eSENSE-LAB LIMITED

ARBN 616 228 703

ANNUAL REPORT FOR YEAR ENDED DECEMBER 31, 2017

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CORPORATE DIRECTORY

Directors

Mr Ilan Saad	-	Non-Executive Chairman
Mr Haim Cohen	-	CEO and Executive Director
Mr Eran Gilboa		
Ms Galit Assaf	-	Non-executive Director
Mr Quentin Megson	-	Non-executive Director
Mr Benjamin Karasik	-	Non-executive Director

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

Company Secretary
Mr Ian Pamensky

Australian Legal Advisor
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Melbourne Victoria 3000

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ASX Code
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Website
esense-lab.com

eSENSE-LAB LIMITED
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ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2017

CHAIRMAN'S LETTER

Dear Shareholder,

It is with great pleasure on behalf of the Board of **eSense-Lab Ltd (“eSense”** or the **“Compan**y”), to present our 2017 Annual Report.

eSense has the honour of being the first Israeli Incorporated Company to list on the Australian Stock Exchange (ASX), on 14 February 2017, following a successful IPO capital raising.

Rather than discussing the legal proceedings and director investigation, I would like to focus on a review of what has been achieved since the IPO.

During this period, the Company focused on development and upgrade of its plant profiling technology. eSense 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. eSense’s technology creates a 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 include ginseng, saffron and other medicinal plants and spices.

eSense is very proud of technology achievements and unique breakthroughs that have been made in the past year. eSense continually achieves new research and development heights with abilities to significantly strength our IP, as well as entering new opportunities in across revenue-generating markets. Including the recently announced clear anti-inflammatory and antioxidant activity with the Company’s terpenes strains.

In Israel, eSense has recently commissioned a new R+D laboratory. Israel is regarded as the global leader in medical cannabis research, due to the fact that it has the highest number of PHD’s per capita in the world and has a very favourable regulatory climate for doing serious scientific research. Israeli scientists are leading in the field of cannabis genetics with a rich IP bank of cannabis patents.

Marketing-wise, we’ve approached various markets and signed significant MOU and Joint Venture agreements to assure we continue to generate revenue in the years to come.

eSense’s achievements during the past year included:

- 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 in the first 12 months
- Binding sales agreement with IC Access to develop products for the United Arab Emirates market (announced in January 2018
- 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 first prototype of terpene-infused chocolate in the USA
- Opening of new research and customer support facilities in Israel.

eSense has successfully raised over A$1.6m since the IPO from sophisticated investors and has received a binding commitment for a strategic investment of A$500,000.

I would like to thank our Shareholders for your support in these activities.

It has been a few months since I have taken over as Chairman, having taken over from Brendan de Kauwe in February 2018, and I thank my fellow Board members for their support over the past year. I also thank our Management team, R+D team and staff for their efforts as we have worked to successfully to advance the Company.

With a growing customer base and the agreements eSense has entered into since the start of the 2017 financial year, the Company is confident of generating revenue and delivering value to its shareholders. The Company expects to make further developments using its cannabis technology in 2018 as the medicinal cannabis industry continues to grow.

Ilan Saad
Non-executive Chairman
Tel-Aviv, Israel, 29/03/2018

eSENSE-LAB LIMITED
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ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2017

DIRECTOR'S REPORT

Your Directors present their report, together with the financial statements of eSense-Lab Limited for the year ended 1 December 2017.

Board of Directors

The names and the particulars of the Directors of the Company during or since the end of the financial year are:

Name	Status	Appointed	Resigned
Mr Ilan Saad	Non-Executive Chairman	Appointed Director 1 October 2016, appointed Chairman 9 February 2018	-
Mr Haim Cohen	CEO and Executive Director	Appointed 1 October 2016	-
Mr Eran Gilboa	Non-Executive Director	Appointed 19 September 2016	-
Ms Galit Assaf	Non-Executive Director	Appointed 5 December 2016	-
Mr Quentin Megson	Non-Executive Director	Appointed 5 December 2016	-
Mr Benjamin Karasik	Non-Executive Director	Appointed 9 February 2018	-
Dr Brendan de Kauwe	Non-Executive Director	Appointed 1 October 2016	Chairman 9 February 2018

Company Secretary

Mr Ian Pamensky was appointed as the Company Secretary on 9 January 2018. Mr Steven Wood resigned as Company Secretary on 9 January 2018.

Principal Activity

The principal continuing activity of the Company during the year was technology and research development, specialising in the commercialisation of the phytochemical profiling of plants.

Dividends Paid or Recommended

There were no dividends paid or recommended during the financial year ended 31 December 2017 (2016: Nil).

Operating Results

The net loss after income tax for the year ended 31 December 2017 amounted to US$2,112,000 (2016: US$ 3,656,000 loss).

Review of Operations
The following significant changes in the state of affairs occurred during the financial period:

eSense-Lab 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 Company made advancement on its extraction methods, now shown to be greater than 30% higher terpene counts over the current methodologies. The Company has also made progress in its detection methods achieving 10-100 multiples higher resolution in terpene detection and quantification. The result allows the Company to produce more complete target plant profiles than any other methodologies currently available.

- eSense-Lab has reached direct quantification of over 20 additional terpenes previously not detected by conventional methodologies, resulting in the Company now able to quantify a total of more than 40 terpenes with the highest accuracy, more than twice the terpene could of any other competitor. This result has allowed eSense-Lab to reach 95% accuracy when taking a sample of multiple strains and variations of terpenes across different growers of the same cannabis strain.

- The technology advancements achieved have resulted in a significant net reduction in the underlying production costs of eSense-Lab's terpenes profiles, and well below the previous 2-10% cost profile.

- eSense-Lab has commenced shipment of commercial samples of its cannabis terpenes profiles to more than 200 potential off-take partners and distributors in North America and Europe, with more than 1000 commercial samples sent.

- eSense-Lab has begun the delivery of its initial commercial order to US electronic vaporizer company, Allor Vaporizers, for the supply of e-liquids comprising the Company's reconstructed cannabis terpene profiles, with an order valued at approximately US$470,000.

- eSense-Lab executed a Memorandum of Understanding (MoU) with US manufacturer Healthy Chocolate Florida (HCF). Under the MoU the two companies with collaborate in development and marketing of terpene and chocolate based controlled dietary supplements. eSense-Lab will also have the opportunity to be supplier of terpene compounds to other HCF brands and clients for the purpose of formulating their own consumable products and supplements, and/or an alternate or complementary ingredients for their existing product range.

