

APPENDIX 4E PRELIMINARY FINAL REPORT

1. DETAILS OF REPORTING PERIOD

Name of Entity	Elsight Limited (“the Company”)
ABN	98 616 435 753
Reporting Period	31 December 2018
Previous Corresponding Period	31 December 2017

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key information	12 months ended Current Period US\$	12 months ended Previous Period US\$	Increase/ (decrease) %	Amount change US\$
Revenues from ordinary activities	1,691,922	941,000	80%	750,922
Profit/(Loss) from ordinary activities after tax attributable to members	(4,206,972)	(3,119,570)	35%	(1,087,402)
Net profit/(loss) for the period attributable to members	(4,206,972)	(3,119,570)	35%	(1,087,402)

	Amount Per Security	Franked Amount Per Security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Previous Corresponding Period	Nil	Nil
Record Date for Determining Entitlements	Not Applicable	

Commentary on results:

Refer to section 14 below.

3. STATEMENT OF COMPREHENSIVE INCOME

Refer to attached financial statements.

4. STATEMENT OF FINANCIAL POSITION

Refer to attached financial statements.

5. STATEMENT OF CASH FLOWS

Refer to attached financial statements.

6. STATEMENT OF RETAINED EARNINGS/CHANGES IN EQUITY

Refer to attached financial statements.

7. DIVIDENDS/DISTRIBUTIONS

No dividends declared in current or prior year.

8. DETAILS OF DIVIDEND REINVESTMENT PLANS

Not Applicable

9. NET TANGIBLE ASSETS PER SHARE

	Current Period	Previous Period
Net tangible asset backing per ordinary security	4.65 cents	1.58 cents

10. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD**Control gained over entities**

Name of entity (or group of entities)	N/A
Date control gained	N/A
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	N/A
Consolidated profit/(loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	N/A

Loss of control over entities

Name of entity (or group of entities)	N/A
Date control lost	N/A
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	N/A
Profit/(loss) of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	N/A

11. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Not Applicable

12. ANY OTHER SIGNIFICANT INFORMATION NEEDED BY AN INVESTOR TO MAKE AN INFORMED ASSESSMENT OF THE COMPANY'S FINANCIAL PERFORMANCE AND FINANCIAL POSITION

Refer to attached financial statements.

13. FOREIGN ENTITIES

Not Applicable

14. COMMENTARY ON RESULTS FOR PERIOD AND EXPLANATORY INFORMATION

Refer to commentary on page 2 of the attached financial statements.

15. AUDIT

This report is based on accounts which are in the process of being audited.



Nir Gabay
Managing Director

27 February 2019



ELSIGHT LIMITED

ABN 98 616 435 753

PRELIMINARY FINAL REPORT

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Review of operations

Unless otherwise stated all figures in this report are in the Company's presentation currency US\$.

Elsight Limited had a loss for the year of \$4,206,972 (2017: loss of \$3,119,570). The 2018 loss included selling, general and administrative expenses of \$3,836,146 and non-cash share based payments of \$1,362,695.

The net assets of the Group have increased by \$3,135,237 from net assets of \$1,364,823 at 31 December 2017 to net assets of \$4,500,060 at 31 December 2018.

As at 31 December 2018, the Group's cash and cash equivalents increased from a balance of \$1,093,853 at 31 December 2017 to a balance of \$3,632,926. As at 31 December 2018 the Group has working capital of \$4,288,342 (2017: \$1,227,548).

Highlights During the Year

During the year ended 31 December 2018, the Company had the following highlights.

- Continuous increase in Quarter on Quarter revenues
- 80% increase in revenue for 2018 compared to 2017
- Integration work with leading automotive companies in the field of unmanned driving and UAV's such as IAI, Easy Aerial and others
- Strategic Decision to open business development efforts in US market
- Partnership with Traffilog for integrated Video and Telematics platform
- Entered Successful POC's with US HLS and defence organisations
- Won several tenders Including Israeli Defence Force tender
- Successful second raising of funds on the ASX
- Received first substantial order from Alrena
- Technological enhancements in hardware and software that established foundation for new product development
- New branding and new website enabling the expansion of marketing activities into Digital
- Continued investing in building a winning team

New Product development in 2018

Subsequent to the reporting period, the company launched the "**Halo**" communications platform. This was the main development focus of R&D during the year ending December 2018. The "**Halo**" project was pivotal for the Company, designed to open up a number of key new opportunities for the Company including markets such as **OEM** (Original Equipment Manufacturer) , and embedded applications such as tablets and computers for police and first responders, fleet or autonomous vehicles, handheld devices, and even the smallest drones.

