to be significant further research required for the Company to supply its reconstructed cannabis Terpene Profiles for use in e-liquids, the research funding is intended to be primarily applied towards the Company researching the potential expansion of its product offerings into new markets including, amongst other things, reconstructed Terpene Profiles for other lucrative plants, or the potential of the Company's reconstructed cannabis Terpene Profiles with cannabinoids for pharmaceutical purposes. The Company cautions that the entry into the pharmaceuticals market would be subject to the receipt of any necessary regulatory approvals, satisfactory completion of any necessary clinical trials (or other testing) and third-party agreements and that there is no certainty that demand for such a product exists or is of a sufficient scale.

2. Development and manufacturing expenses includes costs in relation to relevant labour costs, the costs of acquiring necessary equipment, costs of developing new applications of the Company's technology, and the costs payable to external laboratories in connection with development and manufacturing.
3. Sales and marketing expenses includes costs in relation to relevant labour costs, costs incurred in the development of samples for marketing purposes, costs incurred in attending conferences, and associated travel expenses. A portion of these costs would be allocated towards seeking agreements with potential customers in markets other than e-liquids for cannabis Terpene Profiles, including but not limited to potential partners for pharmaceutical ventures.
4. Business development expenses includes costs in relation to relevant labour costs, third party consultants and associated travel expenses. A portion of these costs would be allocated towards considering the movement into markets other than e-liquids for cannabis Terpene Profiles, including but not limited to potential pharmaceutical ventures with third-parties.
5. Working capital expenses include executive and non-executive director costs, company secretary costs, legal and accounting costs, rent, municipal taxes and other operating overheads.
6. Refer to Section 9.11 for details of the estimated costs of the Offer.

The above table is a statement of current intentions as at the Prospectus Date. Investors should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments and market and general economic conditions. In light of this, the Board reserves the right to alter the way the funds are applied.

The Board believes that the funds raised from the Offer will provide the Company with sufficient working capital to achieve its stated objectives as detailed in this Prospectus.

## 1.5 Capital structure

On the basis that the Company completes the Offer on the terms in this Prospectus, the Company's capital structure will be as follows:

Shares	Number
Shares on issue as at the Prospectus Date <sup>1</sup>	34,361,311
Shares to be issued prior to Admission on conversion of the Convertible Loans	10,000,000
Shares issued under the Offer (CDIs will be issued over Shares)	17,500,000
<b>Total Shares on issue at Admission</b>	<b>61,861,311</b>

Options	Number
Options on issue as at the Prospectus Date <sup>2</sup>	638,689
Lead Manager Options <sup>3</sup>	5,000,000
Options issued under the Offer	Nil
<b>Total Options on issue at Admission</b>	<b>5,638,689</b>

Performance Rights	Number
Performance Rights on issue as at the Prospectus Date <sup>4</sup>	36,000,000
Performance Rights issued under the Offer	Nil
<b>Total Performance Rights on issue at Admission</b>	<b>36,000,000</b>

Effect of the vesting of the Performance Rights	Number
<b>On conversion of the Performance Rights on issue upon Admission</b>	
• Shares/CDIs <sup>1</sup>	97,861,311



• Options <sup>2,3</sup>	5,638,689
• Performance Rights <sup>6</sup>	30,000,000
<b>On conversion of all Performance Rights which may be issued</b>	
• Shares/CDIs <sup>1</sup>	127,861,311
• Options <sup>2,3</sup>	5,638,689
• Performance Rights	Nil

**Notes:**

1. The rights attaching to the Shares and CDIs are summarised in Section 8.
2. 638,689 Options held by Professor Vogel, exercisable at NIS 0.01 and vesting annually over a three year period. These Options were issued pursuant to the Incentive Plan summarised in Section 9.8.
3. 5,000,000 Options to be issued to the Lead Manager on the terms and conditions summarised in Section 9.3.
4. The Company intends to issue prior to Admission a total of 36,000,000 Performance Rights comprised of 3,000,000 Class A Performance Rights, 3,000,000 Class B Performance Rights, 15,000,000 Class C Performance Rights and 15,000,000 Class D Performance Rights.
5. Each Class A Performance Right and Class B Performance Right will convert into one ordinary Share each upon satisfaction of the applicable performance milestone. Each Class C Performance Right will convert into one ordinary Share and one Class E Performance Right upon satisfaction of the applicable performance milestone. Each Class D Performance Right will convert into one ordinary Share and one Class F Performance Right upon satisfaction of the applicable performance milestone. Each Class E Performance Right and Class F Performance Right will, in turn, convert into one ordinary Share each upon satisfaction of the applicable performance milestone. Refer to Section 9.4 for the terms and conditions of the Performance Rights.
6. Comprised of 15,000,000 Class E Performance Rights and 15,000,000 Class F Performance Rights. The Company cautions that the Class E Performance Rights and Class F Performance Rights are only to be issued upon satisfaction of the milestone attaching to the Class C Performance Rights and Class D Performance Rights respectively, and therefore there is no certainty that they will be issued.

## 1.6 Forecasts

The Directors have considered the matters detailed in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

The Directors consequently believe that, given these inherent uncertainties, it is not possible to include reliable forecasts in this Prospectus.

## 1.7 How to apply

Accompanying and forming part of this Prospectus is an Application Form for use if you wish to apply for Shares under the Offer. To participate in the Offer, the Application Form must be completed and received, together with the Application Monies, in accordance with the instructions on its reverse side. Completed Application Forms should be returned in accordance with the instructions, together with the Application Monies in full, prior to 5.00pm (WST) on the Closing Date at the relevant address as follows:

By Hand	By Post
eSense-Lab Ltd. C/-Link Market Services Limited 1A Homebush Bay Drive Rhodes NSW 2138  <i>(do not use this address for mailing purposes)</i>	eSense-Lab Ltd. C/-Link Market Services Limited Locked Bag A14 Sydney South NSW 1235

Applicants should make their cheques payable in A\$, based on an issue price of A\$0.20 per Share. All cheques should be made payable to "eSense - Lab Ltd." and be crossed "Not Negotiable".

Applications must be for a minimum of 10,000 Shares (i.e. A\$2,000) and, thereafter, in multiples of 2,500 Shares (i.e. A\$500). Applications for less than the minimum accepted Application of 10,000 Shares will not be accepted. No brokerage, stamp duty or other costs are payable by Applicants.

An original completed and lodged Application Form, together with a cheque for the Application Monies, constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in the Application Form. The Application Form does not have to be signed to be a valid Application. An Application will be deemed to have been accepted by the Company upon allotment of the Shares.

The Offer may be closed at an earlier date and time at the discretion of the Directors, without prior notice. Applicants are therefore encouraged to submit their Application Forms as early as possible. However, the Company reserves the right to extend the Offer or accept late Applications.

## 1.8 CHESS and CDIs

Successful Applicants should note that, as the Company is incorporated and registered in Israel, they will be issued with CDIs instead of Shares under this Prospectus. This is because the requirements of Israeli laws that registered shareholders have the right to receive a stock certificate does not permit the CHESS system of holding uncertificated securities.

CDIs issued pursuant to this Prospectus will allow beneficial title to the Shares to be held and transferred. CDIs are electronic depository interests or receipts issued and are units of beneficial ownership in securities registered in the name of CHESS Depository Nominees Pty Ltd (**CDN**). CDN is a wholly owned subsidiary of ASX. The main difference between holding CDIs and Shares is that the holder of CDIs has beneficial ownership of the underlying Shares instead of legal title. Legal title to the underlying Shares is held by CDN for the benefit of the CDI Holder. The Shares underlying the CDIs issued pursuant to this Prospectus will be registered in the name of CDN for the benefit of CDI Holders. Each CDI represents one underlying Share.

CDN receives no fees from investors for acting as the depository nominee in respect of CDIs.

CDI Holders have the same economic benefits of holding the underlying Shares. CDI Holders are able to transfer and settle transactions electronically on ASX.

With the exception of voting rights, the CDI Holders are generally entitled to equivalent rights and entitlements as if they were the legal owners of Shares. CDI

Holders will receive notices of general meetings of Shareholders. As CDI Holders are not the legal owners of underlying Shares, CDN, which holds legal title to the Shares underlying the CDIs, is entitled to vote at shareholder meetings of the Company on the instruction of the CDI Holders on a poll, not on a show of hands. CDI Holders are entitled to give instructions for one vote for every underlying Share held by CDN. Refer to Sections 8.2 and 8.3 for further information about CDIs.

The Company will apply to participate in the Clearing House Electronic Subregister System (CHESS), which is the ASX electronic transfer and settlement system in Australia, in accordance with the Listing Rules and ASX Operating Rules. Settlement of trading of quoted securities on the ASX market takes place on CHESS. CHESS allows for and requires the settlement of transactions in securities quoted on ASX to be effected electronically. On admission to CHESS, the Company will operate an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together will make up the Company's register of CDI Holders.

The Company will not issue certificates of title to CDI Holders. Instead, as soon as is practicable after allotment, successful Applicants will receive a holding statement which sets out the number of CDIs issued to them, in much the same way as the holder of shares in an Australian incorporated ASX-listed entity would receive a holding statement in respect of shares. A holding statement will also provide details of a CDI Holder's Holder Identification Number (in the case of a holding on the CHESS sub-register) or Securityholder Reference Number (in the case of a holding on the issuer sponsored sub-register).

Following distribution of these initial holding statements, an updated holding statement will only be provided at the end of any month during which changes occur to the number of CDIs held by CDI Holders. CDI Holders may also request statements at any other time (although the Company may charge an administration fee).

Prior to Admission, the Company will procure that existing Shareholders are allowed to convert their existing Shares into CDIs to enable them to trade on ASX. Upon conversion of those Shares into CDIs the share certificates which were previously issued in respect of those Shares will cease to have effect as documents of title.

## **1.9 ASX Listing and Official Quotation**

The Company applied to ASX for admission to the Official List and for the Shares, including those offered by this Prospectus, to be granted Official Quotation (apart from any Shares that may be designated by ASX as restricted securities). This application was made on 8 December 2016, within seven days of the date of the Original Prospectus.

If ASX does not grant permission for Official Quotation within three months after the Prospectus Date (or within such longer period as may be permitted by ASIC) none of the Shares offered by this Prospectus will be allotted and issued. If no allotment and issue is made, all Application Monies will be refunded to Applicants (without interest) as soon as practicable.

ASX takes no responsibility for the contents of this Prospectus. The fact that ASX may grant Official Quotation is not to be taken in any way as an indication of the merits of the Company or the Shares offered pursuant to this Prospectus.

## **1.10 Allotment**

Application Monies will be held in trust for Applicants until the allotment of the Shares. Any interest that accrues will be retained by the Company. No allotment of Shares under this Prospectus will occur unless:

- (a) the Minimum Subscription is achieved (refer to Section 1.2); and
- (b) ASX grants conditional approval for the Company to be admitted to the Official List (refer to Section 1.9).

The Directors, in conjunction with the Lead Manager, will allocate Shares at their sole discretion with a view to ensuring an appropriate Shareholder base for the Company going forward.

There is no assurance that any Applicant will be allocated any Shares, or the number of Shares for which it has applied. The Company reserves the right to reject any Application or to issue a lesser number of Shares than those applied for. Where the number of Shares issued is less than the number applied for, surplus Application Monies will be refunded (without interest) as soon as reasonably practicable after the Closing Date.

Subject to the matters in Section 1.9, Shares under the Offer are expected to be allotted on the date identified in the Indicative Timetable. It is the responsibility of Applicants to determine their allocation prior to trading in the Shares issued under the Offer. Applicants who sell Shares before they receive their holding statements do so at their own risk.

## **1.11 Risk factors of an investment in the Company**

Prospective investors should be aware that an investment in the Company should be considered highly speculative and involves a number of risks inherent in the various business segments of the Company. Section 6 details the key risk factors which prospective investors should be aware of. It is recommended that prospective investors consider these risks carefully before deciding whether to invest in the Company.

This Prospectus should be read in its entirety as it provides information for prospective investors to decide whether to invest in the Company. If you have any questions about the desirability of, or procedure for, investing in the Company please contact your stockbroker, accountant or other independent adviser.

## **1.12 International offer restrictions**

The distribution of this Prospectus within jurisdictions outside of Australia may be restricted by law and persons into whose possession this Prospectus comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

No action has been taken to register or qualify the Shares, or the Offer, or otherwise to permit the public offering of the Shares, in any jurisdiction outside of Australia or, to the extent permitted below, Israel and Hong Kong.

It is the responsibility of any overseas Applicant to ensure compliance with all laws of any country relevant to his or her Application. The return of a duly completed

Application Form will be taken by the Company to constitute a representation and warranty that there has been no breach of such law and that all necessary approvals and consents have been obtained.

**(a) Israel**

The Shares offered under the Offer have not been registered, and no prospectus will be issued, under the Israeli Securities Law 1968. Accordingly, the Shares offered under the Offer will only be offered and sold in Israel pursuant to an applicable private placement exemption namely, the Offer will be made to no more than 35 offerees, subject to certain conditions and limitations.

This offer document and any activities in connection with it shall not be deemed to be the provision of investment advice or investment marketing services.

If any recipient in Israel of this offer document is not the intended recipient, such recipient should promptly return it to the Company.

This offer document has not been reviewed or approved by the Israeli Securities Authority in any way.

**(b) Hong Kong**

**WARNING:** This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (**SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the CDIs have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the CDIs has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to CDIs that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted CDIs may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

### **1.13 Restricted securities**

The Company does not envisage that any Shares issued pursuant to the Offer will be classified by ASX as restricted securities. However, ASX may determine that certain securities on issue prior to the Offer may be classified as restricted securities and

may be required to be held in escrow for up to 24 months from the date of Official Quotation. During the period in which these securities (if any) are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of their Shares in a timely manner.

The Company anticipates certain existing Shares will be classified as restricted securities by ASX in accordance with the Listing Rules and subject to escrow for up to 24 months from the date of Official Quotation. The Company anticipates that approximately 39,361,311 Shares will be classified as restricted securities by ASX, which comprises approximately 63.63% of the issued share capital on an undiluted basis, and approximately 29.48% on a fully diluted basis (assuming all performance rights and options vest and are exercised and that no other securities are issued).

All of the Options on issue as at the date of Admission are likely to be escrowed for 24 months from the date of Official Quotation.

All of the Performance Rights (comprised of Class A Performance Rights, Class B Performance Rights, Class C Performance Rights and Class D Performance Rights) on issue as at the date of Admission are likely to be escrowed for 24 months from the date of Official Quotation. In addition, the Company expects that an undertaking will be required to be provided to ASX that any Class E Performance Rights (which are to be issued on conversion of the Class C Performance Rights) and Class F Performance Rights (which are to be issued on conversion of the Class D Performance Rights) are not to be issued until a restriction agreement for the remainder of the escrow period for the underlying Performance Rights is first provided to ASX.

The Company will announce to the ASX full details (quantity and duration) of the securities required to be held in escrow prior to the Shares commencing trading on ASX.

#### **1.14 Underwriting**

This Offer is not underwritten.

#### **1.15 Lead Manager**

Otsana Capital has been appointed as Lead Manager to the Offer on the terms and conditions summarised in Section 7.7.

#### **1.16 Withdrawal**

The Directors may, at any time prior to the issue of the securities offered under this Prospectus, decide to withdraw this Prospectus and the Offer in which case the Company will return all Application Monies (without interest) within 28 days of giving notice of their withdrawal.

#### **1.17 Paper copies of Prospectus**

The Company will provide paper copies of this Prospectus (including any supplementary or replacement document) and an Application Form to investors upon request and free of charge. Requests for a paper copy should be directed to the Lead Manager on (08) 9486 7244.

### **1.18 Taxation**

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them in relation to the Offer, by consulting their own professional tax advisers.

Neither the Company nor any of its Directors or officers accepts any liability or responsibility in respect of the taxation consequences of the Offer.

### **1.19 Enquiries**

This Prospectus provides information for potential investors in the Company, and should be read in its entirety. If, after reading this Prospectus, you have any questions about any aspect of an investment in the Company, please contact your stockbroker, accountant or independent financial adviser.

Enquiries relating to this Prospectus should be directed to the Company Secretary on (08) 9322 7600.

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## **2. Company Overview**

### **2.1 Background**

The Company is an Israeli-based holistic, in-house research and development company focused on the creation of “virtual plants” through the reverse engineering of rare or lucrative plants, and reconstruction of their essence using alternate natural products.

The intellectual property behind the business of eSense - Lab Ltd. was developed by Dr Yaron Penn, the Company’s chief technical officer. Dr Penn’s intellectual property rights associated with the Company’s business have been assigned to the Company pursuant to the terms of his employment agreement (refer to Section 7.2 for further detail).

Dr Penn commenced the development of this intellectual property in 2010 and all research and experiments in respect of the Company’s intellectual property was designed and performed by Dr Penn in-house, with services being outsourced to external laboratories where necessary.

The Company’s business is the analysis of the phytochemical profiles of targeted plants and the reconstruction of desired aspects of that phytochemical profile using constituents sourced from alternative natural sources.

Such targeted phytochemical profiles are intended to be supplied as a consistent, standardised, regulated and commercially viable solution for research and end-products for use by consumers.

The Company’s initial focus is on the cannabis industry, but its technology is also intended to be applied to other lucrative target plants in the future such as ginseng, saffron, sandalwood and other rare or valuable plants or spices.

To achieve this goal, the Company uses cutting-edge technologies and a multi-disciplinary team of leading Israeli researchers to create an alternative to the targeted plants themselves (initially cannabis) by the de-formulation of the targeted plant, and reformulation of desired aspects of the phytochemical profiles of that targeted plant from other natural sources.

### **2.2 What are phytochemicals?**

Phytochemicals are chemical compounds produced naturally by plants. Some are responsible for colour and others convey organoleptic (sensory) properties. Phytochemicals include, amongst other things, terpenes (terpenoids), esters, amines and alkaloids.

The majority of a plant’s phytochemical profile is comprised of terpenes. Other phytochemicals such as esters, amines or alkaloids may also be present in the phytochemical profile of certain plants.

A phytochemical specific to cannabis is phytocannabinoids, which provide cannabis with its psychoactive quality.

### **2.3 What are terpenes?**

Terpenes (terpenoids) are the phytochemicals which account for the flavour and fragrance of plants. For example, the terpene ‘Limonene’ is responsible for the flavour and fragrance of lemons and other citrus fruits.



Terpenoid components in concentrations above 0.05% are considered of pharmacological interest.

## 2.4 What is a Terpene Profile?

Each plant has its own unique Terpene Profile, which is the naturally occurring formulation of different individual terpenes which gives that plant its unique flavour and fragrance.

Each cannabis strain contains a unique Terpene Profile, with over 200 individual terpenes having been identified as present in cannabis. The primary terpenes present in cannabis Terpene Profiles are outlined below<sup>1</sup>:

Terpene	Aroma/Also commonly encountered in
Limonene	Lemon
Pinene	Pine
Myrcene	Hops
Linalool	Lavender
Caryophyllene	Black pepper
Caryophyllene Oxide	Lemon balm
Nerolidol	Orange
Phytol	Green tea

## 2.5 What is a 'reconstructed' Terpene Profile?

As indicated in the table in Section 2.4 above, although each plant has its own unique Terpene Profile, the individual terpenes constituting that Terpene Profile are present in many different plant species. At a molecular level, a terpene present in one plant is exactly the same as the terpene extracted from another plant. For example, the terpene limonene which is present in a lemon, is exactly the same as the terpene limonene which is present in cannabis.

The Company undertakes a two-step process to develop its reconstructed Terpene Profiles:

- (a) firstly, it analyses the phytochemical profile of a target plant, which identifies the terpenes that are present in the target plant, as well as their concentrations (with an accuracy of 99.9%); and
- (b) secondly, it procures the individual terpenes that have been identified as present in the target plant (as well as, where chemically relevant, other minor constituents such as alkaloids), undertakes any necessary purifying, and combines them in the same concentrations as in the target plant.

<sup>1</sup> Russo EB. Taming THC: potential cannabis synergy and phytocannabinoid-terpenoid entourage effects. Br J Pharmacol [Internet]. 2011;163(7):1344–64. Available from: <http://doi.wiley.com/10.1111/j.1476-5381.2011.01238.x>. The author has not provided his consent for this statement to be included in the Prospectus.

Refer to Section 2.11 for more detail regarding these processes,

The end product is a ‘reconstructed’ Terpene Profile which is 100% identical in chemical composition to the Terpene Profile as analysed by the Company. This means that the Terpene Profile developed by the Company is the same as the Terpene Profile of the target plant (with an accuracy of 99.9%). Accordingly, any benefits which may attach to the Terpene Profile of the target plant will also attach to the Company’s reconstructed Terpene Profile, as they are chemically 99.9% identical.

The Company will not in all cases replicate the entirety of the analysed phytochemical profile of the target plant. For example, in the case of cannabis, part of the phytochemical composition of cannabis is phytocannabinoids, which provide cannabis with its psychoactive quality. The Company intentionally does not include phytocannabinoids in its products. Phytocannabinoids are not considered to affect the flavour or fragrance of the cannabis plant and are therefore chemically irrelevant to the Terpene Profile of any strain of the cannabis plant.

## **2.6 Initial market - cannabis Terpene Profiles for e-liquids**

### **(a) Lead product - reconstructed cannabis Terpene Profiles**

The Company’s lead product is reconstructed cannabis Terpene Profiles. As at the Prospectus Date, the Company has developed Terpene Profiles for 10 different strains of cannabis, and has Terpene Profiles for over 20 additional strains of cannabis under development.

Whilst the Company has replicated characteristics of cannabis in its reconstructed Terpene Profiles, these are not manufactured from cannabis itself and do not contain cannabinoids. Cannabinoids are the chemical compounds that provide cannabis with its psychoactive quality.

### **(b) Sales contract**

The Company’s initial focus will be on the supply of its reconstructed cannabis Terpene Profiles for use in e-liquids (such as those used in e-cigarettes).

The Company has already entered into a supply agreement with Allor Vaporizers, an electronic vaporizer company, for the supply of e-liquids comprising the Company’s reconstructed cannabis Terpene Profiles. Refer to Section 7.10 for a summary of this supply agreement.

### **(c) Market for e-liquids**

e-liquids contain the active element in electronic cigarettes (also known as e-cigarettes). e-cigarettes are battery powered devices which use an electronic heating element to heat a liquid, which in turn vapourises, creating a vapour which is inhaled by the user (known as “vaping”). Typically, the e-liquid contains nicotine, although this is not always the case, and other ingredients may be used, including cannabis Terpene Profiles, to replicate the taste and fragrance of smoking cannabis.

e-cigarettes are generally believed to have been patented in 2003, and have become widely available since the mid-2000s. The initial varieties of e-cigarettes were designed to simulate smoking normal cigarettes; they used basic technology with simple vapourisers with a limited number of settings. However, the latest generation products use atomisers (i.e., heating coils

that convert e-liquids into vapour) which improve the dispersal of the active ingredients and provide longer battery life.

By 2014, a report by the World Health Organisation (WHO) indicated that there were 466 brands of e-cigarettes available, with global expenditure on e-cigarettes of \$3 billion per year.<sup>2</sup> By 2015, global e-cigarette sales reached almost \$7.5 billion, an increase from just over \$500 million in 2009.<sup>3</sup>

Use of e-cigarettes is considered to be driven by a number of factors, including:

- (i) perceptions that e-cigarettes are less harmful than regular cigarettes (this was mentioned as the main reason for use by 51% of e-cigarette users in a user survey)<sup>4</sup>;
- (ii) e-cigarettes may support users in reducing consumption of regular cigarettes;
- (iii) the vapour from e-cigarettes may be less bothersome to others than the smoke from regular cigarettes; and
- (iv) e-cigarettes can be consumed in areas where smoking is prohibited<sup>5</sup>.

As the main consumable in e-cigarettes, consumption of e-liquids is driven by the number of e-cigarette users and their frequency of use. The rapid growth in the numbers of consumers of e-cigarettes will therefore drive growth in consumption of e-liquids. Currently, in the USA retail sales of e-liquid products are estimated to exceed \$2 billion,<sup>6</sup> and in Europe, Middle-east and Africa (EMEA) sales are estimated at €1,340 million (\$1,458 million) in 2015.<sup>7</sup> Given the anticipated growth in e-cigarette consumption, forecasts for the market size of e-liquids are extremely bullish.