- eSense-Lab executed a Memorandum of Understanding (MoU) with a U.S cannabis concentrate producer and product development company, Wild Rogue Extract LLC. Under the terms of the agreement, eSense-Lab and Wild Rogue will collaborate in the development and marketing of a new line of cannabidiol based products.

- eSence-Lab opened a new research and development 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 analyse new Cannabis profiles, as well as for the development of new products and formulation in, but not limited to, nutraceuticals, food and beverage, cosmetics and E-liquids.

eSense-Lab executed a binding off-take agreement with a Singapore strategic partner, Advance Technology Management Private Limited ("ATM"), for the distribution of eSense's product line within Singapore. Pursuant to the terms of the agreement, ATM has agreed to purchase a minimum quantity of eSense's products within the first 12 months. ATM will pay a pre-determined price depending on the type of product or formulation, with the value of the agreement based on the minimum commitments being between US$540,00 and US$600,000.

Review of Operations (continued)

- eSense-Lab completed a placement of AU$1,1619,500 by the way of issuing of 6,478,000 Chess Depositary Interests (CDI's) over fully paid ordinary shares in the company. In addition the eSense-Lab received a binding commitment from MMJ Phytotech Ltd for a strategic investment of AU$500,000 and issued 2,500,000 CDI's in the Company. eSense-Lab has agreed to issue 1,250,000 free attaching options to MMJ Phytotech Ltd and 5,000,000 options to the lead management of the placement subject to shareholder approval.

- eSense-Lab announced it had reached a key milestone in the development of its terpene infused chocolate products, via its joint venture agreement with U.S. food manufacturer Healthy Chocolate Florida LLC ("HCF"), being he finalisation of is 'beta' chocolate formulation. The management and scientific teams of both companies consider the lead-up research and development, and finalisation of the formulation, as a highly significant 'breakthrough' for the rapidly growing global cannabis food and beverage and nutraceutical industries.

- eSense-Lab executed a Memorandum of Understanding (MoU) with Australian Brewer, Young Henry's Brewing Company Pty Ltd ("YHB") for the development of a terpene infused line of beer. Under the terms of the agreement, eSEnse and YHB will collaborate in the development of a terpene based line of beer, with the intention to enter into a further definitive agreement on finalisation of the Product, stipulating the material aspects to the agreement.

Significant Events after the Reporting Date

A. On 9 January 2018, eSense-Lab appointed a new Company Secretary Mr Ian Pamensky replacing Mr Steve Wood.

B. On 15 January 2018, eSense-Lab executed a distribution and sales agreement with IC ACCESS ("IC"), a United Arab Emirate's entity. eSense has agreed to produce Terpene profiles and to modify its line of products to suit the unique needs of the UAE market. The binding agreement signed by IC is for a period of 3 tears, with a commitment by IC to purchase Terpene Strains from eSense totalling AUD$1,1,00,000 with a minimum commitment in the first year (commencing before 30 September 2018) of AUD$366,000

C. On 22 January 2018, eSense-Lab announced that the Singaporean strategic partner Advance Technology Management Private Limited ("ATM") has advised that it has obtained the necessary approvals for marketing, sales and distribution within Singapore as part of its Off-take agreement for sales distribution of eSense's product line.

D. On 29 January 2018 eSense-Lab announced 9,537,503 CDIs and 6,429,11 Class E Performance Rights were issued upon conversion of 9,537,503 Class C Performance Rights. On 19 February 2018, the eSense-Lab Board of Directors resolved to cancel the conversion of the Class C Performance Rights and issue of the Class E Performance Rights, however in order to avoid certain logistical constraints the holders have agreed to move the applicable CDIs and Class E Performance Rights to a separate sub-register of unlisted securities.

E. On 31 January 2018, eSense-Lab executed a Memorandum of Understanding (MoU) with Netherlands-based alcoholic beverages developer and manufacturer Progressive Brands BV Ltd ("PBB") to develop a beer product line that is infused with terpenes.

F. On 9 February 2018, eSense-Lab appointed a new Chairman of the Board, with Mr IIan Saad appointed to the position with immediate effect, replacing Brendan de Kauwe.

G. On 13 February 2018, eSense-Lab announced the win in the courts proceedings commenced by two Directors. On 11 February 2018, two Directors commenced proceedings in Israel against the Company and the remaining Directors, seeking a number of remedies including the cancellation of the resolution replacing Dr Brendan de Kauwe as Chairman, the cancellation of the AGM and an order relating to the previously scheduled AGM.

H. On 8 March 2018, eSense-Lab announced it has achieved an excellent progress in its Research and Development activity demonstrating a robust antioxidant activity for its medical cannabis terpene blends. On 14 March 2018, eSense-Lab announced it ahs achieved excellent progress in its Research and Development activity demonstrating a robust anti-inflammatory activity for its medical cannabis terpene blends.

No matters, or circumstances have arisen since the end of the financial year which significantly affect the operations of the Company, the results of those operations, or the state of the affairs of the Company in future financial years.

Information on Directors

Mr Ilan Saad	Chairman
Qualifications	Bachelor of Economics and Management
Experience	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.
Interest in Shares and Options at the date of this report	1 Ordinary Share 153,760 CDIs 104,901 CDIs* 500,000 Class A Performance Rights 500,000 Class B Performance Rights 104,901 Class D Performance Rights 70,712 Class E Performance Rights*
Directorships held in other listed entities (last 3 years)	Trading Sector at Rapac Communication & Infrastructure Limited, CEO & Chairman (Listed on the TASE)

Mr Haim Cohen	Chief Executive Officer and Executive Director
Qualifications	Bachelors in Social Science
Experience	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 represented the Israeli Government as chairman of the youth exchange authority in Israel

Information on Directors

Interest in Shares and Options at the date of this report	1 Ordinary Share 1,123,627 CDIs 766,586 CDIs* 500,000 Class A Performance Rights 500,000 Class B Performance Rights 766,586 Class D Performance Rights 516,746 Class E Performance Rights*
Directorships held in other listed entities (last 3 years)	Nil
Mr Eran Gilboa	Non-executive Director
Qualifications	Bachelors in Economics and Management, specialising in finance and is a CPA
Experience	Mr Gilboa has vast experience as the Chief Financial Officer for 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. Mr Gilboa was responsible for private and public companies in his role as Senior Accountant at Ernst & Young.
Interest in Shares and Options at the date of this report	1 Ordinary Share 2,847,188 CDIs 1,942,471 CDIs* 500,000 Class A Performance Rights 500,000 Class B Performance Rights 1,942,471 Class D Performance Rights 1,309,395 Class E Performance Rights*
Directorships held in other listed entities (last 3 years)	Nil
Ms Galit Assaf	Non-Executive Director
Qualifications	M.A. in Public Policy, M.A. and B.A. in each of Economics and Business Administration

Experience	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 Jerusalum Development Authority, and a member of the audit committee for KANAT – Insurance Fund for Natural Risks in Agriculture.

