ASX ANNOUNCEMENT 28 February 2017

eSense-Lab Financial Report

Life sciences company **eSense-Lab Ltd ("eSense" or the "Company")**, is pleased to report its maiden Annual Financial Results for the period since the Company's incorporation to 31 December 2016. This period was prior to the Company listing on the Australian Securities Exchange ("ASX").

During the period the Company was focused on the product development of its plant profiling technology. eSense's technology reverse engineers rare or high value plants, and reconstructs the terpene profile of that plant, using alternate natural sources, in a more cost effective and sustainable way.

Terpenes are naturally occurring compounds which account for the flavour and fragrance of plants. The reconstructed terpene profile replicates the flavour, fragrance and other desired characteristics of the targeted plant to a similarity of 99.9%.

eSense's initial focus has been on the cannabis plant, however future high value target plants also include ginseng, saffron, and other medicinal plants and spices.

Commenting on the Half Year, CEO Haim Cohen, said: *"Last year we were heavily focused on product development and refining our technological process. After extensive work, we have created a unique plant profiling technology.*

We are now ready for commercialisation and I look forward to updating the market with future developments."

Subsequent to the year end, the Company achieved the following:

- Successfully listed on the ASX after raising A$3.5 million
- First commercial order signed with Allor Vaporizers
- Increased yield and detection capabilities of its terpenes

The Company successfully listed on the ASX on 14 February 2017 after raising A$3.5 million through an oversubscribed Initial Public Offer ("IPO"). The funds raised from the IPO will be used to scale up the commercial production process, as well as for sales and marketing support.

Post period end, the Company received its first commercial order signed with Allor Vaporizers, a US electronic vaporizer company, for the supply of e-liquids comprising the Company's reconstructed cannabis terpene profiles. The order valued at US$470,000 (approx. 50 litre delivery) is expected to be fulfilled by April 2017.

eSense's research and development team has also succeeded in further developing its extraction methods, which is now shown to yield greater than 30% higher terpene counts when compared to the commercially available methods being used by service laboratories and potential future competitors.

The Company is further pleased to report on the advancement of its terpene detection techniques, now capable of achieving 10-100 multiples higher resolution in the detection and quantification of terpenes. The result allows eSense to produce more 'complete' target plant profiles than any other methodologies currently available.

Please refer enclosed an Appendix 4E and the Annual Financial Statements.

Ends

About esense - Lab

eSense - Lab (ASX: ESE) is a life sciences company specialising in the commercialisation of the phytochemical profiling of plants. The Company combines genetics, mRNA, protein expression and phytochemical profiles to generate a comprehensive model of rare or high value plants. esense – Lab 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, at a more sustainable and cheaper cost.

To learn more about esense – Lab, visit www.esense-lab.com

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Appendix 4E

Preliminary final report

1. Details of reporting period

Name of entity	eSENSE-LAB LTD
ARBN	616 228 703
Reporting Year	**Year ended 31 DECEMBER 2016**
Previous Corresponding Year	First period

2. Results for announcement to the market

Key information	12 months ended 31 December 2016* US $'000	12 months ended 31 December 2015 US $'000	Increase/ (decrease) %*	Amount change $*
Revenues from ordinary activities	-	-	-	-
Profit/(Loss) from ordinary activities after tax attributable to members	(3,656)	-	-	-
Net Profit/ (Loss) for the period attributable to members	(3,656)	-	-	-
Net tangible asset/(deficiency) per share	-	-	-	-
* On 13 April 2016 the Company was incorporated and registered in Israel. This is the first Appendix 4E the Company is required to release.				

3. Consolidated statement of profit or loss and other comprehensive income

Refer to attached financial statements

4. Consolidated statement of financial position

Refer to attached financial statements

5. Consolidated statement of cash flows

Refer to attached financial statements

6. Consolidated statement of changes in equity

Refer to attached financial statements

7. Dividends/Distributions

No dividends declared in current or prior year.

8. Details of dividend reinvestment plans

N/A

9. Details of entities over which control has been gained or lost during the period

N/A

10. Details of associate and joint venture entities

N/A

11. Any other significant information needed by an investor to make an informed assessment of the Company's financial performance and financial position

Refer to 13. Commentary for results for period and Explanatory information and additional Notes following the preliminary report.

