

Appendix 4D

Half Year Report to the Australian Securities Exchange

Part 1 - Details of reporting period

Name of Entity	eSense-Lab Limited
ARBN	616 228 703
Half Year Ended	30 June 2018
Previous Corresponding Reporting Period	30 June 2017

Part 2 – Results for Announcement to the Market

Key information	30 June 2018 US\$'000	30 June 2017 US\$'000	Increase/ (decrease) %	Amount change US\$
Revenue from continuing operations ¹	11	53	(79.2%)	(42)
Profit/(Loss) from ordinary activities after tax attributable to members ¹	(1,192)	(1,159)	(2.8%)	(33)
Net Profit/ (Loss) for the period attributable to members	(1,192)	(1,159)	(2.8%)	(33)
Net tangible asset \$ per share	0.014	0.027	(48.1%)	(0.013)

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record date for determining entitlements to the dividends (if any)	Not Applicable	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Refer to the Review of Activities contained in the Directors' Report which forms part of the attached Interim Financial Report for details.

Part 3 – Contents of ASX Appendix 4D

Section	Contents
Part 1	Details of entity, reporting period
Part 2	Results for announcement to the market
Part 3	Contents of ASX Appendix 4D
Part 4	Commentary on results
Part 5	Details relating to dividends
Part 6	Net tangible assets per security
Part 7	Details of entities over which control has been gained or lost
Part 8	Details of associates and joint venture entities
Part 9	Information on audit or review

Part 4 – Commentary on Results

Refer to the Review of Activities contained in the Directors' Report which forms part of the attached Interim Financial Report for details.

Part 5 – Details Relating to Dividends

Date the dividend is payable	N/A
Record date to determine entitlement to the dividend	N/A
Amount per security	N/A
Total dividend	N/A
Amount per security of foreign sourced dividend or distribution	N/A
Details of any dividend reinvestment plans in operation	N/A
The last date for receipt of an election notice for participation in any dividend reinvestment plans	N/A

Part 6 – Net Tangible Assets per Security

	2018	2017
	US\$'000	US\$'000
Net tangible asset (deficiency) backing per security	0.014	0.027

Part 7 – Details of Entities Over Which Control has been Gained or Lost

Not applicable.

Part 8 – Details of Associates and Joint Venture Entities

Name of associate and joint venture entities	Ownership Interest		Contribution to net profit/(loss)	
	2018 %	2017 %	2018 US\$'000	2017 US\$'000
Associates	NA	NA	-	-
Joint Venture Entities	NA	NA	-	-


Part 9 – Audit/Review Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited	<input type="checkbox"/>	The accounts have been subject to review	<input checked="" type="checkbox"/>
The accounts are in the process of being audited or subject to review	<input type="checkbox"/>	The accounts have not yet been audited or reviewed	<input type="checkbox"/>

<p>If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:</p> <p>N/A</p>
<p>If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:</p> <p>Refer to Half Year Financial Report for the half-year ended 30 June 2018.</p>

Attachments Forming Part of Appendix 4D

Attachment #	Details
1	Interim Financial Report

Signed By Company Secretary	
	
Ian Pamensky	
Date 30 August 2018	

eSENSE-LAB LTD

ARBN 616 228 703

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2018**

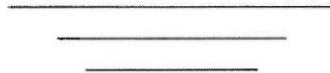
UNAUDITED

eSENSE-LAB LTD.

INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2018

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REVIEW REPORT ON INTERIM FINANCIAL INFORMATION
TO THE SHAREHOLDERS OF
eSENSE-LAB LTD.

Introduction

We have reviewed the accompanying statement of financial position of eSENSE-LAB LTD. (the "Company") as of June 30, 2018 and the related statements of comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Review of Interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of the Company as at June 30, 2018, and of its financial performance and its cash flows for the six month period then ended in accordance with International Accounting Standard IAS 34.

We draw attention to Note 1(B) in the financial statements, which indicates that the Company incurred a net loss of \$1.2 million for the six months ended 2018, and generated \$6.9 million of accumulated deficit since inception. As stated in the note, these events or conditions, along with other matters as set forth in the note, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Management future plans to overcome this uncertainty are also described in the note. Our review opinion is not modified in respect of this matter.