I**nformation on Directors**

Interest in Shares and Options at the date of this report	Nil CDIs 500,000 Class A Performance Rights 500,000 Class B Performance Rights
Directorships held in other listed entities (last 3 years)	Zur Shamir holdings ltd from 10 April 2014
Mr Quentin Megson	Non-Executive Director
Qualifications	Bachelor of Commerce and Chartered Accountant
Experience	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.
Interest in Shares and Options at the date of this report	Nil CDIs 500,000 Class A Performance Rights 500,000 Class B Performance Rights
Directorships held in other listed entities (last 3 years)	Nil
Mr Benjamin Karasik	Non-Executive Director
Qualifications	Graduate TECHNY a military school in Haifa in 1964 where studied to become an aircraft electrical system technician. Graduate Community college in Brooklyn NY I nthe opital division and hearing aids.

Experience	Mr. Karasik is one of the founders of the Company and is currently one of the largest shareholders in the Company. He has over 40 years' experience in business development in many segments and industries across the world and has been a founder of more than 20 start-ups, including J&B Optical Company Inc., Karasik Developers Company Inc. and GK Vector Company Inc. Mr. Karasik was appointed as a member of the Company's Board of Directors on February 8, 2018.

Information on Directors

Interest in Shares and Options at the date of this report	6,298,226 CDIs 4,296,915 CDIs* 4,296,915 Class D Performance Rights 2,896,497 Class E Performance Rights*
Directorships held in other listed entities (last 3 years)	Nil
Dr Brendan de Kauwe	Non-Executive Director (Resigned 9 February 2018)
Qualifications	Bachelor of Science in Pharmacology and Physiology, Bachelor of Dental Surgery, Post Graduate Diploma in Applied Finance
Experience	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.
Interest in Shares and Options at the date of this report	1 Ordinary Share 1,453,157 CDIs 500,000 Class A Performance Rights 500,000 Class B Performance Rights 991,407 Class C Performance Rights 991,407 Class D Performance Rights
Directorships held in other listed entities (last 3 years)	Actinogen Limited (ACW) from 23 September 2013 to 18 December 2014 Xped Limited (XPE) from 22 May 2015 to 23 March 2016 Prescient Therapeutics Limited (PTX) from 30 August 2013 to 28 November 2014 Race Oncology Limited (RAC) from 1 July 2016 to Current Ookami Limited (OOK) from 5 June 2015 to Current

Information on Company Secretary

***Mr I*an Pamensky** (Appointed 9 January 2018)

Qualification	Bachelor of Commerce, Bachelor of Accounting Science (Honours) and Chartered Accountant
Experience	Mr Pamensky has over 22 years' experience in the finance and secretarial sector for both SME and ASX-listed entities. Since 1997, Mr Pamensky has held various roles with ASX-listed companies.

Mr Steve Wood (Resigned 9 January 2018)

Qualification	Bachelor of Commerce and Chartered Accountant
	Mr Wood is a Chartered Accountant and an employee of Grange Consulting Group Pty Ltd, which provides a unique range of corporate & financial services to listed and unlisted companies. Mr Wood has extensive experience private and seed capital raisings as well as successful ASX listings, whilst also providing company secretarial and financial management services to both ASX and unlisted public and private companies.

Meeting of Directors

The number of formal meetings of Directors held during the period and the number of meetings attended by each director was as follows:

	DIRECTORS' MEETINGS	
	Number eligible to attend	**Number Attended**
Ilan Saad	2	2
Haim Cohen	2	2
Eran Gilboa	2	1
Galit Assaf	2	2
Quentin Megson	2	2
Mr Benjamin Karasik	0	0
Brendan de Kauwe	2	2

State of Incorporation

The Company is incorporated in Israel under the Israeli Companies Law. As a foreign company registered in Australia, the Company is subject to different reporting regime than Australian companies.

Options

At the date of this report, the unissued ordinary shares under option are as follows:

Grant Date	Expiry Date	Exercise Price	Number under option
5 December 2016	7 February 2020	A$0.25	5,000,000
Total			**5,000,000**

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

During the year ended 31 December 2017, no options were exercised.

Performance Rights

At the date of this report the number of performance rights on issue was as follows:

Grant Date	Performance Right	Expiry Date	Number of rights issued
5 December 2016	Class A	19 January 2022	3,000,000
5 December 2016	Class B	19 January 2022	3,000,000
5 December 2016	Class C	19 January 2022	15,000,000
5 December 2016	Class D	19 January 2022	15,000,000
Total			**36,000,000**

On achievement of Class C Performance Rights Milestones, 10,111,311 Class E Performance Rights will be issued.

On achievement of Class D Performance Rights Milestones, 10,111,311 Class F Performance Rights will be issued.

Class	Milestone
Class A Performance Rights	If the volume weighted average market price of Shares calculated over the 20 consecutive trading days on which trades of Shares were recorded on ASX is A$0.40 or higher.
Class B Performance Rights	If the volume weighted average market price of Shares calculated over the 20 consecutive trading days on which trades of Shares were recorded on ASX is A$0.60 or higher.
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.
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.

The Performance Rights will vest and become capable of exercise into ordinary shares in the Company upon the satisfaction of vesting conditions as disclosed above.

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Indemnifying Officers

The Company indemnifies each of its Directors, officers and company secretary. The Company indemnifies each director or officer to the maximum extent permitted by the Corporations Act 2001 from liability to third parties, except where the liability arises out of conduct involving lack of good faith, and in defending legal and administrative proceedings and applications for such proceedings.

The Company must use its best endeavours to insure a director or officer against any liability, which does not arise out of conduct constituting a wilful breach of duty or a contravention of the Corporations Act 2001. The Company must also use its best endeavours to insure a Director or officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal.

Insurance premiums

During the year the Company paid insurance premiums to insure directors and officers against certain liabilities arising out of their conduct while acting as an officer of the Group. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against and the premium paid cannot be disclosed.

Environmental Regulations

In the normal course of business, there are no environmental regulations or requirements that the Company is subject to.

Future Developments, Prospects and Business Strategies

The Company's principal continuing activity is a technology development company. The Company's future developments, prospects and business strategies are to continue to operate as a technology development company and expand its portfolio in technology solutions.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, BDO Ziv Haft, as part of the terms of its audit engagement agreement against claims by third parties arising from their report on the financial report.