12. Foreign entities

The Company is a foreign registered entity, refer to the financial statements.

13. Commentary on results for period and explanatory information

eSense-Lab Ltd incurred a net loss from operations for the financial year ended 31 December 2016 of US ($3,656,000);

- The loss included non-cash share based payments valued at US $2,403,000, these payments were detailed in the Company
- the loss included non-cash fair value adjustment of US $674,000 against the convertible note

At 31 December 2016, the Company had a cash balance of US $477,000. The Company was net asset deficient at reporting date US ($1,066,000). On February 10, 2017 eSense-Lab Ltd ("ESE") was admitted to the official list on the Australia Securities Exchange ("ASX"), with trading commencing on the February 14, 2017, after the Company raised AUD $3.5M via the issue of 17,500,000 CDIs at A$0.20 per CDI.

This is the first year of reporting for the Company which was incorporated on April 13 2016.

14. Audit

This report is based on accounts which have been audited and the audit report is included in the attached financial statements.

Non-Executive Chairman

Brendan de Kauwe
28 February 2017

eSENSE-LAB LTD

ARBN 616 228 703

FINANCIAL STATEMENTS FOR THE PERIOD FROM APRIL 13, 2016 (INCEPTION) TO DECEMBER 31, 2016

eSENSE-LAB LTD

ARBN 616 228 703

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The amounts are stated in U.S dollars

BDO Ziv Haft

INDEPENDENT AUDITORS' REPORT
To the Shareholders of
ESENSE LAB LTD.

We have audited the accompanying statements of financial position of eSENSE-LAB Ltd. (the "Company") as of December 31, 2016, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the period from April 13, 2016 (Inception) to December 31, 2016. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with international standard of auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management and Board of Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2016, and the results of its operations, changes in shareholders' equity and their cash flows for the period from April 13, 2016 (Inception) to December 31, 2016, in conformity with International Financial Reporting Standards (IFRS).

Tel-Aviv, Israel

February 28, 2017

Ziv Haft
Certified Public Accountants (Isr.)
BDO Member Firm

Tel Aviv	Jerusalem	Haifa	Beer Sheva	Bene Berak	Kiryat Shmona	Petach Tikva	Modiin Ilit
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eSENSE-LAB LTD

ARBN 616 228 703

FINANCIAL STATEMENTS FOR THE PERIOD FROM APRIL 13, 2016 (INCEPTION) TO DECEMBER 31, 2016

STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2016
		$ in thousands
Current Assets		
Cash and cash equivalents		477
Other receivables	3	191
Total Current Assets		668
Non-Current Assets		
Property and equipment, net		4
Total Non-Current Assets		4
Total Assets		672
Current Liabilities		
Trade and other payables		337
Convertible loan	4	1,401
Total Current Liabilities		1,738
Deficit		
Issued capital	5	439
Reserves	7	2,151
Accumulated deficit		(3,656)
Total Deficit		(1,066)
Total Liabilities and Deficit		672

February 28, 2017		
Date of approval of the financial statements	Eran Gilboa Director	Haim Cohen CEO

The accompanying notes are an integral part of the financial statements

eSENSE-LAB LTD

ARBN 616 228 703

FINANCIAL STATEMENTS FOR THE PERIOD FROM APRIL 13, 2016 (INCEPTION) TO DECEMBER 31, 2016

STATEMENT OF COMPREHENSIVE INCOME

	Note	Period from April 13, 2016 (inception) to December 31,2016
		$ in thousands
Operating Expenses		
Research and development expenses	8	258
General and administrative expenses	9	309
Share based payments expenses	6	2,403
Operating loss		**2,970**
Financial expenses		686
Total comprehensive loss for the period		**3,656**
Basic and diluted loss per share	10	$ (0.11)

The accompanying notes are an integral part of the financial statements

STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIT

	Issued capital	Reserves	Accumulated deficit	Total
	$ in thousands			
Balance at April 13, 2016 (Inception)				
Issuance of shares	26	-	-	26
Share based payments	-	2,564	-	2,564
Exercise of employee stock options	413	(413)	-	-
Total comprehensive loss for the period	-	-	(3,656)	(3,656)
Balance at December 31, 2016	439	2,151	(3,656)	(1,066)