Tel-Aviv, Israel
August 30, 2018

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eSENSE-LAB LTD.
ARBN 616 2828 703

STATEMENTS OF FINANCIAL POSITION

	Note	June 30, 2018	December 31, 2017
Unaudited			
US \$ In thousands			
CURRENT ASSETS:			
Cash and cash equivalents		951	2,425
Restricted cash		165	165
Other receivables		67	47
TOTAL CURRENT ASSETS		1,183	2,637
NON-CURRENT ASSETS:			
Property, plant and equipment		136	152
TOTAL NON-CURRENT ASSETS		136	152
TOTAL ASSETS		1,319	2,789
CURRENT LIABILITIES:			
Derivative financial Liability	3	-	199
Trade and other payables		308	375
TOTAL CURRENT LIABILITIES		308	574
SHAREHOLDERS' EQUITY:			
Issued capital	4	5,832	5,832
Reserves		2,151	2,151
Accumulated losses		(6,972)	(5,768)
TOTAL EQUITY		1,011	2,215
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,319	2,789

August 30, 2018
Date of approval
of the financial
statements


Haim Cohen
CEO


Kobi Cohen
CFO

The accompanying notes form part of these financial statements.

eSENSE-LAB LTD.
ARBN 616 2828 703

STATEMENTS OF COMPREHENSIVE LOSS

	Note	Six month period ended June 30, 2018	Six month period ended June 30, 2017
		Unaudited	Unaudited
		US \$ In thousands (except loss per share)	US \$ In thousands (except loss per share)
Revenues		11	53
Cost of sale		5	39
Gross profit		<u>6</u>	<u>14</u>
Operating Expenses			
Selling and marketing expenses		165	230
Research and development expenses		229	253
General and administrative expenses		798	690
Operating loss		<u>1,192</u>	<u>1,159</u>
Financial expenses		18	102
Total comprehensive loss for the period		<u>1,204</u>	<u>1,261</u>
Loss per share			
Basic loss per share	5	<u>\$(0.017)</u>	<u>\$(0.023)</u>

The accompanying notes form part of these financial statements.

eSENSE-LAB LTD.
ARBN 616 2828 703

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

For the period from January 1, 2018 to June 30, 2018:	Issued Capital	Reserves	Accumulated Losses	Total
	Unaudited			
	US \$ In thousands			
Balance at January 1, 2018	5,832	2,151	(5,768)	2,215
Changes during the period:				
Total comprehensive loss for the period	-	-	(1,204)	(1,204)
Balance at June 30, 2018 (Unaudited)	5,832	2,151	(6,972)	1,011

For the period from January 1, 2017 to June 30, 2017:	Issued Capital	Reserves	Accumulated Losses	Total
	Unaudited			
	US \$ In thousands			
Balance at January 1, 2017	439	2,151	(3,656)	(1,066)
Changes during the period:				
Conversion of convertible loan to shares	1,538	-	-	1,538
Issuance of shares upon IPO, net	2,455	-	-	2,455
Total comprehensive loss for the period	-	-	(1,261)	(1,261)
Balance at June 30, 2017 (Unaudited)	4,432	2,151	(4,917)	1,666

The accompanying notes form part of these financial statements.

eSENSE-LAB LTD.
ARBN 616 2828 703

STATEMENTS OF CASH FLOWS

	Six month period ended June 30, 2018	Six month period ended June 30, 2017
	Unaudited	Unaudited
	US \$ In thousands	US \$ In thousands
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the period	(1,204)	(1,261)
Adjustments to reconcile net loss to net cash Used in operating activities:		
Depreciation	16	1
Increase in other receivables	(20)	(35)
Increase (Decrease) in trade and other payables	(67)	84
Changes in fair value of derivative financial liability	(46)	-
Changes in fair value of convertible loan	-	116
Net cash used in operating activities	(1,321)	(1,095)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(16)
Investment in deposit	-	(3)
Net cash used in investing activities	-	(19)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares upon IPO, net	-	2,523
Receipt of convertible loan	-	21
Repayment of derivative financial liability	3 (153)	-
Net cash provided by financing activities	(153)	2,544
Increase (Decrease) in cash and cash equivalents	(1,474)	1,430
Cash and cash equivalents at the beginning of the period	2,425	477
Cash and cash equivalents at the end of the period	951	1,907
APPENDIX – NON-CASH ACTIVITIES:		
Conversion of convertible loan into issued capital	-	1,538
Prepaid issuance costs	-	68

