

## ASX RELEASE



ASX Code: ESE

21 March 2018

### POSITION STATEMENT

Detailed below is a Position Statement prepared and approved by the majority of the Board of Directors of **eSense-Lab Ltd (ASX: ESE)**.

Dear eSense-Lab Shareholders and CDI Holders,

**eSense-Lab Ltd (ASX: ESE)** (“eSense” or the “Company”), a life sciences company specialising in the commercialisation of the phytochemical profiling of plants, is dealing with an attempt to seize control by entities associated with corporate adviser and broker Otsana Capital (“Otsana”).

Certain security holders of the Company connected to Otsana have lodged a requisition for an Extraordinary General Meeting (“EGM”) of the Company’s shareholders and have also requested that certain items be added to the agenda of the Company’s upcoming Annual General Meeting (“AGM”). In addition to the aforementioned requisition and in accordance with Section 88(a) of the Israeli Companies Law, these security holders issued a position statement addressed to all other security holders of the Company in an attempt to convince them to support their proposals.

The Board of Directors of the Company is hereby exercising its right, under Section 88(c) of the Israeli Companies Law, to send to all security holders a position statement in response to the position statement sent by the aforementioned requisitioning security holders.

The majority of the Board of Directors believes that these security holders connected to Otsana are attempting to take control of the Company by forcing Haim Cohen, Eran Gilboa and Ilan Saad from the Board of Directors of the Company (“Board”) and replacing them with directors connected to Otsana; Faldi Ismail (Otsana’s managing director) and Andreas Gideon (the managing director of MMJ, which, to the best of the Company’s knowledge, has a relationship with Otsana and an interest in one of the eSense’s direct competitors) and retaining Brendan de Kauwe (an Otsana director) on the Board. The security holders connected to Otsana have also nominated Timothy Wise for election to the Board.

Otsana, particularly Brendan de Kauwe, has since the Company’s IPO and subsequent capital raising issued to the board various ultimatums which the Company considers unwarranted.

The Board, as resolved by a majority vote, wishes to provide shareholders and CDI holders with the following information ahead of the upcoming AGM and EGM to be held on 29 March 2018:

#### **Why you should support the Board and management of eSense-Lab:**

1. eSense’s largest shareholders, CDI holders, founders and seed investors, who have full confidence in and support the management of the Company, have a successful track record of life science IPOs with a combined market cap of over US\$1bn. Their experience and track record with companies such as Foamix Pharmaceuticals Ltd (NASDAQ: FOMX), Oramed Pharmaceuticals Ltd (NASDAQ: ORMP) & Pluristem Therapeutics Inc. (NASDAQ: PSTI) provide eSense with an exceptional foundation for growth.
2. The above shareholders, CDI holders, founders and seed investors have a long term interest in eSense and its success.
3. The management of eSense, particularly Haim Cohen (CEO), Eyal Kalo (CTO) and Shaul Schneider (Business Development), have been the driving force behind the formation, innovation and growth of eSense.
4. The majority of the eSense Board, including Haim Cohen, Eran Gilboa and Ilan Saad have complete confidence in the leadership team and will provide them with complete support to deliver on the IPO goals as set out in the prospectus.

5. Benjamin Karasik, founder of eSense and the Company's largest securityholder, has complete faith in the management and, moreover, Mr. Karasik has recently joined the Board to demonstrate his support.
6. Thanks to its founders and management team, eSense is one of a few cannabis stocks on the ASX to have progressed rapidly through trial and proof of concept stages, where it now has existing revenue and a strong sales pipeline.