The e-liquid market is seeing growing use of non-tobacco flavoured products, with an increasing range of flavours available such as sweet flavours, fruit flavours and botanical flavours. Research amongst e-cigarette users in seven countries indicated that, although tobacco is the single most preferred flavour, it is closely followed by botanical and fruit flavours in consumer preference.<sup>8</sup>

Limited data is available on the current consumption of cannabis through e-cigarettes. Simple, direct use of purified cannabis extracts in e-cigarettes is not easy because cannabinoids are poorly soluble in e-liquids. The limited evidence available therefore suggests that current consumption of cannabinoids through e-cigarettes is limited. As the Company's reconstructed Terpene Profiles replicate the taste and fragrance of cannabis

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<sup>2</sup> World Health Organisation, Electronic nicotine delivery systems, 2014. The author has not provided his consent for this statement to be included in the Prospectus.

<sup>3</sup> Ernst & Young, e-cigarettes: an Emerging Category, 2016. The author has not provided his consent for this statement to be included in the Prospectus.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> Wells Fargo Securities, Tobacco Talk: Vapors/Tanks Driving Next Wave Of E-Vapor Growth, 2014. The author has not provided his consent for this statement to be included in the Prospectus.

<sup>7</sup> Plastipak Packaging, The impact of the European Tobacco Products Directive (TPD) on e-liquid and its packaging. The author has not provided his consent for this statement to be included in the Prospectus.

<sup>8</sup> EY, e-cigarettes: an Emerging Category, 2016. Countries researched are South Korea, Russia, Poland, Italy, Germany, UK and France. The author has not provided his consent for this statement to be included in the Prospectus.

but do not contain cannabinoids, it is considered that this is a potential strong market for the Company.

## **2.7 Potential future markets**

### **(a) Cannabis Terpene Profiles for other purposes**

The Company's initial focus will be on the supply of its reconstructed cannabis Terpene Profiles for use in e-liquids (such as those used in e-cigarettes).

The Company's reconstructed Terpene Profiles have the potential to replace other more traditional sources of cannabis flavour, fragrance and other characteristics, such as existing lower-quality terpene products or cannabis extracts or oils or synthetic alternatives which do not contain cannabinoids. Accordingly, the Company intends to examine the potential opportunities for its reconstructed cannabis Terpene Profiles to be incorporated into other products, such as edibles, beverages, cosmetic and household products and therapeutic products.

The three most commonly used legal drugs are nicotine, alcohol and caffeine. In each case the flavour of the plant-derived source is typically considered to be part of the enjoyment of these drugs. Cannabis is no different in that, for some users, the wide range of tastes produced by the various strains is a similarly important part of the 'cannabis experience'. The ingredients having the greatest effects on the cannabis taste are understood to be the fragrant terpenes.

Most terpenes contained in the Terpene Profiles of cannabis are "Generally Recognized as Safe", as attested by the FDA as food additives, or by the Food and Extract Manufacturers Association and other world regulatory bodies and are therefore considered safe to include in products for human consumption.

In addition, the Company may seek to enter into the market for pharmaceutical-grade products in the future. As part of the pharmaceutical benefits of cannabis are understood to be derived from cannabinoids, such products would likely include synthetic and/or cannabis derived cannabinoids. Such movement into pharmaceutical products containing cannabinoids may be, for example, by way of a sale agreement between the Company and a pharmaceutical company which produces products containing cannabinoids. Alternatively, it may be by way of a joint venture or other form of collaboration agreement between the Company and such a pharmaceutical company. This would only be possible once the use of such synthetic or cannabis derived cannabinoids has been legalised in the relevant jurisdiction. In addition, the successful completion of clinical trials (or other testing) and receipt of specific regulatory approvals are likely to be required for such products.

### **(b) Terpene Profiles for additional plants**

The Company's technology is also intended to be applied by the Company in the future to other lucrative target plants such as ginseng, saffron, and other rare or valuable plants or spices. Reconstructed Terpene Profiles from such plants may have the potential to be used in the same manner in which essential oils are used (such as food and beverages, cosmetic products, and household products).

(c) **Risks of potential future markets**

The Company has not entered into any agreements for the supply of its reconstructed cannabis Terpene Profiles for any purpose other than e-liquids, or for Terpene Profiles replicating any plant other than cannabis. There is no certainty that such agreements will be entered into, or that there is a sufficient market for such products. The Company cautions investors against placing undue weight on the potential for the Company to expand into these markets.

Please refer to Sections 6.1(b) and 6.1(c) for further details regarding the potential risks of seeking to expand into new markets.

## **2.8 Advantages of the Company's technology**

The Company's process for reverse engineering and reconstructing the Terpene Profiles of targeted plants (to a potential similarity of 99.9%) using alternative natural sources make it possible to produce Terpene Profiles with identical desired characteristics to the targeted plant, but with enhanced consistency and scalability, and potentially lower cost than the alternatives (such as extracts from the targeted plant itself).

The application of these advantages in the context of the Company's lead product, its reconstructed cannabis Terpene Profiles, is detailed in the following paragraphs.

(a) **Commercially viable**

The Terpene Profile accounts for approximately 0.5-3% of a cannabis plant, making it uneconomical to extract terpenes from the cannabis plant itself in large scale due to the high cost of cannabis as a raw material. The Directors understand that the current production costs render the extraction of such Terpene Profiles too expensive for most potential applications.

Conversely, by reverse engineering and reconstructing specific cannabis Terpene Profiles using individual terpenes extracted from alternative organic sources, the Directors believe the Company's technology will be able to reconstruct strain specific cannabis Terpene Profiles at a materially lower price per litre. Based on the Company's existing purchase order from Allor Vaporizers, the Company may sell its product for approximately US\$20,000 per litre, once it is commercially available. The Directors understand that this price is materially lower than the current production costs based on terpenes extracted from the cannabis plant itself. The Directors caution investors however against placing undue reliance on this purchase price, as this is the purchase price based on the Allor Vaporizers contract only, and there is no certainty that future contracts will be entered into on the same terms, or at all.

(b) **Scalable**

By analysing the Terpene Profile of a targeted rare or expensive plant, and creating a Terpene Profile from terpenes (and where applicable, other phytochemicals) extracted from other, more readily available plants, the Company's technology is considered to have considerably enhanced scalability over its competitors which extract terpenes from the rare or expensive plant itself.

(c) **100% consistent**

Each cannabis strain contains a unique Terpene Profile. The Terpene Profile is responsible for the unique flavour and fragrance of the cannabis strain. For example, the terpene 'Limonene', which is predominant in lemons, is also responsible for the scent of lemons in the cannabis strains commonly referred to as 'Super Lemon Haze' and 'Sour Diesel', as well as the mood-enhancement effect of these strains.

Despite genetic profiling, the exact phytochemical composition of specific cannabis strains is highly variable between different growers, across batches from the same grower, and even within a single cannabis plant's topography.

Accordingly, to the knowledge of the Directors, there are no readily available means of controlling the consistency of the phytochemical composition of a specific cannabis strain. This means that for products incorporating cannabis extracts, there is no ability to control the phytochemical composition of the cannabis extract comprised in the product.

This means there is no ability to control the consistency of the product incorporating cannabis extracts being used by the end user. The practical effect of this is that a pharmaceutical product incorporating a specific cannabis strain may prove to be highly beneficial for one patient/user, but the patient/user will not be able to obtain the exact same product a second time due to the unavoidable variation in the phytochemical composition of the cannabis comprised in the extract.

It is proposed that use of Terpene Profiles developed by the Company will address this issue of consistency. Once a Terpene Profile has been analysed (with an accuracy of 99.9%) and developed by the Company, the Company's technology is able to reproduce that exact analysed cannabis Terpene Profile on a commercial scale. The Company will also be able to provide repeat supplies of the exact same analysed Terpene Profile. Accordingly, the Directors believe that the Company's product will provide a solution to the current lack of consistency within the market for cannabis extracts.

(d) **Standardisation**

The actual absorption kinetics and total effectiveness of consumed cannabis (as raw cannabis or cannabis extracts) are determined by a combination of two sets of parameters:

- (i) user independent-parameters such as active compound composition and concentrations, density, humidity levels and method of intake; and
- (ii) user dependent-parameters derived from personal genetics, age, weight, fat levels, diet, specific disease, disease stage, etc.

In order to account for each variation required, all compounds have to be predetermined, with its specific concentration adjusted separately. If utilising raw cannabis or cannabis extracts, where the composition is predetermined by the source, adjusting the concentration of each of the individual compounds is not currently possible.

It is also important to note that raw cannabis or cannabis extracts contain many unknown compounds (phytochemicals/pesticides traces/organic

solvent traces), that in turn, cannot be accounted for, or even more so standardised.

The Company's technology provides for the potential future ability to produce standardised products, particularly for the purposes of clinical trials for pharmaceutical products, and moving towards FDA (or equivalent) approved pharmaceutical products.

If and when the Company has developed products (either by itself or through a collaboration with a third-party) which have received the necessary regulatory approvals, any approved pharmaceutical formulations will be subject to standardisation and quality controls such as GMP (Good Manufacturing Practices) and GLP (Good Laboratory Practices). GMP are the practices required in order to conform to guidelines recommended by agencies that control authorisation and licensing for manufacture and sale of food, drug products, and active pharmaceutical products. These guidelines provide requirements that a pharmaceutical or a food product manufacturer must meet to assure that the products are of high quality and do not pose any risk to the consumer or public.

The Directors believe that the ability of Terpene Profiles developed using the Company's technology to comply with such regulation and standardisation and quality controls is advantageous given the difficulties associated with the standardisation of natural cannabis extracts.

**(e) Not a regulated substance**

While the Company has replicated the characteristics of cannabis in its Terpene Profiles, these are not manufactured from cannabis itself and do not contain cannabinoids (neither synthetic nor cannabis plant derived). Cannabinoids are the chemical compounds that provide cannabis with its psychoactive quality.

Rather, the reconstructed Terpene Profiles developed by the Company replicate the scent, flavour and other characteristics of cannabis strains using alternate natural sources, such as those listed in the table in Section 2.2. Accordingly, it is understood that the Company's activities will not be regulated in the same way as cannabis, cannabis extracts or cannabinoids are regulated.

Although the Company does not anticipate that its reconstructed cannabis Terpene Profiles will be subject to the same legal restrictions as cannabis, cannabis extracts or cannabinoids, if any relevant jurisdiction imposes such restrictions on the Company's reconstructed Terpene Profiles and any necessary regulatory approvals are not readily attainable, the Company's intention is to revise its strategy to focus on an alternate jurisdiction or alter its focus to be on an alternate valuable target plant.

The Company also cautions that if it decides to have its reconstructed Terpene Profiles combined with cannabinoids for pharmaceutical purposes, it may be subject to stringent legal and regulatory requirements, including the requirement to satisfactorily complete clinical trials (or other testing). Refer to Section 6.1(n) for further detail.

**(f) 100% natural**

The Company's Terpene Profiles are to be reconstructed from individual 'base terpenes' purchased directly by the Company from top producers in

the United States and Europe. These ‘base terpenes’ are 100% natural and organic, food graded by country of origin regulation (meets international WHO regulations) and are Kosher.

Accordingly, the Company may offer its reconstructed Terpene Profiles as being comprised of 100% natural base terpenes.

It is possible in the future that the Company may combine the base terpenes with other non-organic compounds either as part of the reconstructed Terpene Profile or as part of a specific product formulation (such as a cosmetics product).

**(g) Sustainability**

The process for producing the Company’s reconstructed Terpene Profiles does not require the use of the targeted plant itself. The technology allows the Company to ‘reverse engineer’ the Terpene Profile of the targeted plant using alternative natural resources, reducing the impact on the environment by enabling the production of the Terpene Profile using alternative and more readily available base products which may lessen the Company’s environmental footprint.

**(h) Broad potential applications**

The Company’s technology has the potential to be applied to other lucrative target plants such as ginseng, saffron, sandalwood and other rare or valuable plants or spices. Accordingly, the Company can adjust its business plans to address changes in demand for targeted plants.

## **2.9 Competitors**

Whilst the Directors are not aware of any direct competitor which supplies reconstructed Terpene Profiles similar to those intended to be produced by the Company, and the Directors consider the business proposition of the Company to be a unique proposal, there are aspects of the Company’s proposed products which are similar to existing defined products.

These existing defined products (primarily e-liquids) are extracted from the targeted plant itself, rather than through the reverse engineering and reformulation process proposed by the Company. There are also existing e-liquids which contain low number of terpenes (typically a maximum of 10-15) whereas the Company’s products comprise 30-100 terpenes and other key constituent products (such as alkaloids).

Accordingly, there are some key differences between the products which are presently available, and those proposed to be developed by the Company. These differences are summarised in the following table.

<b>Benefit</b>	<b>eSense - Lab</b>	<b>Competitors</b>
<b>Detection level</b>	>0.001%	>0.1%
<b>Profiling</b>	Chemical, genetics, mRNA and proteomics	Chemical only
<b>Detection capabilities</b>	Polar and non-polar phytochemicals	Non-polar phytochemicals



Benefit	eSense - Lab	Competitors
Focus only on terpenes	No <sup>1</sup>	Yes
End product	30-100 terpenes	10-15 terpenes
Post processing of 'ingredients' to produce Terpene Profile	Yes	No
Medical grade	Yes <sup>2</sup>	No
Pre-clinical collaborations	Yes <sup>2</sup>	No
Clinical collaborations	Yes <sup>2</sup>	No

**Note:**

1. In addition to terpenes, the Company's analysis and reformulation process also focuses on other vital constituents of the targeted plant, such as alkaloids.
2. Due to the ability for consistency and standardisation (refer to Section 2.8).

## 2.10 Key milestones to date

Month, Year	Event
2010 - May 2015	<p>Commencement of the design and development of the Company's intellectual property by Dr Yaron Penn, the Company's chief technical officer.</p> <p>Dr Penn initially commenced this development through the application of his background and experience, and through a process of gathering and validating existing scientific literature to develop the 'virtual plant' model for in-vitro reconstruction of a target plant. This model is the basis for the Company's business, and is the subject of its provisional patent application.</p> <p>The development of the model included the validation and refinement of plant sampling and phytochemical extraction techniques and protocols. This involved:</p> <ul style="list-style-type: none"> <li>• the testing of various types of organic and inorganic solvents to ascertain their efficiency in the extraction of phytochemicals. This included the testing of pure alcohols (mainly ethanol, methanol, iso-propanol), butane, propane, toluene (and other benzenes) and different compositions of those solvents;</li> <li>• the testing and comparison of the kinetics and dynamic aspects of the extraction process (including, amongst other things, temperature, pressure, PH and time); and</li> <li>• the collection and sampling of raw material from multiple plant sources and segments. This involved a number of different types of plants, single plant dissections, and a consideration of different maturation stages of the growing cycle of the plant.</li> </ul> <p>During this time, Dr Penn also commenced the program of</p>

Month, Year	Event
	deformulation and analysis of various cannabis strains to develop the Company's initial Terpene Profiles.
2014 - November 2016	<p>Dr Penn focused on the analysis of high resolution Terpene Profiles based on spectral analysis and data from public domains. This process involved:</p> <ul style="list-style-type: none"> <li>• a theoretical and practical evaluation of available detection and quantification technologies and protocols. GC-MS (Gas Chromatography - Mass Spectrometry) based techniques were compared and tested;</li> <li>• the outsourcing of available cannabis Terpene Profiles; and</li> <li>• the review of relevant professional scientific literature regarding Terpene Profiles.</li> </ul>
May 2015 - November 2016	<p>Over the last year and a half, Dr Penn has focused on the characterisation and reformulation of Terpene Profiles for specific strains of cannabis plants.</p> <p>As at the Prospectus Date, Dr Penn has developed Terpene Profiles for 10 specific cannabis strains and is in the process of refining Terpene Profiles for over 20 additional cannabis strains.</p>
April 2016	The Company was incorporated.
June 2016	The Company developed samples of its reconstructed Terpene Profiles for evaluation by potential customers and commenced engaging in business development strategies to target potential customers.
September 2016	The Company received its first commercial purchase order from Allor Vaporizers for its reconstructed cannabis Terpene Profiles.
September 2016	<p>Provisional patent application lodged in the name of Dr Penn in respect of the reference model for mixtures of phytochemicals.</p> <p>Refer to the Intellectual Property Report in Section 3 for further detail.</p>
October 2016	<p>Dr Penn entered into an employment agreement with the Company, pursuant to which Dr Penn assigned the intellectual property rights associated with the Company's business to the Company.</p> <p>Refer to Section 7.4(a) for a summary of Dr Penn's employment agreement.</p>
September - November 2016	The Company appointed its current Board.
October 2016	The Company received confirmation from the United States Patent and Trademark Office that the assignment of the provisional patent application from Dr Penn to the Company had been recorded.
November 2016	The Company's shareholders approved a change in the Company's name (previously 'Interplabs Ltd.' to 'eSense-Lab Ltd.'), to more

Month, Year	Event
	accurately reflect the Company's business.
November 2016	The Company entered into a memorandum of understanding with Herbal Remedies Laboratories Ltd, a third-party laboratory, for the Company to use the laboratory's services to satisfy its initial purchase orders, until such time as the Company establishes its own commercial laboratory.

## 2.11 Process for developing Terpene Profiles

The Company's process for developing Terpene Profiles involves the following four stages of research and development:

### (a) Stage 1: 'Deformulation'

The 'deformulation' stage is comprised of the extraction and homogenisation of the targeted plant's chemical, DNA (deoxyribonucleic acid), RNA (ribonucleic acid) and protein components.

Extraction is the crucial first step in the analysis of the targeted plant, because it is necessary to extract the desired chemical components from the plant for further separation, characterisation and analysis.

The basic extraction operation involves, amongst other things, the pre-washing and drying of the targeted plant materials (or freeze-drying), and then the grinding and treatment of the dried plant material to obtain a homogenous sample.

A unique deformulation process is required for each type of targeted plant, as use of an unsuitable process may lose, distort or destroy the potential active constituents from the targeted plant. For example, the selection of the solvent system used during the extraction and homogenisation process depends on the specific nature of the bioactive compound being targeted. Different solvent systems are available to extract the bioactive compound from natural products. The extraction of hydrophilic compounds uses polar solvents such as methanol, ethanol or ethyl-acetate. For extraction of more lipophilic compounds, organic solvents are used.

The other modern extraction techniques currently available include solid-phase micro-extraction, supercritical-fluid extraction, pressurised-liquid extraction, microwave-assisted extraction, solid-phase extraction, and surfactant-mediated techniques. The advantages of these extraction techniques include the reduction in organic solvent consumption and in-sample degradation, elimination of additional sample clean-up and concentration steps before chromatographic analysis, improvement in extraction efficiency, selectivity, and kinetics of extraction. The ease of automation for these techniques also favours their usage for the extraction of plant materials.

The identification, characterisation and quantification of plant phytochemicals can be challenging as plant extracts usually occur as a combination of various types of phytochemicals with different polarities, which affects the ability to separate the constituent components.

One of the main advantages of the technology developed by the Company lies in the advanced identification and quantification of the various types of phytochemicals in any given plant sample. The Company's technology refines advanced, validated (professional scientific literature), analytic methods and protocols to meet the specific demands of any plant's phytochemical profile. The Company's scientific team are experts in chromatography and of plant material using unique combinations and configuration of GC-MS (gas chromatography-mass spectrometry), HPLC (high-performance liquid chromatography) and LC-MS (liquid chromatography-mass spectrometry).

**(b) Stage 2: 'Preformulation'**

The second stage in the development of reconstructed Terpene Profiles is to analyse the deformed targeted plant's chemical compounds to characterise the physical, chemical and mechanical properties of the original compounds.

Once the compounds have been characterised, the laboratory will implement the characterised parameters to form a set of standards for the particular compound. These parameters will form the basis of the reconstructed Terpene Profile.

These parameters operate as a quality control from the single substrates level, through formulation development and production stages, up to validation and certification of end products.

**(c) Stage 3: Formulation**

Once the parameters of the reconstructed Terpene Profile has been determined during the preformulation phase, the next step is for the Company's formulation team to prepare working models of the Terpene Profile using sophisticated and innovative computer software available in the market to predict the specific interaction between all composites.

The formulation team feeds the models with standard parameters from the preformulation stage, as well as from literature, specifications and data from the industry.

Conducting the preformulation and formulation stages in-house enables the Company to control all aspects of the process in real-time as the information flow between preformulation and formulation is a 'feed forward' and 'feedback' relationship. This approach ensures a fast development time, broad spectrum of products and more reliable and higher quality results.

**(d) Stage 4: Reconstruction**

The final stage of the development process is the production of the reconstructed Terpene Profiles itself.

The laboratory facilities the Company has historically used for the development of sample-sizes of reconstructed Terpene Profiles are not sufficient for the commercial production of Terpene Profiles. Accordingly, the Company initially intends to outsource this phase of the production to a third-party Israeli company which is a leader in its field and has the highest standards in quality control, and is already manufacturing for well-known pharmaceutical companies.

The Company has entered into an agreement with such a third-party Israeli company for such production.

In the future, the Company intends to establish its own production facility for the manufacturing of reconstructed Terpene Profiles on a commercial basis. The establishment of a commercial production facility is a simple set-up requiring the purchase of off-the shelf laboratory equipment devices such as gas chromatography-mass spectrometry equipment, filtering devices and other standard laboratory equipment.

The manufacturing, production and control process is certified under the ISO 9001:2000 Quality Management System and where applicable, is also required to comply with the specific requirements under the relevant GMP (Good Manufacturing Practices) and the legal and regulatory regimes applicable to health monitored nutritional supplements.

All raw material is intended to be purchased directly by the Company from top producers in the United States and Europe. This raw material is intended to be 100% natural and organic, food graded by country of origin regulation (meet international WHO regulations) and are Kosher.

## **2.12 Launch of first commercially available Terpene Profile**

The Company has already completed stages 1 to 4 outlined in Section 2.11 above to develop Terpene Profile formulations for 10 different strains of cannabis. The Company is part-way through this process for over 20 additional strains of cannabis.

Once the formulation for a Terpene Profile has been developed, the next steps required to make the Company's formulation of the cannabis Terpene Profiles commercially available are detailed in the following table.

<b>Step</b>	<b>Detail</b>	<b>Indicative timing</b>
Step 1: Complete approved 'raw materials list'	<p>The Company has engaged Gsap, an Israel based consulting firm, to classify the raw materials which comprise the Company's reconstructed Terpene Profiles and advise whether the raw materials are included in the "Everything" Added to Food in the United States (EAFUS) inventory maintained by the FDA Center for Food Safety and Applied Nutrition.</p> <p>This step is not required by any applicable law or regulation, but has been undertaken by the Company in the interests of employing best practice to ensure that its products are safe for human consumption and compliant with the FDA regulations.</p> <p>The Directors consider that this step will be readily achieved as</p>	This process has already commenced and is anticipated to be completed in February 2017.