Non-audit Services

During the year, BDO Ziv Haft the Company's auditor did not provide any services other than their statutory audits.

In the event that non-audit services are provided by BDO Ziv Haft, the Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise the auditor independence. These procedures include:

- non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Corporations Act 2001

As a foreign company registered in Australia, the Company will not be subject to Chapters 6A, 6B and 6C of the Corporations Act dealing with the acquisition of shares (e.g. substantial holders and takeovers).

Under the Israeli Companies Law there are restrictions on acquisition of shares, requiring a tender offer for acquisition of public Company shares resulting in holding of 25% or more voting rights of the 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. Please refer section 9.1(f) of the Company's Prospectus dated 22 December 2016 for further details. Otherwise, the acquisition of the Company's securities is generally not restricted by the Company's articles of association or the laws of Israel, except that Israeli law prohibits the ownership of securities by nationals of certain countries that are, or have been, in a state of war with Israel.

This report is made in accordance with a resolution of the Directors.

Ilan Saad
Non-executive Chairman
Tel-Aviv, Israel, 29/03/2018

Independent Auditors' Statements to Shareholders of eSENSE-LAB LIMITED

Opinion

We have audited the accompanying financial statements of eSENSE-LAB Ltd. (the "Company"), which comprise the statements of financial position as at December 31, 2017 and 2016, and the related statements of comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the year ended December 31, 2017 and for the period from April 13, 2016 (Inception) to December 31, 2016, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and the related statements of comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the year ended December 31, 2017 and for the period from April 13, 2016 (Inception) to December 31, 2016 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audits of the financial statements in Israel, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audits evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audits Matters

Key audits matters are those matters that, in our professional judgment, were of most significance in our audits of the financial statements of the current period. These matters were addressed in the context of our audits of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Derivative liability	*How the matter was addressed in our audits*
Derivative liability for the year ended December 31, 2017 amounted to 199 thousand USD. The related disclosure appears in Note 4 to the financial statements. Upon capital raising capital on November 21, 2017, the Company issued 1,250,000 warrants. The warrants were classified as a derivative liability and will be re-measured at each reporting date, since the exercise price of the warrants is denominated in AUD and the functional currency of the company is USD. The fair value of the derivative liability was estimated based on the Black & Scholes model valuation methodology which takes into account the terms and conditions upon which the warrants were granted. This calculation is a judgmental accounting area which requires assumptions utilized in the fair value calculations.	Our procedures in respect of this area included: • We held discussions with key management personnel to understand the share based compensation schemes in place and the changes made to the awards if any. • We read relevant documents related to the issuance of the warrants. • We evaluate the calculation of the fair value and the report prepared by an independent valuation expert. • We examined the reasonability of the assumptions and the methodology which were the basis of the calculation. • We verified the inputs data of the calculations by reference to, where appropriate, external data. • We examined the reputation and the objectivity of the independent valuation expert. • We considered the adequacy of the Company's disclosures in respect of the treatment of the derivative liability in the financial statements, and over the disclosure on its accounting policies.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the directors' report for the year ended December 31, 2017, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the management and directors for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, and for such internal control as management and the directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the management and the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management and the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audits conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audits in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audits procedures responsive to those risks, and obtain audits evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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INDEPENDENT AUDITORS' STATEMENTS

- Obtain an understanding of internal control relevant to the audits in order to design audits procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audits evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audits evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

  We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audits findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance regarding with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with we also provide those charged with governance regarding with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. We determine those matters that were of most significance in the audits of the financial statements of the current period and are therefore the key audits matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Tel-Aviv, Israel
March 29, 2018

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

STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2017	December 31, 2016
		$ In thousands	
CURRENT ASSETS:			
Cash and cash equivalents		2,425	477
Restricted cash		165	5
Other receivables		47	186
TOTAL CURRENT ASSETS		**2,637**	**668**
NON-CURRENT ASSETS:			
Property, plant and equipment, net		152	4
TOTAL ASSETS		**2,789**	**672**
CURRENT LIABILITIES:			
Derivative liability	4	199	-
Trade and other payables		375	337
Convertible loan	5	-	1,401
TOTAL CURRENT LIABILITIES		**574**	**1,738**
SHAREHOLDERS' EQUITY (DEFICIT):			
Issued capital	7	5,832	439
Reserves		2,151	2,151
Accumulated losses		(5,768)	(3,656)
TOTAL EQUITY (DEFICIT)		**2,215**	**(1,066)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		**2,789**	**672**

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

March 29, 2018		
Date of approval of the financial statements	Eran Gilboa Director	Haim Cohen CEO

STATEMENTS OF COMPREHENSIVE LOSS

	Note	Year ended December 31, 2017	Period from April 13, 2016 (inception) to December 31, 2016
		$ In thousands	
Revenues		84	-
Cost of revenues		45	-
Gross profit		**39**	**-**
Operating Expenses			
Share based compensation	8	63	2,403
Research and development expenses	9	294	258
Selling and marketing expenses	10	423	-
General and administrative expenses	11	1,280	309
Operating loss		**2,021**	**2,970**
Financial income		2	-
Financial expenses		93	686
Financial expenses, net		91	686
Total comprehensive loss		**2,112**	**3,656**
Loss per share			
Basic loss per share in $	12	(0.03)	(0.12)

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

	Issued Capital	Reserves	Accumulated Losses	Total
	$ In thousands			
Balance at April 13, 2016 (Inception)	**-**	**-**	**-**	**-**
Changes during the period:				
Issuance of shares	26	-	-	26
Share based compensation	-	2,564	-	2,564
Exercise of employee stock warrants	413	(413)	-	-
Total comprehensive loss for the period	-	-	(3,656)	(3,656)
Balance at December 31, 2016	**439**	**2,151**	**(3,656)**	**(1,066)**
Changes during the year 2017:				
Conversion of convertible loan to equity	1,538	-	-	1,538
Issuance of shares, net	3,792	-	-	3,792
Share based compensation	63	-	-	63
Total comprehensive loss	-	-	(2,112)	(2,112)
Balance at December 31, 2017	**5,832**	**2,151**	**(5,768)**	**2,215**