The accompanying notes form part of these financial statements.

eSENSE-LAB LIMITED
ARBN 616 2828 703

NOTES TO THE INTERIM FINANCIAL STATEMENTS
(US \$ In thousands)

NOTE 1 - DESCRIPTION OF BUSINESS:

A. 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 Depository 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 Ziona, 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.

eSENSE-LAB LIMITED
ARBN 616 2828 703

NOTES TO THE INTERIM FINANCIAL STATEMENTS
(US \$ In thousands)

- B.** We draw the attention to the fact that the Company incurred a net loss of \$1.2 million for the six months ended 2018, and generated \$6.9 million of accumulated deficit since inception. These events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Management plans to overcome these uncertainties include among others material actions that have already begun to reduce ongoing cash burn rate , upcoming future plans to raise fund which has already have been initiated and also future plan to receive grants from the Israeli chief scientist.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
(US \$ In thousands)

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

This interim financial statements of the company are for the six month period ended June 30, 2018 and are represented in US dollar. The general purpose interim financial statements have been prepared in compliance with the requirements of International Accounting Standard 34 "Interim Financial Reporting". They do not include all the information required in annual financial statements in accordance with IFRS, and should be read in conjunction with the financial statements of the Company for the period ended December 31, 2017 and six month period in accordance with requirements arising from the Australian securities exchange listing rules.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the previous audited financial statements of the company for the period from January 01, 2017 to December 31, 2017.

During the six month period ended June 30, 2018 the company also applied the following accounting policies:

New standards, interpretations and amendments effective from 1 January 2018

IFRS 9 Financial Instruments:

The Company applies IFRS 9, "Financial Instruments" ("IFRS 9") as of 1 January 2018. IFRS 9 replaces IAS 39, "Financial Instruments: Recognition and Measurement". The adoption of IFRS 9 had no material impact on the Company's financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
(US \$ In thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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

The Company applies IFRS 15 ('The Standard') as of 1 January 2018. The standard supersedes other IFRS provisions relating to revenue recognition. The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

The adoption of IFRS 15 had no impact on the Company's financial statements.

IFRS 16- "Leases" (hereafter – IFRS 16)

Adoption of IFRS 16 will result in the Company recognizing right of use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the Company does not recognize related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

Instead of recognizing an operating expense for its operating lease payments, the Company will recognize interest on its lease liabilities and amortization on its right-of-use assets.

IFRS 16 is effective for reporting periods beginning on or after January 1, 2019.

The Company is currently assessing the potential impact of this standard on its financial statements, but doesn't expect to have material impact.

eSENSE-LAB LIMITED
ARBN 616 2828 703

NOTES TO THE INTERIM FINANCIAL STATEMENTS
(US \$ In thousands)

NOTE 3- DERIVATIVE FINANCIAL LIABILITY:

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. The issue of the warrants was subject to the company obtaining shareholder approval at a general meeting by 31 March 2018. The company did not obtain the approval from shareholders and was required to make a cash payment to the investor of AUD 199,000 (\$153). The warrants were classified as a derivative financial 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.

In March 2018, the company decided to remove the liability to issue warrants and paid the investors AUD 199,000.

NOTE 4 - 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	June 30, 2018	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.

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

eSENSE-LAB LIMITED
ARBN 616 2828 703

NOTES TO THE INTERIM FINANCIAL STATEMENTS
(US \$ In thousands)

NOTE 4 - ISSUED CAPITAL (CONT.):

Performance rights

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 any conversion of performance these rights. .

NOTE 5 - LOSS PER SHARE:

The following reflects income and share data used in the calculation of basic loss per share.

	Period of six month ended June 30, 2018	Period of six month ended June 30, 2017
	Unaudited	Unaudited
Total loss for the period	(1,204)	(1,261)
	No.	No.
Weighted average number of shares in calculating basic loss per share	71,139,311	55,750,200
Loss per share:	(\$ 0.017)	(\$ 0.023)

**DECLARATION OF INDEPENDENCE BY BDO ZIV HAFT TO THE DIRECTORS
eSENSE-LAB LTD.**

As lead auditor for the review of eSENSE-LAB LTD. for the half- year ended 30 June, 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of eSENSE-LAB LTD.

Tel-Aviv, Israel
August 30, 2018

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