

ESENSE-LAB QUARTERLY ACTIVITIES REPORT

- *MOU signed with US cannabis concentrate producer, Wild Rogue Extracts LLC*
- *New R&D and Production Facility opened*
- *Maintained guidance with the R&D timeline presented to the market earlier in the quarter*
- *Ongoing product development with clients of Allor Vaporizers*
- *Ongoing commercialization discussions with samples shipped to over 200 potential customers in USA, Europe, UK and Asia*

Life sciences company **eSense-Lab Ltd** (“**eSense**” or the “**Company**”), (**ASX:ESE**), is pleased to provide an update on the Company’s activities for the quarter ended 30 September 2017, along with the Appendix 4C.

During the period, eSense continued with revenue growth, cost optimization and scaling efforts, to build a leading B2B enterprise technology company while creating substantial shareholder value via our 3-tiered approach:

Accelerating sales Momentum

- Signed Strategic MOUs
- Immediate potential sales growth
- Continued delivery of contracted quantities and additional product development with Allor
- Expanding footprint in USA
- Penetration into Europe
- Negotiation in new and emerging markets

Continued Investment in product and technology

- New R&D and production facilities
- Improved technological innovations
- Engaging with leaders in the field for potential JV and collaborative opportunities
- Innovative product development for existing and new verticals
- Continual improvement on existing profiles

Disciplined expense optimization and controls

- Reduce monthly operating expenses via;
 - Increased margins from improved technology
 - Improved third party contracts



eSense-Lab is a life sciences company commercialising proprietary plant profiling technology that can be used to generate a comprehensive model of targeted plants. This 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, and account for the flavour, fragrance and other desired characteristics, as well as many of the medical and health benefits. eSense’s replicated terpene profiles reconstruct the targeted plant to a similarity of 99.9%.

eSense had cash reserves of US\$1.37 million as at 30 September 2017 and will continue to actively pursue its commercialisation strategy.

Commenting on the quarterly, CEO Haim Cohen, stated: *“We are rapidly progressing the commercialization of our products, as well as refining prototype formulations and conducting continued research and development within the numerous verticals in accordance with our business model, including; E-Liquids, Food & Beverage and alcohol, cosmetics, cannabis growers, nutraceuticals, pharmaceutical applications.*

With the release of our recent Company update, our shareholders now appreciate the relatively short product development and adoption cycle we carry out with our clients and partners, to bring our unique and disruptive products to the market. Our quarterly revenue position is anticipated to continue to scale each quarter as our clients’ “payment on receipt” cycle is realised in our financial statements. We are also very pleased to have announced another Binding Off-take Agreement with our strategic partner ATM for the Singapore territory, and we are confident of the product development cycle to realise the minimum commitment of US\$540,000 to US\$600,000 will be in accordance with our guidance.

Our Business to Business (B2B) approach and product development model is highly scalable, and with our current output capacity from our new laboratory and production facilities now over 500 litres per day, we are well and truly positioned to satisfy demand, as we are adopted into this expanding global market.

We look forward to updating the market on new partnerships and the expansion of our existing agreements.”



The following activities occurred during the quarter

- eSense executed a Memorandum of Understanding (MOU) with Wild Rogue, a boutique cannabis concentrate producer and developer of 100% cannabis essential oils, located in Oregon, USA. Under the terms of the agreement, eSense and Wild Rogue will collaborate in the development and marketing of a new line of cannabidiol (CBD) based products including but not limited to vapors and vape pens (oils and concentrates), tinctures, salves and other topical applications and concentrates.

Wild Rogue will purchase initial quantities of eSense's terpene profiles for development purposes, with a definitive agreement to be finalized the post-development phase, outlining the ongoing pricing and quantities as determined by the end use applications (Definitive Agreement).

Each party will retain its respective intellectual property (IP), with consideration to share any future jointly developed IP. Wild Rogue will market eSense's existing terpene profiles to its clients, and will be entitled to certain commissions in the event of sales from any introductions, to be detailed in the Definitive Agreement.

- eSense has opened its new research and development (R&D) and customer support service facility in Israel, landmarking one of the major expansion goals of the Company for its rapid growth and global positioning within the biotechnology and pharmaceutical industries.