The strategic shift in focus of sales and marketing to North America in mid 2019 was planned to cultivate opportunities for "**Halo**" later in 2019.

Significant changes in the state of affairs

There were no significant changes to the Company or the state of its affairs during the year.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 US\$	2017 US\$
Revenue		1,691,922	941,000
Cost of sales		(771,651)	(417,461)
Gross profit		920,271	523,539
Other income		78,277	4,433
Selling, general and administrative expenses	2	(3,836,146)	(1,768,234)
Share based payments	9	(1,362,695)	(806,890)
Acquisition and listing costs		-	(153,374)
Loss on disposal of plant and equipment		-	(14,453)
Loss before finance expenses		(4,200,293)	(2,214,979)
Finance expenses	2	(6,679)	(904,591)
Loss before income tax		(4,206,972)	(3,119,570)
Income tax expense		-	-
Loss for the year		(4,206,972)	(3,119,570)
 Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation, net of tax		(615,004)	(184,005)
Total comprehensive income/(loss) for the year attributable to owners of the Company		(4,821,976)	(3,303,575)
 Earnings/(loss) per Share attributable to owners of the Company			
Basic earnings/(loss) per share (cents per share)	3	(4.51)	(3.74)
Diluted earnings/(loss) per share (cents per share)	3	(4.51)	(3.74)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	2018 US\$	2017 US\$
CURRENT ASSETS			
Cash and cash equivalents		3,632,926	1,093,853
Trade and other receivables	4	1,152,211	568,745
Inventory		314,277	203,485
Other current assets		93,272	-
TOTAL CURRENT ASSETS		5,192,686	1,866,083
NON-CURRENT ASSETS			
Plant and equipment		326,701	254,736
Intangible assets		45,140	48,829
TOTAL NON-CURRENT ASSETS		371,841	303,565
TOTAL ASSETS		5,564,527	2,169,648
CURRENT LIABILITIES			
Trade and other payables	5	883,882	581,255
Borrowings	6	20,462	57,280
TOTAL CURRENT LIABILITIES		904,344	638,535
NON-CURRENT LIABILITIES			
Borrowings	6	64,976	126,656
Provision for employees' severance benefits		95,147	39,634
TOTAL NON-CURRENT LIABILITIES		160,123	166,290
TOTAL LIABILITIES		1,064,467	804,825
NET ASSETS		4,500,060	1,364,823
SHAREHOLDERS' EQUITY			
Issued capital	7	11,667,737	5,091,738
Reserves	8	1,613,865	847,655
Accumulated losses		(8,781,542)	(4,574,570)
SHAREHOLDERS' EQUITY		4,500,060	1,364,823

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2018

	Issued Capital	Accumulated losses	Share Based Payment Reserve	Foreign Exchange Reserve	Predecessor Accounting Reserve	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Balance at 1 January 2017	5,000	(1,455,000)	-	32,000	-	(1,418,000)
Loss for the year	-	(3,119,570)	-	-	-	(3,119,570)
Other comprehensive income/(loss)	-	-	-	(184,005)	-	(184,005)
Total comprehensive income/(loss) for the year	-	(3,119,570)	-	(184,005)	-	(3,303,575)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of shares	5,842,132	-	-	-	-	5,842,132
Capital raising costs	(755,394)	-	-	-	-	(755,394)
Share based payments	-	-	1,296,456	-	-	1,296,456
Transactions under common control	-	-	-	-	(296,796)	(296,796)
Balance at 31 December 2017	5,091,738	(4,574,570)	1,296,456	(152,005)	(296,796)	1,364,823
Loss for the year	-	(4,206,972)	-	-	-	(4,206,972)
Other comprehensive income/(loss)	-	-	-	(615,004)	-	(615,004)
Total comprehensive income/(loss) for the year	-	(4,206,972)	-	(615,004)	-	(4,821,976)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of shares	7,059,429	-	-	-	-	7,059,429
Capital raising costs	(483,430)	-	-	-	-	(483,430)
Share based payments	-	-	1,381,214	-	-	1,381,214
Balance at 31 December 2018	11,667,737	(8,781,542)	2,677,670	(767,009)	(296,796)	4,500,060