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

STATEMENTS OF CASH FLOWS

	Year ended December 31, 2017	Period from April 13, 2016 (inception) to December 31, 2016
	$ In thousands	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(2,112)	(3,656)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	8	-
Revaluation of restricted cash	(1)	-
Decrease (increase) in other receivables	71	(25)
Increase (decrease) in trade and other payables	(67)	337
Changes in fair value of convertible loan and derivative liability	164	674
Share based compensation	63	2,403
Net cash used in operating activities	**(1,874)**	**(267)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(51)	(4)
Change in deposit	(159)	(5)
Net cash used in investing activities	**(210)**	**(9)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Convertible loan	21	727
Derivative liability	151	-
Issuance of shares, net	3,860	26
Net cash provided by financing activities	**4,032**	**753**
Increase in cash and cash equivalents	**1,948**	**477**
Cash and cash equivalents at the beginning of the period	477	-
Cash and cash equivalents at the end of the period	**2,425**	**477**

APPENDIX A - NON-CASH ACTIVITIES:

Conversion of convertible loan into issued capital	1,538	-
Prepaid issuance costs	68	161
Purchase of property, plant and equipment	105	-

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

NOTE 1 - DESCRIPTION OF BUSINESS:

eSENSE-LAB Ltd. (the "Company") was incorporated on April 13, 2016 under the Israeli law and started its operations in August 2016. 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 ($ 2.67 million) via the issue of 17,500,000 Chess Depositary Interest CDI (hereafter "shares"), 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 share.

The Company's principal place of business is 8 Sapir Street Nes Tziona, Israel and the Australian registered office is located at 108 Outram Street, West Perth Western Australia 6005, Australia.

The Company is a technology and research and development company 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies followed in the preparation of the financial statements, 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 certain financial liabilities which 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 currencies 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").

Accordingly, transactions and balances have been converted as follows:

- Monetary assets and liabilities – at the rate of exchange applicable at the statements of financial position date;
- Income and expense items – at exchange rates applicable as of the date of recognition of those items.
- Non-monetary items are converted at the rate of exchange used to convert the related statements of 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 loss.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Restricted cash

Restricted cash is considered by the Company to be deposits with banks which are used mainly as a security for guarantees provided against payable payments in advance.

Revenue

Revenues from the sales of the Company's products are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee payable by the customer is fixed and determinable; and collection of the resulting receivable is reasonably assured. The title and risk of loss passes to the customer, delivery has occurred and acceptance is satisfied once the product leaves the Company's premises.

Issuance costs

The company allocated the incremental costs that were directly attributable to issuing new shares to equity (net of any income tax benefit) and the costs that were related to the stock market listing, or are otherwise not incremental and directly attributable to issuing new shares, were recorded as an expense in the statement of comprehensive loss. Costs that were related to both share issuance and listing were allocated between those functions based on the number of shares.

Leases

Leases are classified at their inception as either operating or finance leases based on economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating Leases-

The minimum lease payments made under operating leases are charged against profits in equal installments over the accounting periods covered by the lease term where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item. The cost of improvements to or on leased property is capitalized, disclosed as leasehold improvements and amortized over the shorter between the leasehold improvements economic life and the operating lease period.

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 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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Fair value measurement (Cont.)

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. 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

Assets and liabilities 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).

Research and development costs:

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

- The product is technically and commercially feasible.
- The Company intend to complete the product so that it will be available for use or sale.
- The Company has the ability to use the product or sell it.
- The Company has the technical, financial and other resources to complete the development and to use or sell the product.
- The Company can demonstrate the probability that the product will generate future economic benefits.
- The Company is able to measure reliability the expenditure attributable to the product during the development.

During the year 2017 and for the period from April 13, 2016 (Inception) to December 31, 2016 the company did not meet the following criteria therefore all the development costs recognized as expenses.

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 classifies its financial liabilities as follows:

Other financial liabilities: Other financial liabilities include the following items:

- Trade payables and other short-term liabilities are initially recognized at fair value less any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortized cost using the effective interest method, which ensures that any interest expense over the period is at a constant interest rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs, as well as any interest or coupon payable while the liability is outstanding.

Fair value through profit and loss: certain liabilities are measured at fair value through profit or loss. Transaction costs are recognized in profit or loss.

Provisions

Provisions are recognized when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence of impairment of a financial asset or group of financial assets as follows.

Financial assets carried at amortized cost:

There is objective evidence of impairment of loans and receivables if one or more loss events have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows. Evidence of impairment may include indications that the debtor is experiencing financial difficulties, including liquidity difficulty and default in interest or principal payments.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Impairment of financial assets (Cont.)

The amount of the loss recorded in profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate (the effective interest rate at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. In a subsequent period, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognized. The amount of the reversal, which is limited to the amount of any previous impairment, is recognized in 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.

An impairment loss allocated to asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, is limited to the lower of the carrying amount of the asset that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and the assets recoverable amount. The reversal of impairment loss of an asset is recognized in profit or loss.

Earnings per share

Basic earnings per share is calculated as net loss, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Share based compensation

The Company 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 is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted.

Deferred tax

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 extent that their recoverability is probable.

Property, plant and equipment

Items of property, plant and equipment are initially recognized at cost. Cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. Depreciation is computed by the straight line method, based on the estimated useful lives of the assets, as follows:

	%
Computers and electronic equipment	15-33
Laboratory equipment	20
Furniture and equipment	7

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Changes in accounting policies and disclosures

<u>Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative:</u>

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Company has provided the information in note 4 and note 5.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

New IFRSs in the period prior to their adoption

<u>IFRS 9 Financial Instruments:</u>

IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortized cost and fair value.

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortized cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognized at fair value.

All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in other comprehensive loss (without subsequent recycling to profit or loss).

For financial liabilities that are designated for measured at fair value, entities will need to recognize the part of the fair value change that is due to changes in their own credit risk in other comprehensive loss rather than profit or loss. The new hedge accounting rules align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward.

The new standard also introduces expanded disclosure requirements and changes in presentation. Further changes was made to the classification and measurement rules and also introduced a new impairment model. With these amendments, IFRS 9 is now complete. The changes introduce:

a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

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

IFRS 9 will not have a material impact on the financial statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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

IFRS 15 – "Revenue from Contracts with Customers" (hereafter – IFRS 15)

IFRS 15 was issued in May 2014 and applies to an annual reporting period beginning on or after 1 January 2018. On 12 April 2016, clarifying amendments were issued that have the same effective date as the standard itself.

The new standard applies to revenue from contracts with customers and replaces all of the current revenue standards and interpretations in IFRS, including IAS 11 Construction Contracts, IAS 18 Revenue and sets out a single revenue recognition model for revenue recognition, measurement, and disclosure.