Step	Detail	Indicative timing
	the Company's reconstructed Terpene Profiles are compounds of existing 'safe' and natural products which are commonly used in other products.	
Step 2: Procure raw material	<p>The Company must purchase raw material as single base terpenes which will be combined to reconstruct the relevant Terpene Profiles. The Company intends on purchasing these raw materials directly from producers in the United States and Europe. There are a number of potential suppliers for this raw material which the Company will test (or arrange for the testing) for their product quality. While the Company does not currently have any contractual arrangements with the producers of such raw materials, this is not considered likely to be an impediment to production as the raw materials are readily available.</p> <p>Once the base terpenes have been obtained, the Company will undertake any necessary refining work, and then validate the quality of the base terpenes.</p>	<p>The procuring of raw material for the first batch of reconstructed Terpene Profiles is anticipated to be completed within 2 weeks after the completion of Step 1.</p> <p>Matters which may lead to a delay in the completion of this step include shipping delay due to third party factors, and the quality of the raw material being different to the specifications provided by the producer to the Company.</p>
Step 3: Prepare Reconstructed Terpene Profiles	<p>Once the base terpenes have been refined and validated, the Company must combine the base terpenes in accordance with the parameters identified during the preformulation and formulation process, to 'reconstruct' the Terpene Profile.</p> <p>Initially the combination process is intended to be outsourced to a third-party production facility. The Company has entered into an arrangement with Herbal Remedies Laboratories Ltd for this service. Refer to Section 7.11 for further information.</p>	<p>The process of combining the base terpenes to reconstruct the Terpene Profile is anticipated to be completed within 4 weeks of completion of Step 2.</p> <p>Matters which may lead to a delay in the completion of this step include the third party laboratory facility not providing its services in a timely manner or the parties not being able to reach agreement regarding final orders and specifications, unexpected 'bugs' or errors arising as part of the reconstruction process.</p>
Step 4: Dispatch Reconstructed Terpene	Once the reconstructed Terpene Profiles have been developed, they are ready to be dispatched to the customer.	The Terpene Profiles are anticipated to be ready to be dispatched to the customer within 1 week of completion of

Step	Detail	Indicative timing
Profiles to customer	Given the relatively short production process as outlined in this table, it is proposed to produce the reconstructed Terpene Profiles to match customer orders.	Step 3.  Matters which may lead to a delay in the completion of this step include delays in obtaining necessary export approvals (if any) or delays in arranging necessary transport.

The above Section contains statements of current intentions as at the Prospectus Date. Investors should note that, as with any business plan, the steps and anticipated timing set out in the above Section may change depending on a number of factors, including the outcome of operational and development activities and the materialisation of risks (refer to Section 6 for additional detail regarding the likely risks). In light of this, the Board reserves the right to alter the development process described above.

## 2.13 Company strategy and next steps

The Company's proposed strategy and the intended next steps following Admission are outlined below:

Phase	Detail
<b>Phase 1: Initial phase</b>	<p><b>Establishment of production facility</b></p> <p>The Company does not presently have facilities sufficient for the commercial production of Terpene Profiles. Accordingly, the Company initially intends to outsource this phase of the production to a third-party Israeli laboratory (refer to Section 7.11 for a summary of the Memorandum of Understanding).</p> <p>Following Admission, the Company intends to establish its own production facility for the manufacturing of Terpene Profiles on a commercial basis. The establishment of a commercial production facility is a simple set-up requiring the purchase of off-the shelf laboratory equipment devices such as Gas chromatography-mass spectrometry equipment, filtering devices and other laboratory equipment.</p> <p><b>Business development</b></p> <p>At the same time as establishing its commercial production facility under Phase 1, the Company intends to engage in commercial and business development activities targeting the various markets in which the Company intends to supply, initially on a "B2B" basis (including e-liquids and e-cigarettes, food and beverages, fragrances and cosmetics, therapeutic products and other household products).</p> <p>These business development activities are intended to include discussions with potential customers, distributors and sub-licensees. The Company has already commenced discussions with various parties to whom small samples of e-liquids have been provided for evaluation, which has resulted in one purchase order.</p> <p>If the Company is able to sublicense its technology interests</p>

Phase	Detail
	<p>during this phase, it expects to be in a position to generate revenue through licence fees and royalties in the short to medium term.</p> <p><b>Development of online distribution platform</b></p> <p>During Phase 1 and continuing through Phase 2, the Company intends on establishing an online distribution platform for the sale of its reconstructed Terpene Profiles to customers.</p> <p><b>Filing of cannabis research licences</b></p> <p>The Company intends on filing cannabis research licences with the Israeli government, which, once granted, will enable the Company to upgrade its analysis and other development options both for potential upgraded profiles, as well as potential medical applications.</p> <p><b>Other potential applications</b></p> <p>As at the Prospectus Date, the Company has only developed Terpene Profiles for strains of cannabis. The Company intends following Admission to undertake market research to identify potential demand for Terpene Profiles for other potential target plants such as saffron, sandalwood and ginseng. Depending on the results of this market research, the Company intends on expanding its research to include additional target plants.</p>
<p><b>Phase 2: Production ramp-up</b></p>	<p>Following the successful completion of Phase 1, it is the Company's intention to ramp up its manufacturing and sales of its reconstructed Terpene Profiles, predominately through e-liquids, to demonstrate that its technology is suitable for production on a commercial scale.</p> <p>During this Phase, the Company intends to produce e-liquids for sale to end users and distributors with a view to generating further revenue.</p>
<p><b>Phase 3: Expansion to edibles and beverages</b></p>	<p>Assuming the Company is able to successfully commercialise its technologies during Phases 1-2, the Company intends to further ramp-up its manufacturing capabilities to an industrial level.</p> <p>During this Phase, the Company intends to market its products at an industrial level, with marketing efforts to be focussed on industries identified following research into the most suitable applications for Terpene Profiles produced by the Company (initially expected to be edible products, soft drinks and energy drinks).</p> <p>The Company may also consider additional sub-licensing opportunities in alcoholic beverage applications and other 'high end' companies.</p>
<p><b>Phase 4: Expansion to cosmetic and household products</b></p>	<p>In this phase, the Company intends to approach cosmetic brands to potentially combine its reconstructed Terpene Profiles with a line of both cosmetic and toiletries.</p> <p>Such potential products may be cannabinoid-free (as the Company's reconstructed Terpene Profiles do not contain cannabinoids), or, contain cannabinoids (subject to the receipt</p>



Phase	Detail
	<p>of any necessary regulatory approvals, satisfactory completion of necessary clinical trials (or other testing) and third-party agreements for the supply of cannabinoids).</p> <p>This development would likely be by way of a joint venture, intended to brand the Company as a high end brand with potential medical aspects.</p> <p>Along with this Phase, the Company will look into the toiletry, laundry, car freshener and household fragrance market for potential joint venture partners.</p>
<b>Phase 5: Expansion to pharmaceuticals</b>	<p>The Company intends to commence intensive research studies and enter into joint venture or collaborations with third-party pharmaceutical companies for the development of pharmaceutical-grade products which incorporate its reconstructed cannabis Terpene Profiles. Such products may also, where legally permitted, include synthetic and/or cannabis derived cannabinoids which the Company would acquire from third parties.</p> <p>Such pharmaceutical products would be subject to the receipt of any prior regulatory approvals (such as TGA or FDA approvals or their equivalents in other jurisdictions) and the satisfactory completion of any necessary clinical trials (or other testing).</p>

The above Section contains statements of current intentions as at the Prospectus Date. Investors should note that, as with any business plan, the steps and anticipated timing set out in the above Section may change depending on a number of factors, including the outcome of operational and development activities and the materialisation of risks, particularly in respect of the risks of entering new markets (refer to Section 6 for additional detail regarding the likely risks). In light of this, the Board reserves the right to alter the development process described above.

## 2.14 Intended sources of revenue

The initial revenue streams targeted by the Company are focused on the B2B - 'Business to Business' sales of reconstructed cannabis Terpene Profiles to product manufacturers, who would incorporate the Company's reconstructed Terpene Profiles in their products. The reconstructed Terpene Profiles would replace other more traditional sources of cannabis flavour, fragrance and other characteristics, such as existing lower-quality terpene products or cannabis extracts or oils or synthetic alternatives which do not contain cannabinoids. Sale of the Company's Terpene Profiles to such purchasers is intended to generate licence fees, royalties and sales revenue for the Company.

The products in which the Company's Terpene Profiles are initially intended to be incorporated into is e-liquids and e-cigarettes. This is considered to be a key target market for the Company given the fast growth in this industry and anticipated future growth as consumers continue to look for alternatives to smoking tobacco liquids.

The Company also intends to market its reconstructed Terpene Profiles to product manufacturers as potential natural flavour and fragrance additives to food, beverage, household products, cosmetics or therapeutic product manufacturers. The Company cautions investors that any expansion into markets other than e-liquids comprising cannabis Terpene Profiles is subject to the risk that the Company's products are not

readily accepted by the market. Refer to Sections 6.1(b) and 6.1(c) for further information.

The Company may also, subject to the receipt of any necessary regulatory approvals, satisfactory completion of any necessary clinical trials (or other testing) and third-party agreements, seek to have its reconstructed cannabis Terpene Profiles incorporated into pharmaceutical products which contain cannabinoids. Such movement into pharmaceutical products containing cannabinoids may be, for example, by way of a sale agreement between the Company and a pharmaceutical company which produces products containing cannabinoids. Alternatively, it may be by way of a joint venture or other form of collaboration agreement between the Company and such a pharmaceutical company. The Company does not presently have any agreements for its products to be incorporated into such pharmaceutical products. Please refer to Section 6.1(n) for further details regarding the potential risks of seeking to expand into this industry. Accordingly, the Company cautions investors against placing undue reliance on the prospects of the Company's products being combined with cannabinoids for pharmaceutical products.

The Company also intends, over time, to develop its own range of products in some or all of the categories described above, either independently or in a joint venture or co-development arrangement with a third party. This B2C - 'Business to Consumer' strategy is considered to be a potential longer-term prospect as it requires a comprehensive product development process to be completed, as well as navigation through the various regulatory approvals required (such as TGA or FDA approvals or their equivalents in other jurisdictions). Accordingly, the Company cautions investors against placing undue reliance on the B2C prospects of the Company's business and confirms that its initial intention is to operate on a B2B basis.

## **2.15 Anticipated sources of expenses**

The Company expects its expenses are anticipated to largely be comprised of:

- (a) research and development expenses, with the majority of these expenses being the research and development team's salaries;
- (b) research and development equipment and other laboratory equipment;
- (c) rental on office and laboratory space; and
- (d) business development, sales and marketing.

## **2.16 Dividend policy**

The Company does not expect to pay dividends in the near future as its focus will primarily be on growing the existing business.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend upon matters such as the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements, general business and other factors considered relevant by the Directors. No assurances are given in relation to the payment of dividends, or that any dividends may attach franking credits.

## **2.17 Financial information**

The Investigating Accountant's Report set out in Section 5 contains a pro forma balance sheet of the Company following completion of the Offer, together with an

Investigating Accountant's Report. Investors should note the limitations of the Investigating Accountant's Report (refer to Section 5 for further information).

The financial information set out in the Investigating Accountant's Report includes the audited financial statements for the Company for the period from 13 April 2016 (the date of incorporation of the Company) to 30 September 2016 (**Historical Financial Information**). The Company's Historical Financial Information was audited by BDO Ziv Haft Israel in accordance with the International Standards of Auditing. BDO Ziv Haft Israel issued an unmodified audit opinion on the financial statements.

As the Company was incorporated on 13 April 2016, there are no financial statements for previous years.

Financial statements prepared in future periods will be prepared in accordance with the recognition and measurement principles contained in International Financial Reporting Standards (**IFRS**) and the company's adopted accounting policies. Audits of those financial statements will be conducted in accordance with International Auditing Standards.

In accordance with ASIC Regulatory Guide 228.101, the Company has considered the guidance in Appendix B of AASB 3 to determine when the Company's "business" commenced. It is considered that while Dr Yaron Penn commenced developing the intellectual property which underpins the Company's business plans in 2010, those activities were not initially conducted or managed with the purposes of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. It was not until the Company was incorporated on 13 April 2016 that investors were brought into the Company, and a set of systems, standards, protocols and conventions were developed and applied with the purposes of providing a return of economic benefits to the investors and other owners, members or participants.

Accordingly, the two essential elements of a business - inputs (intellectual property) and processes applied to those inputs, which together are or will be used to create outputs, are considered to have been put in place from the date of incorporation of the Company.

Investors are urged to read the Investigating Accountant's Report in Section 5 in full.

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### 3. Intellectual Property Report

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## **4. Board, Management and Corporate Governance**

### **4.1 Directors' Profiles**

The names and details of the Directors in office at the Prospectus Date are:

**(a) Dr Brendan de Kauwe - Director and Chairman**

Dr de Kauwe studied a Bachelor of Science in Pharmacology and Physiology and Bachelor of Dental Surgery from the University of Western Australia. He also holds a Post Graduate Diploma in Applied Finance, majoring in Corporate Finance, and is an ASIC compliant (RG146) Securities Advisor. Dr de Kauwe is a Director of Otsana Capital, a corporate advisory firm, with vast experience in corporate restructuring and recapitalisations, mergers and acquisitions, IPO/RTO and capital markets. Dr de Kauwe's corporate experience, coupled with his extensive technology, science and bio-medical background gives him an integral understanding in the evaluation and execution of projects and assets over a diverse range of sectors.

Dr de Kauwe has held numerous roles within ASX-listed companies, particularly in the Life Sciences and Technology sectors including: Director of Actinogen Limited (ASX:ACW) from 23 September 2013 to 18 December 2014 (including a position as Executive Chairman from 23 April 2014 to 1 December 2014), Director of Xped Ltd (ASX:XPE) from 22 May 2015 to 23 March 2016, and Director of Prescient Therapeutics Limited (ASX:PTX) from 30 August 2013 to 28 November 2014.

Dr de Kauwe is currently a Director of Race Oncology Ltd (ASX: RAC) (appointed 1 July 2016) and Ookami Ltd (ASX: OOK) (appointed 5 June 2015).

**(b) Mr Haim Cohen - Chief Executive Officer and Director**

Mr Cohen has extensive managerial experience across numerous sectors including real estate, transport communications, human resources and information systems in both private and government enterprises. He has a successful track record in business development and marketing, and has been a manager of project budgets of up to US\$4 billion. Mr Cohen holds a B.A in social science from Bar Ilan University and also represented the Israeli Government as chairman of the youth exchange authority in Israel.

**(c) Mr Ilan Saad - Director**

Mr Saad has unique experience and knowledge in distribution companies across a variety of industries including IT, semiconductors and automation. Mr Saad is the Chief Executive Officer of Data Tech Advanced Solutions Ltd., an Israel-based leading IT distributor, responsible for the company's impressive sales growth, improved margins and new sales channels positioning the company as an industry leader in the Israeli market. Mr Saad is also the Chairman of Trading Sector at Rapac Communication & Infrastructure Ltd., an Israel-based company established in 1964 which is listed on the TASE (Tel Aviv Stock Exchange) and is active in the infrastructure, communication and defense fields.

**(d) Mr Eran Gilboa - Director**

Mr Gilboa has vast experience as the Chief Financial Officer for numerous global companies in the fields of hi-tech, real estate, finance and media. As

a result of serving as the Chief Financial Officer, Mr Gilboa gained a wide background in capital offerings, working with venture capital firms and various boards of directors. Mr Gilboa also played a crucial role in various mergers and acquisitions of international companies, where he led the intricate financial and tax processes. Moreover Mr Gilboa was responsible for private and public companies in his role as Senior Accountant at Ernst & Young. Mr. Gilboa has a CPA license. Mr Gilboa also holds a B.A in Economics and Management, specialising in finance, from the College of Management in Israel, and an LLM from Bar Ilan University.

**(e) Ms Galit Assaf - Director**

Ms Assaf has extensive experience in managerial and directorship roles within Israeli companies and government. Ms Assaf is currently the Director of global bank transfers with Payoneer, an online payment services company. Ms Assaf is also currently a director and member of the audit and finance committee of Zur Shamir Holdings Ltd., an Israel-based company engaged in finance, insurance and real estate. Ms Assaf has also held the position of chief financial officer (as well as acting chief executive officer and deputy chief executive officer) and chair of the finance committee of the NTA - Metropolitan Mass Transit System, a government owned organisation with the responsibility of designing, building and financing the Israeli mass transit systems for the Tel Aviv area. Ms Assaf has also held the position of chair of the finance committee for the Port of Hadera, and has been on the board of the Jerusalem Development Authority, and a member of the audit committee for KANAT - Insurance Fund for Natural Risks in Agriculture.

Ms Assaf holds a M.A. in Public Policy from Tel-Aviv University, as well as a M.A. and B.A. in each of Economics and Business Administration from Hebrew University of Jerusalem.

**(f) Mr Quentin Megson**

Mr Megson has 25 years' experience in the finance and management sector in Australia. His initial role was as a tax advisor for a major accounting firm before moving to a medium tier accounting firm as a partner. Since 2005, Mr Megson has held various roles with ASX-listed company TFS Corporation Ltd (ASX:TFC), which is involved in the establishment of sandalwood plantations and the processing of the wood to the end product. Mr Megson's role with TFS have included chief financial officer, company secretary and general manager of communications and human relations. Mr Megson is currently the general manager of operations and corporate services of TFS.

Mr Megson holds a Bachelor of Commerce degree and is a Chartered Accountant.

## **4.2 Advisors and key technical personnel**

**(a) Dr Yaron Penn**

Chief Technical Officer

Dr Penn holds a Ph.D. in drug addiction and stress related disorders studies from the Weizmann Institute of Science, together with a M.Sc. in Electrophysiology, and a post-doctorate in complex-physics, studying self-entrained neuronal networks. He is a member of the Israeli Society for

Neuroscience and the American Biophysical Society. Dr Penn has proven experience in the design, initiation, integration and operation of high-tech interdisciplinary experimental systems. Working both in-vivo and in-vitro, those experiments were done under the strictest regulations applied in scientific research and pre-clinical trials.

Dr Penn was co-owner, Chief Executive Officer and Chief Technical Officer of one of the first licensed Israeli medicinal cannabis companies and holds deep knowledge of medicinal cannabis, stretching from genetics, agronomical and pharmaceutical properties, through processing, extraction and chemical analysis of its active compounds and up to national and international regulatory aspects. He endorsed a national regulatory model through different state agencies, mainly the Ministry of Health, Ministry of Agriculture, the Labor, Welfare and Health Committee, the Israeli anti-drug authority and the police forensic laboratories.

(b) **Professor Zvi Vogel**

Independent Scientific Advisor

Dr Vogel performed his M.Sc. studies at the Department of Biochemistry of the Hebrew University and his Ph.D. at the Weizmann Institute of Science. Between 1971 and 1973 he performed his post-doctorate studies at the National Institutes of Health (Bethesda, MD) in the Laboratory of the Nobel Prize laureate Dr Marshall Nirenberg. It was during this period that he was exposed to the field of Neurobiology and in particular to the study of receptor-neurotransmitter interactions in the nervous system. Dr Vogel got his tenure as Associate Professor at the Weizmann Institute in 1979 and became Full Professor in 1995. Between 2001 and 2004 he served as the Chairman of the Department of Neurobiology at the Weizmann Institute. Currently, he is a Professor Emeritus at the Weizmann Institute of Science and is serving as the Head of the Adelson Center for the Biology of Addictive Diseases at Tel-Aviv University.

Dr Vogel has published more than 170 scientific manuscripts. His scientific work focuses mainly on the interaction of drugs of abuse with their receptors (e.g., the opioid and cannabinoid receptors) as well as the identification and characterisation of the endogenous ligands to these receptors. During the last 25 years most of the efforts of his laboratory were devoted to the newly emerging cannabinoid field. He had a major role in the identification and characterisation of the endogenous cannabinoid ligands (anandamide and 2-arachidonoyl glycerol) as well as in revealing the pharmacological and physiological effects of several of the phytocannabinoids (the active materials present in cannabis). Among other findings, his group has recently shown that cannabidiol (one of the major phytocannabinoids) as well as several other cannabinoids and their derivatives have anti-inflammatory properties and thus inhibit pathogenic T cells and ameliorate the multiple sclerosis-like disease in both animal and tissue culture models.

(c) **Dr Mira Carmeli-Weissberg**

Chief Scientific Officer

Mira Carmeli-Weissberg completed her Ph.D. in organic chemistry at Tel-Aviv University specializing in "*Oxygen Transfer Reactions Using the  $\text{HOF} \cdot \text{CH}_3\text{CN}$  Complex*". During this period she acquired extensive experience in Multistep Organic Synthesis, Multinuclear NMR Spectroscopy, HPLC, GC, UV-Vis,

Fluorescence and IR spectroscopy. In 2008 Mira established the Metabolomic unit at "Agricultural Research Organization" (ARO), specialising in identification and quantification of small molecules (metabolites) using a variety of state-of-the-art Mass Spectrometry-based instruments and analysis software. The repertoire of capabilities includes identification of known and unknown metabolites based on accurate mass (UPLC-QTOF-MS), quantification of metabolites, including plant hormones, using triple-quad based MS (UPLC-Triple Quadrupole-MS), as well as identification and quantification of volatile metabolites using HS-SPME/GC-MS. After 9 years at ARO Mira joined Eldan Electronic Instruments as Mass Spectrometry Application Specialist, mainly responsible for the implementation of Mass Spectrometry-based Instruments in academic institutions (colleges and universities) and companies.

#### 4.3 ASX Corporate Governance Council Principles and Recommendations

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the Company's policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted the 3<sup>rd</sup> edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**Recommendations**).

In light of the Company's size and nature, the Board considers that the current Board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the Prospectus Date are detailed below. The Company's full Corporate Governance Plan is available in a dedicated corporate governance information section of the Company's website at [www.esense-lab.com/corporate-governance](http://www.esense-lab.com/corporate-governance).

##### (a) Board of Directors

The Board is responsible for the corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. Clearly articulating the division of responsibilities between the Board and management will help manage expectations and avoid misunderstandings about their respective roles and accountabilities.

In general, the Board assumes (amongst others) the following responsibilities:

- (i) appointing and when necessary replacing the Chief Executive Officer and other senior executives and the determination of their terms and conditions including remuneration and termination;
- (ii) driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;



- (iii) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- (iv) approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- (v) overseeing the integrity of the Company's accounting and corporate reporting systems including the external audit;
- (vi) undertaking appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director;
- (vii) overseeing the Company's process for making timely and balanced disclosure of all material information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- (viii) monitoring the effectiveness of the Company's governance practices.

The Company is committed to ensuring that appropriate checks are undertaken before the appointment of a Director and has in place written agreements with each Director which detail the terms of their appointment.

**(b) Composition of the Board**

Election of Board members is substantially the province of the Shareholders in a general meeting. The Board currently consists of the five Non-Executive Directors (Brendan de Kauwe, Eran Gilboa, Ilan Saad, Galit Assaf and Quentin Megson), and one Executive Director (Haim Cohen).

Each of Ilan Saad, Galit Assaf and Quentin Megson are considered to be independent Directors.

As the Company's activities develop in size, nature and scope, the composition of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

**(c) Identification and management of risk**

The Board's collective experience will assist in the identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

**(d) Ethical standards**

The Board is committed to the establishment and maintenance of appropriate ethical standards.

(e) **Independent professional advice**

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

(f) **Remuneration arrangements**

In accordance with the requirements of the Companies Law, the Company must establish a separate remuneration committee, which must include all External Directors then serving on the board of directors. The External Directors must also comprise a majority of the remuneration committee, and an External Director must serve as the chair.

In addition to the requirements under the Companies Law, the remuneration committee is governed by the remuneration committee charter established by the Board, which is subject to review by the Board at any time.

The remuneration committee is charged with the responsibility of, amongst other things:

- (i) reviewing and approving the executive remuneration policy, in accordance with the Companies Law, to enable the Company to attract and retain executives and Directors who will create value for shareholders;
- (ii) ensuring that the executive remuneration policy demonstrates a clear relationship between key executive performance and remuneration;
- (iii) recommending to the Board the remuneration of executive Directors in accordance with the remuneration policy;
- (iv) fairly and responsibly rewarding executives having regard to the performance of the Company, the performance of the executive and the prevailing remuneration expectations in the market;
- (v) reviewing the Company's recruitment, retention and termination policies and procedures for senior management;
- (vi) reviewing and approving the remuneration of Director reports to the Chief Executive Officer, and as appropriate the remuneration of other senior executives; and
- (vii) reviewing and approving any equity based plans and other Incentive Plans.

The remuneration committee must also recommend to the Board a policy regarding the terms of engagement of Directors and of specified members of senior management, which is referred to as a "remuneration policy". That remuneration policy must be adopted by the Board, after considering the recommendations of the remuneration committee, and will need to be brought for approval by Shareholders. The Company will be required to hold a Shareholders meeting within nine months following Admission to adopt the remuneration policy.

Compensation of an External Director is determined prior to his or her appointment.

**(g) Securities trading policy**

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the Executive Directors). The policy generally provides that the written acknowledgement of the Chairman (or the Board in the case of the Chairman) must be obtained prior to trading.

**(h) Diversity policy**

The Board values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly, the Company has set in place a diversity policy. This policy outlines the Company's diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to assess annually both the objectives, and the Company's progress in achieving them.