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 US\$	2017 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,380,214	719,307
Payments to suppliers and employees		(4,706,119)	(2,668,717)
Interest received		58,683	4,433
Interest paid		(6,679)	(91,186)
Net cash used in operating activities		(3,273,901)	(2,036,163)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(165,709)	(173,957)
Purchase of intangible assets		-	(50,000)
Payments for pledged deposits		-	(35,644)
Proceeds from deposits		43,658	-
Loan proceeds received from the Company prior to acquisition date		-	366,178
Cash held by the Company at acquisition date		-	18,993
Net cash (used in)/provided by investing activities		(122,051)	125,570
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from the issue of shares		6,594,517	3,556,279
Proceeds from bank loans		-	93,238
Repayment of convertible loans		-	(399,935)
Repayment of borrowings		(88,551)	(235,521)
Net cash provided by financing activities		6,505,966	3,014,061
Net increase in cash and cash equivalents		3,110,014	1,103,468
Cash and cash equivalents at the beginning of the financial year		1,093,853	7,000
Foreign exchange		(570,941)	(16,615)
Cash and cash equivalents at the end of the financial year		3,632,926	1,093,853

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report has been prepared in accordance with Australian Accounting Standards (**AASBs**) (including Australian interpretations) adopted by the Australian Accounting Standard Board (**AASB**) and the *Corporations Act 2001*.

a) Basis of Measurement and Reporting Conventions

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded off to the nearest dollar unless stated otherwise.

b) Adoption of New and Amended Accounting Standards

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of the adoption of the following standards:

- AASB 9 *Financial Instruments*; and
- AASB 15 *Revenue from Contracts with Customers*.

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 1c below. The impact of these standards, and the other new and amended standards adopted by the Group, has not had a material impact on the amounts presented in the Group's financial statements.

c) Changes in Accounting Policies

This note explains the impact of the adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

AASB 9 Financial Instruments – Impact of Adoption

Impairment of financial assets

The Group's financial assets subject to AASB 9's new expected credit loss model are cash and trade receivables, which arise from the provision of services and sale of goods.

The impact of the impairment requirements of AASB 9 on cash and cash equivalents has not resulted in a material impact to the financial statements.

Under AASB 9, the Group was required to revise the impairment methodology used in the calculation of its provision for doubtful debts to the expected credit loss model. This change in methodology has not had a material impact on the financial statements. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure or a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

AASB 9 Financial Instruments – Accounting Policies Applied from 1 January 2018

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on how the Group manages the financial assets and the contractual terms of the cash flows. At year end, all of the Group's financial assets have been classified as those to be measured at amortised cost.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Impairment

From 1 January 2018, the Group assesses expected credit losses associated on a forward looking basis. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

AASB 15 Revenue from Contracts with Customers – Impact of Adoption

The Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 January 2018 which resulted in changes to accounting policies but no adjustments to the amounts recognised in the financial statements.

The impact of the adoption of AASB 15 has not resulted in a material impact to the financial statements.

AASB 15 Revenue from Contracts with Customers – Accounting policies

Group revenues consist of the following elements:

- physical products which are sent to the customer, where revenue is recognised upon shipment or arrival of goods, dependent on the terms that have been agreed with the customer;
- IT services, where revenue is recognised in the accounting period in which the services are rendered;
- installation fees, which are recognised upon the completion of product installation; and
- other revenue including cloud services fees which are recognised over the service period; software license fees which are recognised over the license period; maintenance fees for which contracts are generally one year with revenue recognised over the contract period; and service level agreements which are recognised over the agreement period.

In relation to IT services, cloud services, software licence, maintenance fees and service level agreements, the Group recognises a contract liability where payments received exceed the services rendered.

The Group has no material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

d) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Key Estimates and judgements

Share based payments

The Group initially measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them, as well as an assessment of the probability of achieving non-market based vesting conditions.

The probability of achieving non-market based vesting conditions of performance options is assessed at each reporting period.

Management have applied judgement in assessing the likelihood of achieving the performance milestone for Class B Performance Options based on revenues from future contracts expected to be realised prior to the vesting date.

The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 9.

