

ASX RELEASE

ASX Code: ESE

30 October 2020

eSense Quarterly Activities Report

Investment Highlights:

- ✓ Signed research agreement with the Israeli Ministry of Health
- ✓ Ongoing experiments at the Central Virology Lab of the Ministry of Health in the Sheba Medical Centre to test efficacy to neutralise coronavirus
- ✓ Ongoing research into anti-viral qualities of terpenes in combination with joint venture partner products
- ✓ Initial testing yielding encouraging results
- ✓ Continued testing and development of additional joint venture products

Life-sciences research and development company **eSense-Lab Limited (ASX: ESE)** (“eSense” or “the Company”) is pleased to provide a summary of the Company’s activities for the quarter that ended on 30 September 2020, along with its Appendix 4C.

Business Activities

Joint Research with Israeli Ministry of Health

During the quarter, eSense signed a research agreement with the Israeli Ministry of Health (“MOH”) to undertake a joint research project at the Central Virology Lab. The Company’s key focus during the quarter was to progress this project, with the testing of two proprietary terpene blends, TRP-ENV™ and TRP-COV™, aimed at neutralising coronavirus, for their anti-viral activity against the OC43 Coronavirus strain.

The Company is pleased to confirm that the outcome of those tests have been encouraging to date, and looks forward to being in a position to release a more fulsome announcement regarding the results of that testing early next week.

Joint Venture Agreements

The Company is active in a range of operations, with its goal being to achieve commercial sales within a short period of time. In order to achieve this, eSense has established, and is continuing to pursue, a number of joint venture agreements for mutual development of products with different partners. This business model allows the Company to position itself across multiple revenue-generating markets, and demonstrates the broad range of applications of eSense’s terpenes.

- ✓ **Wise Wine and SeaLaria**

As part of the research project at the Central Virology Lab, the Company has been testing formulas in collaborations with partners Wise Wine and SeaLaria, for anti-viral activity. The commercial goal is to develop a superior organic sanitiser product that provides added protection against bacteria and viruses, while reducing the ethanol content (which is known for its harmful side effects to the skin and its flammability risks).



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✓ **ANC**

On 15 June 2020, the Company announced that it had entered into a binding joint venture agreement with 100% Australian-owned ANC Enterprises Pty Ltd, with plans to produce a new range of skin care, hair care and hand sanitiser products with eSense's proprietary terpene mix.

Progressing this joint venture has been largely dependent on the receipt of lab results to be announced to the market next week. Management are in the process of processing the results and assessing next steps to progress the joint venture activities with ANC, and will provide an update to the market in due course.

✓ **BetterAir**

The Company has been working with Israeli company, BetterAir (which specialises in the development of microbiome based anti-bacterial technology for surface and atmosphere sanitising), to test the Company's terpenes for co-existence with BetterAir's bacteria. The Company tested 29 of its terpenes for co-existence with BetterAir's bacteria, with 9 of those terpenes found to be able to co-exist with the bacteria up to a concentration of 0.5%. The terpenes that can co-exist with BetterAir's bacteria will be used to build a custom-made profile, that is intended to be evaluated at Sheba hospital for synergistic anti-coronavirus and other effects (such as effects which provide added protection or increased antiviral activity against coronaviruses, and other viruses and bacteria, while reducing ethanol content) with BetterAir's bacteria.

Blue Science Solutions: Entering the US Market

On July 7, 2020 eSense [announced](#) it had signed an exclusive Sales Agency Agreement with US-based Blue Science Solutions Inc ("Blue Science") to expand into the world's largest consumer market for terpenes-based products, the United State ("US"). Blue Science is an established US-based company that delivers non-toxic cleaning and disinfecting solutions across a variety of industries.

Progressing this agreement has been largely dependent on the receipt of lab results to be announced to the market next week. Management are in the process of processing the results and assessing next steps to progress this agreement with Blue Science, and will provide an update to the market in due course.

As has been previously disclosed, the Company has agreed to issue to Blue Science 10,000,000 CDIs in eSense, subject to Shareholder approval to be obtained at the next general meeting.

Itzik Mizrahi, CEO of eSense, said *"This quarter the Company has made considerable progress in its research and development into the anti-viral qualities of terpenes. Focus has been on examining the synergies with joint venture partners and has delivered promising initial results. Through these joint venture opportunities, eSense is committed to continuing its efforts to commercialise superior skin-friendly sanitiser products that do not compromise on effectiveness. We thank Shareholders for their patience during this period of suspension, and want to reassure Shareholders that the Company is continuing to execute its business strategy whilst suspended."*



Corporate Activities

Board Changes

The Company advises that Mr Benjamin Karasik has resigned from his position as Non-Executive Director of the Company, effective from 31 October 2020. The Company thanks Mr Karasik for his service to the Company, and wishes him well in his future endeavours.