The facility will be used to formulate and analyze new Cannabis profiles, as well as for the development of new products and formulations in, but not limited to, nutraceuticals, food and beverage, cosmetics and E-liquids.

Occupying approximately 500 square meters, the facility is situated at the synergistic 'Daren Labs', an Israeli R&D hub for fast-growing biomedical science, bioengineering, medical technology (MedTech), personal care, food science and nutrition companies.

Subsequent to the quarter end

- eSense has signed a Binding Off-take Agreement with Singapore strategic partner, Advanced Technology Management Private Limited ("ATM"), for the distribution of eSense's product line within Singapore. The agreement is for a Binding Conditional Off-take Agreement valued at a minimum of US\$540,000 to US\$600,000 within the first 12 months.

ATM is a leader in cross-border business development, advising in setting up and managing business centers in Asia. ATM has been consistently owned and managed by the same team since establishment in 2007, and has a track record of providing independent advice to diverse corporate and technology sponsor clients from North America, Europe and Asia.

Corporate

During the quarter, the Company appointed a new CTO, Dr' Eyal Kalo. Dr Kalo earned his Ph.D in molecular biology and cancer research from the Weizmann Institute of Science. for the last seven years eyal worked in the biotechnology industry acquiring expertise in pre-clinical model development, product development and team management. Dr' Kalo was responsible for the design and development of various pre-clinical models grounded on selected bio-detection mechanisms for the evaluation of drug efficacy. Furthermore, Dr' Kalo was leading the development of various products associated with phytochemical extractions of divers active ingredients to implement in cosmetic and skin natural medicine. Dr' Kalo was responsible of leading product development from concept to launch accountable for aspects of R&D, production, regulation, IP and marketing. Dr' Kalo last position

was leading the development of an FDA/CE approved diagnostic device grounded on molecular biology detection method for the quantification of HIV in patients. Dr Kalo managed a team of 4 people.

In accordance with ASX Listing Rule 6.1 confirmation previously given to the Company, eSense provides the following disclosure for the September 2017 quarter. The terms and conditions of the Performance Rights are disclosed in the Company's IPO Prospectus dated 22 December 2016.

Class of Performance Right	Number on Issue	Milestone	Date Milestone Achieved	Confirmation if any Rights converted during Period
Class A	3,000,000	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.	30 March 2017	No
Class B	3,000,000	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.	n/a	No
Class C	15,000,000	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.	n/a	No
Class D	15,000,000	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.	n/a	No

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 account for many of the plant's health and medical benefits, whilst also exactly replicating 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

Corporate Advisors

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

eSense Lab Limited

ARBN

616 228 703

Quarter ended ("current quarter")

30 September 2017

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	30	53
1.2 Payments for		
(a) research and development	(142)	(386)
(b) product manufacturing and operating costs	(6)	(33)
(c) advertising and marketing	(90)	(332)
(d) leased assets	(7)	(7)
(e) staff costs	(186)	(402)
(f) administration and corporate costs	(94)	(293)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(6)	(79)
1.6 Income taxes paid	-	
1.7 Government grants and tax incentives	-	
1.8 Other – VAT received	112	(50)
1.9 Net cash from / (used in) operating activities	(388)	(1,528)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(13)	(29)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – restricted bank deposits	(159)	(159)
2.6	Net cash from / (used in) investing activities	(172)	(188)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of CDIs	-	2,680
3.2	Proceeds from issue of convertible notes	-	55
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(161)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	2,574

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	1,907	477
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(388)	(1,528)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(172)	(188)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	2,574

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
4.5	Effect of movement in exchange rates on cash held	21	33
4.6	Cash and cash equivalents at end of quarter	1,368	1,368

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1 Bank balances	1,368	1,907
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,368	1,907

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$US'000**

(93)

-

Relates to fees paid to the directors and the remuneration of the CEO.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$US'000**

-

-

None

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
None		

9. Estimated cash outflows for next quarter	\$US'000
9.1 Research and development	(118)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(130)
9.4 Leased assets	-
9.5 Staff costs	(128)
9.6 Administration and corporate costs	(29)
9.7 Other (provide details if material)	(11)
9.8 Total estimated cash outflows	(416)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

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

[lodged electronically without signature]

31 Oct. 17

Sign here:

Date:

(~~Director~~/Company secretary)

Steven Wood

Print name:

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.