

June 2019 Quarterly Report

Highlights

- Revenue for the quarter ended 30 June 2019 of US\$340,000, reflecting the seasonal and current project by project nature of revenue as well as the Company's shift in focus towards HALO commercialisation
- Aggressive sales and conversion of successful proofs-of-concept (POC) expected to deliver material revenues and a strong 4Q 2019
- New contracts signed and existing customers have placed further orders, demonstrating ongoing customer satisfaction and further validating Elsieht's technology
- Multiple HALO POC trials to be secured in the coming weeks
- Cash as of 30 June 2019 was US\$2.2 million, providing sufficient funding, based on projected forward revenues and planned expenditures, for at least the next 12 months

Elsight Limited (ASX: ELS) ('Elsight' or 'the Company'), a company that develops advanced hybrid communication technologies for real-time data, video and audio transmission over cellular networks in mission-critical environments, is pleased to provide an operational and financial update for the quarter ended 30 June 2019.

Focus squarely set on HALO commercialisation

For the quarter ended 30 June 2019, revenue was US\$0.34m, with the softer result in line with the seasonal and "project by project" nature of the Company's past revenue profile and the attractive form factor and positioning of Halo causing some large orders to be delayed until Q4/2019 in anticipation of the arrival of this new generation platform. The result also reflects the Company's significant shift in focus towards the commercialisation of HALO, involving a ramp up in the final testing, logistics, marketing and sales activities intended to secure and successfully deliver paid proofs-of-concept (POC) ahead of aggressive sales starting in 4Q 2019. In line with this, the company is planning for a substantively different revenue profile commensurate with an OEM sales model in Q4.

Two new defence contracts signed, extending African footprint

In May, the Company signed two new open-ended defence contracts for the provision of its cellular transmission technology to the armies of two African countries. Elsieht has already received first orders from both armies, of approximately US\$150,000 each which reflect initial testing quantities. Upon success of these initial deployments of its products in the field, the Company looks forward to ongoing business under these contracts. The armies will be supplied with several Rider system vehicle kits, WaveT-R handheld devices, and Multichannel Backpacks

to enhance on-the-move data and video connectivity for ground soldiers and drone operators in the respective armies, further extending the Company's presence and activity in Africa.

Repeat orders from existing customers provides further strong validation

In July, Elsight delivered its third instalment of ten Smart MedicaSe kits to French company Arena Technologies under the large-scale, 50-unit order announced in December 2018. In total, the order is worth ~US\$500,000, with the remaining 20 units to be delivered in 2019, and is pursuant to the three-year, EUR 6 million partnership agreement signed in 2017.

The Smart MedicaSe kits are handheld emergency telemedicine kits, outfitted with Elsight's innovative Multichannel technology enabling medical professionals to provide life-saving treatment in rural and remote areas. Arena has already secured significant investment in support of a ramp up of its sales, marketing and distribution activities in France, providing a useful leading indicator for continuing repeat orders to meet demand from its customers.

Elsight also received a further order from one of Israel's largest defence companies, Israel Aerospace Industries (IAI), for another eight systems. This is the second order from IAI for Elsight's Multichannel technology within the framework of expanding the scope of the proof-of-concept with a focus on unmanned systems and robotics. As Israel's leading manufacturer of aerospace, aviation and military systems, this account remains a key revenue generation focus for Elsight, not only for existing product sales, but from the potential to integrate HALO as well.

Further orders were also placed for three additional systems under the ongoing paid POC with multi-billion-dollar company Shufersal Ltd (SAE:TLV). Shufersal is utilising Elsight's Rider technology to secure the transportation of commercial goods. This takes the current total number of systems ordered to five, with the potential to expand this to larger-scale commercial orders across Shufersal's transportation and logistics network upon the successful completion of the trial.

The repeat orders from these existing customers and expanded scope of POCs, demonstrate the high level of ongoing customer satisfaction and further validation of the Company's technology.

HALO poised for commercialisation

The Company has also significantly advanced commercial discussions with multiple parties and is on the cusp of signing several paid POC trials for its HALO technology in the coming weeks. Elsight anticipates it will be well positioned to convert successfully completed POC trials into sales in 4Q 2019, and a full commercialisation update will be provided to shareholders accordingly.