The core principle of IFRS 15 is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 sets out a single revenue recognition model, according to which the entity shall recognize revenue in accordance with the said core principle by implementing a five-step model framework:

1) Identify the contract(s) with a customer.
2) Identify the performance obligations in the contract.
3) Determine the transaction price.
4) Allocate the transaction price to the performance obligations in the contract.
5) Recognize revenue when the entity satisfies a performance obligation.

IFRS 15 provides guidance about various issues related to the application of the said model, including: recognition of revenue from variable consideration set in the contract, adjustment of the price of transaction set in the contract in order to reflect the effect of the time value of money and costs to obtain or fulfill a contract.

IFRS 15 extends the disclosure requirements regarding revenue and requires, among other things, that entities disclose qualitative and quantitative information about significant judgments made by management in determining the amount and timing of the revenue.

The standard shall be applied retrospectively for annual reporting periods starting on January 1, 2018 or thereafter.

IFRS 15 will not have a material impact on the financial statements.

($ In Thousands)

NOTE 3 – PROPERTY, PLANT AND EQUIPMENT, NET:

	Computers and electronic equipment	Furniture and equipment	Lab equipment	Total
Cost				
As of January 1, 2017	4	-	-	4
Additions	2	11	143	156
As of December 31, 2017	6	11	143	160
Accumulated depreciation				
As of January 1, 2017	-	-	-	-
Additions	2	1	5	8
As of December 31, 2017	2	1	5	8
Net Book Value:				
As of December 31, 2017	4	10	138	152
As of December 31, 2016	4	-	-	4

NOTE 4 - DERIVATIVE LIABILITY:

a. Warrants granted to Investor upon raising capital:

On November 21, 2017 the Company has completed a placement raising an aggregate amount of AUD 2,119,500 ($1,603) by the issue of 8,978,000 shares and 1,250,000 warrants, which have not yet been issued. The warrants were classified as a derivative liability and are re-measured each reporting date, with changes in fair value recognized in finance expense (income), net, since the exercise price of the warrants is denominated in AUD and the functional currency of the company is the USD.

b. Reconciliation of liabilities arising from financial activities:

The changes in the company's liabilities arising from financing activities can be classified as follows:

	Derivative liability
As of January 1, 2017	-
Changes from financing cash flows:	
Derivative liability	151
Total changes from financing cash flows	151
Change in fair value of derivative liability	48
As of December 31, 2017	**199**

($ In Thousands)

NOTE 5 - CONVERTIBLE LOAN:

a. Convertible loan agreement:

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 ($727) till end of the year 2016. In the year 2017 the company borrowed 30 thousands AUD ($21). The Company designated upon initial recognition that the convertible loan will be measured at fair value through profit or loss. Upon the initial public offering ("IPO") that took place in February, 2017 the loan amounted to 1,538 was converted into 10,000,000 shares.

b. Reconciliation of liabilities arising from financial activities:

The changes in the company's liabilities arising from financing activities can be classified as follows:

	Convertible loan
As of January 1, 2017	1,401
Changes from financing cash flows:	
Receipts of convertible loan	21
Total changes from financing cash flows	21
Change in fair value of convertible loan	116
Conversion of convertible loan issues capital	(1,538)
As of December 31, 2017	**-**

NOTE 6 - COMMITMENTS AND CONTINGENCIES:

A. The Company leases its office facilities and motor vehicles under various operating leases. Total rent expense under these operating leases was 67 thousands and 7 thousands for the years ended December 31, 2017 and 2016, respectively. Future minimum lease commitments under operating leases as of December 31, 2017 are as follows:

Year ended December 31:	
2018	47
2019	9
2020	3
	59

($ In Thousands)

NOTE 6 - COMMITMENTS AND CONTINGENCIES (CONT.):

B. On 11 February, 2018, the Company and several of its directors were named as a defendants in a legal motion filed by two members of the board of directors. No financial remedy is requested against the Company. It is not possible to estimate the chances of the court accepting this motion (See note 16).

NOTE 7 - ISSUED CAPITAL:

Movements in fully paid ordinary shares

	Date	Number
Balance at inception	**April 13, 2016**	5,338,334
Ordinary shares issued upon warrants exercise	November 21, 2016	472,000
Benefit shares (1:4.913827)	November 24, 2016	28,550,977
Balance at end of the period	**December 31, 2016**	34,361,311
Conversion of convertible loan	February 10, 2017	10,000,000
Issue of shares upon IPO	February 10, 2017	17,500,000
Issue shares for services rendered	September 29, 2017	300,000
Issue shares for placement	November 21, 2017	8,978,000
Balance at end of the period	**December 31, 2017**	**71,139,311**

Each Share of 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.

1. Upon the initial public offering ("IPO") that took place on February 10, 2017, the Company issued 17,500,000 shares at AUD 0.2 per share (See Note 1).
2. On February 10, 2017, upon the IPO, the convertible loan was converted into 10,000,000 shares. (See Note 5).
3. On September 29, 2017 the Company issued 300,000 fully paid ordinary shares to service provider.
4. On November 21, 2017 the Company has completed a placement raising an aggregate amount of AUD 2,119,500 ($1,603) by the issue of 8,978,000 shares and 1,250,000 warrants, which have not yet been issued. The warrants were classified as a derivative liability and are re-measured each reporting date, with changes in fair value recognized in finance expense (income), net, since the exercise price of the warrants is in AUD and the functional currency of the company is the USD.

NOTE 8 – SHARE BASED COMPENSATION:

Performance rights:

A. Options granted to directors, shareholders and officers:

In November, 2016, the Company granted 472,000 options with no exercise price per share. All warrants were fully vested on grand date. The Company measures and recognizes share based compensation 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. All warrants s were exercised on November 21, 2016 (see Note 7).

B. Warrants granted to service providers:

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

The fair value of warrants are estimated by using a Monte Carlo simulation, the warrants 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 8 – SHARE BASED COMPENSATION (CONT.):

C. 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 9 – RESEARCH AND DEVELOPMENT EXPENSES:

	Year ended December 31, 2017	Period from April 13, 2016 (inception) to December 31, 2016
Payroll and related expenses	206	61
Raw materials	19	191
Consultants	17	-
Rent	8	-
Patent	-	6
Other expenses	44	-
Total	**294**	**258**

NOTE 10 – SELLING AND MARKETING EXPENSES:

	Year ended December 31, 2017	Period from April 13, 2016 (inception) to December 31, 2016
Public Relations and promotion marketing	138	-
Consultants	133	-
Payroll and related expenses	88	-
Other expenses	64	-
Total	**423**	**-**

($ In Thousands)

NOTE 11 – GENERAL AND ADMINISTRATIVE EXPENSES:

	Year ended December 31, 2017	Period from April 13, 2016 (inception) to December 31, 2016
Listing expenses	306	-
Professional fees	288	186
Payroll, directors and related expenses	250	87
Management fee	219	-
Travel expenses	63	16
Other expenses	154	20
Total	**1,280**	**309**

NOTE 12 - BASIC LOSS PER SHARE:

Loss 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:

	Year ended December 31, 2017	Period from April 13, 2016 (inception) to December 31, 2016
Loss for the year	(2,112)	(3,656)
Weighted average number of ordinary shares	59,877,909	31,693,646
Basic and diluted loss per share (in $)	(0.035)	(0.12)

NOTE 13 - TAXES ON INCOME:

A. Tax Rate Applicable to Income in Israel:

Israeli corporate tax rates are 25% in 2016 and 24% in 2017.

