

ASX ANNOUNCEMENT



ASX Code: ESE

31 October 2018

ESENSE-LAB QUARTERLY ACTIVITIES REPORT – 30 SEPTEMBER 2018

Life sciences company **eSense-Lab Ltd** ("**eSense**" or the "**Company**"), (**ASX:ESE**), is pleased to provide a summary of the Company's activities for the quarter ended 30 September 2018, along with the Appendix 4C.

Highlights for the Quarter

- *The Company announced that it has been approved by the Israeli Ministry of Health for a Cannabis permit. Under the terms of the permit, eSense Lab will be able to perform R&D on Cannabis strains available in Israel, perform comparative research and utilize the Company's proprietary technology in evaluation of the composition of Cannabis strains and replicating them with natural non-cannabis terpenes. Additional applications are now being submitted to approve the Company, under the current permit, to import Cannabis strains from other countries.*
- *The Company signed a distribution and sales agreement with IC Access ("IC"), a United Arab Emirates ("UAE") entity. eSense has agreed to produce terpenes profiles and to modify its line of products to suit the unique needs of the UAE market. In addition, the agreement provides for the potential future development of additional joint ventures between the parties for specific applications. The binding agreement signed by IC is for a period of 3 years, with a commitment by IC to purchase Terpene Strains from eSense totalling AUD\$1,100,000 with a minimum commitment in the first year (commencing before 30 September 2018) of A\$366,000. To date IC has not met their commitments as per the agreement, but the Company is currently in negotiations with IC to renegotiate the terms.*
- *Subsequent to the end of the quarter the Company announced that commercialisation activities were on-going with the signing of a supply agreement with the UK group, E-Quits Group (Trading as Lonjas UK). E-Quits have agreed to purchase eSense's Super Lemon Haze Mix for integration into a variety of products to be marketed in the UK, including terpenes for the food additive market.*
- *The Company is maintaining communication with a number of other parties that it has signed agreements or MOU's with since the early 2017 IPO.*

Business Development

- *The Company is at various stages of negotiations with cannabis growers, e-liquid suppliers to the vape industry, wellness/ vitamin/ cosmetic companies and a company specialising in the supply of cannabinoid based pharmaceutical products to the medical market.*
- *The Company has joined Start-Up Nation Central 'Finder' ("**Start-Up Finder**"). Start-Up Finder is the world's most authoritative, most comprehensive, up-to-date, and free-to-use online platform dedicated entirely to Israeli tech. It's a place where you can find thousands of companies mapped, tagged and sorted into sectors and sub-sectors.*

Research and Development ("R&D")

- The Company's R&D team has been working on a number of projects including:
 - The development of terpene infused electronic cigarette (e-cig) liquid samples for a potential client and the development of a cannabis based e-juice infused with terpenes and flavours.
 - The refining of terpene blends with natural raw materials and flavour enhancers, matching derived flavour enhancers with cannabis terpenes to achieve the fruity and exotic aromas and establishing an inventory of natural terpenes.
 - Evaluating Cannabis terpene profiles
 - In collaboration with 374 Labs, the Company is re-evaluating the terpene profiles of 5 of the Company's inventory Cannabis strains; and
 - Collaborating with several Israeli cannabis growers to build an inventory of Cannabis strains.
 - On-going functional R&D was undertaken to test the anti-septic activity of e-sense's terpenes.
 - The development both internal and external manufacturing capabilities for various potential clients.
 - The development of working standards and standard operating procedures (S.O.P.) for amongst other things, product development, storage and manufacture.

Finance and Corporate

- Subsequent to the end of the quarter the Company announced that it has received confirmation of binding commitments for the placement of 105,000,000 Chess Depositary Interest ("CDIs") at a share price of AUD \$0.03 to raise AUD \$3.15 million before costs ("**Placement**"). Tranche 1 of the Placement has been completed with the receipt of ~AUD \$590,000.
- Cash on hand at the end of the quarter was US \$658,000.

FOR FURTHER INFORMATION:

Company Secretary

Ian Pamensky

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About eSense-Lab

eSense-Lab Ltd (ASX: ESE) is a life sciences company specialising in the commercialisation of the phytochemical profiling of plants. The Company combines genetics, mRNA, protein expression and phytochemical profiles to generate a comprehensive model of rare or high value plants. eSense-Lab can then use this model to 'reverse engineer' a terpene profile, which is a naturally occurring formulation of different individual terpenes which together account for many of the plant's health and medical benefits, whilst also exactly replicating the flavour, fragrance and other desired characteristics of the targeted plant, at a more sustainable and cheaper cost

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

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

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

Name of entity

eSense Lab Limited (ASX:ESE)

ARBN

616 228 703

Quarter ended ("current quarter")

30 September 2018

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5	20
1.2 Payments for		
(a) research and development	-	(158)
(b) product manufacturing and operating costs	(36)	(41)
(c) advertising and marketing	(40)	(215)
(d) leased assets	(23)	(84)
(e) staff costs	(76)	(303)
(f) administration and corporate costs	(266)	(947)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(2)	(3)
1.6 Income taxes paid	-	
1.7 Government grants and tax incentives	-	
1.8 Other – VAT received	-	82
1.9 Net cash from / (used in) operating activities	(438)	(1,648)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(29)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	(3)
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – restricted bank deposits	-	-
2.6	Net cash from / (used in) investing activities	-	(32)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of CDIs	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – <i>Reduction of a Security Deposit</i>	120	(31)
3.10	Net cash from / (used in) financing activities	120	(31)

4	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	951	2,425
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(438)	(1,648)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(32)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	120	(31)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
4.5	Effect of movement in exchange rates on cash held	25	(56)
4.6	Cash and cash equivalents at end of quarter	658*	658*

* Excludes security deposits of US\$45,000 (Previous Quarter – US\$165,000) for assets purchased and the company credit cards. These funds are restricted.

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	632	951
5.2	Call deposits	26	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	658*	951*

* Excludes security deposits of US\$45,000 (Previous Quarter – US\$165,000) for assets purchased and the company credit cards. These funds are restricted.

6. Payments to directors of the entity and their associates

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

**Current quarter
\$US'000**

87

-

Relates to fees paid to the directors, their associates and the remuneration of the CEO.

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

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

**Current quarter
\$US'000**

-

-

None

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

9. Estimated cash outflows for next quarter	\$US'000
9.1 Research and development	(20)
9.2 Product manufacturing and operating costs	(20)
9.3 Advertising and marketing	(40)
9.4 Leased assets	(28)
9.5 Staff costs	(120)
9.6 Administration and corporate costs	(270)
9.7 Other	-
9.8 Total estimated cash outflows	(498)

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

Compliance statement

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

Sign here:
(Director/Company secretary)

Date:31 October 2018.....

Print name:**Ian Pamensky**.....

Notes

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