Trade receivables

Management assess impairment of the Group's trade receivables based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs for the expected credit loss model under AASB 9 and impairment calculation, based on the Group past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

NOTE 2: EXPENSES

	2018	2017
	US\$	US\$
Profits/(Loss) before income tax from continuing operations includes the following specific expenses:		
Selling, general and administrative expenses:		
- Salaries and related expenses	1,410,444	903,873
- Marketing, exhibitions and advertising	94,826	19,542
- Travel	230,688	165,033
- Office rent, maintenance and communication	289,958	124,666
- Depreciation and amortisation	71,186	52,886
- Professional services	564,967	276,343
- Research and development	917,827	277,827
- Others	256,250	(51,936)
Total selling, general and administrative expenses	3,836,146	1,768,234
Finance expenses:		
- Interest and bank fees	6,679	61,290
- Exchange rate differences	-	13,122
- Related parties interest	-	16,774
- Non-cash interest expense	-	813,405
Total finance expenses	6,679	904,591

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NOTE 3: EARNINGS/(LOSS) PER SHARE	2018	2017
	US\$	US\$
Earnings/ (Loss) per share (EPS)		
a) Profit/(Loss) used in calculation of basic EPS and diluted EPS	(4,206,972)	(3,119,570)
b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted earnings/ (loss) per share	93,352,891	83,381,391

The weighted average number of ordinary shares outstanding (the denominator of the EPS calculation) for the year ended 31 December 2017 has been adjusted to reflect the capital reorganisation.

NOTE 4: TRADE AND OTHER RECEIVABLES	2018	2017
	US\$	US\$
CURRENT		
Trade and other receivables	1,022,273	378,984
Short term deposits	73,106	124,134
Prepaid expenses	56,832	65,627
	<u>1,152,211</u>	<u>568,745</u>

NOTE 5: TRADE AND OTHER PAYABLES	2018	2017
	US\$	US\$
CURRENT		
Trade payables	194,848	95,360
Other payables and accrued expenses	648,366	440,381
Deferred revenue	40,668	45,514
	<u>883,882</u>	<u>581,255</u>

NOTE 6: BORROWINGS	2018	2017
	US\$	US\$
CURRENT		
Short-term bank loans	-	4,206
Current maturities of long term bank loans	20,462	53,074
	<u>20,462</u>	<u>57,280</u>
NON-CURRENT		
Long term bank loan, net of current maturities	64,976	126,656
	<u>64,976</u>	<u>126,656</u>

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NOTE 7: ISSUED CAPITAL

2018 **2017**

US\$ **US\$**

(a) Share Capital

95,888,599 (31 December 2017: 83,381,391) fully paid ordinary shares	7b	11,667,737	5,091,738
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(b) Movement in Ordinary Capital

	Date	No.	Unit Price US\$	Total US\$
Opening balance at 1 January 2017	-	20,000	-	5,000
El-Sight Ltd preference shares converted to ordinary shares in El-Sight Ltd	1-Jan-17	4,445	0.259	1,150
Less: adjustment for predecessor accounting	2-Jun-17	(24,445)	-	-
Existing shares of ElSight Limited	2-Jun-17	10,000,000	0.000	1
Issue of shares to El-Sight Ltd shareholders	2-Jun-17	35,381,386	-	-
Issue of shares in relation to capital raising via public offer	2-Jun-17	25,000,000	0.154	3,842,750
Issue of shares upon conversion of Company convertible loans	2-Jun-17	5,833,338	0.154	896,643
Issue of shares upon conversion of El-Sight Ltd convertible loans	2-Jun-17	7,166,667	0.154	1,101,588
Costs of capital raising	-	-	-	(265,828)
Issue of 7,000,000 options to lead manager and seed investor, deemed capital raising cost (Note 9)	-	-	-	(489,566)
Closing balance at 31 December 2017		83,381,391	-	5,091,738
Issue of institutional placement shares	15-Mar-18	12,507,208	0.56	7,059,429
Costs of capital raising		-	-	(464,911)
Issue of 625,360 options to lead manager, deemed capital raising cost (Note 9)		-	-	(18,519)
Closing balance at 31 December 2018		95,888,599		11,667,737