**(i) Audit and risk**

In accordance with the requirements of the Companies Law, the Company must establish a separate audit committee, which must include all External Directors then serving on the board of directors. The External Directors must also comprise a majority of the audit committee, and an External Director must serve as the chair.

In addition to the requirements under the Companies Law, the audit committee is governed by the audit and risk committee charter established by the Board, which is subject to review by the Board at any time.

The charter charges the audit and risk committee with duties including but not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and risk management systems and the external audit function.

**(j) External audit**

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board (and, after such time as the audit committee is constituted, the audit committee) from time to time will review the scope, performance and fees of those external auditors. The fees for external auditors is subject to shareholder approval.

#### **4.4 Departures from Recommendations**

Following Admission, the Company will be required to report any departures from the Recommendations in its annual financial report.

The Company's compliance and departures from the Recommendations as at the Prospectus Date are detailed in the table on the following page.

Principles and Recommendations	Comply (Yes/No)	Explanation
<b>PRINCIPLE 1 - LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>		
<b>Recommendation 1.1</b> A listed entity should disclose: <ul style="list-style-type: none"> <li>(a) the respective roles and responsibilities of its board and management; and</li> <li>(b) those matters expressly reserved to the board and those delegated to management.</li> </ul>	YES	<p>The Company has established a Board Charter.</p> <p>The Board Charter sets out the specific responsibilities of the Board, the requirements as to the Board's composition, the roles and responsibilities of the Chairman, Company Secretary and management, the establishment, operation and management of Board committees, Directors' access to Company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy.</p> <p>A copy of the Company's Board Charter is contained in its Corporate Governance Plan which is available on the Company's website.</p>
<b>Recommendation 1.2</b> A listed entity should: <ul style="list-style-type: none"> <li>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</li> <li>(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</li> </ul>	YES	<ul style="list-style-type: none"> <li>(a) The Company's Corporate Governance Plan requires the Nomination Committee (or in its absence, the Board) to undertake appropriate checks as to the character, experience, education, criminal record and bankruptcy history of the candidate before appointing a person, or putting forward to security holders a candidate for election, as a Director.</li> <li>(b) All material information relevant to a decision on whether or not to elect or re-elect a Director will be provided to security holders in any notice of meeting pursuant to which the resolution to elect or re-elect such Director will be voted on.</li> </ul>
<b>Recommendation 1.3</b> A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	YES	<p>The Company's Corporate Governance Plan requires the Board to ensure that each Director and senior executive is a party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment.</p> <p>The respective engagement terms of each Director and senior executive is summarised in Sections 7.3 and 7.4 of this Prospectus.</p>
<b>Recommendation 1.4</b> The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	YES	<p>The Board Charter outlines the role, responsibility and accountability of the Company Secretary. The Company Secretary is accountable directly to the Board, through the Chair, on all matters relating to the proper functioning of the Board.</p>
<b>Recommendation 1.5</b> A listed entity should: <ul style="list-style-type: none"> <li>(a) have a diversity policy which includes requirements for the board or a</li> </ul>	PARTIALLY	<ul style="list-style-type: none"> <li>(a) The Company has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives,</li> </ul>

Principles and Recommendations	Comply (Yes/No)	Explanation
<p>relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>		<p>including in respect of gender diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives, if considered appropriate, and to assess annually both the objectives if any have been set and the Company's progress in achieving them.</p> <p>(b) The Diversity Policy is available, as part of the Corporate Governance Plan, on the Company's website.</p> <p>(c) The Board does not presently intend to set measurable gender diversity objectives because:</p> <p>(i) it is the Board's view that the existing Directors and senior executives have sufficient skill and experience to carry out the Company's plans;</p> <p>(ii) if it becomes necessary to appoint any new Directors or senior executives, the Board will consider the application of a measurable gender diversity objective requiring a specified proportion of women on the Board and in senior executive roles will, given the small size of the Company and the Board, unduly limit the Company from applying the Diversity Policy as a whole and the Company's policy of appointing based on skills and merit; and</p> <p>(iii) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes) for each financial year will be disclosed in the Company's Annual Report.</p> <p>The Company notes that one of its Directors, and its Chief Scientific Officer are both female.</p>
<p><b>Recommendation 1.6</b></p> <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	YES	<p>(a) The Board (in the absence of a Nominations Committee) is responsible for evaluating the performance of the Board and individual Directors on an annual basis, with the aid of an independent advisor, if deemed required. The process for this can be found in the Company's Corporate Governance Plan.</p> <p>(b) The Company's Corporate Governance Plan requires the Board to disclose whether or not performance evaluations were conducted during the</p>

Principles and Recommendations	Comply (Yes/No)	Explanation
		relevant reporting period. Details of the performance evaluations conducted will be provided in the Company's Annual Reports.
<b>Recommendation 1.7</b> A listed entity should: <ul style="list-style-type: none"> <li>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</li> <li>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</li> </ul>	YES	<ul style="list-style-type: none"> <li>(a) The Remuneration Committee (or in its absence, the Board) is responsible for overseeing performance evaluations of senior executives on an annual basis. The process for this can be found in the Company's Corporate Governance Plan.</li> <li>(b) The Company's Corporate Governance Plan requires disclosure as to whether or not performance evaluations were conducted during the relevant reporting period.</li> </ul>
<b>PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE</b>		
<b>Recommendation 2.1</b> The board of a listed entity should: <ul style="list-style-type: none"> <li>(a) have a nomination committee which: <ul style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director,</li> </ul> and disclose: <ul style="list-style-type: none"> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> </li> <li>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</li> </ul>	YES	<p>The Nomination Committee is:</p> <ul style="list-style-type: none"> <li>(a) comprised of Galit Assaf, Quentin Megson and Ilan Saad;</li> <li>(b) chaired by Galit Assaf, who is considered to be an independent director;</li> <li>(c) the Company has established a Nomination Committee Charter, contained in the Company's Corporate Governance Plan which is available on the Company's website;</li> <li>(d) the Company has disclosed the members of the Nomination Committee; and</li> <li>(e) the Nomination Committee is newly established and had not previously convened a meeting.</li> </ul> <p>In accordance with the Companies Law, the Nomination Committee must also include one External Director who must be the chair of the Committee. Accordingly, Galit Assaf, who is an External Director, has been appointed as the chair.</p>
<b>Recommendation 2.2</b> A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	PARTIALLY	Under the Nomination Committee Charter (in the Company's Corporate Governance Plan), the Nomination Committee (or, in its absence, the Board) is required to prepare a Board skill matrix setting out the mix of skills and diversity that the Board currently has (or is looking to achieve) and to review this at least annually against the Company's Board skills matrix to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic

Principles and Recommendations	Comply (Yes/No)	Explanation
		<p>direction.</p> <p>The Board has not yet developed a specific skill matrix. The composition of the Board is to be reviewed regularly to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction. This role will be performed by the Nomination Committee (or, in its absence, the Board). Once adopted, the Company will disclose the Board skill matrix in, or in conjunction with, its Annual Reports.</p>
<p><b>Recommendation 2.3</b></p> <p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	YES	<p>(a) The Board Charter provides for the disclosure of the names of Directors considered by the Board to be independent.</p> <p>The Current independent Directors of the Company are:</p> <p>Ilan Saad;</p> <p>Galit Assaf; and</p> <p>Quentin Megson.</p> <p>Haim Cohen is not considered to be independent due to his executive role as Chief Executive Officer of the Company.</p> <p>Brendan De Kauwe and Eran Gilboa are not considered to be independent due to their interest in the securities of the Company and their relationship with the Lead Manager to the Offer.</p> <p>The names of the Directors considered by the Board to be independent will be disclosed on the Company's website and in its Annual Reports.</p> <p>(b) The Board Charter requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed by the Board in light of the interests disclosed by Directors. Details of the Directors interests, positions, associations and relationships are provided in Section 9.5 of this Prospectus.</p> <p>(c) The Board Charter requires the disclosure of the length of service of each Director. The Directors in office at the Prospectus Date have served continuously since their respective dates of appointment which are as follows:</p> <p>Eran Gilboa - appointed as a Director effective 19 September 2016</p> <p>Ilan Saad, Brendan de Kauwe and Haim Cohen - appointed as Directors effective 1 October 2016. Mr Cohen was</p>

Principles and Recommendations	Comply (Yes/No)	Explanation
		<p>appointed as Chief Executive Officer on 19 September 2016.</p> <p>Galit Assaf - appointed as a Director effective 5 December 2016.</p> <p>Quentin Megson - appointed as a Director effective 5 December 2016.</p>
<b>Recommendation 2.4</b> A majority of the board of a listed entity should be independent directors.	NO	<p>Three of the Company's six Directors are considered to be independent. The remaining three Directors are considered to be not independent.</p> <p>As the Company grows, the Board will consider the appointment of an additional independent Director.</p>
<b>Recommendation 2.5</b> The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	NO	<p>Brendan de Kauwe is the Company's chairman and is not considered to be an independent director due to his interest in the securities of the Company and relationship with the Lead Manager.</p> <p>As the Company grows the Board will consider the appointment of an independent director as the chair.</p>
<b>Recommendation 2.6</b> A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	YES	<p>In accordance with the Company's Board Charter, the Nominations Committee is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities. The Company Secretary is responsible for facilitating inductions and professional development.</p>
<b>PRINCIPLE 3 - ACT ETHICALLY AND RESPONSIBLY</b>		
<b>Recommendation 3.1</b> A listed entity should: <ul style="list-style-type: none"> <li>(a) have a code of conduct for its directors, senior executives and employees; and</li> <li>(b) disclose that code or a summary of it.</li> </ul>	YES	<ul style="list-style-type: none"> <li>(a) The Corporate Code of Conduct applies to the Company's Directors, senior executives and employees.</li> <li>(b) The Company's Corporate Code of Conduct is contained in its Corporate Governance Plan which is available on the Company's website.</li> </ul>
<b>PRINCIPLE 4 - SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b>		
<b>Recommendation 4.1</b> The board of a listed entity should: <ul style="list-style-type: none"> <li>(a) have an audit committee which: <ul style="list-style-type: none"> <li>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director, who is not the chair of the board,</li> </ul> and disclose: <ul style="list-style-type: none"> <li>(3) the charter of the committee;</li> <li>(4) the relevant qualifications and</li> </ul> </li> </ul>	YES	<p>The Audit and Risk Committee is:</p> <ul style="list-style-type: none"> <li>(a) comprised of Ilan Saad, Galit Assaf and Quentin Megson, each of whom are considered to be independent directors;</li> <li>(b) chaired by Galit Assaf, who is considered to be an independent director;</li> <li>(c) the Company has established an Audit and Risk Committee Charter, contained in the Company's Corporate Governance Plan which is available on the Company's website;</li> </ul>



Principles and Recommendations	Comply (Yes/No)	Explanation
<p>experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>		<p>(d) the relevant qualifications and experience of the members of the Audit and Risk Committee are disclosed in Section 4.1 of the Prospectus;</p> <p>(e) the Audit and Risk Committee is newly established and had not previously convened a meeting.</p> <p>In accordance with the Companies Law, the Audit and Risk Committee must also include all of the Company's External Directors, and one of the External Directors must be the chair of the Committee.</p> <p>Accordingly, Galit Assaf, who is an External Director, has been appointed as the chair.</p>
<p><b>Recommendation 4.2</b></p> <p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	YES	<p>The Company's Corporate Governance Plan states that a duty and responsibility of the Board is to ensure that before the Board approves the entity's financial statements for a financial period, the CEO and CFO have declared that in their opinion the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>
<p><b>Recommendation 4.3</b></p> <p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	NO	<p>Under Israeli law, the Company's external auditor is not required to attend its AGM.</p>
<b>PRINCIPLE 5 - MAKE TIMELY AND BALANCED DISCLOSURE</b>		
<p><b>Recommendation 5.1</b></p> <p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	YES	<p>(a) The Company has adopted a Continuous Disclosure Policy which is set out within the Company's Corporate Governance Plan and details the Company's disclosure requirements as required by the Listing Rules and other relevant legislation.</p> <p>(b) The Corporate Governance Plan is available on the Company's website.</p>
<b>PRINCIPLE 6 - RESPECT THE RIGHTS OF SECURITY HOLDERS</b>		
<p><b>Recommendation 6.1</b></p> <p>A listed entity should provide information about itself and its governance to investors via its website.</p>	YES	<p>Information about the Company and its governance is available in the Corporate Governance Plan which is available on the Company's website.</p>

Principles and Recommendations	Comply (Yes/No)	Explanation
<b>Recommendation 6.2</b> A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	YES	The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Strategy outlines a range of ways in which information is communicated to Shareholders. The Strategy is contained in the Company's Corporate Governance Plan which is available on the Company's website.
<b>Recommendation 6.3</b> A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	YES	As per the Company's Shareholder Communications Strategy, Shareholders will be encouraged to participate at all EGMs and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting stating that all Shareholders are encouraged to participate at the meeting. Please refer to Section 8.2 regarding the rights of CDI holders to attend meetings.
<b>Recommendation 6.4</b> A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	YES	The Shareholder Communication Strategy provides that security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted. Shareholders queries should be referred to the Company Secretary at first instance.
<b>PRINCIPLE 7 - RECOGNISE AND MANAGE RISK</b>		
<b>Recommendation 7.1</b> The board of a listed entity should: <ul style="list-style-type: none"> <li>(a) have a committee or committees to oversee risk, each of which: <ul style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director,</li> </ul> and disclose: <ul style="list-style-type: none"> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> </li> <li>(b) if it does not have a risk committee or committees that satisfy (a) above,</li> </ul>	YES	The risk committee is combined with the audit committee, and is subject to the same Charter. Please refer to Recommendation 4.1 for further detail.

Principles and Recommendations	Comply (Yes/No)	Explanation
disclose that fact and the processes it employs for overseeing the entity's risk management framework.		
<b>Recommendation 7.2</b> The board or a committee of the board should: <ul style="list-style-type: none"> <li>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</li> <li>(b) disclose, in relation to each reporting period, whether such a review has taken place.</li> </ul>	YES	<ul style="list-style-type: none"> <li>(a) The Company's process for risk management and internal compliance includes a requirement on the Board to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems. The Company has adopted a Risk Management Policy which is contained within the Company's Corporate Governance Plan and details the Company's disclosure requirements with respect to the risk management review procedure and internal compliance and controls.</li> <li>(b) For each reporting period following Admission, the Company will disclose in its annual report whether a review of the Company's risk management framework was undertaken in line with its Risk Management Policy.</li> </ul>
<b>Recommendation 7.3</b> A listed entity should disclose: <ul style="list-style-type: none"> <li>(a) if it has an internal audit function, how the function is structured and what role it performs; or</li> <li>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</li> </ul>	YES	<p>Due to the magnitude of the Company's operations, the Company does not currently have an internal audit function.</p> <p>The Audit and Risk Committee Charter of the Company's Corporate Governance Plan provides for a future internal audit function of the Company. The Charter outlines the monitoring, review and assessment of a range of internal audit functions and procedures.</p>
<b>Recommendation 7.4</b> A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	YES	<p>The Company's Risk Management Policy details the Company's risk management systems which assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (if appropriate). Review of the Company's risk management framework is conducted at least annually and reports are continually created by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures. To the extent the Company is exposed to economic, environmental and social sustainability risks, the Company has disclosed such risks in Section 6 in this Prospectus and the Company intends to disclose such information in future annual reports.</p>

Principles and Recommendations	Comply (Yes/No)	Explanation
<b>PRINCIPLE 8 - REMUNERATE FAIRLY AND RESPONSIBLY</b>		
<b>Recommendation 8.1</b> The board of a listed entity should: <ul style="list-style-type: none"> <li>(a) have a remuneration committee which: <ul style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director,</li> </ul> and disclose: <ul style="list-style-type: none"> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> </li> <li>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</li> </ul>	YES	The Remuneration Committee is: <ul style="list-style-type: none"> <li>(a) comprised of Ilan Saad, Galit Assaf and Quentin Megson, each of whom are considered to be independent directors;</li> <li>(b) chaired by Galit Assaf, who is considered to be an independent director;</li> <li>(c) the Company has established a Remuneration Committee Charter, contained in the Company's Corporate Governance Plan which is available on the Company's website;</li> <li>(d) the Company has disclosed the members of the Remuneration Committee; and</li> <li>(e) the Remuneration Committee is newly established and had not previously convened a meeting.</li> </ul> In accordance with the Companies Law, the Remuneration Committee must also include all of the Company's External Directors, and one of the External Directors must be the chair of the Committee. Accordingly, Galit Assaf, who is an External Director, has been appointed as the chair.
<b>Recommendation 8.2</b> A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	YES	The Remuneration Committee must recommend to the Board a policy regarding the terms of engagement of Directors and of specified members of senior management, which is referred to as a "remuneration policy". That remuneration policy must be adopted by the Board, after considering the recommendations of the Remuneration Committee, and will need to be brought for approval by Shareholders. The Company will be required to hold a Shareholders meeting within nine months following Admission to adopt the remuneration policy.
<b>Recommendation 8.3</b> A listed entity which has an equity-based remuneration scheme should: <ul style="list-style-type: none"> <li>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</li> <li>(b) disclose that policy or a summary of it.</li> </ul>	YES	<ul style="list-style-type: none"> <li>(a) The Remuneration Committee (or in its absence, the Board) is required to review, manage and disclose the policy (if any) on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. The Remuneration Committee Charter also states that the Remuneration Committee (or in its absence, the Board) must review and approve any equity based plans.</li> <li>(b) A copy of the Remuneration Committee</li> </ul>

Principles and Recommendations	Comply (Yes/No)	Explanation
		Charter is contained in the Company's Corporate Governance Plan which is available on the Company's website.

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## 5. Investigating Accountant's Report

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## 6. Risk Factors

An investment in the Company is not risk free and the Directors strongly recommend that potential investors consider the risks factors described below, together with information contained elsewhere in this Prospectus, and consult their professional advisers before deciding whether to apply for Shares under this Prospectus.

Investors should be aware that the performance of the Company may be affected and the value of its Shares may rise or fall over any given period. This Section identifies circumstances that the Board regards as the major risks associated with an investment in the Company and which may have a material adverse impact on the financial performance of the Company and the market price of the Shares if they were to arise.

The Company faces specific risks as a result of the industry in which it seeks to participate, and its early stage (Section 6.1).

In addition, there are other general investment risks, many of which are largely beyond the control of the Company and its Directors (Section 6.2).

The Directors aim, and will aim, to manage these risks by carefully planning the Company's activities and implementing risk control measures. However, some of the risks identified below are highly unpredictable and the Company is limited to the extent to which they can effectively manage them.

The following risk factors are not intended to be an exhaustive list of the risk factors to which the Company is exposed. In addition, this Section has been prepared without taking into account any specific investor's individual financial objectives, financial situation and particular needs. Investors should seek professional investment advice if they have any queries in relation to making an investment in the Company.

### 6.1 Specific Risks

(a) **Limited operating history**

Incorporated in April 2016, the Company has a limited operating history. To date, the Company has principally developed its technology and intellectual property and has not commenced commercialisation. Given the Company's limited operating history, there can be no guarantee that the Company will achieve commercial viability.

(b) **Consumer demand risk**

Although the Company has already entered into a sales agreement with one commercial purchaser (refer to Section 7.10 for a summary of this supply agreement), there is no certainty that there will be sufficient consumer demand for the Company's product.

The Company considers that there is a risk that consumers may be more inclined to purchase a product extracted from the target plant itself rather than the Company's reconstructed Terpene Profiles for the three reasons detailed below, despite the advantages of the Company's products which are outlined in Section 2.8:

- (i) Although the Company's products are comprised of natural sources, and from a molecular perspective are identical to the desired

characteristics of the targeted plant, the Company's product is nevertheless comprised of base products extracted from alternate natural sources, rather than the targeted plant itself. Some consumers may be concerned that the Company's products are 'not natural' as they are not extracted from the targeted base plant itself, despite the fact that they are chemically identical in all desired respects.

- (ii) The Company's analysis process is capable of analysing the phytochemical composition of the targeted plant to an accuracy of 99.9%. The difference of less than 0.1% is understood by the Company to be constituted by minor terpenes and other phytochemicals which are in such low concentrations they are not considered to give rise to any material difference between the Company's reconstructed Terpene Profile and the Terpene Profile of the targeted plant. In some cases it is not even certain if such minor terpenes are actually present in particular strains of plants, or whether they are unique variances to a specific plant. Nevertheless, some consumers may be concerned that the 0.1% which is not accounted for in the analysed Terpene Profile contains the key therapeutic or other benefits of the targeted plant.
- (iii) The Company will not in all cases replicate the entirety of the analysed Terpene Profile. For example, in the case of cannabis, part of the phytochemical composition of cannabis is phytocannabinoids, which provide cannabis with its psychoactive quality. The Company intentionally does not include phytocannabinoids in its products. Some consumers may not be interested in the Company's product as they are only interested in the psychoactive effects of the phytocannabinoids, or may be concerned that the removal of the phytocannabinoid aspect of the profile affects its safety or other perceived benefits.

(c) **New market risks**

The market the Company initially intends to target is the e-liquids market for cannabis Terpene Profiles. This market is considered by the Directors to be open to the Company's products on the basis of:

- (i) the existing sales contract between the Company and Allor Vaporizers; and
- (ii) the fact that Terpene Profiles are already used for this purpose, however they are considered to be a much lesser quality than the Company's product as they only comprise a low number of terpenes (typically a maximum of 10-15) whereas the Company's products comprise 30-100 terpenes and other key constituent products (such as alkaloids).

The Company may look to expand its product offerings into new markets including:

- (i) the potential to use its reconstructed cannabis Terpene Profiles in other potential applications including edibles, beverages, cosmetic and household products, therapeutic products and, subject to the receipt of any necessary regulatory approvals, satisfactory



completion of any necessary clinical trials (or other testing) and third-party agreements, pharmaceutical products; and

- (ii) the commercialisation of reconstructed Terpene Profiles for other lucrative target plants such as ginseng, saffron or sandalwood and other rare or valuable plants. Reconstructed terpene profiles from such plants may have the potential to be used in the same manner in which essential oils are used (such as food and beverages, cosmetic products, household products and therapeutic products).

Any efforts to enter a new market space holds the risk that the product offering does not meet the needs or demands of the market. New vertical markets usually cost substantially more to penetrate than a known market and may also result in a diversion of the attention and time of management and the scientific team. Accordingly, such efforts may have a materially adverse effect on the value and prospects of the Company.

**(d) Manufacturing and production risks**

While the production of the Terpene Profiles is not considered by the Directors to be particularly difficult given the capabilities of the Company's technology (in fact, it is considered to be one of the advantages for the Company over its competitors), the Company is an early-stage company and has yet to develop its reconstructed Terpene Profiles on a commercial scale.

Accordingly, the commercialisation phase for the Company's Terpene Profiles, summarised in Section 2.12, is subject to a number of technological and production risks which may result in unforeseen and unavoidable delays.

These risks include, amongst other things, overestimating the ease at which the Terpene Profiles may be developed, availability of necessary base terpenes to reconstruct the Terpene Profiles, availability of appropriately skilled third parties, and unforeseen bugs and errors.

For example, the Company has entered into a memorandum of understanding with Herbal Remedies Laboratories Ltd (HRL), a third-party laboratory, for the Company to use the laboratory's services to satisfy its initial purchase orders, until such time as the Company establishes its own commercial laboratory. Under the terms of that memorandum of understanding (summarised in Section 7.11) the parties agreed in good faith to prepare and execute a written agreement, setting out the definitive terms of HRL's engagement within 3 months of the date of the memorandum of understanding. If the parties are unable to reach agreement on the definitive terms, or HRL breaches the memorandum of understanding, or definitive agreement (once agreed), the Company would need to enter into an agreement with an alternative third-party laboratory. There is no guarantee that such an alternative will be readily available, or available on reasonable terms, and this could impact the Company's financial position. The requirement to engage an alternative third-party laboratory would also likely delay the Company's timeline to production.

**(e) Patent application risk**

There is no guarantee that the Company's current patent application will be granted or that the Company will receive enforceable patent rights.

