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ASX Company Announcement

ACTIVITY REPORT & APPENDIX 4C

31 July 2017

The Company made a strong start in just under a month in the quarter since listing on the Australian Securities Exchage (ASX). Revenue was just over US$400,000 giving an indicaton of the potential for the Elsight secure communications solutions in the market. The revenue result is a combination of: new orders, repeat business and ongoing service and license revenue from existing installations.

Costs for the quarter are not indicative of ongoing expenses, being mainly made up of costs leading up to the company listing on the ASX. As outlined in the prospectus issued earlier in 2017, funds raised are being deployed in two major areas:

- marketing and business development; and
- R&D: Shrinking the technology for integration into OEM equipment and developing required new capabilities in an effort to win tenders on performance and feature rather than pricing.

In June, the Company expanded its sales team with the acquisition of three senior regional sales managers responsible for major geographical regions: North America, Asia Pacific and Europe Middle East and Africa (EMEA). The Company is pleased to note an immediate result from these hires in the form of a strengthened direct sales pipeline, advanced discussions with new channel partners, and invitations to tender for important and large public projects.

The Company is also hiring new engineers (typically starting to be productive after around 3 months). The Company is planning to expand and enforce its technical and post-sales support capabilities in anticipation of an increase in sales into new territories.

The Company has an historically high win rate for bids in which it participates, but it is too early to forecast revenues from the sales pipeline. At the very least, the Board is confident that not only will the current level of revenue generation continue, but that it expects that it should significantly increase into the second half of the calendar year.

-**ENDS**-

For more information, please contact:

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About Elsight

Elsight is a solution provider of ground-breaking hybrid video and data services (on-the-move or fixed) for large Safe-City projects, sensitive facilities management, and surveillance activities. The platform supports video capturing, recording, and highly secured and protected 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 organizations. 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, first responders and healthcare.

+Rule 4.7B

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	**Quarter ended ("current quarter")**
98 616 435 753	30 June 2017

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	420	420
1.2	Payments for		
	(a) research and development	(3)	(3)
	(b) product manufacturing and operating costs	(126)	(126)
	(c) advertising and marketing	(12)	(12)
	(d) leased assets	(26)	(26)
	(e) staff costs	(272)	(272)
	(f) administration and corporate costs	(493)	(493)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(32)	(32)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other – transaction costs	(203)	(203)
1.9	**Net cash from / (used in) operating activities**	**(747)**	**(747)**

* This Appendix 4C is the first lodged by Elsight Limited (ELS) following completion of the acquisition of El-Sight Ltd (Israel) on 2 June 2017 and ASX listing on 8 June 2017.

In accordance with the Accounting Standards the acquisition of El-Sight Ltd has been accounted for as a reverse acquisition. As a result the consolidated statement of cash flows comprises the cash transactions of El-Sight Ltd for the period 1 January – 30 June 2017 and the cash transactions of ELS for the period 2 June – 30 June 2017.

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Consolidated statement of cash flows		**Current quarter $US'000***	**Year to date (6 months) $US'000***
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(65)	(65)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
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	366[1]	366
2.4	Dividends received (see note 3)	-	-
2.5	Other – cash on reverse acquisition	19	19
2.6	**Net cash from / (used in) investing activities**	**320**	**320**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	3,843	3,843
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	(286)	(286)
3.5	Proceeds from borrowings	92	92
3.6	Repayment of borrowings	(544)	(544)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**3,105**	**3,105**

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Consolidated statement of cash flows		**Current quarter $US'000***	**Year to date (6 months) $US'000***
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	7	7
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(747)	(747)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	320	320
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,105	3,105
4.5	Effect of movement in exchange rates on cash held	(50)	(50)
4.6	**Cash and cash equivalents at end of quarter**	**2,635**	**2,635**

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	2,635	7
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)**	**2,635**	**7**

6.	**Payments to directors of the entity and their associates**	**Current quarter $US'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	110
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

Item 1.2 includes payments to directors for their salaries and fees of US$53,000. Item 1.2 also includes $US57,000 paid to RM Corporate Finance Pty Ltd, a company associated with former director Nathan Barbarich, for corporate advisory fees.

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7.	Payments to related entities of the entity and their associates	Current quarter $US'000
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

[1]The amounts included at 2.3 are accounted for in accordance with accounting standards through the application of reverse acquisition accounting. The total amount at 2.3 was a transfer of funds to El-Sight Ltd (Israel) from El-Sight Limited prior to acquisition date.

8.	Financing facilities available *Add notes as necessary for an understanding of the position*	Total facility amount at quarter end $US'000	Amount drawn at quarter end $US'000
8.1	Loan facilities	203	203
8.2	Credit standby arrangements	57	-
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$36,000 at quarter end, bearing interest at 2.10%.

Loan facility 2 – secured short term bank loan of US$58,000 at quarter end, bearing interest at 5.00%.

Loan facility 3 – secured short term bank loan of US$29,000 at quarter end, bearing interest at 6.00%.

Loan facility 4 - secured long term bank loan of $US80,000 at quarter end, bearing interest at 4.60%.

Credit standby arrangements - secured bank overdraft facility.

9.	Estimated cash outflows for next quarter	$US'000
9.1	Research and development	100
9.2	Product manufacturing and operating costs	107
9.3	Advertising and marketing	43
9.4	Leased assets	14
9.5	Staff costs	419
9.6	Administration and corporate costs	205
9.7	Other (provide details if material)	-
9.8	**Total estimated cash outflows**	**888**

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

(a) The acquisition of El-Sight Ltd (Israel) was treated as a capital reorganisation and reverse takeover transaction. Vendor consideration was 35,381,386 ordinary shares. Full terms and conditions of the acquisition can be found in the Supplementary Prospectus dated 17 May 2017.

(b) The net assets of El-Sight Ltd (Israel) prior to the reverse takeover transaction are based on the audited accounts as at 31 December 2016 and as disclosed in the Investigating Accountant's Report included in the Supplementary Prospectus dated 17 May 2017.

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: ..... Date: 31/07/17
(~~Director/~~Company secretary)

Print name: .~~Stephen Buckley~~.....

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.

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