The accompanying notes are an integral part of the financial statements.

eSENSE-LAB LTD

ARBN 616 228 703

FINANCIAL STATEMENTS FOR THE PERIOD FROM APRIL 13, 2016 (INCEPTION) TO DECEMBER 31, 2016

STATEMENT OF CASH FLOWS

	Period from April 13, 2016 (Inception) to December 31, 2016
	$ in thousands
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss for the period	(3,656)
Adjustments to reconcile net loss to net cash:	
Used in operating activities:	
Increase in other receivables	(25)
Increase in trade and other payables	337
Change in fair value of convertible loan	674
Share based payments	2,403
Net cash used in operating activities	**(267)**
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	(4)
Restricted cash	(5)
Net cash used in investing activities	**(9)**
CASH FLOWS FROM FINANCING ACTIVITIES	
Issuance of shares upon inception	26
Convertible loan	727
Net cash provided by financing activities	**753**
Increase in cash and cash equivalents	**477**
Cash and cash equivalents at inception	-
Cash and cash equivalents at the end of the period	**477**
APPENDIX A - NON CASH ACTIVITIES:	
Prepaid issuance costs	161

The accompanying notes are an integral part of the financial statements.

NOTE 1 - DESCRIPTION OF BUSINESS:

A. Overview:

eSENSE-LAB Ltd. (the "Company") was incorporated on April 13, 2016 under the Israeli law. The Company is a technology and research and development company headquartered in Israel, specializing in the commercialization of the phytochemical profiling of plants. The Company's technology enables it to "reverse engineer" a comprehensive model of a targeted plant and develop "terpene profiles" for the targeted plant by using alternative raw and naturally occurring materials.

The Company's goal is to achieve whole-plant phytochemical profiles for a vast variety of plants. The Company's initial focus is on the development and manufacturing of terpene profiles of the cannabis plant. The Company elected to focus initially on the development of terpene profiles for the cannabis plant due to the current strength and forecast growth of the industry for cannabis products. Importantly, whilst the Company has replicated the characteristics of cannabis in its profiles, these are not manufactured from cannabis itself and do not contain cannabinoids. Hence, the Company's cannabis profiles are legal in countries or states where cannabis is illegal.

The Company aims to develop and supply reconstructed, strain-specific, phytochemical profiles of targeted plants, with an initial focus on the cannabis industry. Such phytochemical profiles are intended to be supplied as a consistent, standardized, regulated and commercially viable solution for research and end-products for use by consumers. The Company's 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 the phytochemical profiles of that targeted plant from other natural sources.

B. Listing on Australian Securities Exchange (ASX):

On February 10, 2017 eSENSE-LAB LTD ("ESE") was admitted to the official list on the Australia Securities Exchange ("ASX"), with trading commencing on the February 14, 2017, after the Company raised AUD 3.5 million via the issue of 17,500,000 Chess Depositary Interest ("CDI"), financial product which is a unit of beneficial ownership in an underlying financial product which is quoted on the ASX market, at AUD 0.20 per CDI (see also Note 14).

NOTE 1 - DESCRIPTION OF BUSINESS (CONT.):

C. Material customer agreement:

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

The Company has been provided with a purchase order from the Customer pursuant to which the Customer has ordered 470 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies followed in the preparation of the financial statement, on a consistent basis, are:

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention except for: convertible loan which is measured at fair value. The Company has elected to present the statements of comprehensive income using the function of expense method.

Estimates and assumptions

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period of the change in estimate.

Foreign currency

The financial statement are prepared in US Dollars (the functional currency), which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company Transactions and balances in foreign currency are converted into US Dollars in accordance with the principles set forth by International Accounting Standard (IAS) 21 ("The Effects of Changes in Foreign Exchange Rates").

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Accordingly, transactions and balances have been converted as follows:

- Monetary assets and liabilities – at the rate of exchange applicable at the financial position date;
- Income and expense items – at exchange rates applicable as of the date of recognition of those items, and
- Non-monetary items are converted at the rate of exchange used to convert the related financial position items i.e. at the time of the transaction. Exchange gains and losses from the aforementioned conversion are recognized in the statement of comprehensive income.