**Why you should ignore motions raised in connection with the AGM and EGM by Otsana, its employees or connected parties:**

1. The majority of the Board is not satisfied that Otsana has the required expertise, knowledge, background, qualifications, network or experience in life sciences or the phytochemical profiling of plants to control and manage eSense.
2. It is the view of the majority of the Board that Otsana, as brokers and stock exchange player, is looking for quick short term gains rather than the long term prospect the business should be.
3. The conduct of Otsana is in conflict with the best interests of the majority of shareholders, CDI holders and the Company.
4. The majority of the Board believe that Otsana director and former Chairman of the Board, Brendan De Kauwe, has been acting to advance the interests of Otsana, and not the Company's best interests. He has been removed from his position as Chairman of the Board.
5. The majority of the Board believe that De Kauwe has demanded unreasonable and disproportionate remuneration for himself as Chairman and for Otsana as brokers.
6. At a time when the Board declined De Kauwe's unreasonable demands, he refused to act in accordance with legally binding instructions from the board.
7. De Kauwe refused to transfer funds from eSense's Australian bank account to enable it to conduct its ongoing business activities, including pay staff salaries and ignored a board resolution to implement the amendment of the Company's signature rights with regards to the Australian bank account, whilst exposing the Company to lawsuits.
8. De Kauwe ignored, or refused to answer, certain inquiries posed by the Board regarding his potential conflicts of interest.
9. On March 7, 2018, the Company's Audit Committee appointed Mr. Doron Rozenblum (CPA), a Managing Partner of the Kreston IL Group, a member firm of Kreston International, to serve as the independent examiner. The investigation to be conducted by Mr. Rozenblum is expected to cover various aspects of De Kauwe's conduct in relation to the Company, including: (i) whether De Kauwe disclosed all of his personal interests in regard to the Company's approval of its agreements with Otsana; (ii) De Kauwe's refusal to comply with the Board's resolution regarding the change of bank account signatories and the transfer of funds from the Company's Australian bank account; (iii) De Kauwe's use of the Company's credit card; and (iv) other potential conflicts of interest between De Kauwe and the Company. The results of the investigation will be reported to the security holders upon completion.

Please note that the foregoing list is not exhaustive and includes only a summary of the reasons why you should ignore motions raised in connection with the AGM and EGM by Otsana, its employees or connected parties.

**The Majority of the Board of Directors believes the information below to be true and important for shareholders and CDI holders to be aware of in advance of the upcoming AGM and EGM:**

- De Kauwe, as then-Chairman of the Board, exerted pressure to postpone the AGM as originally scheduled for November 29, 2017, because the Company did not agree to the remuneration that he demanded.
- After realizing that the Company would not be pressured into its unreasonable demands, Otsana and De Kauwe acted in a manner that made it obvious to the management of the Company that if the Company were to decline to meet those demands, the planned capital raising activities in November 2017 would be cancelled.

- Subsequently, Otsana sent to the Company a "Distribution Agreement" and a "Grant Agreement" with Otsana. The terms of these agreements were significantly different from what the Company had negotiated with Otsana prior to such time. It again became clear that Otsana was withholding the capital raised until it was satisfied that all its demands and terms were met.

**eSense's achievements during the past year included:**

- Ongoing sales to Allor Vaporizers.
- Binding sales agreement with Singapore ATM for distribution of eSense's product line in Singapore, valued a minimum of US\$540,000 over the first 12 months of the term of the agreement.
- Binding sales agreement with IC Access to develop products for the United Arab Emirates market (announced in January 2018).
- Memorandums of Understanding for the commencement of Joint Ventures with two beer manufacturers – Young Henry's in Australia and Progressive Brands, which has a brewery in Greece (announced in January 2018).
- Production of a first prototype of terpene-infused chocolate in the USA.
- Opening of new research and customer support facilities in Israel.

With a growing customer base and the agreements eSense has entered into since the start of the 2017 financial year, the Company is confident in its ability to generate revenue and deliver value to its security holders.

The Company expects to make further developments using its cannabis technology in 2018, as the medicinal cannabis industry continues to grow.

As the Board of Directors of eSense, we strongly encourage all shareholders and CDI holders to vote down the resolutions put forward by the security holders connected to Otsana at the AGM & EGM. Any changes to the makeup of the Board, as put forward by those security holders, have the potential to result in the cessation of the Company's operations, the cancellation of the Company's sale agreements and the resignation of key Company employees. If any of these things were to occur, they could result in a significant loss of value for shareholders and CDI holders.

Thank you,

The Board of Directors, eSense-Lab Ltd.

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**FOR FURTHER INFORMATION:**

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**About eSense-Lab**

eSense-Lab Ltd (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](http://www.esense-lab.com)