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. Since the Company has carry forward losses and did not recognized tax assets or liability, there is no impact of the tax rate change.

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

B. Net operating losses carry forwards:

As of December 31, 2017, the Company has estimated carry forward tax losses of approximately $2,200 which may be carried forward and offset against taxable income for an indefinite period in the future. The Company did not recognized deferred tax assets relating to carry forward losses in the financial statements because their utilization in the foreseeable future is not probable.

($ In Thousands)

NOTE 13 - TAXES ON INCOME (CONT.):

C. Theoretical tax:

	Year ended December 31, 2017	Period from April 13, 2016 (inception) to December 31, 2016
Loss before taxation	(2,112)	(3,656)
Theoretical tax credit at applicable statutory 2017: 24% (2016: 25%)	507	914
Non allowable expenses	(16)	(601)
Tax losses for which no DTA is recognized	(491)	(313)
Income tax benefit	-	-

NOTE 14 - 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	Year ended December 31, 2017	Period from April 13, 2016 (inception) to December 31, 2016
Management fee to CEO	General and administrative expenses	136	24
Management fee to CFO	General and administrative expenses	80	15
Service fee to CTO	Research and development expenses	141	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, management fee of 6 plus VAT on a monthly basis and post IPO in February, 2017 the management fee will be updated to 12 plus VAT on monthly basis. In June, 2018 the management fee will be updated to 19 plus VAT on monthly basis.

($ In Thousands)

NOTE 14 - RELATED PARTIES AND SHAREHOLDERS (CONT.):

2. 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 the service fee will be updated to 8 plus VAT on monthly basis. The CTO finished in June, 2017 with the company and was remunerated until September, 2017. A new CTO started with the company in August, 2017.

Liabilities to related parties:

Name	Nature of transaction	Account name	December 31, 2017	December 31, 2016
CEO	Accrued management fee	Accrued expenses	12	6
CFO	Accrued management fee	Accrued expenses	7	5
CTO	Accrued service fee	Accrued expenses	8	-

NOTE 15 - 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. Wherever possible and commercially practical the Company holds cash with major financial institutions In Israel.

($ In Thousands)

NOTE 15 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Credit risk (Cont.):

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

	December 31, 2017	December 31, 2016
Cash and cash equivalents	2,425	477
Restricted cash	165	5
Other Accounts Receivable	12	25
Total	2,602	507

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		**December 31, 2017**	
	NIS	**AUD**	**Total**
Cash and cash equivalents	115	2,086	2,201
Restricted cash	11	-	11
Other receivables	20	-	20
	146	2,086	2,232

Liabilities			
	NIS	**AUD**	**Total**
Trade and other payables	347	27	374
Derivative liability	-	199	199
	347	226	573
Net	(201)	1,860	1,659

($ In Thousands)

NOTE 15 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Currency risk (Cont.):

Assets	**December 31, 2016**		
	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
Net	(188)	(1,074)	(1,262)

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	(201)
	10%
	(20)
Linked to AUD	1,860
	10%
	186

($ In Thousands)

NOTE 15 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

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 negative working capital. In order to overcome its liquidity risk, in February, 2017 the Company raised AUD 3.5 Million ($2.67 million) via the IPO, following the balance sheet date and in November, 2017 the Company raised AUD 2.1 Million ($1.6 million) (see Note 7).

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, 2017	December 31, 2016
Trade and other payables	(375)	(337)
Derivative liability	(199)	-
Convertible Loan	-	(841)
	(574)	(1,178)

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 2.5. 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.

($ In Thousands)

NOTE 15 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Fair value of financial assets and liabilities:

Items carried at fair value as of December 31, 2017 and 2016 are classified in the table below:

	Fair value measurements using input type			
	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Derivative liability	-	(199)	-	(199)

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

NOTE 16 - SUBSEQUENTS EVENTS:

A. On January 15, 2018, the Company executed a distribution and sales agreement with IC ACCESS (“IC”), a United Arab Emirate’s entity. The Company has agreed to produce terpene profiles and to modify its line of products to suit the unique needs of the UAE market. The binding agreement signed by IC is for a period of 3 years, with a commitment by IC to purchase terpene strains from the Company, totalling AUD 1.1 Million (0.88 million) with a minimum commitment in the first year (commencing before September 30, 2018) of AUD 366 thousands (292).

B. On January 29, 2018, the Company announced that 9,537,503 Shares and 6,429,111 Class E Performance Rights were issued upon conversion of 9,537,503 Class C Performance Rights. On February 19, 2018, the Company's board of directors resolved to cancel the conversion of Class C Performance Rights and issue Class E Performance Rights, however in order to avoid certain logistical constraints the holders have agreed to move the applicable Shares and Class E Performance Rights to a separate sub-register of unlisted securities.

C. On February 9, 2018, the Company appointed a new Chairman of the board of directors, with Mr. IIan Saad appointed to the position with immediate effect, replacing Brendan de Kauwe.

D. On 11 February 2018, the Company and several of its directors were named as a defendant in a legal motion filed by two members of the board of directors. No financial remedy is requested against the Company. It is not possible to estimate the chances of the court accepting this motion.

NOTE 16 - SUBSEQUENTS EVENTS (CONT.):

E. On January 29, 2018, The Company filed a statement of claim against Nextar Chempharma Solutions Ltd. (hereafter: "Nextar"). The Company argued that Nextar materially violated the manufacturing agreement between the parties, committed a number of tortuous wrongs towards the Company and has made and is continuing to gain unjust enrichment at the expense of the Company by holding and using, illegally, valuable equipment and products belonging to the Company. At this preliminary stage of the proceedings, it is not possible to estimate the chances of the Court accepting the Company's claim.