Cash and cash equivalents

Cash equivalents are considered by the Company to be highly-liquid investments, including, inter alia, short-term deposits with banks and the maturity of which do not exceed three months at the time of deposit and which are not restricted.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

A. In the principal market for the asset or liability, or
B. In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal market or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Classification of financial instruments by fair value hierarchy

The financial instruments presented in the statement of financial position at fair value are grouped into classes with similar characteristics using the following fair value hierarchy that is determined based on the source of input used in measuring fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.

Level 3 - Inputs that are not based on observable market data (valuation techniques that uses inputs that are not based on observable market data).

Items carried at fair value as of December 31, 2016 are classified in the table below in one of the three categories as described above.

	Fair value measurements using input type			
	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Convertible loan	-	(1,401)	-	(1,401)
	-	(1,401)	-	(1,401)

Research and development costs

Expenditure on research activities is recognized in profit or loss as incurred. Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. As of the financial position date the Company has yet to reach the stage of capitalization.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial assets

The Company classifies its financial assets depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortized cost less any provision for impairment.

Financial Liabilities

The Company's trade and other payable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

The Company's convertible loan is measured upon initial recognition at Fair value through profit or loss.

Impairment of non-financial assets

The carrying values of non-financial assets are tested for impairment whenever events or changes in circumstances indicate that carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffer impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount.

Earnings per share

Basic earnings per share is calculated as net loss attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Earnings per share (Cont.):

Diluted earnings per share is calculated as net loss attributable to members, adjusted for:

- Costs of servicing equity (other than dividends);
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognized as expenses;
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Share based payments

The entity measures the share based listing expense and the cost of equity-settled transaction with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value in determined by using economic model taking into accounts the terms and conditions upon which the instruments were granted. The accounting estimates are assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Deferred tax

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the estimated timing and level of future taxable profits together with future tax planning strategies.

Deferred taxes are computed in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the amounts attributable for tax purposes.

Deferred taxes are measured at the tax rates that are expected to apply in the period when the temporary differences are reversed in profit or loss, other comprehensive income or equity, based on tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that they will be utilized. In addition, temporary differences (such as carry forward losses) for which deferred tax assets have not been recognized are reassessed and deferred tax assets are recognized to the

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Deferred tax (Cont.):

extent that their recoverability is probable. Any resulting reduction or reversal is recognized on "income tax" within the statement of comprehensive income. All deferred tax assets and liabilities are presented in the statement of financial position as non-current items, respectively. Deferred taxes are offset in the statement of financial position if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

New IFRSs in the period prior to their adoption

IFRS 9 Financial Instruments:

In July 2014, the IASB issued the final and complete version of IFRS 9, "Financial Instruments" ("IFRS 9"), which replaces IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 mainly focuses on the classification and measurement of financial assets and it applies to all assets in the scope of IAS 39 .

According to IFRS 9, all financial assets are measured at fair value upon initial recognition. In subsequent periods, debt instruments are measured at amortized cost only if both of the following conditions are met:

-the asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows.

-the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement of all other and financial assets should be at fair value .

Financial assets that are equity instruments should be measured in subsequent periods at fair value and the changes recognized in profit or loss or in other comprehensive income, in accordance with the election by the Company on an instrument-by-instrument basis. If equity instruments are held for trading, they should be measured at fair value through profit or loss .

According to IFRS 9, the provisions of IAS 39 will continue to apply to de-recognition and to financial liabilities for which the fair value option has not been elected.

($ in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

New IFRSs in the period prior to their adoption (Cont.):

According to IFRS 9, changes in the fair value of financial liabilities which are attributable to the change in credit risk should be presented in other comprehensive income. All other changes in fair value should be presented in profit or loss .

Impairment - The impairment model is a more 'forward looking' model in that a credit event no longer has to occur before credit losses are recognized. For financial assets measured at amortized cost or fair value through other comprehensive income, an entity will now always recognize (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognized on these assets when there is a significant increase in credit risk after initial recognition.