There is a risk that the Company will not be entitled to practice the inventions claimed in its patent, and that the working of its patented

invention may be prevented by another patent or patent application which has an earlier priority date to the patent applications licensed to the Company.

Even if the Company succeeds in obtaining patent protection for its products, its patents could be partially or wholly invalidated following challenges by third parties. The grant of a patent does not guarantee validity of that patent since it may be revoked on the grounds of invalidity at any time during its life. If none of the claims of a granted patent are valid, the patent is unenforceable.

(f) **Protection of intellectual property rights**

The Company intends to pursue intellectual property protection in the form of patents post-Admission on an ongoing basis as it analyses plant profiles and develops Terpene Profiles.

However, if the Company fails to protect the intellectual property rights of the Company adequately, competitors may gain access to its technology which may harm its business.

Securing rights to intellectual property, and in particular patents, is an integral part of securing potential product value from the development of information technology. Competition in retaining and sustaining protection of intellectual property and the complex nature of intellectual property can lead to expensive and lengthy patents disputes for which there can be no guaranteed outcome.

Legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Effective patent, trademark, copyright and trade secret protection may not be available to the Company in every country in which the Company's products may eventually be sold. Accordingly, despite its efforts, the Company may not be able to prevent third parties from infringing upon or misappropriating its intellectual property.

The Company relies on trade secrets to help protect its proprietary know-how. However, trade secrets are difficult to protect. The Company relies in part on confidentiality agreements with its employees, consultants, contractors and other third parties to protect its trade secrets, as well as its "Intellectual Property and Confidentiality Policy and Processes" policy (**Policy**), which forms part of the contract of employment or engagement for each of the Company's staff, contractors and consultants (refer to Section 7.9 for a summary). These agreements and the Policy may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorised disclosure of confidential information. In addition, others may independently discover the Company's trade secrets and proprietary information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of the Company's proprietary rights. Failure to obtain or maintain trade secret protection, or failure to adequately protect the Company's intellectual property could enable competitors to use the Company's proprietary information to develop other products that compete with the Company's products or cause additional, material adverse effects upon the Company's business, results of operations and financial condition.

The Company may be required to incur significant expenses in monitoring and protecting its intellectual property rights. It may initiate or otherwise be involved in litigation against third parties for infringement, or to establish the validity, of its rights. Any litigation, whether or not it is successful, could result in significant expense to the Company and cause a distraction to management.

**(g) Infringement of third-party intellectual property**

If a third party accuses the Company of infringing its intellectual property, or if a third party commences litigation against the Company for infringement of its intellectual property rights, the Company may incur significant costs in defending such action, whether or not it ultimately prevails. Costs that the Company may incur in defending such third-party infringement actions would also include diversion of management's and technical and scientific personnel's time.

In addition, parties making claims against the Company may be able to obtain injunctive or other equitable relief that could prevent the Company from further developing or commercialising its products.

In the event of a successful claim for infringement against the Company, it may be required to pay damages and obtain one or more licenses or consents from the prevailing third party. If it is not able to obtain these licenses at a reasonable cost, or at all, it could encounter delays in developing and commercialising its products and loss of substantial resources while it attempts to rebrand or adjust its business plans.

Defence of any lawsuit or failure to obtain any of these licenses or consents could prevent the Company from commercialising its products and could cause it to incur substantial expenditure.

Although the Company is not aware of any third-party interests in relation to the intellectual property rights to be utilised by the Company, and has taken steps to protect and confirm its interest in the required intellectual property rights, there is always a risk of third parties alleging that their intellectual property rights have been infringed.

**(h) Competition and new technologies**

The Board is not aware of any direct competitors offering the same product as the Company.

Although the Board is not currently aware of any direct competitors offering the same product as the Company, a rival product offering or technology developments by third-party competitors may have a materially adverse effect on the value and prospects of the Company.

**(i) Third party risk**

The operations of the Company require the involvement of a number of third parties, including suppliers of raw materials and third-party laboratories.

Financial failure, default or contractual non-compliance on the part of such third parties may have a material impact on the operations and performance of the Company. It is not possible for the Company to predict or protect itself against all such risks.

(j) **Material contract risk**

The Company's first sales contract is with Allor Vaporizers, a company based in the United States (refer to Section 7.10 for a summary of this supply agreement).

Financial failure, default or contractual non-compliance on the part of Allor Vaporizers would affect the Company's financial position. The Company would be required to negotiate and enter into alternate agreements sooner than otherwise may be the case. Such alternate supply agreements may not be readily available, or available on reasonable terms, and this would impact the Company's financial position.

(k) **Reliance on information technology and laboratory equipment**

The development of the Terpene Profiles will be dependent upon the performance, reliability and availability of its information technology and laboratory equipment. This includes its core technologies such as computer servers and back-end processing systems and laboratory equipment. These systems may be adversely affected by a number of factors, including major events such as acts of terrorism or war, or breakdown in utilities such as electricity and fibre optic cabling. Events of that nature may cause one or more of those core technologies to become unavailable. There are also internal and external factors that may adversely affect those systems and technologies such as natural disasters, misuse by employees or contractors, or other technical issues. The Company's disaster recovery plans may not cover loss or damage that is suffered as a result of such a system failure.

Any damage to, or failure of, these key systems may affect the Company's ability to operate its business. Such disruptions have the potential to reduce the Company's ability to generate revenue, impact customer service levels and damage the brand of 'eSense'.

The Company's business will also be dependent on the availability of third-party laboratories. The Company has entered into a memorandum of understanding with Herbal Remedies Laboratories Ltd (HRL), a third-party laboratory, for the Company to use the laboratory's services to satisfy its initial purchase orders, until such time as the Company establishes its own commercial laboratory. Under the terms of that memorandum of understanding (summarised in Section 7.11) the parties agreed in good faith to prepare and execute a written agreement, setting out the definitive terms of HRL's engagement within 3 months of the date of the memorandum of understanding. If the Company and HRL are unable to formalise the definitive terms of this memorandum of understanding, or HRL breaches the memorandum of understanding or definitive agreement (once agreed), the Company would need to enter into an agreement with an alternative third-party laboratory. There is no guarantee that such an alternative will be readily available, or available on reasonable terms, and this could impact the Company's financial position. The requirement to engage an alternative third-party laboratory would also likely delay the Company's timeline to production.

(l) **Reliance on key personnel**

Success of the business will depend on the Directors and the officers of the Company to develop the business and manage operations, and on the ability to attract and retain key quality staff and consultants.

The management team is currently comprised of a team of personnel who the Directors consider can cover on a temporary basis for any other member of the team who may leave the Company, until such time as the Company engages a replacement.

However, the loss of multiple key person persons or the inability to find new key persons (or delays in finding such key persons) could have a material adverse effect on the business. Competition for qualified technical, scientific, sales and marketing staff can be intense and no assurance can be provided that the Company will be able to attract or retain key personnel in the future. A shortage of qualified staff could also cause wage inflation, which may impact on the Company's profitability.

**(m) Regulatory environment - current products**

The Company is exposed to the risks posed by current and potential future regulations and legislation that apply to the industries in which it proposes to operate.

Changes in the regulatory environment in Israel and other countries the Company may supply its products to may have adverse consequences for the Company.

The Company's operations may become subject to regulatory requirements, such as licensing and reporting obligations, which would increase the costs and resources associated with its regulatory compliance. Any such increase in the costs and resources associated with regulatory compliance could impact upon the Company's profitability. In addition, if regulators took the view that the Company had failed to comply with regulatory requirements, this could lead to enforcement action resulting in public warnings, infringement notices or the imposition of a pecuniary penalty. This could lead to significant reputational damage and adversely impact upon the financial position and financial performance of the Company.

The Directors consider one of the key advantages of the Company's lead reconstructed cannabis Terpene Profiles to be the fact that the end product comprises a comprehensive model of the particular cannabis strain, but does not contain any regulated substances. While the Company has replicated the characteristics of cannabis in its Terpene Profiles, these are not manufactured from cannabis itself and do not contain cannabinoids (neither synthetic nor cannabis plant derived). Cannabinoids are the chemical compounds that provide cannabis with its psychoactive quality.

Accordingly, these reconstructed Terpene Profiles are not believed to be subject to the same regulations as cannabis or cannabis extracts.

There is a risk that laws or regulations may change in the future to prohibit the development or sale of the Company's reconstructed cannabis Terpene Profiles. Should this occur, the Company's intention is to focus on developing its reconstructed cannabis Terpene Profiles for supply to an alternate jurisdiction, or to focus on other valuable plants and spices, such as ginseng, saffron or sandalwood (by way of example only). Such changes in business plans would result in delays to the Company's ability to generate revenue, and result in additional costs as the new plant profiles were developed.

(n) **Regulatory environment - potential expansion into cannabinoid pharmaceutical products**

The Company may in the future seek to have its reconstructed cannabis Terpene Profiles incorporated into pharmaceutical products which contain cannabinoids.

Such movement into pharmaceutical products containing cannabinoids may be, for example, by way of a sale agreement between the Company and a pharmaceutical company which produces products containing cannabinoids. Alternatively, it may be by way of a joint venture or other form of collaboration agreement between the Company and such a pharmaceutical company.

Any such combination of the Company's cannabinoid-free reconstructed Terpene Profiles with products containing cannabinoids would be subject to the following key risks and obligations:

- (i) The Company complying with any legal or regulatory requirements applying to products containing cannabinoids in the relevant jurisdiction. The legal and regulatory regime applicable to products containing cannabinoids differs across jurisdictions and may be expensive and time consuming to appropriately navigate and obtain all necessary approvals. There is also no certainty that the Company will be able to supply such products to a particular jurisdiction within the confines of the applicable legal or regulatory regime.
- (ii) The Company entering into an agreement with a third-party pharmaceutical company. To date, the Company has not entered into any such agreements and there is therefore no certainty of demand for the Company's products in this market; and
- (iii) the completion of all necessary clinical trials or other testing for pharmaceutical products, and receipt of any necessary FDA (or equivalent) approvals for pharmaceutical products. Such trials and regulatory approvals can be lengthy and expensive.

(o) **Product liability risks**

As a manufacturer and supplier of products designed to be exposed to humans, the Company will face an inherent risk of exposure to product liability claims, regulatory action and litigation. These risks will arise if the Company's products are alleged to have caused significant loss or injury. In addition, the manufacture of the Company's Terpene Profiles, once developed, involves the risk of injury to consumers due to tampering by unauthorised third parties or product contamination.

Previously unknown adverse reactions resulting from human exposure to products including the Company's products could occur. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its customers and consumers generally, and could have a material adverse effect on the Company's results of operations and financial conditions.

**(p) Brand establishment and maintenance**

The Company believes that establishing and maintaining the 'eSense' brand in the industries in which it proposes to operate is critical to growing its customer base and product acceptance.

If the Company fails to successfully establish and maintain its brand, its business and operating results could be adversely affected.

Unauthorized use of the 'eSense' brand in counterfeit products or services may not only result in potential revenue loss, but also have an adverse impact on its brand value and perceptions of its product qualities.

**(q) Political and military instability in Israel**

The Company's research and development facilities and research and development team are located in Israel. Many of its employees, Directors and officers are residents of Israel. Accordingly, political, economic and military conditions in Israel and the surrounding region may directly affect the Company's business. Any hostilities involving Israel or the interruption or curtailment of trade within Israel or between Israel and its trading partners could materially and adversely affect the Company's business, financial condition and results of operations and could make it more difficult for the Company to raise capital.

**(r) Obligations of Israeli citizens to perform military service**

Many Israeli citizens are obligated to perform one month, and in some cases more, of annual military reserve duty until they reach the age of 45 (or older, for reservists with certain occupations) and, in the event of a military conflict, may be called to active duty. In response to terrorist activity, there have been periods of significant call-ups of military reservists. Some of the Company's executive officers and employees are required to perform annual military reserve duty in Israel and may be called to active duty at any time under emergency circumstances, which could have a material impact on the Company's operations.

**(s) Boycotts of Israel**

Several countries, principally in the Middle East, restrict doing business with Israel and Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies whether as a result of hostilities in the region or otherwise. In addition, there have been increased efforts by activists to cause companies and consumers to boycott Israeli goods based on Israeli government policies. Such actions, particularly if they become more widespread, may adversely impact the Company's ability to sell its products and its results of operation.

**(t) Currency risk**

The Company expects to derive a majority of its revenue from the United States, in US dollars. The Company will also be required to make payments in the currency for the State of Israel (shekel). Accordingly, changes in the exchange rate between the US dollar and the Israel shekel would be expected to have a direct effect on the performance of the Company.

(u) **Liquidity risk**

The Company anticipates that approximately 39,361,311 Shares will be classified as restricted securities by ASX upon Admission, which will comprise approximately 63.63% of the issued share capital on an undiluted basis. In addition, the Company anticipates that all of the Options and Performance Rights will be classified as restricted securities by ASX. Accordingly, on a fully diluted basis, assuming all Performance Rights and Options vest within the escrow period and are exercised and that no other securities are issued, approximately 83.14% of the issued capital will be subject to escrow.

These securities will be subject to an escrow period of up to 24 months from the date of Official Quotation. This could be considered to be an increased liquidity risk as a portion of the Company's issued capital will not be able to be traded freely for a period of time.

## **6.2 General Risks**

(a) **Securities investments**

Applicants should be aware that there are risks associated with any securities investment. The prices at which the Company's Shares trade may be above or below the Offer price and may fluctuate in response to a number of factors. Further, the stock market is prone to price and volume fluctuations. There can be no guarantee that trading prices will be sustained. These factors may materially affect the market price of the Shares, regardless of the Company's operational performance.

(b) **Share market conditions**

The market price of the Shares may fall as well as rise and may be influenced by the varied and unpredictable movements in the equity markets. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) **Economic risk**

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Company, industrial disruption in Israel, the rate of growth of Israel's gross domestic product, interest rates and the rate of inflation.

(d) **Future capital needs and additional funding**

The future capital requirements of the Company will depend on many factors including its business development activities. The Company believes its available cash and the net proceeds of this Offer should be adequate to fund its business activities in the short term as stated in this Prospectus.

However, should the Company require additional funding there can be no assurance that additional financing will be available on acceptable terms, or at all. Any inability to obtain additional finance, if required, would have a material adverse effect on the Company's business and its financial condition and performance.



(e) **Policies and legislation**

Any material adverse changes in government policies or legislation of Israel or any other country that the Company has economic interests may affect the viability and profitability of the Company.

**6.3 Speculative investment**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

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## 7. Material contracts

### 7.1 Introduction

The Directors consider that certain contracts entered into by the Company are material to the Company or are of such a nature that an investor may wish to have particulars of them when making an assessment of whether to apply for securities under the Offer. The provisions of such material contracts are summarised in this Section. As this Section is a summary only, the provisions of each contract are not fully described. To understand fully all rights and obligations pertaining to the material contracts, it would be necessary to read them in full.

### 7.2 Assignment of intellectual property

All intellectual property rights comprised in the technology to be utilised by the Company has been assigned to the Company by the technology's founder, Dr Yaron Penn, the Company's chief technical officer.

This assignment of intellectual property is provided for in Dr Penn's employment agreement with the Company, which was entered into on 17 October 2016. A summary of the provisions of Dr Penn's employment agreement which govern the assignment of intellectual property is below. A summary of the provisions of Dr Penn's employment agreement which govern the other terms of his employment is in Section 7.4(a) below.

- (a) **Intellectual Property Rights:** 'Intellectual Property Rights' is defined in the employment agreement as meaning all worldwide:
  - (i) patents, patent applications, designs and patent rights;
  - (ii) rights associated with works of authorship, including, but not limited to, copyrights, copyrights applications, copyrights restrictions, mask work rights, mask work applications and mask work registrations;
  - (iii) rights relating to the protection of trade secrets and confidential information;
  - (iv) moral rights, trademarks, service marks, logos, domain names, trade dress and goodwill;
  - (v) rights analogous to those specified above and any other proprietary rights relating to intangible property including ideas; and
  - (vi) divisions, continuations, renewals, reissues and extensions of the foregoing (as applicable) now existing or hereafter filed, issued, or acquired.
- (b) **Ownership:** Dr Penn acknowledged and agreed that the Company exclusively owns and shall own all right, title and interest in and to any work, products, processes, materials, inventions, texts, algorithms, designs, sketches, ideas or discoveries, including without limitation the US provisional patent application number 62399416 (as summarised in the Intellectual Property Report in Section 3) (**Patent Application**) and all derivatives, enhancements or improvements thereof and any and all Intellectual Property Rights associated therewith, created, conceived made or discovered by Dr Penn (whether solely or jointly with others) during:

- (i) the term of his engagement with the Company;
- (ii) in connection with his engagement with the Company; or
- (iii) in connection with the Company, its business (actual or contemplated), products, technology or know how

(together, **Company IPR**).

- (c) **Assignment:** Dr Penn acknowledged and agreed that all Company IPR and all modifications, derivatives and enhancements thereof belong to, and shall be the sole property of, the Company (or its designees) upon creation thereof. Dr Penn irrevocably assigned to the Company or its designee and shall assign all right, title and interest Dr Penn may have or may acquire in and to Company IPR upon its creation. Dr Penn acknowledged and agreed that no rights relating to any Company IPR, including without limitation the Patent Application, are reserved to Dr Penn.
- (d) **Further acts:** Dr Penn must assist the Company, upon the Company's first request, to obtain, and from time to time enforce, any Company IPR worldwide, including without limitation, executing, verifying and delivering such documents and performing such other acts as the Company may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining and enforcing such Company IPR. Such obligation shall remain in effect beyond the termination of Dr Penn's relationship with the Company, all for no additional consideration, provided that Dr Penn shall not be required to bear any expenses as a result of such assignment. In the event the Company is unable for any reason, after reasonable effort, to secure Dr Penn's signature on any document required, Dr Penn irrevocably designated and appointed the Company and its duly authorised officers and agents as his agent and attorney in fact to act for and on its behalf to further the above purposes.
- (e) **Consideration:** Dr Penn irrevocably confirmed that the consideration explicitly provided in his employment agreement with the Company (refer to Section 7.4(a) for a summary) is inclusive of any and all rights for compensation that may arise in connection with the Company IPR under applicable law and Dr Penn irrevocably waived any legal right he may have in connection with the Company IPR, including without limitation any right, moral rights or right to claim royalties or any other additional consideration from the Company with regard to the assigned Company IPR.
- (f) **No other pre-existing intellectual property rights:** Dr Penn represented and warranted that upon commencement date of his engagement with the Company, he had not created and does not have any right, title or interest in and to any Intellectual Property Rights related, similar to and/or required for Company's business, products or Intellectual Property Rights (**Prior Inventions**). Dr Penn undertook not to incorporate any Prior Inventions or third party's Intellectual Property Rights (including of a former employer) in any Company IPR.
- (g) **Discoveries:** Dr Penn undertook to immediately inform and deliver in writing to the Company, written notice of any Company IPR conceived or invented by him or personnel of the Company or its successors who are subordinate to him, immediately upon the discovery thereof.

- (h) **Survival:** Dr Penn's obligations as summarised above will survive the termination of his employment with the Company or its successors and assigns.

### 7.3 Director engagement agreements

#### (a) **Management Services Agreement - Mr Haim Cohen**

On 2 October 2016, the Company entered into a Management Services Agreement with its Chief Executive Officer, Mr Haim Cohen. The engagement took effect from 19 September 2016.

The material terms and conditions of the engagement of Mr Cohen are summarised below:

- (i) **Services:** Mr Cohen agreed to provide management services and serve as the Company's chief executive officer, reporting to the Board.
- (ii) **Requirements:** Mr Cohen's engagement is on a full-time basis, and his compensation package includes all such working hours required.
- (iii) **Compensation:**
  - (A) **Cash portion:** Mr Cohen is entitled to be paid a gross service fee of US\$6,000 per month, plus VAT (if applicable). In addition, upon Admission (subject to Mr Cohen continuing to be engaged by the Company at this time), Mr Cohen's gross service fee is to be increased to US\$12,500 per month plus VAT (if applicable).
  - (B) **Equity portion:** Pursuant to the agreement, Mr Cohen has been issued with 190,000 Options pursuant to the Company's Incentive Plan. These Options have been exercised into Shares.
- (iv) **Location:** Mr Cohen is to be based in the Company's Israel offices.
- (v) **Termination by notice:** Either party may terminate the agreement by the provision of a three months' prior written notice.
- (vi) **Termination for cause:** The Company may terminate the agreement at any time by the provision of summary written notice if Mr Cohen engages in any act that under applicable Israeli law would negate the entitlement of an employee to severance pay, or where Mr Cohen is in breach of his fiduciary duty to the Company, including but not limited to a commission of a felonious crime connected with his engagement, or he is in breach of any of his obligations regarding confidentiality, non-competition, non-solicitation and intellectual property.
- (vii) **Governing law:** The agreement is governed by the laws of the State of Israel.

Mr Cohen has also provided an undertaking to the Company in respect of the preservation and protection of its confidential information and intellectual property rights, on the following key terms:

- (i) **Confidentiality:** Mr Cohen is subject to standard obligations in relation to the protection of confidential information of the Company.
- (ii) **Non-competition:** For the period of Mr Cohen's engagement and for 12 months from the date of termination for any reason, Mr Cohen is prohibited from undertaking any business as an employee, independent contractor, consultant or otherwise which may directly or indirectly compete with the Company.
- (iii) **Non-solicitation:** For the term of Mr Cohen's engagement and for 12 months from the date of termination for any reason, Mr Cohen must not approach, solicit or recruit any employee, supplier, customer or agent of the Company to leave the Company or terminate their relationship with the Company or reduce the scope of their relationship with the Company.
- (iv) **Intellectual property:** All intellectual property rights developed through Mr Cohen's engagement with the Company shall vest in the Company and Mr Cohen must execute any documents necessary to establish the Company's rights to such intellectual property.
- (v) **Breach:** Mr Cohen's obligations under the undertaking survive the termination of his engagement with the Company and Mr Cohen will be liable to compensate the Company for any loss, damage or expense incurred by the Company as a result of such breach.

(b) **Non-Executive Director Agreements**

The Company entered into agreements with each of the Non-Executive Directors of the Company. The agreements with each of Eran Gilboa, Brendan de Kauwe and Ilan Saad took effect from 1 October 2016. The agreements with Galit Assaf and Quentin Megson took effect from 5 December 2016.

The Non-Executive Directors agreed to serve in the position of a Board member and provide general consultation and advisory services to the Company, its chief executive officer and other members of the Board on subjects relating to the Company's business, strategic and financial issues as may be required from time to time.

Each of the Non-Executive Directors excluding Brendan de Kauwe shall be paid an annual fee of A\$50,000 plus VAT (if applicable), paid in 12 equal monthly instalments. The entitlement to be paid this fee shall commence from the date of Admission.

In light of Brendan de Kauwe's position as Chairman, he shall be paid an annual fee of A\$85,000 plus VAT (if applicable), paid in 12 equal monthly instalments. The entitlement to be paid this fee shall commence from the date of Admission.

In addition to the above, Mr Ilan Saad shall be paid a monthly fee of US\$3,000 plus VAT (if applicable) effective from 1 October 2016 until the date of Admission. The Company's agreement with Mr Saad also provided for him to be issued with 26,000 Options pursuant to the Company's Incentive Plan. These Options have been exercised into Shares. Refer to Section 9.6 for further detail regarding the Directors' security holding in the Company.

The appointments shall continue from the effective date until terminated by either party. Either the Company or the Non-Executive Director may terminate the engagement by the provision of 30 days' prior written notice.

The agreements are otherwise on terms considered standard for appointments of this nature, including with respect to the assignment of intellectual property rights to the Company, protection of confidential information, and restraints on solicitation of employees.

The agreements are governed by the laws of the State of Israel.

## 7.4 Key technical personnel agreements

### (a) Dr Yaron Penn - Employment Agreement

On 17 October 2016, the Company entered into an Employment Agreement with Dr Yaron Penn for his engagement as Chief Technical Officer (CTO).