CORPORATE GOVERNANCE

The Board of eSense-Lab Limited are committed to achieving and demonstrating the highest standards of corporate governance. As such, the Company has adopted what it believes to be appropriate corporate governance policies and practices having regard to its size and the nature of its activities.

The Board has adopted the ASX Corporate Governance Principles and Recommendations which are complemented by the Company's core principles of honesty and integrity. The corporate governance policies and practices adopted by the Board are outlined in the Corporate Governance section of the Company's website (https://www.esense-lab.com/corporate-governance).

The Company has also lodged an Appendix 4G contemporaneously with this Annual Report.

ADDITIONAL ASX INFORMATION

Additional information required by the ASX Limited Listing Rules not disclosed elsewhere in this Financial Report is set out below.

1. Shareholdings

The Company has ordinary shares on issue. The Company's ordinary shares traded on the ASX are traded as Chess Depository Interests ('CDI's) under the code ESE. Each CDI has a beneficial interest in a share.

The issued capital of the Company as at 21 March 2018 is 71,139,304* shares. All issued ordinary fully paid shares carry one vote per share.

** Excludes 9,537,503 shares that are non-voting.*

The Company as at 24 April 17 has issued the following unlisted securities:

- 5,638,689 unlisted options; and
- 37,891,608 performance rights.

2. Distribution of Equity Securities (Shareholders and CDI Holders)

Range	Units	%	Holders
100,001 and Over	52,637,624	73.99	78
10,001 to 100,000	15,079,572	21.20	434
5,001 to 10,000	2,030,840	2.85	242
1,001 to 5,000	1,384,275	1.95	478
1 to 1,000	6,993	0.01	28
Total	**71,139,304**	**100.00**	**1,260**

The number of investors holding a less than marketable parcel of 3,030 ESE shares (based on a share price of $0.165) was 331.

3. Top 20 Largest Holders of Listed Securities as at 21 March 2018

	Name	Number of Shares	%
1	BENJAMIN KARASIK	6,298,226	8.85
2	EFRAIM MALIK	3,843,988	5.40
3	NITZAN ORGAL	3,622,515	5.09
4	ARIEL MALIK	2,847,188	4.00
5	ERAN GILBOA	2,847,187	4.00
6	ROMFAL SIFAT PTY LTD	2,615,697	3.68
7	MMJ PHYTOTECH LTD	2,500,000	3.51
8	CITICORP NOMINEES PTY LIMITED	2,402,404	3.38
9	DR YARON PENN	2,194,030	3.08
10	MR RON KALFON	1,700,000	2.39
11	BUZZ CAPITAL PTY LTD	1,453,168	2.04
12	ATTOLLO INVESTMENTS PTY LTD	1,453,156	2.04
13	HAIM COHEN	1,123,626	1.58
14	MR AMARJEET SANDHU	1,055,034	1.48
15	DR BORNSTEIN LTD	841,383	1.18
16	YOSSEF SHOLT	810,194	1.14
17	BENEFICO PTY LTD	750,000	1.05
18	MIRA CARMELI WEISSBERG	709,659	1.00
19	NOY OFIR	662,349	0.93
20	GIL LEVY	591,383	0.83
20	GALIT KLAIMAN	591,383	0.83
20	DR MOTI GROSS	591,383	0.83
	Total top 20	**41,503,953**	**58.34**
	Total Remaining Holders Balance	**29,635,351**	**41.66**
	Total shares on issue	**71,139,304**	**100.00**

4. Voting Rights

Ordinary shareholders have the right to one vote at a meeting of Shareholders of the Company or on any Resolutions of Shareholders.

CDI Holders do not hold the right to vote at meetings of the Company and if they which to take a vote they must direct the CHESS Depositary Nominees (CDN) on how to vote in advance of the applicable meeting, provided that both Shareholders and CDI Holders are able to attend meetings.

5. Unquoted securities as at 21 March 2018

The names of the security holders holding more than 20% of an unlisted class of security are listed below:

Unlisted Security	Option	Option	Performance Right A	Performance Right B	Performance Right C	Performance Right D	Performance Right E
Exercise Price	**$0.01**	**$0.25**					
Expiry	**19 Jan 2022**	**7 Feb 2020**	**30 Jan 2019**	**30 Jan 2019**	**30 Jan 2019**	**30 Jan 2019**	**14 Feb 2019**
BENJAMIN KARASIK					-	4,296,915	2,896,497
ROMFAL SIFAT PTY LTD					1,784,539		
DR YARON PENN					1,496,860		
ARIEL MALIK							1,309,395
ERAN GILBOA							1,309,395
Total number of holders	1	-	-	-	2	1	3
Holders less than 20%	-	27	6	6	3	9	3
Total	**638,689**	**5,000,000**	**3,000,000**	**3,000,000**	**5,462,497**	**15,000,000**	**6,429,111**

6. Substantial shareholders as at 21 March 2018

	Name	Number of Shares	% Holding
1	BENJAMIN KARASIK	6,298,226	8.85
2	EFRAIM MALIK	3,843,988	5.40
3	NITZAN ORGAL	3,622,515	5.09

7. Restricted Securities Subject to Escrow

The following securities are subject to escrow:

	Name	Number of Securities	Escrow Period Expiry
1	CDI Escrowed 24M	34,861,305	30 Jan 2019
2	CDI Escrowed 24M – Non-Voting	9,537,503*	30 Jan 2019
3	Unlisted Option $0.01 24M	638,689	19 Jan 2022
4	Unlisted Option $0.25 24M	5,000,000	7 Feb 2020
5	Performance Rights A 24M	3,000,000	30 Jan 2019
6	Performance Rights B 24M	3,000,000	30 Jan 2019
7	Performance Rights C 24M	5,462,497*	30 Jan 2019
8	Performance Rights D 24M	15,000,000	30 Jan 2019
9	Performance Rights E 24M	6,429,111*	14 Feb 2019

** On February 19, 2018, the Company's Board of Directors resolved to cancel the conversion of the Class C Performance Rights and issue of the Class E Performance Rights. In order to avoid certain logistical constraints and expedite the effectiveness of the Board resolutions, the holders have agreed and irrevocably instructed Link Market Services to move the applicable CDIs and Class E Performance Rights to a separate sub-register of unlisted securities (while waiving all rights arising from such securities) in order to effectuate the Board's decision.*

8. On-market buy back

There is currently no on-market buyback program for any of eSense-Lab Limited listed securities.

9. Group cash and assets

In accordance with Listing Rule 4.10.19, the Company confirms that it has been using the cash and assets for the period ended 31 December 2017 in a way that is consistent with its business objectives and strategy.