Hedging - The new hedge accounting model introduced the following key changes:

- Simplified effectiveness testing, including removal of the 80-125% highly effective threshold .
- More items will now qualify for hedge accounting, e.g. pricing components within a non-financial item, and net foreign exchange cash positions.
- Entities can hedge account more effectively the exposures that give rise to two risk positions (e.g. interest rate risk and foreign exchange risk, or commodity risk and foreign exchange risk) that are managed by separate derivatives over different periods .
- Less profit or loss volatility when using options, forwards, and foreign currency swaps .
- New alternatives available for economic hedges of credit risk and 'own use' contracts which will reduce profit or loss volatility.

IFRS 9 is to be applied for annual periods beginning on January 1, 2018. Early adoption is permitted.

The Company is evaluating the possible impact of IFRS 9 but is presently unable to assess its effect, if any, on the financial statements.

NOTE 3 – OTHER RECEIVABLES:

	December 31, 2016
Prepaid issuance expenses	161
VAT authorities	17
Others	13
Total	**191**

($ in thousands)

NOTE 4 – CONVERTIBLE LOAN:

In November 2016, the Company signed a Convertible Loan Agreement ("the Agreement") with a number of investors ("the Lenders") which allowed the Company to borrow up to 1 million AUD. The company borrowed 970 thousands AUD till end of the year 2016. In the year 2017 the company borrowed 30 thousands AUD, according to the Agreement the loan will be mandatory converted to the company's shares at 50% discount with no interest of future initial public offering ("IPO") share price. In case of unsuccessful IPO the Lenders will be entitled to receive their loan amount in addition to 20% interest payment. The Company designated upon initial recognition that the convertible loan will be measured at fair value through profit or loss.

The loan was converted in February, 2017 (see also Note 14).

NOTE 5 – ISSUED CAPITAL:

Movements in fully paid ordinary shares	**2016**	
	Date	**Number**
Balance at inception	**April 13, 2016**	5,338,334
Ordinary shares issued upon options exercise	November 21, 2016	472,000
Benefit shares (1:4.913827)	November 24, 2016	28,550,976
Balance at end of the period	**December 31, 2016**	34,361,310

Each Share in the Company confers upon the Shareholder:

a) The right to one vote at a meeting of the Shareholders of the Company or on any Resolution of Shareholders;
b) The right to an equal share in any dividend paid by the Company; and
c) The right to an equal share in the distribution of the surplus assets of the Company on its liquidation.

No dividends have been paid or declared by the Company since the beginning of the current reporting period.

NOTE 6 – SHARE BASED PAYMENTS:

A. Options granted to directors, shareholders and officers:

In November, 2016, the Company granted 472,000 options with no exercise price per share. All options were fully vested on grand date. The Company measures and recognizes share based payment on estimated fair values on the date of grant based on the underlying stock of the date of grant. The value of the Company's ordinary share was obtained based on information embedded in the Company's IPO in January 2017 (see also Note 14). All options were exercised on November 11, 2016.

B. Options granted to service providers:

In December, 2016, the Company granted to its service provider fully vested 5,000,000 options with AUD 0.25 exercise price per share, the options will be expired upon 3 years from issuance.

The fair value of options are estimated by using a Monte Carlo simulation, the options has an exercise price of AUD 0.25 per share the Monte Carlo simulation accounts the dilution effect embedded by the performance shares. The expected volatility is 50%.

C. Performance rights:

On December 5, 2016, six classes of Performance Rights ("Rights") were approved by shareholders at an Extraordinary General Meeting. The Rights convert to ordinary shares when the attaching milestone is met: 3,000,000 Class A Performance Right milestone requires the volume weighted average price (VWAP) for 20 consecutive trading days of shares equaling or exceeding 40 cents (AUD), The Rights vest immediately as they are market driven.

3,000,000 Class B Performance Right milestone requires the volume weighted average price (VWAP) for 20 consecutive trading days of shares equaling or exceeding 60 cents (AUD), The Rights vest immediately as they are market driven.

15,000,000 Class C Performance Rights require the Company signs binding distribution contracts worth AUD 1.0 million to supply its reconstructed Terpene Profiles within 12 months of admission on the ASX, Holders of Class C Performance Rights will also receive 0.67 Class E Performance right for every Class C Performance Right that vests. 15,000,000 Class D Performance Rights Generates cumulative revenue from the application of the Company's intellectual property relating to the analysis and reconstruction of Terpene Profiles of AUD 3.0 million within 24 months from the date of admission on the ASX. Holders of Class D Performance Rights will also receive 0.67 Class F Performance Right for every Class D Performance Right that vests.

