

ASX ANNOUNCEMENT

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eSense Lab Advances Commercialisation Activities in March Quarter

Investment Highlights

- Signed distribution agreement in key North America market via VaporSpec
- Continued commercialisation activities with the supply of material to the UK market
- Finalised negotiations and signing of a commercial supply agreement for the supply of eSense terpene products to United Kingdom-based, E-Quits Group
- Cost rationalisation and reallocation plan initiated

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 31 March 2019, along with the Appendix 4C.

Business Activities

Distribution Agreement signed for USA and Canada

In February eSense signed a multi-year distribution agreement for the supply of e-Juice to CaporSpec Ltd, a Californian based company distributing products to the lucrative vaping industry in North America [ASX Announcement: 7 February 2019].

Following three months of negotiations, VaporSpec will distribute several different e-Juice products that will be produced by eSense and shipped to VaporSpec for distribution in the USA and Canada. The agreement calls for minimum quantities of e-Juice to be supplied in 10 ml. bottles with minimum annual quantities rising from 450,000 bottles in the first year to 5 million bottles in year three of the agreement.

VaporSpec is a premier distributor of products to both wholesale and retail vaping market. E-liquids are used for vaporising or “vaping” and are a safer alternative to smoking. The agreement culminates a long and successful negotiation period and expands the opportunities for use of the Company’s terpenes in a variety of industry sectors. The agreement is further validation of eSense’s continuing mission of the commercialisation of its terpenes and penetration of the global e-liquid market.

Supply commences to E-Quits (UK)

During the quarter, the Company announced that commercialisation activities were ongoing with UK-based E-Quits Group (“E-Quits”). E-Quits made an additional order for the Company’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 supply agreement was signed after E-Quits successfully concluded a 6-month long pilot program.

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E-Quits is one of the largest companies operating in the UK e-liquid market, acquiring other e-liquid manufacturers such as Lonjas UK and Proof E-liquids and establishing a retail distribution company called Vaping Warehouse.

Cost rationalisation and reallocation plan initiated

The Company announced during the quarter that it had successfully implemented an expenditure and cost rationalisation and reallocation plan [ASX Announcement: 26 March 2019].

The focus of the plan is to streamline corporate and administration expenditure whilst reallocating funds to other areas. The Company has identified the commercialisation of the existing suite of products and the development of new products as the key areas of focus for this capital. A reduction in overall expenditure of approximately US\$0.6m per annum compared to the previous year is expected initially, with further reviews being undertaken as the Company develops.

Focusing on core strengths: Research & Development

eSense has a very strong Research & Development (R&D) team and a state-of-the-art research facility based in Israel. The R&D team is currently working on existing products as well as developing various new products, with further emphasis on medicinal and recreational cannabis opportunities. The R&D team have been focused on demonstrating its capabilities for combining eSense's terpene blends with cannabis-derived raw material to produce a variety of end products for a number of market segments. The R&D team is striving to deliver innovative new formulations and medicinal specificity through the combination of cannabinoids, terpenes and other natural compounds.

Commercialisation Focus & CBD and other Cannabinoids Market

eSense has recently signed several distribution agreements as previously announced [ASX Announcements: 6 December 2018 and 7 February 2019]. These agreements with distributors are maturing and, as a result, the Company is receiving further orders [ASX Announcement 13 March 2019]. Discussions with the distributors have indicated that the products have been well received to date and further expansion of the distribution is expected over the coming months, as well as other market and product opportunities.

The Company is proactively seeking further commercialisation opportunities in different jurisdictions and markets. In addition to the growing global vaping market in which eSense is already active via the marketing of its e-juice under white label products, the Company is also exploring other commercialisation avenues. This includes the expansion of its operations in the cannabidiol (CBD) markets to terpenes that add the aroma and flavour of various cannabis strains to products such as cosmetics, edibles, beverages and more.

This year, CBD products reached \$367 million in sales and New Frontier, a CBD market intelligence company that monitors the industry, expects the market to be worth \$1.2 billion by 2020. According to the data, over 25,500 acres of land were devoted to growing hemp in 2017. The hemp was grown in 19 states and the majority (70%) was devoted to CBD.



"The U.S.CBD market is primed for expansive growth across its three primary sectors, hemp-derived CBD, marijuana-derived CBD and pharmaceutical CBD...We project that by 2022, each of these three sectors will account for approximately one-third of the \$1.9billion total market," said Giadha Aguirre de Carcer, CEO of New Frontier.

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.

Corporate

During the quarter Mr Haim Cohen was not re-elected to the Board at the AGM held on 13 February 2019.

Cash on hand at the end of the quarter was US \$1,653,000.

eSense's Chairman Piers Lewis said: "eSense is pleased with the progress made during the quarter. We are accelerating our commercialisation efforts and getting excellent feedback from the UK and US distributors which are purchasing our products. At the same time, we have streamlined corporate and administration costs so that we can focus on R&D, the expansion of our product portfolio and the generation of more sales revenue."

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About eSense-Lab | Registered Office: Suite 6, 295 Rokeby Road, Subiaco Western Australia, Australia 6008

eSense-Lab Ltd (ASX:ESE) is a life sciences research and development company creating natural plant-based products that heal and delight. Headquartered in Israel, eSense-Lab combines genetics, mRNA, protein expression and phytochemical profiles to generate a comprehensive model of rare or high value plants.

With multi-disciplinary R&D expertise, unique reverse engineering capabilities and game-changing techniques that enable re-engineering the chemical composition found in plants, e-Sense Lab re-formulates these for numerous commercial applications.

Cannabis is the first plant eSense is targeting for re-engineering. eSense is creating a cannabis plant that has all the characteristics of the real thing, but does not contain the psychoactive and more heavily regulated cannabinoid compound.

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