The material terms and conditions of the engagement of the CTO are summarised below:

- (i) **Commencement date:** The CTO's engagement is deemed to have commenced on 1 September 2016.
- (ii) **Requirements:** The CTO's engagement is on a full-time basis, and his compensation package includes all such working hours required.
- (iii) **Reporting:** The CTO is to report to the Chief Executive Officer or any other officer as the Company directs from time to time.
- (iv) **Compensation:**
  - (A) **Cash portion:** The CTO is to be paid a gross monthly salary of NIS 20,800. Following Admission, this gross monthly salary is to be increased to NIS 30,000 (**Salary**). A portion of the Salary shall, if elected by the CTO, be contributed to an insurance policy and/or pension fund for the CTO.
  - (B) **Study fund:** Subject to the applicable tax restrictions, the Company shall make monthly contributions on the CTO's behalf to a recognised advanced study fund of an amount equal to 7.5% of the Salary. In addition, the Company shall deduct 2.5% of the Salary and transfer these monies to the study fund.
  - (C) **Options:** The Company may also grant the CTO 136,000 Options pursuant to the Company's Incentive Plan. These Options were issued and have been exercised into Shares.
- (v) **Additional benefits:** The CTO shall be entitled to be provided with a car (of a model agreed by the parties) instead of being compensated for his travel expenses.
- (vi) **Location:** The CTO is to be based in the Company's Israel offices.
- (vii) **Termination by notice:** Either party may terminate the agreement by the provision of a three months' prior written notice.

- (viii) **Termination for cause:** The Company may terminate the agreement at any time by the provision of summary written notice if the CTO engages in any act that under applicable Israeli law would negate the entitlement of an employee to severance pay, or where the CTO is in breach of his fiduciary duty to the Company, including but not limited to a commission of a felonious crime connected with his engagement, or he is in breach of any of his obligations regarding confidentiality, non-competition, non-solicitation and intellectual property.
- (ix) **Leave entitlements:** The CTO shall be entitled to 18 business days' annual leave per year, which shall accrue on a yearly basis. The CTO shall also be entitled to the standard Israeli legal entitlements such as sick leave.
- (x) **Confidentiality:** The CTO is subject to standard obligations in relation to the protection of confidential information of the Company. The CTO will be liable to compensate the Company for any loss or damage it causes as a result of a breach of these confidentiality obligations.
- (xi) **Non-competition:** For the period of the CTO's engagement and for 12 months from the date of termination for any reason, the CTO is prohibited from undertaking any business as an employee, independent contractor, consultant or otherwise which may directly or indirectly compete with the Company.
- (xii) **Non-solicitation:** For the term of the CTO's engagement and for 12 months from the date of termination for any reason, the CTO must not approach, solicit or recruit any employee, supplier, customer or agent of the Company to leave the Company or terminate their relationship with the Company or reduce the scope of their relationship with the Company.
- (xiii) **Intellectual property:** All intellectual property rights developed through the CTO's engagement with the Company shall vest in the Company and the CTO must execute any documents necessary to establish the Company's rights to such intellectual property. Refer to Section 7.2 above for further detail.
- (xiv) **Governing law:** The agreement is governed by the laws of the State of Israel.

(b) **Dr Mira Carmeli-Weissberg - Employment Agreement**

On 8 November 2016, the Company entered into an Employment Agreement with Dr Mira Carmeli-Weissberg for her engagement as Chief Scientific Officer (CSO).

The material terms and conditions of the engagement of the CSO are summarised below:

- (i) **Commencement date:** The CSO's engagement is to commence on 1 December 2016.
- (ii) **Requirements:** The CSO's engagement is on a full-time basis, and her compensation package includes all such working hours required.

- (iii) **Reporting:** The CSO is to report to the Chief Technical Officer or any other officer as the Company directs from time to time.
- (iv) **Compensation:**
  - (A) **Cash portion:** The CSO is to be paid a gross monthly salary of NIS 25,100 (**Salary**). A portion of the Salary shall, if elected by the CSO, be contributed to an insurance policy and/or pension fund for the CSO.
  - (B) **Study fund:** Subject to the applicable tax restrictions, the Company shall make monthly contributions on the CSO's behalf to a recognised advanced study fund of an amount equal to 7.5% of the Salary. In addition, the Company shall deduct 2.5% of the Salary and transfer these monies to the study fund.
  - (C) **Options:** The Company may also grant the CSO 120,000 Options pursuant to the Company's Incentive Plan. These Options have been issued and exercised into Shares.
- (v) **Location:** The CSO is to be based in the Company's Israel offices.
- (vi) **Termination by notice:** Either party may terminate the agreement by the provision of a three months' prior written notice.
- (vii) **Termination for cause:** The Company may terminate the agreement at any time by the provision of summary written notice if the CSO engages in any act that under applicable Israeli law would negate the entitlement of an employee to severance pay, or where the CSO is in breach of her fiduciary duty to the Company, including but not limited to a commission of a felonious crime connected with her engagement, or she is in breach of any of her obligations regarding confidentiality, non-competition, non-solicitation and intellectual property.
- (viii) **Leave entitlements:** The CSO shall be entitled to 20 business days' annual leave per year, which shall accrue on a yearly basis. The CSO shall also be entitled to the standard Israeli legal entitlements such as sick leave.
- (ix) **Confidentiality:** The CSO is subject to standard obligations in relation to the protection of confidential information of the Company. The CSO will be liable to compensate the Company for any loss or damage it causes as a result of a breach of these confidentiality obligations.
- (x) **Non-competition:** For the period of the CSO's engagement and for 12 months from the date of termination for any reason, the CSO is prohibited from undertaking any business as an employee, independent contractor, consultant or otherwise which may directly or indirectly compete with the Company.
- (xi) **Non-solicitation:** For the term of the CSO's engagement and for 12 months from the date of termination for any reason, the CSO must not approach, solicit or recruit any employee, supplier, customer or agent of the Company to leave the Company or terminate their



relationship with the Company or reduce the scope of their relationship with the Company.

- (xii) **Intellectual property:** All intellectual property rights developed through the CSO's engagement with the Company shall vest in the Company and the CSO must execute any documents necessary to establish the Company's rights to such intellectual property.
- (xiii) **Governing law:** The agreement is governed by the laws of the State of Israel.

(c) **Independent Advisory Agreement - Professor Zvi Vogel**

On 17 October 2016, the Company entered into an Independent Advisory Agreement with Professor Zvi Vogel. This agreement took effect from 1 November 2016.

The material terms and conditions of the engagement of Professor Vogel are summarised below:

- (i) **Services:** Professor Vogel agreed to provide general advice and guidance to the Board and senior management and assist in the research and development of the Company.
- (ii) **Term:** The engagement commenced effective 1 November 2016 and shall continue until terminated by either party. 90 days' written notice is required for the termination of the agreement.
- (iii) **Compensation:**
  - (A) **Cash portion:** A monthly fee of US\$2,500 plus VAT (if applicable).
  - (B) **Equity portion:** The Company must issue Professor Vogel Options pursuant to the Company's Incentive Plan (these Options have been issued - a total of 638,689). These Options have an exercise price of NIS 0.01 each, and vest annually over a three year period in equal instalments commencing from the issue date.
- (iv) **Non-competition:** For so long as Professor Vogel holds any position in the Company, or any equity in the Company, he must not be involved, directly or indirectly, in any business which is the same or substantially similar, or competes with, the business of the Company. It is acknowledged that Professor Vogel is a Professor Emeritus at the Weizmann Institute of Science and an employee of Tel-Aviv University, but that these engagements concern matters which are not related to the Company's activities, intellectual property or business.
- (v) **Confidential information:** Professor Vogel is subject to standard obligations in relation to the protection of confidential information of the Company. This obligation survives the termination of the agreement for any reason.
- (vi) **Intellectual property:** All intellectual property rights developed through Professor Vogel's engagement with the Company shall vest in the Company and Professor Vogel must execute any documents

necessary to establish the Company's rights to such intellectual property.

- (vii) **Non-solicitation:** For the term of the agreement and six months afterwards, Professor Vogel is restricted from recruiting, soliciting or inducing any employee of the Company from terminating his or her employment with the Company.

## 7.5 Directors Indemnification Agreements

The Company has entered into indemnification agreements with each of the Directors.

Pursuant to these agreements, the Company indemnifies each Director to the extent permitted by the Companies Law in respect of certain liabilities arising as a result of the Director acting as in his capacity as a Director of the Company.

## 7.6 Company Secretary Services - Grange Consulting

By agreement dated 5 October 2016, the Company engaged Grange Consulting Group Pty Ltd (**Grange**) to provide company secretarial services to the Company.

Pursuant to this agreement, Grange has agreed to act as company secretary for the Company and as the contact person with ASX and the Share Registry.

Grange nominated Mr Steven Wood as the company secretary, with assistance from Mr John Morrison and the directors of Grange where required.

The fees payable to Grange are comprised of A\$3,000 per month. Additional fees are payable where Grange's assistance is required for matters outside the scope of its engagement, such as the preparation of periodic reports or assistance with further capital raisings or general meetings.

## 7.7 Lead Manager Mandate

On 28 September 2016, the Company and Otsana entered into a corporate advisory mandate pursuant to which Otsana agreed to be appointed as the Company's corporate advisor in relation to the Acquisition (**Mandate**). A summary of the key terms of the Mandate is set out below.

- (a) **Term:** The Company has engaged Otsana as a corporate advisor for a period of 6 months from 28 September 2016. The Mandate will continue for an additional 12 months commencing on the date of Admission, with access to Otsana's corporate team as required. Following Admission, Otsana will be paid a corporate advisory fee of \$10,000 (plus GST) per month for these services.
- (b) **Lead manager fees:** The Company must pay Otsana a success fee of A\$150,000 following Admission, and also issue up to 5,000,000 Options to Otsana or its nominees in consideration for capital and lead manager services. The terms and conditions of these Options are summarised in Section 9.3.
- (c) **Capital raising fees:** Otsana, acting in its capacity as corporate advisor, will be entitled to a 2% advisory fee on total monies raised under the Offer and under the Convertible Loans, excluding any monies raised or contributed directly by anyone that the Company has solicited itself during the course of the Offer. In addition, the Company will pay up to an additional 4% on any

capital raised by Otsana or any funding sources that Otsana introduces for the purposes of the Offer or the Convertible Loans.

- (d) **Termination:** Either party may terminate the Mandate:
  - (i) by providing the other party with 30 days written notice; or
  - (ii) if the other party fails to perform any material obligation under the Mandate, and does not remedy such failure within 14 days of receiving written demand.
- (e) **Board representation:** Otsana is entitled to nominate at least one Board representative. This representative is currently Dr Brendan de Kauwe.

## 7.8 Convertible Loan Agreements

The Company has entered into loan agreements with various lenders (**Lenders**) pursuant to which it has been provided with an aggregate loan amount of A\$1,000,000 (**Loan**). A summary of the key terms of the loan agreements is set out below.

- (a) **Interest:** The Loan is provided on an interest-free basis.
- (b) **Conversion:** The Convertible Loan shall automatically convert into Shares immediately prior to Admission through the issue of 10,000,000 Shares at a deemed issue price of A\$0.10 each.
- (c) **Redemption:** If the Loan has not been converted by 1 January 2017, the Company has the right to redeem the Loan by paying the lenders a 120% premium of the outstanding sum owed to the lender (for example, if the outstanding sum owed to a lender is A\$100,000, the Company may redeem the loan by paying the lender A\$120,000). The lender does not have the right to require the redemption of the Loan.
- (d) **Security:** The Loan is unsecured.

The Company is unlikely to be admitted to the official list of ASX before 1 January 2017. The Company does not intend on redeeming the Loan on or after 1 January 2017. The Company intends on retaining the Loan and such Loan converting into Shares immediately prior to Admission.

In respect of the individual Convertible Loan Agreements:

- (a) 27 parties entered into Convertible Loan Agreements with the Company.
- (b) the range of the Loans provided was between A\$10,000 to A\$50,000, plus one outlier of A\$150,000;
- (c) none of the Lenders are related parties of the Company;
- (d) subject to paragraph (e) below, on conversion of the Loans (which will only occur immediately prior to Admission), the Lenders will hold a Relevant Interest in the Company's Shares of between 0.16% to 0.81%, plus one outlier who will hold a Relevant Interest of 2.42%; and
- (e) only one of the Lenders is currently a shareholder of the Company. This Lender's Relevant Interest in the Company's Shares will be 1.76% upon

conversion of the Loan (which will only occur immediately prior to Admission).

## **7.9 Intellectual property and confidentiality policy**

The Company has adopted an “Intellectual Property and Confidentiality Policy and Processes” document (**Policy**), which forms part of the contract of employment or engagement for each of the Company’s staff, contractors and consultants (**Employees**).

The purpose of the Policy is to:

- (a) provide consistent rules, processes and guidelines with respect to the conduct, protection and management of the Company’s design and development projects for the purpose of protecting the results of the intellectual activities of the Employees for the benefit of the Company;
- (b) ensure proper compliance with applicable intellectual property laws and regulations and related laws and regulations;
- (c) provide a platform for rational decision making, improved commercialisation efforts and generation of maximum returns for Shareholders relating to intellectual property; and
- (d) formalise a business culture of respecting the intellectual property rights and confidential information of third parties, including and especially the rights of organisations and individuals who have previously engaged the Employees, whereby third-party intellectual property and confidentiality rights are to be treated as important as the rights of the Company.

Pursuant to the Policy, Employees are required to, amongst other things:

- (a) take appropriate measures to secure and protect the Company’s intellectual property rights;
- (b) respect and take due care of the legitimate intellectual property rights of third parties;
- (c) ensure that their design and development is an original work undertaken in order to gain knowledge and understanding for the benefit of the Company;
- (d) declare to the Board any potential, perceived, or actual conflicts of interest;
- (e) responsibly manage all relevant documentation;
- (f) assist the Company in investigating and defending third-party claims for alleged or actual infringement of third-party intellectual property rights; and
- (g) assist the Company in the prosecution, assignment, encumbrance or enforcement (including any threat of enforcement or any revocation or cancellation of third-party intellectual property rights).

Paragraphs (f) and (g) above survive termination of any Employee’s contract of employment or engagement. In that event, the Company undertakes to pay for the Employee’s reasonable costs of assisting the Company in those acts, matters and things contemplated above.

The Policy also provides that the Company will own all intellectual property created by Employees which is created in the course of their employment, involves the use of the Company's resources, or relates to current or future business plans of the Company.

The Policy also imposes obligations on Employees in relation to their use and disclosure of intellectual property and confidential information.

## 7.10 Allor Vaporizers Purchase Order

In September 2016, the Company entered into Terms and Conditions of Sale (**Terms**) with Allor Vaporizers (**Customer**), an electronic vaporizer company based out of South Florida, United States.

A summary of the material terms of the Terms is below:

- (a) **Payment:** Payment must be made in advance of delivery of the Company's products.
- (b) **Title:** Title to the products will pass to the Customer upon payment in full for the products and risk of loss transfers to the Customer upon pick-up from the Company's designated site.
- (c) **Delivery:** The delivery dates specified in a purchase order are estimates only, and the Company will not be liable for any failure to perform by or on such specified date.
- (d) **Approvals:** The Customer is responsible for, amongst other things, ensuring that all permits, approvals, licenses, or certificates required by the Customer's local laws are duly obtained and that all export and import laws and regulations are complied with.
- (e) **Intellectual property rights:** The Company retains exclusive ownership of the intellectual property rights in and to the products and the Customer is prohibited from reproducing, reverse engineering, synthesising or creating derivative compounds from the Company's products.
- (f) **Restrictions on use:** The Customer must only use the Company's products in jurisdictions in which the Customer has received all required governmental approvals, licenses and consents, at the Customer's expense.
- (g) **Disclaimer:** The Company disclaims all warranties, to the fullest extent permissible pursuant to the applicable law, as to the merchantability, non-infringement and fitness for purpose of the Company's products.
- (h) **Term:** Subject to the Terms not having been terminated earlier in accordance with the following paragraph, the Terms apply for a period of 12 months starting on the date of the Terms. Upon expiry of the initial 12 month period, the terms will automatically renew for additional 12 month periods unless and until either party sends the other party a notice of termination prior to the expiration of a 12 month term.
- (i) **Termination:** Either party may terminate the Terms by the provision of written notice to the other party if the other party has breached the Terms and failed to rectify the breach within 30 days' written notice. The Terms may also be terminated by one party upon the occurrence of an insolvency event by the other party. In addition, the Company has a general right to terminate the terms upon 30 days' prior notice. Upon termination, the

Customer must make all payments due to the Company and either return or destroy (at the election of the Company) all confidential information and intellectual property of the Company.

- (j) **Governing law:** The Terms are governed by the laws of the State of Israel.

The Company has been provided with a purchase order from the Customer pursuant to which the Customer has ordered US\$470,000 worth of the Company's cannabis Terpene Profiles. Although the purchase order does not specify an 'end date' by which the order must be satisfied, its intention is to satisfy the order in April 2017.

## 7.11 Memorandum of Understanding

On 14 November 2016, the Company entered into a Memorandum of Understanding (MOU) with Herbal Remedies Laboratories Ltd (**Manufacturer**), to engage the Manufacturer to manufacture the Company's products, being the reconstructed Terpene Profiles.

A summary of the material terms of the MOU is below:

- (a) **Services:** The Manufacturer has agreed to manufacture the Company's products in accordance with the Company's designs and specifications and all applicable professional standards and laws. The Manufacturer also agrees to package and ship the products.
- (b) **Payment:** All payments must be made by the Company within 30 days of receipt of an invoice from the Manufacturer. The Company must pay a 25% deposit upon signing a work order.
- (c) **Agreement:** The parties agree in good faith to, prepare and execute a written agreement, setting out the definitive terms of the Manufacturer's engagement within 3 months of the date of the MOU.
- (d) **Governing law:** The MOU is governed by the laws of the State of Israel.

## 7.12 Gsap Integrative Impact Engagement

On 24 November 2016, the Company agreed to a quotation from Gsap Integrative Impact (**Gsap**), an Israel based company which provides regulatory, quality and validation services.

Pursuant to this agreed quotation, the Company has engaged Gsap to classify the raw materials which comprise the Company's reconstructed Terpene Profiles and advise whether the raw materials are included in the "Everything" Added to Food in the United States (EAFUS) inventory maintained by the FDA Center for Food Safety and Applied Nutrition.

The Company is to be charged for Gsap's services at an hourly rate, plus travel expenses. The Company will be invoiced on a monthly basis, and must pay the invoice within 30 days of receipt.

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## **8. Rights attaching to Shares and CDIs**

### **8.1 Rights attaching to Shares**

A summary of the rights attaching to the Shares under the Offer is detailed below, which includes a summary of the key provisions of the Articles. This summary is qualified by the full terms of the Articles (a full copy of the Articles is available from the Company on request free of charge) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Articles with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and liabilities which attach to the Shares in any specific circumstances, the Shareholder should seek legal advice.

#### **(a) Voting**

At a general meeting, every holder of Shares present in person or by proxy or authorised representative, has one vote for every Share held.

As detailed in Section 8.2, holders of CDIs can attend but cannot vote in person at a general meeting, and must instead direct CDN how to vote in advance of the meeting. Any notice of meeting issued to CDI Holders will include a form permitting the holder to direct CDN to cast proxy votes in accordance with the holder's written instructions.

If, pursuant to the Listing Rules, a notice of meeting contains a voting exclusion statement which excludes certain named persons (or class of persons) and their associates from voting on a particular resolution, any votes cast on that resolution by the named person (or class or person) excluded from voting or an associate of that person or those persons must be disregarded.

#### **(b) Meetings**

An annual general meeting is required to be held once in every calendar year.

Subject to the provisions of the Companies Law, the Company is required to give Shareholders at least 14 days' notice of a meeting of Shareholders. Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and to receive all notices required to be sent to Shareholders under the Companies Law, Articles and Listing Rules. As noted above, CDI Holders may only exercise their vote by directing CDN accordingly.

Under the Articles, Shareholders holding at least 1% of the voting rights of the Company may request, subject to the Companies Law, that the Directors include a matter on the agenda of a general meeting, provided that the matter is appropriate to be considered in a general meeting. The Articles detail the information that must be included in such a request, and the timing requirements.

In addition to the ability to request Directors include a matter on the agenda of a convened general meeting, under the Companies Law, Shareholder(s) holding either (a) five percent or more of the outstanding issued shares and one percent of the outstanding voting power or (b) five percent or more of

the outstanding voting power have the right to requisition a general meeting. Refer to Section 9.1(c) for further detail.

**(c) Dividends**

Subject to the Companies Law, the Board may declare, and cause the Company to pay, such dividend as may appear to the Board to be appropriate. Subject to the Companies Law, the Board of Directors shall determine the time for payment of such dividends, and the record date for determining the shareholders entitled thereto.

Subject to the rights of the holders of shares with special rights as to dividends (currently there are no such special rights), any dividend paid by the Company shall be allocated among shareholders entitled thereto in proportion to their respective holdings of the shares in respect of which such dividend is being paid.

**(d) Transfer of Shares**

Subject to the Articles, Companies Law, Listing Rules and ASX Settlement Rules, Shares may be transferred by a proper transfer effected in accordance with ASX Settlement Rules, by a written instrument of transfer which complies with the Articles or by any other method permitted by the Companies Act, Listing Rules or ASX Settlement Rules.

The Board may refuse to register a transfer of Shares where permitted to do so under the Articles, Listing Rules or ASX Settlement Rules. The Board must not refuse to register a transfer of CDIs when required by the Listing Rules or ASX Settlement Rules.

**(e) Issue of further Shares**

Subject to the Articles and to the provisions of the Companies Law and the Listing Rules, the unissued shares of the Company (whether forming part of the original or any increased capital) are under the control of the Board and may be issued as the Board thinks fit.

**(f) Winding Up**

A shareholder resolution approved by 75% of the voting shares is required to approve a voluntary winding up of the Company.

If the Company be wound up, liquidated or dissolved, then, subject to applicable law and to the rights of the holders of shares with special rights upon winding up, if any, the assets of the Company legally available for distribution among the shareholders, after payment of all debts and other liabilities of the Company, shall be distributed to the shareholders in proportion to the nominal value of their respective holdings of the shares in respect of which such distribution is being made, provided, however, that if a class of shares has no nominal value, then the assets of the Company legally available for distribution among the holders of such class shall be distributed to them in proportion of their respective holdings of the shares in respect of which such distribution is made.

**(g) Variation of rights**

At present, the Company's only class of shares is ordinary shares. Subject to the Articles, the Companies Law, the Listing Rules and the terms of issue of



a class of shares, the rights attaching to any class of shares may be varied or cancelled with:

- (i) an ordinary resolution passed by the Company's Shareholders; and
- (ii) approval by the holders of a simple majority of the shares of the affected class.

**(h) Directors - appointment and removal**

Each of the Directors other than External Directors (as described below) shall be elected at each annual general meeting and shall serve in office until the close of the next annual general meeting, unless they vacate their office earlier. Each Director retiring at an annual general meeting is eligible to be re-elected at that meeting.

Additional Directors may be elected at general meetings by shareholder resolution. The Board may also appoint additional Directors or Directors to fill a casual vacancy. Directors so elected or appointed must retire at the next annual general meeting, at which they may seek re-election.

A Director may be removed from office by a shareholder resolution approved by Shareholders holding at least two-thirds of the voting power, subject to applicable law. The Board shall also be entitled to remove from office any Director appointed by the Board.

**(i) External Directors**

Under the Companies Law, the Company is required to have at least two External Directors. The External Directors must meet stringent standards of independence from the Company, from its management and from any controlling Shareholder (defined for this purpose as any Shareholder who holds 50% or more of the Company's outstanding Shares, or who has the right to appoint the majority of the Company's Directors or its general manager), as follows:

- (i) a person may not be elected as an External Director if he or she is a relative of a controlling Shareholder;
- (ii) if the Company does not have a controlling Shareholder or a holder of 25% or more of the voting power, then a person may not be elected as an External Director if he or she (or his or her relative, partner, employer or any entity under his or her control) has, as of the date of the person's election to serve as an External Director, any affiliation with the then chairman of the Board of Directors, Chief Executive Officer, a holder of 5% or more of the issued Share capital or voting power, or the most senior financial officer of the Company;
- (iii) a person may not serve as an External Director if he or she (or his or her relative, partner, employer, a person to whom he or she is subordinated or any entity under his or her control) has business or professional relations with anyone with whom affiliation is prohibited as described above, and even if these relations are not on a regular basis (other than de minimis relations); and
- (iv) a person may not continue to serve as an External Director if he or she accepts, during his or her tenure as an external director, direct

or indirect compensation from the Company for his or her role as a Director, other than the amounts prescribed under the regulations promulgated under the Companies Law, indemnification, the Company's undertaking to indemnify such person and insurance coverage.