($ in thousands)

NOTE 6 – SHARE BASED PAYMENT (CONT.):

D. Performance rights (Cont.):

10,111,311 Class E Performance require the Company signs binding distribution contracts worth AUD 2.0 million to supply its reconstructed Terpene Profiles within 18 months of admission on the ASX.

10,111,311 Class F Performance Rights Generates cumulative revenue from the application of the Company's intellectual property relating to the analysis and reconstruction of Terpene Profiles of AUD 6.0 million within 36 months from the date of admission on the ASX.

The fair value of performance shares is estimated by using a Monte Carlo simulation, with the assumption that the value of performance shares and the underlying milestones triggering the performance shares are correlated. The expected volatility is 50%.

NOTE 7 – RESERVES:	**2016**
Movement:	
Balance at April 13, 2016 (inception)	-
Options issued to directors, shareholders and officers	413
Exercise of options	(413)
Options granted to service providers	161
Issuance of performance rights	1,990
Reserves as of December 31, 2016	2,151

NOTE 8 – RESEARCH AND DEVELOPMENT EXPENSES:

	Period from April 13 (inception) to December 31, 2016
Raw materials	191
Payroll and related	61
Patent	6
Total	258

($ in thousands)

NOTE 9 – GENERAL AND ADMINISTRATIVE EXPENSES:

	Period from April 13 (inception) to December 31, 2016
Professional fees	186
Payroll and related expenses	87
Travel expenses	16
Others	20
Total	309

NOTE 10 - EARNINGS PER SHARE:

Earnings per share have been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of equity shares in issue and loss for the period as follows:

	Period from April 13 (inception) to December 31, 2016
Loss for the year attributable to shareholders	$ (3,656)
Weighted average number of ordinary shares	33,960,384
Basic and diluted loss per share	$ (0.11)

NOTE 11 - TAXES ON INCOME:

A. Tax Rate Applicable to Income in Israel:

The tax rates that applied to the Company in 2016 were 25%.

On December 2016, the Israeli government published the Economic Efficiency Law (2016) (legislative amendments to accomplish budget goals for the years 2017 and 2018) According to which, in 2017 the tax rate will decrease by 1% and starting 2018 by 2%; so that the tax rate will be 24% in 2017 and 23% in 2018 and onwards. Accordingly, the tax rate will be 24% in 2017 and 23% in 2018 and onwards.

The Company has not yet received final tax assessments since inception.

($ in thousands)

NOTE 11 - TAXES ON INCOME (CONT.):

B. Net operating losses carry forwards:

As of December 31, 2016, the Company has estimated carry forward tax losses of approximately 476 which may be carried forward and offset against taxable income for an indefinite period in the future. The Company did not recognized deferred tax relating to carry forward losses in the financial statements because their utilization in the foreseeable future is not probable.

C. Deferred income taxes:

The Company has provided a valuation allowance in respect of deferred tax assets ("DTA") resulting from the tax loss carry forward and other temporary differences. Management currently believes that it is more likely than not that the deferred tax regarding these tax loss carry forward and other temporary differences will not be realized.

D. Current income tax:

	Period from April 13 (inception) to December 31, 2016
Loss before tax	(3,656)
Theoretical tax ((credit)/charge) at applicable statutory (2016:25%)	914
Non allowable expenses	(601)
Tax losses for which no DTA is recognized	(313)
Income tax benefit	-

($ in thousands)

NOTE 12 - RELATED PARTIES AND SHAREHOLDERS:

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party's making of financial or operational decisions, or if both parties are controlled by the same third party. The Company has transactions with key officers, directors and shareholders.