Sufficient funding for at least the next 12 months

Elsight had US\$2.2 million in cash at 30 June 2019, providing it with sufficient funding, based on projected forward revenues and expenditures, for at least the next 12 months.

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About Elsight

Elsight (www.elsight.com) is a solution provider of ground-breaking hybrid video and data transport services (on-the-move or fixed) for large Safe-City projects, sensitive facilities management, and surveillance and protective activities. The platform supports video capturing, recording, and highly secured transmission against video interception and hacking. Elsight's platform was designed to address the most demanding requirements of Special Forces across enemy lines and sophisticated intelligence organisations. These systems underwent the most rigorous testing in combat situations as well as extensive testing by the most demanding laboratories. As a result, they present an unmatched level of reliability, lowest latency, and highest adaptive bandwidth over cellular networks that enables HD and 4K tv transmission quality, with "never-fail" redundancy and much more. For the first time they offer strict military requirements for civil usage. Elsight's customers range from defence and homeland security, industrial security, broadcasting, first responders and healthcare.

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

ELSIGHT LIMITED

ABN

98 616 435 753

Quarter ended ("current quarter")

30 June 2019

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	416	967
1.2 Payments for		
(a) research and development ⁽ⁱⁱ⁾	(288)	(570)
(b) product manufacturing and operating costs ⁽ⁱⁱ⁾	(101)	(346)
(c) advertising and marketing ⁽ⁱⁱ⁾	(171)	(373)
(d) leased assets ⁽ⁱ⁾	-	-
(e) staff costs ⁽ⁱⁱ⁾	(139)	(365)
(f) administration and corporate costs ⁽ⁱⁱ⁾	(286)	(644)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	10	26
1.5 Interest and other costs of finance paid ⁽ⁱ⁾	(5)	(17)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other – transaction costs	-	-
1.9 Net cash from / (used in) operating activities	(564)	(1,322)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(13)	(36)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
(d) intellectual property	-	-
(e) other non-current assets (intangibles)	-	-
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 – cash on reverse acquisition	-	-
2.6 Net cash from / (used in) investing activities	(13)	(36)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
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	(4)	(9)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other – principal elements of lease payments ⁽ⁱ⁾	(9)	(77)
3.10 Net cash from / (used in) financing activities	(13)	(86)

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	2,829	3,633
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(564)	(1,322)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(13)	(36)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(13)	(86)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
4.5	Effect of movement in exchange rates on cash held	(26)	24
4.6	Cash and cash equivalents at end of quarter	2,213	2,213

- (i) The Group has adopted new accounting standard AASB 16 *Leases* with effect from 1 January 2019. In accordance with the requirements of AASB 16 cash payments for the principal portion of the Group's lease liabilities are presented within financing activities. Cash payments for the interest portion are presented within interest and other costs of finance paid.
- (ii) Staff costs related to research and development, sales and marketing and product manufacturing and operating costs included in line 1.2(e) at 31 March 2019 have been reclassified to lines 1.2(a), 1.2(b) and 1.2 (c) at 30 June 2019 to more accurately reflect the function of the cashflows incurred. Sales and marketing costs included in line 1.2(f) at 31 March 2019 have been reclassified to line 1.2(c) at 30 June 2019.

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	950	700
5.2 Call deposits	1,263	2,129
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)	2,213	2,829

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

**Current quarter
\$US'000**

131

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- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Item 1.2 includes payments to directors for their salaries and fees of US\$131,000

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

**Current quarter
\$US'000**

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- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

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	80	80
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.		

Facilities included above comprise a bank overdraft facility, short term bank loans and long term bank loans.

Loan facility 1 – secured long term bank loan of US\$20,000 at quarter end, bearing interest at 2.25%.

Loan facility 2 - secured long term bank loan of \$US60,000 at quarter end, bearing interest at 2.35%.

9. Estimated cash outflows for next quarter	\$US'000
9.1 Research and development	344
9.2 Product manufacturing and operating costs	176
9.3 Advertising and marketing	228
9.4 Leased assets	41
9.5 Staff costs	159
9.6 Administration and corporate costs	238
9.7 Other	-
9.8 Total estimated cash outflows	1,186

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:30/07/2019.....

Print name:Mark Licciardo.....

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.