In addition, no person may serve as an External Director if that person's position or professional or other activities create, or may create, a conflict of interest with that person's responsibilities as a Director or otherwise interfere with that person's ability to serve as an External Director or if the person is an employee of the Israel Securities Authority or of an Israeli stock exchange. These independence standards are applicable beginning two years before the External Director's election and continuing for two years after the External Director's term of service. In addition to election by the normal majority vote, External Directors must generally be elected by a majority vote of the shares held by shareholders other than controlling shareholders.

The Company has appointed Ms Galit Assaf and Mr Quentin Megson as its External Directors. The Company will be required to hold a Shareholders meeting within three months of Admission to approve the appointment of these External Directors.

According to regulations promulgated under the Companies Law, a person may be appointed as an External Director only if he or she has professional qualifications—defined as an academic degree in certain fields or at least five years of experience in certain senior positions—or if he or she has accounting and financial expertise, provided that at least one of the external directors must have accounting and financial expertise. The Board of Directors has determined that Ms Galit Assaf has accounting and financial expertise and possess financial qualifications as required under the Companies Law.

The initial term of an External Director is three years. Thereafter, an External Director may be re-elected by shareholders to serve in that capacity for additional three-year terms, provided that the External Director continues to meet the independence standards and is re-elected by the same majority applicable to the initial election. However, after nine years of service, an External Director may be re-elected only if both the Company's audit committee and board of directors confirm that, in light of the External Director's expertise and special contribution to the work of the board of directors and its committees, the re-election for such additional period is beneficial to the company.

External Directors may be removed from office only under limited circumstances, including ceasing to meet the statutory qualifications for appointment or violating their duty of loyalty to the company. Removal can be by a special meeting of shareholders that approves such dismissal by the same shareholder vote percentage required for the election of external directors, or by a court.

Each committee of the board of directors that exercises the powers of the board of directors must include at least one external director, except that the audit committee and the remuneration committee must include all External Directors then serving on the board of directors, a majority of the members of such committees must be External Directors, and an External Director must serve as the chair of each of these committees. Compensation of an External Director is determined prior to his or her appointment in

accordance with regulatory guidelines, and may not be changed during his or her term subject to certain exceptions.

If at the time of election of an External Director all of the members of the Board of directors (excluding controlling shareholders or relatives of controlling shareholders) are of the same gender, the External Director to be elected must be of the other gender.

**(j) Directors - fees and remuneration**

No Director shall be paid any remuneration by the Company for his or her services as Director except as may be approved by Shareholders. The Company will seek Shareholder approval for the remuneration to be paid to Ms Galit Assaf and Mr Quentin Megson at a Shareholder meeting to be held within 3 months of Admission.

Except as otherwise provided by applicable law, reimbursement of expenses incurred by a Director in carrying out his or her duties as such shall be made pursuant to the policy in this respect as determined by the Board and in effect from time to time.

**(k) Indemnities**

The Company may insure the liability of any office holder (including directors) to the fullest extent permitted by law, as well as entering into contracts to insure the office holder in respect of any obligation imposed on him or her in consequence of an act done in their capacity as an office holder.

In addition, the Company may indemnify any office holder (including directors) to the fullest extent permitted by law. This includes, without limitation, providing an indemnity for any liability or expense imposed on him or her in consequence of an act done in their capacity as an office holder.

The restrictions and limitations on the indemnity and insurance provisions are detailed in the Articles.

**(l) Alteration to the Articles**

The Articles can only be amended by a simple majority of the votes cast at a general meeting.

## **8.2 Rights of CDI Holders**

With the exception of voting rights, CDI Holders are generally entitled to equivalent rights as holders whose securities are legally registered in their own name. The ASX Settlement Rules require that all economic benefits, such as dividends, bonus issues, rights issues or similar corporate actions flow through to CDI Holders as if they were the legal owners of the underlying securities. However, in some cases, marginal difference may exist between the resulting entitlements of CDI Holders and the entitlements they would have accrued if they held Shares directly. This is because, for the purposes of certain corporate actions, CDN's holding of Shares is, for Israeli legal reasons, treated as a single holding, rather than as a number of smaller separate holdings corresponding to the individual interests of CDI Holders (thus, for example, CDI Holders will not benefit to the same extent from the rounding up of fractional entitlements as if they held Shares directly).

The ASX Settlement Rules require the Company to give notices to CDI Holders of general meetings of Shareholders. The notice of meeting must include a form permitting the CDI Holder to direct CDN how to vote on a particular resolution, in accordance with the CDI Holder's written directions. CDN is then obliged under the ASX Settlement Rules to lodge proxy votes in accordance with the directions of CDI Holders. CDI Holders cannot vote personally at Shareholder meetings. The CDI Holder must convert their CDIs into certificated Shares prior to the relevant meeting in order to vote in person at the meeting.

If a takeover bid or similar transaction is made in relation to the Shares of which CDN is the registered holder, the ASX Settlement Rules require that CDN must not accept the offer made under the takeover bid except to the extent that acceptance is authorised by the relevant CDI Holder. In these circumstances, CDN must ensure that the offeror, pursuant to the takeover bid, processes the takeover acceptance.

### 8.3 Converting from a Share to a CDI

CDI Holders may at any time convert their holding of CDIs (tradeable on ASX) to certificated Shares by:

- (a) in the case of CDIs held through the issuer sponsored sub-register, contacting the Share Registry directly to obtain the applicable request form; or
- (b) in the case of CDIs held on the CHESS sub-register, contacting their controlling participant (generally a stockbroker), who will liaise with the Share Registry to obtain and complete the request form.

Upon receipt of a request form, the relevant number of CDIs will be cancelled and Shares will be transferred from CDN into the name of the CDI Holder and a registered share certificate be issued. This will cause your Shares to be registered on the certificated register of Shareholders and trading will no longer be possible on ASX.

A holder of Shares may also convert their Shares to CDIs by contacting their stockbroker (or applicable controlling participant). In this case, the Shares will be transferred from the Shareholder's name into the name of CDN and a holding statement will be issued to the person who converted their Shares to CDIs in respect of the CDIs that have been issued. The CDIs will be tradeable on ASX.

### 8.4 ASIC Relief

Pursuant to ASIC Class Order CO14/827, ASIC has given class order relief for offers for the issue or sale of CDIs, where the underlying foreign securities are quoted on ASX and are held by CDN as the depository nominee. The purpose of the relief is to remove any uncertainty about how offers of CDIs over underlying foreign securities are regulated under the Corporations Act, ensuring offers of CDIs are regulated as an offer of securities under the disclosure provisions of Chapter 6D of the Corporations Act.

Pursuant to the Class Order, the Company is required to provide the following information.

Topic	Explanation
Nature of CDIs	<p>The Shares the subject of the Offer will trade on ASX in the form of CDIs.</p> <p>A CDI is a unit of beneficial ownership in a share (or beneficial interest in a share) or option of a foreign</p>

Topic	Explanation
	<p>company, where the underlying share, interest or option is registered in the name of a depository nominee (in this case CDN), for the purpose of enabling the foreign share, interest or option to be traded on ASX.</p> <p>For further information see Section 1.8.</p>
Specific features of CDIs	<p>The main difference between holding CDIs and Shares is that the holder of CDIs has beneficial ownership of the underlying Shares instead of legal title. Legal title to the underlying Shares is held by CDN for the benefit of the CDI Holder.</p> <p>Each CDI will represent one underlying Share.</p> <p>CDI Holders have the same economic benefits of holding the underlying Shares. CDI Holders are able to transfer and settle transactions electronically on ASX.</p> <p>With the exception of voting rights, the CDI Holders are entitled to equivalent rights and entitlements as if they were the legal owners of Shares. CDI Holders will receive notices of general meetings of Shareholders.</p> <p>For further information see Section 1.8.</p>
Identity and role of CDN	<p>The Shares underlying the CDIs issued pursuant to this Prospectus will be registered in the name of CHESS Depository Nominees Pty Ltd (CDN). CDN is a wholly owned subsidiary of ASX.</p> <p>Legal title to the underlying Shares is held by CDN for the benefit of the CDI Holder.</p> <p>CDN receives no fees from investors for acting as the depository nominee in respect of CDIs.</p>
How to convert CDIs into Shares	<p>Information on how to convert CDIs into Shares is set out in Section 8.3.</p>
Voting rights	<p>CDI Holders cannot vote personally at Shareholder meetings. The CDI Holder must convert their CDIs into certificated Shares prior to the relevant meeting in order to vote in person at the meeting.</p> <p>As CDI Holders are not the legal owners of underlying Shares, CDN, which holds legal title to the Shares underlying the CDIs, is entitled to vote at shareholder meetings of the Company on the instruction of the CDI Holders on a poll, not on a show of hands.</p> <p>CDI Holders are entitled to give instructions for one vote for every underlying Share held by CDN.</p> <p>For further information see Section 8.3.</p>
Dividends or other distributions	<p>The ASX Settlement Rules require that all economic benefits, such as dividends, bonus issues, or other distributions flow through to CDI Holders as if they were the legal owners of the underlying securities.</p>

Topic	Explanation
	As each CDI will represent one underlying Share, in the event the Company pays a dividend or undertakes a distribution CDI holders will receive the same benefit as if they were holding Shares.
Corporate actions	<p>The ASX Settlement Rules require that all economic benefits, such as dividends, bonus issues, rights issues or similar corporate actions flow through to CDI Holders as if they were the legal owners of the underlying securities.</p> <p>However, in some cases, marginal difference may exist between the resulting entitlements of CDI Holders and the entitlements they would have accrued if they held Shares directly. This is because, for the purposes of certain corporate actions, CDN's holding of Shares is, for Israeli legal reasons, treated as a single holding, rather than as a number of smaller separate holdings corresponding to the individual interests of CDI Holders (thus, for example, CDI Holders will not benefit to the same extent from the rounding up of fractional entitlements as if they held Shares directly).</p>
Takeovers	If a takeover bid or similar transaction is made in relation to the Shares of which CDN is the registered holder, the ASX Settlement Rules require that CDN must not accept the offer made under the takeover bid except to the extent that acceptance is authorised by the relevant CDI Holder. In these circumstances, CDN must ensure that the offeror, pursuant to the takeover bid, processes the takeover acceptance.

Further information on CDIs can also be found in Guidance Note 5 to the ASX Listing Rules (available at [www.asx.com.au/documents/rules/gn05\\_chess\\_depository\\_interests.pdf](http://www.asx.com.au/documents/rules/gn05_chess_depository_interests.pdf) and [www.asx.com.au/documents/settlement/CHESS\\_Depositary\\_Interests.pdf](http://www.asx.com.au/documents/settlement/CHESS_Depositary_Interests.pdf)).

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## 9. Additional Information

### 9.1 Key differences between Israeli and Australian company law

As the Company is not incorporated in Australia, its general corporate activities (apart from any offering of securities in Australia) are not regulated by the Corporations Act or by ASIC but instead are regulated by the Israeli Companies Law, 5759-1999 (**Companies Law**) and the Ministry of Justice - Corporations Authority of the State of Israel.

This is a general description of the principal differences between the laws and regulations concerning shares in a company incorporated in Israel as opposed to Australia. It is provided as a general guide only and does not purport to be a comprehensive analysis of all the consequences resulting from acquiring, holding or disposing of such shares or interest in such shares. The laws, regulations, policies and procedures described are subject to change from time to time.

#### (a) Corporate procedures

In Israel, the regulation of companies is generally governed by the Companies Law.

As with Australian company law, a limited liability company incorporated under the Companies Law in Israel will generally be considered a separate legal entity from its shareholders. Further, certain corporate procedures require approval by a special resolution of shareholders under the Companies Law, including the approval of an extraordinary transaction with a controlling shareholder or the terms of employment or other engagement of the controlling shareholder or such controlling shareholder's relative (even if not extraordinary). In addition, a resolution for the voluntary winding up, or an approval of a scheme of arrangement or reorganisation, of a company requires the approval of holders of 75% of the voting rights of the Company represented at the meeting.

#### (b) Transactions requiring shareholder approval

The types of "transactions" that require shareholder approval are governed by the Companies Law and the applicable Articles. Generally speaking, under the Companies Law the following types of transactions will require shareholder approval:

- (i) amendments to the Articles;
- (ii) mergers or consolidations;
- (iii) appointment or removal of company auditors;
- (iv) approval of certain related party transactions; and
- (v) any changes in a company's capital structure such as a reduction of capital, increase of capital or share split.

This is not an exhaustive list but sets out common transactions which require shareholder approval.

(c) **Security holders' right to convene meeting**

Under the Companies Law, a board of directors is required to convene an extraordinary general meeting of shareholders upon the written request of one or more shareholders holding, in the aggregate, either (a) five percent or more of the outstanding issued shares and one percent of the outstanding voting power or (b) five percent or more of the outstanding voting power.

(d) **Right to appoint proxies**

At a general meeting, every shareholder present in person, proxy or written ballot has one vote for each ordinary share held on all matters submitted to a vote. As detailed in Sections 1.8 and 8, holders of CDIs can attend but cannot vote in person at a general meeting, and must instead direct CDN how to vote in advance of the meeting. Any notice of meeting issued to CDI Holders will include a form permitting the holder to direct CDN to cast proxy votes in accordance with the holder's written instructions.

(e) **Changes to rights attaching to securities**

The Companies Law provides that, unless otherwise provided by the Articles, the rights of a particular class of shares may not be adversely modified without the vote of a majority of the affected class at a separate class meeting.

(f) **Takeovers**

In Australia, the Corporations Act governs a takeover. The Corporations Act contains a general rule that a person must not acquire a Relevant Interest in issued voting shares of a company if, because of the transaction, a person's voting power in the company:

- (i) increases from 20% or below to more than 20%; or
- (ii) increases from a starting point, which is above 20% but less than 90%.

Certain exceptions apply, such as acquisitions of Relevant Interests in voting shares made under takeover bids or made with shareholder approval, or creeping acquisitions of 3% per six months.

Australian law permits compulsory acquisition by 90% holders.

In Israel, the Companies Law requires a purchaser to conduct a tender offer in order to purchase shares in publicly held companies, if as a result of the purchase the purchaser would hold more than 25% of the voting rights of a company in which no other shareholder holds more than 25% of the voting rights, or the purchaser would hold more than 45% of the voting rights of a company in which no other shareholder holds more than 45% of the voting rights. The tender offer must be extended to all shareholders, but the offeror is not required to purchase more than five percent of the company's outstanding shares, regardless of how many shares are tendered by shareholders. The tender offer generally may be consummated only if:

- (i) at least five percent of the voting rights in the company will be acquired by the offeror; and



- (ii) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer.

The requirement to conduct a tender offer shall not apply to:

- (i) the purchase of shares in a private placement, provided that such purchase was approved by the company's shareholders for this purpose;
- (ii) a purchase from a holder of more than 25% of the voting rights of a company that results in a person becoming a holder of more than 25% of the voting rights of a company; and
- (iii) a purchase from the holder of more than 45% of the voting rights of a company that results in a person becoming a holder of more than 45% of the voting rights of a company.

In addition, under the Companies Law, a person may not purchase shares of a public company if, following the purchase of shares, the purchaser would hold more than 90% of the company's shares, unless the purchaser makes a tender offer to purchase all of the target company's shares. If, as a result of the tender offer, the purchaser would hold more than 95% of the company's shares and more than half of the offerees that have no personal interest have accepted the offer, the ownership of the remaining shares will be transferred to the purchaser. Alternatively, the purchaser will be able to purchase all shares if the percentage of the offerees that did not accept the offer constitute less than 2% of the company's shares. If the purchaser is unable to purchase 95% or more of the company's shares, the purchaser may not own more than 90% of the shares of the target company.

**(g) Substantial shareholders reporting**

Under Australian law, a shareholder who begins to or ceases to have a "substantial holding" in an ASX listed company, or has a substantial holding in such a listed company and there is a movement of at least 1% in their holding, must give notice to the company and to the ASX. A person has a substantial holding if that person and that person's associates have a Relevant Interest in 5% or more of the voting shares in the company.

Under the securities laws of the State of Israel, substantial shareholder reporting by a company listed and traded on the Tel Aviv Stock Exchange (which will not apply to the Company) applies for shareholders that own 5% or more of the outstanding share capital and at every change of 2% or more thereafter.

**(h) Related party transactions**

In Australia, related party transactions (that is, transactions between a public company and a director, an entity controlled by a director, or a parent company of the public company) are regulated in Australia under the Corporations Act by a requirement for disinterested shareholder approval, unless the transaction is on "arm's length terms", represents no more than reasonable remuneration, or complies with other limited exemptions.

Under the Companies Law, a transaction with an office holder or a transaction in which an office holder has a personal interest generally requires board approval, unless the transaction is an extraordinary transaction, in which case it requires audit committee approval prior to the

approval of the board of directors. A director with a personal interest in a matter that is considered at a meeting of the board of directors or the audit committee may attend that meeting or vote on that matter if a majority of the board of directors or the audit committee also has a personal interest in the matter (or if the board or committee chairman determined that such presence is necessary for the presentation of the matter); however, if a majority of the board of directors have a personal interest, shareholder approval is also required. A transaction with an office holder or a transaction in which an office holder has a personal interest also may not be approved if it is adverse to the company's interest.

**(i) Protection of minority shareholders - oppressive conduct**

In Australia, a shareholder may apply to the court under the Corporations Act to bring an action in cases of conduct which is either contrary to the interests of shareholders as a whole, or oppressive to, unfairly prejudicial to, or unfairly discriminatory against, any shareholders in their capacity as shareholder, or themselves in capacity other than as a shareholder.

In Israel, a right to apply to the court is also available to shareholders of a company where the affairs of the company are being conducted in a manner oppressive to all or some shareholders or there is a substantial risk that the affairs of the company will be conducted in such a manner.

**(j) Rights of security holders to bring or intervene in legal proceedings**

Under the Companies Law, a shareholder of the Company is entitled, subject to the fulfilment of various pre-conditions, to bring or intervene in legal proceedings on behalf of the Company. Examples of the pre-conditions under the Companies Law include the requirement that prior notice of the application must be given to the Company and to the chairman of the board of directors, that the action must be brought in good faith and that the action must be in the interest of the Company.

**(k) "Two strikes" rule**

Under Australian law, an ASX listed company is required to hold a "spill vote" if its remuneration report receives a 25% "No" vote at two successive annual general meetings. If the spill vote receives a simple majority, the company must hold a general meeting within 90 days to vote on whether to keep the existing directors.

There is no equivalent rule under the laws of the State of Israel.

## **9.2 Corporate structure**

The Company does not have any subsidiaries or other related entities.

## **9.3 Terms and conditions of Lead Manager Options**

**(a) Entitlement**

Each Lead Manager Option entitles the holder to subscribe for one Share upon exercise of the Lead Manager Option.

(b) **Exercise Price**

Subject to paragraph (j) below, the amount payable upon exercise of each Lead Manager Option will be A\$0.25 (**Exercise Price**)

(c) **Expiry Date**

Each Lead Manager Option will expire at 5:00 pm (WST) on the date that is 36 months from the date of issue (**Expiry Date**). A Lead Manager Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Lead Manager Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Lead Manager Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Lead Manager Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Lead Manager Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Lead Manager Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of the Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Lead Manager Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for Official Quotation on ASX of the Shares issued pursuant to the exercise of the Lead Manager Options.

If a notice delivered under paragraph (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things

necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

The Shares issued on exercise of the Lead Manager Options rank equally with the then issued shares of the Company.

(i) **Quotation of the Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Lead Manager Options.

(j) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the Listing Rules at the time of the reconstruction.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Lead Manager Options and holders will not be entitled to participate in new issues of capital offered to the Company's shareholders during the currency of the Lead Manager Options without exercising the Lead Manager Options.

(l) **Change in exercise price**

A Lead Manager Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Lead Manager Option can be exercised.

(m) **Unquoted**

The Company will not apply for quotation of the Lead Manager Options on ASX.

(n) **Transferability**

The Lead Manager Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian or Israeli securities laws.

## **9.4 Terms and conditions of Performance Rights**

A summary of the terms and conditions of the Performance Rights is set out below:

(a) **Milestones**

The Performance Rights shall have the following milestones attached to them (**Milestones**):

- (i) Class A Performance Rights: if the volume weighted average market price of Shares calculated over the 10 consecutive trading days on which trades of Shares were recorded on ASX is A\$0.40 or higher;

- (ii) Class B Performance Rights: if the volume weighted average market price of Shares calculated over the 10 consecutive trading days on which trades of Shares were recorded on ASX is A\$0.60 or higher;
- (iii) Class C Performance Rights: if the Company signs binding distribution contracts for its reconstructed Terpene Profiles with a cumulative value of A\$1 million within 12 months from the date of Admission;
- (iv) Class D Performance Rights: if the Company generates cumulative revenue from the application of the Company's intellectual property and technology relating to the analysis and reconstruction of Terpene Profiles of A\$3 million within 24 months from the date of Admission;
- (v) Class E Performance Rights: if the Company signs binding distribution contracts for its reconstructed Terpene Profiles with a cumulative value of A\$2 million within 18 months from the date of Admission; and
- (vi) Class F Performance Rights: if the Company generates cumulative revenue from the application of the Company's intellectual property and technology relating to the analysis and reconstruction of Terpene Profiles of A\$6 million within 36 months from the date of Admission.

(b) **Notification to Holder**

The Company must notify the holder of the Performance Rights (**Holder**) in writing when a Milestone has been satisfied.

(c) **Vesting**

The relevant Performance Rights shall vest on the later to occur of:

- (i) the date that the Milestone relating to that Performance Right has been satisfied;
- (ii) two years from the date of Admission; and
- (iii) the date that the Holder gives a notice to the Company confirming that the Holder would like the Performance Rights to vest.

(d) **Consideration**

The Performance Rights will be issued for nil cash consideration each and no consideration will be payable upon the vesting or conversion of the Performance Rights.

(e) **Conversion**

Upon satisfaction of the relevant Performance Rights vesting, each Performance Right will, at the election of the Holder, vest and convert as follows:

- (i) Class A Performance Right: into one Share;
- (ii) Class B Performance Right: into one Share;

- (iii) Class C Performance Right: into one Share and one Class E Performance Right;
- (iv) Class D Performance Right: into one Share and one Class F Performance Right;
- (v) Class E Performance Right: into one Share; and
- (vi) Class F Performance Right: into one Share.

**(f) Lapse of a Performance Right**

If the Milestone attaching to a Performance Right has not been satisfied in the time periods set out below, it will automatically lapse:

- (i) Class A Performance Rights: 36 months from the date of Admission;
- (ii) Class B Performance Rights: 36 months from the date of Admission;
- (iii) Class C Performance Rights: 12 months from the date of Admission;
- (iv) Class D Performance Rights: 24 months from the date of Admission;
- (v) Class E Performance Rights: 18 months from the date of Admission;
- (vi) Class F Performance Rights: 36 months from the date of Admission;

**(g) Share ranking**

All Shares issued upon the vesting of Performance Rights will upon issue rank pari passu in all respects with other Shares.

**(h) Quotation of Shares on ASX**

The Company will not apply for quotation of the Performance Rights on ASX. However, the Company will apply for quotation of all Shares issued pursuant to the vesting of Performance Rights on ASX within the period required by ASX.

**(i) Transfer of Performance Rights**

A Performance Right is only transferable:

- (i) with the prior written consent of the Board; or
- (ii) by force of law upon death to the Holder's legal personal representative or upon bankruptcy to the Holder's trustee in bankruptcy.

**(j) Participation in new issues**

There are no participation rights or entitlements inherent in the Performance Rights and Holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Rights.

(k) **Adjustment for bonus issue**

If securities are issued pro-rata to Shareholders generally by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment), the number of Performance Rights to which each Holder is entitled, will be increased by that number of securities which the Holder would have been entitled if the Performance Rights held by the Holder were vested immediately prior to the record date of the bonus issue, and in any event in a manner consistent with the Companies Law and the Listing Rules at the time of the bonus issue.