The following transactions arose with related parties:

Transaction	Account name	Period from April 13 (inception) to December 31, 2016
Management fee to CEO	General and administrative expenses	24
Management fee to CFO	General and administrative expenses	15
Service fee to CTO	Research and development expenses	23

1. Effective September 1, 2016, the Company signed a management agreement with the Company's CEO according to which, the Company shall pay the CEO, pre-IPO, a management fee of 6 plus VAT on a monthly basis and post IPO (see also Note 14), the management fee will be updated to 12.5 plus VAT on monthly basis.
2. Effective October 1, 2016, the Company signed a management agreement with the Company's CFO according to which, the Company shall pay the CFO, pre-IPO, a management fee of 5 plus VAT on a monthly basis and post IPO (see also Note 14) the management fee will be updated to 8 plus VAT on monthly basis.
3. Effective October 17, 2016, the Company signed a service agreement with the Company's CTO. According to which, the Company shall pay, pre IPO, the CTO service fee of 5 plus VAT on a monthly basis and post IPO (see also Note 14), the service fee will be updated to 8 plus VAT on monthly basis.

Liabilities to related parties:

Name	Nature of transaction	Account name	December 31, 2016
CEO	Accrued management fee	Accrued expenses	6
CFO	Accrued management fee	Accrued expenses	5
CTO	Accrued service fee	Accrued expenses	5

NOTE 13 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

The Company is exposed to a variety of financial risks, which results from its financing, operating and investing activities. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Company's financial performance and position. The Company's financial instruments are its cash, trade and other receivables, payables, other payables and loans. The main purpose of these financial instruments is to raise finance for the Company's operation. The company actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties and principals. The risks arising from the Company's financial instruments are mainly credit risk and currency risk. The risk rate on loans is fixed. The risk management policies employed by the Company to manage these risks are discussed below.

Credit risk:

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Company closely monitors the activities of its counterparties and controls the access to its intellectual property which enables it to ensure the prompt collection of customers' balances. The Company's main financial assets are cash and cash equivalents as well as other receivables and represent the Company's maximum exposure to credit risk in connection with its financial assets. Wherever possible and commercially practical the Company holds cash with major financial institutions In Israel.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	December 31, 2016
Cash And Cash Equivalents	477
Other Accounts Receivable	30
Total	507

($ in thousands)

NOTE 13- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Currency risk:

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the New Israeli Shekel and the AUD. The Company's policy is not to enter into any currency hedging transactions.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

Assets

	NIS	AUD	Total
Cash And cash equivalents	5	377	382
Other receivables	30	-	30
	35	377	412

Liabilities

	NIS	AUD	Total
Trade and other payables	223	50	273
Convertible loan	-	1,401	1,401
	223	1,451	1,674

($ in thousands)

NOTE 13- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Sensitivity analysis:

A 10% strengthening of the United States Dollar against the following currencies would have increased (decreased) equity and the income statement by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the United States Dollar against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

Linked to NIS	248
	10%
	25
Linked to AUD	1,074
	10%
	107

Liquidity risks:

Liquidity risk is the risk that arises when the maturity of assets and the maturity of liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of loss. The Company has procedures with the object of minimizing such loss by maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities. As of December 31, 2016, the Company has a negative working capital. In order to overcome its liquidity risk, the Company raised AUD 3.5 million via the IPO, following the financial position date (See also Note 14).

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	December 31, 2016
Trade and other payables	(337)
Convertible Loan	(841)
	(1,178)

NOTE 13- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Capital risk:

The Company seeks to maintain a capital structure which enables it to continue as a going concern and which supports its business strategy. The Company's capital is provided by equity raisings. The Company manages its capital structure through raising funds from shareholders. At the balance sheet date, the Company has net cash and cash equivalents of 477 which includes a negative working capital. Management does not believe that there are significant capital risks in the near future.

Operational risk:

Operational risk is the risk that derives from the deficiencies relating to the Company's information technology and control systems as well as the risk of human error and natural disasters. The Company's systems are evaluated, maintained and upgraded continuously.

NOTE 14 - SUBSEQUENTS EVENTS:

A. Listing on Australian Securities Exchange (ASX):

On February 10, 2017 the Company was admitted to the official list on ASX, with trading commencing on the February 14, 2017, after the Company raised AUD 3.5 million via the issue of 17,500,000 CDIs at AUD 0.20 per CDI.

B. Convertible loan conversion:

In February, 2017, the convertible loan was converted upon listing on the ASX.