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	2018	2017
NOTE 8: RESERVES		
a) Share Based Payment Reserve	US\$	US\$
47,269,360 (31 December 2017: 45,819,000) options on issue	2,677,670	1,296,456
	<u>2,677,670</u>	<u>1,296,456</u>
b) Movement in Share Based Payment Reserve	No.	US\$
Opening balance at 1 January 2017	-	-
Issue of options to lead manager and seed investors (Note 9)	7,000,000	489,566
Issue of ESOP options (Note 9)	8,608,000	215,585
Issue of ESOP performance options (Note 9)	30,000,000	586,980
Issue of ESOP options (Note 9)	211,000	4,325
Closing balance at 31 December 2017	45,819,000	1,296,456
Pro-rata expense of 8,608,000 ESOP options	-	371,171
Pro-rata expense of 30,000,000 ESOP performance options	-	856,898
Pro-rata expense of 211,000 ESOP options	-	75,190
Issue of ESOP options (Note 9)	25,000	15,380
Issue of ESOP options (Note 9)	68,000	10,533
Issue of ESOP options (Note 9)	42,000	3,298
Issue of options to lead manager (Note 9)	625,360	18,518
Issue of director options (Note 9)	460,000	12,489
Issue of ESOP options (Note 9)	194,000	9,305
Issue of ESOP options (Note 9)	200,000	40,368
Cancellation of ESOP options on termination of employment	(164,000)	(31,936)
Closing balance at 31 December 2018	47,269,360	2,677,670
c) Foreign Exchange Reserve	US\$	US\$
	(767,009)	(152,005)
The foreign currency translation reserve records exchange differences arising on translation from functional currency to presentation currency.		
d) Predecessor Accounting Reserve	US\$	US\$
	(296,796)	(296,796)
The reserve arises from the capital reorganisation and records the net liabilities of Elsieht Limited as at the acquisition date of 2 June 2017. Refer to Note 2.		

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NOTE 9: SHARE BASED PAYMENTS

Options issued in prior periods that impact the year ended 31 December 2018 are as follows:

- On 2 June 2017 the Company issued 8,608,000 Employee Share Plan Options exercisable at A\$0.20, on or before 2 June 2022 to Mr Roe Kashi, exercisable after the satisfaction of the following vesting condition, 50% on the second anniversary of the Vesting Commencement Date and additional 6.25% at the end of each quarter of continuous service. The pro-rata expense of these options of US\$371,171 has been recorded at 31 December 2018.
- On 2 June 2017, the Company issued 30,000,000 Employee Share Plan Performance Options in three tranches exercisable at \$0.20 on or before 2 June 2022 to Mr Nir Gabay and Mr Roe Kashi, exercisable after the satisfaction of the following vesting milestones:
 - one third of the Performance Options will vest and become exercisable upon the Company achieving aggregate revenue of A\$1,000,000 from the sale of products based on the Technology in a Year for broadcast to consumers or to manufacturers of consumer or safety products or any business in the distribution chain of consumer or safety products (**Class A Performance Options**);
 - one third of the Performance Options will vest and become exercisable upon the Company achieving aggregate revenue of A\$4,000,000 from total sales of products based on the Technology in a Year (**Class B Performance Options**); and
 - one third of the Performance Options will vest and become exercisable upon the Company achieving aggregate revenue of A\$10,000,000 from total sale of products based on the Technology in a Year (**Class C Performance Options**).

The term "Year" shall mean one of: (a) the time period commencing 1 January 2017 and ending on the 12 month anniversary of the completion of the IPO; (b) the 12 month period immediately after the end of the first Year; and (c) the 12 month period immediately after the end of the second Year.

Class A Performance Options vested on 7 June 2018 upon achievement of the vesting milestone. The total expense of the options of US\$1,037,544 has been recorded pro-rata over the expected vesting period, which has been determined as 8 June 2017 – 7 June 2018 in accordance with the definition of Year set out above. The options have been expensed in full by 31 December 2018; the pro-rata expense recognised during the 2018 financial year is US\$597,157.

Class B and C Performance Options remain unvested at 31 December 2018.

Management have assessed the likelihood of achieving the performance milestone for Class B Performance Options as 50% at 31 December 2018. The total expense of the options of US\$1,037,544 is recorded pro-rata over the expected vesting period, which has been determined as 8 June 2017 – 7 June 2019 in accordance with the definition of Year set out above. Pro-rata expense recognised at year end is US\$259,741.

The implied value of Class C Performance Options is US\$1,037,544 however the probability was determined to be nil at 31 December 2018 due to the uncertainty of meeting the performance milestone.

- On 29 December 2017 the Company issued 211,000 Employee Share Plan Options exercisable at \$A.60 on or before 9 October 2022 to employees of the Group, exercisable after the satisfaction of the following vesting condition, 50% on the second anniversary of the grant date and an additional 6.25% at the end of each quarter of continuous service. 60,000 of these options were cancelled during the year following termination of employees' employment with the Group. The pro-rata expense of the remaining 151,000 options of \$US52,579 has been recorded at 31 December 2018.