The Company notes that pursuant to Article 34 of the Company's Articles of Association (**AOA**), the Company is required to have a minimum of four Directors at all times. Following Mr Karasik's resignation on 31 October 2020, the Company's Board will be comprised of three directors and therefore will no longer be in compliance with this requirement.

The Company notes, however, that it has commenced a process for the recruitment of a replacement non-executive director, which it expects to conclude and announce as soon as possible.

Voluntary Suspension Update

As announced on 31 July 2020, during the quarter, the Company's securities were suspended from trading until the appointment by Shareholders of two External Directors at a general meeting of the Company ("General Meeting"), and pending the response by the Company to certain queries from ASX. Refer to the Company's ASX announcement dated 31 July 2020.

The Company is participating in ongoing dialogue with the ASX, and is endeavouring to respond to its queries as efficiently as possible.

Having regard to independent legal advice received by the Company to date, the Company does not consider the matters identified (including in respect of Board composition) to have the effect of invalidating any material actions or decisions of the Board, nor any material transactions undertaken by the Company during any periods of non-compliance. Further, to the extent that these matters require rectification, that rectification can be lawfully achieved by either ratification by shareholders at a general meeting to be convened as soon as practicable, or ratification by a compliant and appropriately composed Board, Audit Committee or Remuneration Committee.

The Company notes that it is in the process of determining two potential candidates for appointment as External Directors of the Company, and is still participating in ongoing dialogue with the ASX on these matters, and will continue to keep shareholders apprised of any material developments in this regard.

In the coming week, eSense will provide an updated investor presentation accompanied by a more comprehensive market update to address queries raised by the ASX in its correspondence with the Company.

The Company thanks Shareholders for their patience during this time, and assures Shareholders that it is committed to navigating the process to reinstatement to trading in the most efficient manner possible.

Cash Position

eSense's cash and cash equivalents at the end of the quarter was approximately US\$65,000.

Following the quarter end, the Company received unsecured loans totalling AU\$404,000 from unrelated third parties (one of whom is associated with the Company's corporate advisor, Everblu



Capital Pty Ltd), at an interest rate of 12% per annum, convertible, subject to Shareholder approval, into Chess Depositary Interests in eSense (“CDIs”) at an issue price of \$0.018 per CDI, together with one free attaching option for every CDI issued, exercisable at \$0.018 each, with an expiry date of 12 months from the date that the Company’s securities are reinstated to trading (subject to any amendments required by ASX).

The Company is in the process of pursuing an additional capital raising to secure working capital to pursue its business objectives. Further updates will be made to the market in due course.

Expenditure Incurred on Operating Activities During the Quarter

The Company incurred cash expenditure of approximately US\$314,000 on its operating activities during the quarter. Refer to the Company’s Appendix 4C released with this Report, for further information.

Related Party Payments

During the quarter ended 30 September 2020, the Company made payments of US\$27,000 to related parties and their associates. These payments related to fees paid to Directors and their associated entities for services provided to the Company.

This announcement has been authorised by the Board of Directors of eSense.

Ends

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About eSense-Lab | Registered office: Suite 5 CPC, 145 Stirling Highway, Nedlands, Western Australia, Australia 6009
eSense-Lab Ltd (ASX: ESE) is an Israel-based life-sciences company leading the market in evidence-based terpene product development for medicinal and wellness uses. To learn more, please visit www.esense-lab.com



Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

eSense Lab Limited (ASX:ESE)

ABN

616 228 703

Quarter ended ("current quarter")

30 September 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (..9.....months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1	3
1.2 Payments for		
(a) research and development	(17)	(19)
(b) product manufacturing and operating costs	(4)	(36)
(c) advertising and marketing	(34)	(115)
(d) leased assets	-	(33)
(e) staff costs	(128)	(381)
(f) administration and corporate costs	(127)	(540)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(5)	(29)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (institutes)	-	34
1.9 Net cash from / (used in) operating activities	(314)	(1,116)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	(2)
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (..9.....months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	(2)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	744
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	(33)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	711

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	379	472
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(314)	(1,116)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(2)

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (..9.....months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	711
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	65	65

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 \$A'000	Previous quarter \$A'000
5.1	Bank balances	65	379
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	65	379

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(27)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p> <p>Related to fees paid to the directors and their associates.</p>		

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(314)
8.2 Cash and cash equivalents at quarter end (item 4.6)	65
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	65
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.21
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: Yes, the Company anticipates continued negative operating cashflow for the next quarter.	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: Yes, the Company is in discussions with relevant providers of capital and is confident of being able to secure the required capital to sustain its operations.	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: Yes, refer question 2 above.	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

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.

Date: 30 October 2020

Authorised by: The Board of eSense Lab Limited
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.