(l) **Adjustment for reconstruction**

If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a Holder of a Performance Right (including the Vesting Conditions) are to be changed in a manner consistent with the Companies Law and the Listing Rules at the time of the reorganisation.

(m) **Dividend and Voting Rights**

A Performance Right does not confer upon the Holder an entitlement to vote or receive dividends.

## **9.5 Interests of Directors**

No Director of the Company (or entity in which they are a partner or director) has, or has had in the two years before the Prospectus Date, any interests in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offer; or
- (c) the Offer, and

no amounts have been paid or agreed to be paid and no value or other benefit has been given or agreed to be given to:

- (d) any Director to induce him or her to become, or to qualify as, a Director; or
- (e) any Director of the Company for services which he or she (or an entity in which they are a partner or director) has provided in connection with the formation or promotion of the Company or the Offer,

except as disclosed in this Prospectus and as follows.

## **9.6 Director Holdings**

The following table shows the interests in the Company's securities held by the Directors and their related entities as at the Prospectus Date. Based on the intentions of the Directors at the Prospectus Date in relation to the Offer, the security holding of the Directors and their related entities will be the same as in the following table on Admission.

Director	Shares	Performance Rights
Eran Gilboa <sup>1</sup>	2,847,188	4,884,943 <sup>2</sup>
Haim Cohen <sup>3</sup>	1,123,627	2,533,172 <sup>4</sup>
Ilan Saad <sup>5</sup>	153,760	1,209,802 <sup>6</sup>
Brendan de Kauwe <sup>7</sup>	1,453,157	2,982,813 <sup>8</sup>
Galit Assaf <sup>9</sup>	Nil	1,000,000 <sup>10</sup>
Quentin Megson <sup>11</sup>	Nil	1,000,000 <sup>12</sup>

**Notes:**

1. Eran Gilboa holds his Securities directly.
2. Comprised of: 500,000 Class A Performance Rights, 500,000 Class B Performance Rights, 1,942,471 Class C Performance Rights and 1,942,471 Class D Performance Rights.
3. Haim Cohen holds his Securities directly.
4. Comprised of: 500,000 Class A Performance Rights, 500,000 Class B Performance Rights, 766,586 Class C Performance Rights and 766,586 Class D Performance Rights.
5. Ilan Saad holds his Securities directly.
6. Comprised of: 500,000 Class A Performance Rights, 500,000 Class B Performance Rights, 104,901 Class C Performance Rights and 104,901 Class D Performance Rights.
7. Brendan de Kauwe holds his Securities indirectly through Attollo Investments Pty Ltd. Mr de Kauwe is a director and shareholder of Attollo Investments Pty Ltd.
8. Comprised of: 500,000 Class A Performance Rights, 500,000 Class B Performance Rights, 991,407 Class C Performance Rights and 991,407 Class D Performance Rights.
9. Galit Assaf holds her Securities directly.
10. Comprised of: 500,000 Class A Performance Rights and 500,000 Class B Performance Rights.
11. Quentin Megson holds his Securities directly.
12. Comprised of: 500,000 Class A Performance Rights and 500,000 Class B Performance Rights.

## 9.7 Remuneration of Directors

The remuneration of the Directors since incorporation is detailed below. The terms of the remuneration of the Directors is summarised in Section 7.3.

Director	Remuneration since incorporation to the Prospectus Date	Annual remuneration following Admission
Haim Cohen <sup>1</sup>	US\$15,000	US\$150,000
Eran Gilboa <sup>2</sup>	US\$5,000	A\$50,000
Brendan de Kauwe <sup>3</sup>	Nil	A\$85,000
Ilan Saad <sup>4</sup>	US\$6,000	A\$50,000
Galit Assaf <sup>5</sup>	Nil	A\$50,000



Quentin Megson <sup>6</sup>	Nil	A\$50,000
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Note:

1. Haim Cohen was appointed as a Director effective 1 October 2016. Mr Cohen was appointed as Chief Executive Officer effective 19 September 2016. Refer to Section 7.3(a) for details of his remuneration.
2. Eran Gilboa was appointed as a Director effective 19 September 2016. Refer to Section 7.3(b) for details of his remuneration. Mr Gilboa has not received any remuneration in consideration for his services as a Director since he was appointed. He has received US\$5,000 in consideration for services he has provided through Otsana, in the preparation of the financial statements for auditing by BDO Zif Haft, assistance in the preparation of the budget, and other general assistance. It is not intended that Mr Gilboa will continue to provide any such additional services following Admission.
3. Brendan de Kauwe was appointed as a Director effective 1 October 2016. Refer to Section 7.3(b) for details of his remuneration.
4. Ilan Saad was appointed as a Director effective 1 October 2016. Refer to Section 7.3(b) for details of his remuneration.
5. Galit Assaf was appointed as a Director effective 5 December 2016. Refer to Section 7.3(b) for details of her remuneration.
6. Quentin Megson was appointed as a Director effective 5 December 2016. Refer to Section 7.3(b) for details of his remuneration.

## 9.8 Share Incentive Plan

The Company has adopted a Share Incentive Plan (**Plan**) with the purpose of providing incentives to employees, directors, consultants and/or contractors of the Company, by providing them with opportunities to purchase Shares.

The only securities presently on issue which are subject to the terms and conditions of the Plan are the 638,689 Options held by Professor Vogel, which are exercisable at NIS 0.01 each and vesting annually over a three year period. The Performance Rights intended to be issued to the Directors prior to Admission are also intended to be issued pursuant to the Plan.

The key terms of the Plan are summarised below. This summary assumes the Company has been admitted to the Official List of ASX.

- (a) **Administration:** The Plan will be administered by the Board or a committee of the Board (**Administrator**), subject to all applicable laws, including but not limited to the Companies Law and the Listing Rules (**Applicable Laws**).
- (b) **Eligible Grantees:** The Administrator, at its discretion, may grant securities under the Plan (**Awards**) to any employee, director or consultant of the Company (**Grantee**).
- (c) **Shareholder rights:** A Grantee shall have no shareholder rights with respect to securities issued under the Plan until the securities have converted into ordinary Shares.
- (d) **Securities:** The securities issued under the Plan may be Shares, Options, restricted shares or restricted share units.
- (e) **Options:**
  - (i) **Exercise Price:** The exercise price per Share subject to each Option (**Exercise Price**) shall be determined by the Administrator, subject to Applicable Laws and to guidelines adopted by the Board. If the

Exercise Price is not determined by the Administrator, the Exercise Price shall be equal to the closing price of the Shares on the ASX for the last trading day before the date of grant of the Option.

- (ii) **Exercise of Options:** Options shall be exercisable pursuant to the terms under which they were awarded and the terms of the Plan. The exercise of an Option shall be made by a written notice of exercise delivered by the Grantee to the Company, in such form and method as may be determined by the Company, specifying the number of Shares to be purchased and accompanied by the payment of the Exercise Price.
- (iii) **Net Exercise:** The Board may determine that instead of issuing one Share as a result of the exercise of each one Option, any Options shall be exercised using the following method (the **Net Exercise**):

$$X = \frac{Y (A - B)}{(A - N)}$$

Where:

- X = The number of Shares resulting from the exercise of the Options (**Net Exercise Shares**).
- Y = The number of Options in respect of which a notice of exercise has been delivered to the Company.
- A = The closing price of Shares on ASX on the business day prior to the determination date (or closing bid price, if no sales were recorded) (**Fair Market Value**)
- B = The Exercise Price
- N = The nominal value of a Share

Pursuant to the Net Exercise method, the Grantee shall not be required to pay to the Company any sum with respect to the exercise of such Options, other than a sum equal to the aggregate nominal value of the Net Exercise Shares.

- (iv) **Expiry Date:** The expiry date of an Option shall be determined by the Administrator and unless otherwise determined by the Administrator, must be no greater than seven years after the date of grant.
- (v) **Cessation of service:** If a Grantee ceases to provide services to the Company as an employee, director or consultant:
  - (A) all such unvested Options shall terminate immediately;
  - (B) if the cessation is by reason of such Grantee's death or disability, all vested Options shall be exercisable by the Grantee or the Grantee's guardian, legal representative, estate (or similar) at any time until the lapse of 12 months from the date of cessation (but in no event after the expiration date of such Options), and shall then terminate;

- (C) if the cessation is for 'cause' (including, amongst other things, breach of the Grantee's duty of loyalty or care to the Company, the commission of a flagrant criminal offence or fraud, embezzlement or dishonesty, breach of confidentiality obligations or other intentional misconduct or other matter giving rise to a summary termination right of the Company), all Options whether vested or not shall immediately terminate; and
- (D) if the cessation is due to any reason other than the above, all vested Options shall remain exercisable until the last of three months from the date of cessation (but in no event after the expiration date of such Options), and shall then terminate.

Notwithstanding the above, the Administrator shall have the discretion to extend the period of time for which an Option is to remain exercisable or may vest following the cessation of services, provided that such an extension must not be beyond the expiry date of the Options.

- (f) **Restricted Share Units:** A 'restricted share unit' (RSU) is a right to receive a Share, under certain terms and conditions, for a consideration of no more than the underlying Share's nominal value. Upon the satisfaction of the exercise conditions of a RSU, such RSU shall automatically vest into an ordinary Share and the Grantee shall pay to the Company its nominal value. All of the other terms and conditions applicable to Options under the Plan, also apply to RSUs.
- (g) **Restricted Shares:** "Restricted Shares" are shares which are issued subject to terms and conditions determined by the Administrator, including exercise conditions. Such shares must not be sold or otherwise disposed of until such conditions are satisfied or as otherwise provided in accordance with the Plan. All of the other terms and conditions applicable to Options under the Plan, also apply to Restricted Shares.
- (h) **Reorganisation:** If at any time the capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a Grantee are to be changed in a manner such that their entitlement is adjusted proportionally, subject to compliance with the Applicable Law.
- (i) **Liquidation:** Unless otherwise provided by the Board, in the event of the proposed dissolution or liquidation of the Company, all outstanding Awards will terminate immediately prior to the consummation of such proposed action. In such case, the Board may declare that any Award shall terminate as of a date fixed by the Board and give each Grantee the right to exercise his Award or have it vested, including Award that would not otherwise vest or be exercisable.
- (j) **Corporate transaction:** In the event of a change of control transaction, each Award may, at the discretion of the Board, either be substituted for an award with the successor entity or assumed by a successor entity, or have the Award vested or otherwise cashed out. Necessary adjustments may be made to exercise prices and other terms of the Award to reflect such actions as determined by the Administrator.

- (k) **Transfers:** Unless determined otherwise by the Administrator, no Award shall be assignable or transferable by the Grantee to whom granted otherwise than by will or the laws of descent and distribution.
- (l) **Governing Law:** The Plan shall be governed by the laws of the jurisdiction in which the Grantee is generally employed by the Company or provides services to the Company.

## 9.9 Interests of Promoters, Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- (b) promoter of the Company,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (c) the formation or promotion of the Company;
- (d) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offers; or
- (e) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons for services provided in connection with:

- (f) the formation or promotion of the Company; or
- (g) the Offers.

BDO Corporate Finance (WA) Pty Ltd has acted as Investigating Accountant of the Company and has prepared the Investigating Accountant's Report which is included in Section 5. The Company estimates it will pay BDO Corporate Finance (WA) Pty Ltd a total of A\$10,000 (excluding GST) for these and related services. During the 24 months preceding lodgement of this Prospectus with the ASIC, BDO Corporate Finance (WA) Pty Ltd has not received fees from the Company for their services.

Dr. Tsivion Patent and IP Office has acted as the Company's intellectual property advisor and has prepared the Intellectual Property Report which is included in Section 3. The Company estimates it will pay Dr. Tsivion Patent and IP Office a total of A\$10,000 (excluding VAT) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Dr. Tsivion Patent and IP Office has received fees from the Company of 14,420 NIS (approximately A\$5,000) for their services.

BDO Ziv Haft has acted as auditor to the Company. The Company estimates that it will pay BDO Ziv Haft a total of US\$7,000 for these services. During the 24 months

preceding lodgement of this Prospectus with the ASIC, BDO Ziv Haft has received has not received any fees from the Company for their services.

Otsana Pty Ltd will act as lead manager to the Company in respect of the Offer. The Company estimates it will pay Otsana Pty Ltd A\$420,000 (excluding GST) for these services, provided that Otsana Pty Ltd may on-pay part of these fees to other parties who assist in the capital raising process. During the 24 months preceding lodgement of this Prospectus with the ASIC, Otsana Pty Ltd has not received any fees from the Company.

Bellanhouse Legal has acted as the Australian lawyers to the Company in respect of the Offer. The Company estimates it will pay Bellanhouse Legal A\$50,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Bellanhouse Legal has not received any fees from the Company for legal services.

Goldfarb Seligman & Co. has acted as the Israeli solicitors to the Company in respect of the Offer. The Company estimates it will pay Goldfarb Seligman & Co. A\$75,000 (excluding VAT) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Goldfarb Seligman & Co. has not received any fees from the Company for their services.

## **9.10 Related Party Transactions**

At the Prospectus Date, no material transactions with related parties and Directors' interests exist that the Directors are aware of, other than those disclosed in the Prospectus.

## **9.11 Expenses of Offer**

The total estimated expenses of the Offer payable by the Company are set out below. Where estimations have been made in United States Dollars, they have been converted into Australian Dollars using a conversion ratio of A\$1:US\$0.7477.

<b>Item</b>	<b>Estimated cost (\$A)</b>
ASIC fees	2,819
ASX quotation fee	37,500
Australian Legal Fees	50,000
Israeli Legal Fees	75,000
Intellectual Property Advisor Fees	10,000
Independent Industry Expert Fees	15,000
Auditor Fees	9,408
Investigating Accountant Fees	10,000
Corporate Advisory Fees and Lead Manager Fees	420,000

Printing, Postage and Administration Fees	7,000
<b>Total</b>	<b>636,727</b>

## 9.12 Effect of the Offer on control and substantial Shareholders

Those Shareholders holding an interest in 5% or more of the Shares on issue as at the Prospectus Date are as follows.

Name	Number of Shares	% of Shares
Benjamin Karasik <sup>1</sup>	6,298,226	18.33%
Efraim Malik	3,843,988	11.19%
Nitzan Orgal	3,622,515	10.54%
Ariel Malik	2,847,188	8.29%
Eran Gilboa	2,847,188	8.29%
Romfal Sifat Pty Ltd	2,615,698	7.61%
Dr. Yaron Penn	2,194,030	6.39%

Based on the information known as at the Prospectus Date, on Admission the following persons will have an interest in 5% or more of the Shares on issue:

Name	Number of Shares	% of Shares <sup>1</sup>
Benjamin Karasik <sup>1</sup>	6,298,226	10.18%
Efraim Malik	3,843,988	6.21%
Nitzan Orgal	3,622,515	5.86%

**Note:**

1. Benjamin Karasik was the initial Director of the Company upon its incorporation on 13 April 2016. Mr Karasik resigned as a Director effective 19 September 2016.

## 9.13 Company Tax Status and Financial Year

The Company is subject to tax at the Israeli tax rate.

The financial year of the Company ends on 31 December annually.

## 9.14 ASX Waivers

The Company will apply to ASX for a waiver from Listing Rule 1.1 Condition 11 to the extent necessary to permit the Company to have on issue 638,689 Options held by Professor Vogel, exercisable at NIS 0.01 and vesting annually over a three year period. These Options were issued pursuant to the Incentive Plan summarised in Section 9.8.

The Company will also apply to ASX for a waiver from Listing Rule 1.1 Condition 11 to the extent necessary to permit the Company to have on issue 36,000,000 Performance Rights with a conversion price of nil. The terms and conditions of the Performance Rights are summarised in Section 9.4.

### **9.15 Continuous Disclosure Obligations**

Following Admission, the Company will be a "disclosing entity" (as defined in section 111AC of the Corporations Act) and, as such, will be subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company will be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Shares (unless a relevant exception to disclosure applies). Price sensitive information will be publicly released through ASX before it is otherwise disclosed to Shareholders and market participants. Distribution of other information to Shareholders and market participants will also be managed through disclosure to ASX. In addition, the Company will post this information on its website after ASX confirms that an announcement has been made, with the aim of making the information readily accessible to the widest audience.

### **9.16 Litigation and Claims**

So far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which the Company is directly or indirectly concerned which is likely to have a material adverse effect on the business or financial position of the Company.

### **9.17 Consents**

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Shares), the Directors, the persons named in the Prospectus with their consent as Incoming Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Other than as set out below, each of the parties referred to in this Section 9.17:

- (a) does not make, or purport to make, any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by the relevant party;
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of the party; and
- (c) did not authorise or cause the issue of all or any part of this Prospectus.

BDO Corporate Finance (WA) Pty Ltd has given its written consent to being named as Investigating Accountant of the Company in this Prospectus and the inclusion of the Investigating Accountant's Report in Section 5 in the form and context in which the information and report are included. BDO Corporate Finance (WA) Pty Ltd has not withdrawn its written consent prior to lodgement of this Prospectus with ASIC.

Dr. Tsivion Patent and IP Office has given its written consent to being named as the Company's intellectual property advisors in this Prospectus and to the inclusion of the Intellectual Property Report in Section 3 in the form and context in which the information and report is included. Dr. Tsivion Patent and IP Office has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

BDO Ziv Haft has given its written consent to being named as auditor of the Company in this Prospectus and the inclusion of the audited financial information of the Company in Section 5 in the form and context in which it appears. BDO Ziv Haft has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

Otsana Pty Ltd has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its consent to be named in this Prospectus as lead manager to the Company in relation to the Offer.

Bellanhouse Legal has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its consent to be named in this Prospectus as the Australian lawyers to the Company in relation to the Offer.

Goldfarb Seligman & Co. has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its consent to be named in this Prospectus as Israeli lawyers to the Company in relation to the Offer.

Link Market Services Limited has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its consent to be named in this Prospectus as the Company's share registry.

## **9.18 Electronic Prospectus**

Pursuant to Regulatory Guide 107 ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic Prospectus on the basis of a paper Prospectus lodged with ASIC and the issue of Shares in response to an electronic application form, subject to compliance with certain provisions. If you have received this Prospectus as an electronic Prospectus please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please email the Company and the Company will send to you, for free, either a hard copy or a further electronic copy of this Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such a case, the Application Monies received will be dealt with in accordance with section 722 of the Corporations Act.

## **9.19 Documents available for inspection**

Copies of the following documents are available for inspection during normal business hours at the registered office of the Company (in Israel) or at the office of the Company's Company Secretary at 945 Wellington Street, West Perth, Western Australia, 6005:

- (a) this Prospectus;
- (b) the Articles; and
- (c) the consents referred to in Section 9.17.



## **9.20 Statement of Directors**

The Directors report that after due enquiries by them, in their opinion, since the date of the financial statements in the financial information in the Investigating Accountant's Report in Section 5, there have not been any circumstances that have arisen or that have materially affected or will materially affect the assets and liabilities, financial position, profits or losses or prospects of the Company, other than as disclosed in this Prospectus.

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## 10. Authorisation

This Prospectus is authorised by the Company and lodged with ASIC pursuant to section 718 of the Corporations Act.

Each of the Directors has consented to the lodgement of this Prospectus with ASIC, in accordance with section 720 of the Corporations Act, and has not withdrawn that consent.

This Prospectus is signed for and on behalf of the Company by:

A handwritten signature in black ink, appearing to be 'B. de Kauwe', with a long horizontal flourish extending to the right.

**Brendan de Kauwe**  
Chairman

Dated: 22 December 2016

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## 11. Glossary of Terms

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

**A\$ or \$** means Australian dollars.

**Admission** means admission of the Company to the Official List, following completion of the Offer.

**Allor Vaporizers** means Allor Vaporizers LLC.

**Applicant** means a person who submits an Application Form.

**Application Form** means the application form attached to this Prospectus.

**Application** means a valid application for CDIs under the Offer made pursuant to an Application Form.

**Application Monies** means application monies for CDIs under the Offer received and banked by the Company.

**Articles** means the articles of association of the Company as at the date of Admission and as may be amended from time to time.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means Australian Securities Exchange Limited (ACN 008 624 691) or, where the context requires, the financial market operated by it.

**ASX Settlement Rules** means ASX Settlement Operating Rules of ASX Settlement Pty Ltd (ACN 008 504 532).

**Board** means the board of Directors of the Company as constituted from time to time.

**CBD** means cannabidiol.

**CDI Holder** means a holder of CDIs.

**CDIs** means CHESS Depository Interests issued by CDN, where each CDI represents a beneficial interest in one Share, as detailed in Section 1.8.

**CDN** means CHESS Depository Nominees Pty Ltd (ABN 75 071 346 506) (AFSL 254514), in its capacity as depositary of the CDIs under the ASX Settlement Operation Rules.

**CHESS** means the Clearing House Electronic Subregister System.

**Class A Performance Right** means a right to be issued a Share on the terms and conditions in Section 9.4.

**Class B Performance Right** means a right to be issued a Share on the terms and conditions in Section 9.4.

**Class C Performance Right** means a right to be issued a Share on the terms and conditions in Section 9.4.

**Class D Performance Right** means a right to be issued a Share on the terms and conditions in Section 9.4.

**Class E Performance Right** means a right to be issued a Share on the terms and conditions in Section 9.4.

**Closing Date** means the closing date of the Offer detailed in the Indicative Timetable.

**Companies Law** means the Companies Law 5759 - 1999 (Israel).

**Company** means eSense - Lab Ltd. (ARBN 616 228 703), an Israel incorporated entity registered under the Israeli Companies Law, 5759-1999, with registration number 515440923.

**Convertible Loans** means the A\$1 million of convertible loans advanced to the Company, on the terms and conditions summarised in Section 7.8.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Directors** means the directors of the Company.

**Exposure Period** means, in accordance with section 727(3) of the Corporations Act, the period ending on 20 December 2016 during which the Company must not process Applications.

**External Directors** mean external directors appointed and elected in accordance with the Companies Law.

**FDA** means the Food and Drug Administration of the United States.

**GMP** means Good Manufacturing Practices.

**GST** means Goods and Services Tax.

**Incentive Plan** means the Company's Share Incentive Plan summarised in Section 9.8.

**Indicative Timetable** means the indicative timetable for the Offer on page (vii) of this Prospectus.

**Investigating Accountant** means BDO Corporate Finance (WA) Pty Ltd (ACN 124 031 045).

**Investigating Accountant's Report** means the report contained in Section 5.

**Lead Manager** means Otsana.

**Listing Rules** means the listing rules of ASX.

**Minimum Subscription** has the meaning in Section 1.2.

**NIS** means the Israeli new shekel, being the legal currency in the State of Israel.

**Offer** means the offer by the Company pursuant to this Prospectus of 17,500,000 CDIs at an issue price of A\$0.20 each to raise A\$3,500,000.

**Official List** means the official list of ASX.

**Official Quotation** means official quotation by ASX in accordance with the Listing Rules.

**Option** means an option to be issued a Share.

**Original Prospectus** means the Company's prospectus dated 6 December 2016 and that was lodged with ASIC on that date.

**Otsana or Otsana Capital** means Otsana Capital Pty Ltd (trading as Otsana Capital).

**Performance Right** means a Class A Performance Right, Class B Performance Right, Class C Performance Right, Class D Performance Right and/or a Class E Performance Right, as the context requires.

**Prospectus Date** means 22 December 2016.

**Prospectus or Replacement Prospectus** means this prospectus dated 22 December 2016.

**Relevant Interest** has the meaning given in the Corporations Act.

**Section** means a section of this Prospectus.

**Share** means ordinary fully paid voting shares in the capital of the Company, or CDIs in respect of those shares, as the context requires.

**Share Registry** means Link Market Services Limited (ACN 083 214 537).

**Shareholder** means any person holding Shares.

**Terpene Profile** means a naturally occurring formulation of different individual terpenes.

**TGA** means the Therapeutic Goods Administration of Australia.

**THC** means tetrahydrocannabinol.

**United States** means the United States of America.

**USD or US\$** means United States dollars.

**VAT** means Value Added Tax.

**WST** means Western Standard Time, being the time in Perth, Western Australia.