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NOTE 9: SHARE BASED PAYMENTS

During the year ended 31 December 2018 the Company recorded the following share based payments:

- The issue of 25,000 Employee Share Plan Options exercisable at A\$1.08, on or before 14 November 2022 to employees of the Group, exercisable after the satisfaction of the following vesting condition, 50% on 15 November 2017 and an additional 3.125% at the end of each quarter of continuous services thereafter resulting in an expense of US\$15,380 recorded at 31 December 2018;
- The issue of 68,000 Employee Share Plan Options exercisable at A\$0.80, on or before 4 February 2023 to employees of the Group, exercisable after the satisfaction of the following vesting condition, 50% on 5 February 2020 and an additional 6.25% at the end of each quarter of continuous services thereafter. 32,000 of these options were cancelled during the year following termination of employees' employment with the Group. The pro-rata expense of the remaining 36,000 options of US\$5,576 has been recorded at 31 December 2018;
- The issue of 42,000 Employee Share Plan Options exercisable at A\$0.745, on or before 4 March 2023 to employees of the Group, exercisable after the satisfaction of the following vesting condition, 50% on 5 March 2020 and an additional 6.25% at the end of each quarter of continuous services thereafter. 30,000 of these options were cancelled during the year following termination of employees' employment with the Group. The pro-rata expense of the remaining 12,000 options of US\$942 has been recorded at 31 December 2018;
- The issue of 625,360 ASX listed Options exercisable at \$A1.00 on or before 18 June 2021 to the lead manager;
- The issue of 460,000 director options exercisable at A\$0.60 on or before 9 October 2022, exercisable after the satisfaction of the following vesting condition, 50% on 10 October 2020 and an additional 6.25% at the end of each quarter of continuous services thereafter;
- The issue of 194,000 Employee Share Plan Options exercisable at A\$0.675, on or before 31 July 2023 to employees of the Group, exercisable after the satisfaction of the following vesting condition, 50% on 1 August 2020 and an additional 6.25% at the end of each quarter of continuous services thereafter. 42,000 of these options were cancelled during the year following termination of employees' employment with the Group. The pro-rata expense of the remaining 152,000 options of \$US7,291 has been recorded at 31 December 2018; and
- The issue of 200,000 Employee Share Plan Options exercisable at A\$0.60, on or before 31 July 2023 to employees of the Group with 50% vesting immediately and 50% vesting on 1 August 2019, subject to the holder continuing to provide services to the Company, its subsidiaries, or affiliates, resulting in an expense of US\$40,368 recorded at 31 December 2018.

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NOTE 9: SHARE BASED PAYMENTS

Fair Value

The fair value of ASX listed options has been determined with reference to market price on the date of commencement of trade.

The Black Scholes option pricing model was used to determine the fair value of the unlisted options issued. The Black Scholes inputs and valuations were as follows:

Options	ESOP Options	ESOP Options	ESOP Options	Director Options	ESOP Options	ESOP Options
Number of options	25,000	68,000	42,000	460,000	194,000	200,000
Grant date	9-Jan-18	5-Feb-18	26-Apr-18	28-May-18	1-Aug-18	1-Aug-18
Issue date	9-Jan-18	7-May-18	7-May-18	2-Oct-18	2-Oct-18	2-Oct-18
Exercise price	\$A1.08	\$0.80	\$0.745	\$0.60	\$0.675	\$0.60
Expected volatility	91.14%	91.14%	91.14%	91.14%	91.14%	91.14%
Implied option life	4.85	4.75	4.83	5.00	4.83	4.83
Expected dividend yield	nil	nil	nil	nil	nil	nil
Risk free rate	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%
Valuation per option A\$	\$1.029	\$0.5583	\$0.3512	\$0.3582	\$0.3934	\$0.4041
Exchange rate	\$.7403	\$0.7403	\$0.7403	\$0.7403	\$0.7053	\$0.7053
Valuation per option US\$	\$0.7618	\$0.4133	\$0.2600	\$0.2652	\$0.2775	\$0.2850
Total valuation US\$	\$19,044	\$28,105	\$10,920	\$121,981	\$53,828	\$57,002

Share Based Payments Expense

Share based payment expense is comprised as follows:

	2018	2017
	US\$	US\$
ESOP performance options issued in 2017	856,898	586,980
ESOP options issued in 2017	423,751	219,910
ESOP options issued in 2018	69,557	-
Director options issued in 2018	12,489	-
Total expense recognised in profit or loss	1,362,695	806,890
Options issued to lead manager and seed investor, deemed capital raising cost	-	489,566
Options issued to lead manager, deemed capital raising cost	18,519	-
Total expense recognised in equity	18,519	489,566
Total share based payments expense	1,381,214	1,296,456