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ASX Announcement **31 January 2018**

Activity report and commentary Q4 2017

This Quarter, for the first time, became a turning point and we began seeing a meaningful increase in almost all the important categories (revenues, recurring revenues, average deal size and new geographies). This was the Quarter that the Company was hoping for since the IPO.

In line with Elsight's original 2017 business plan projection, during this quarter the Company made steady progress, delivering its biggest quarterly revenue increase since listing on the ASX. Invoiced and delivered revenue in Q4 was a 40% increase over that of Q3 and 57% increase over each of the previous two quarters. Overall this translates to an increased revenue generated in 2017 compared to 2016 (prior to listing). Actual cash receipts at the end of the quarter were as reported in the Appendix 4C. The Board considers this to be a strong achievement for the business in the right of lessened sales activity in the first half of 2017 before and after the IPO as the Company repositioned itself and transitioned from an Israeli centric company to an international focus marked by a longer sales cycles.

Furthermore, by introducing a recurring revenue component during this quarter, a proportion of sales invoices were not recognized as revenue in the quarter but will be amortised over 12 months according to GAAP.

In this quarter, for the first time the Company noticed an increase in the average revenues per deal. This effort should become meaningful during 2018, as part of planned efforts to increase revenues while reducing the cost of sale. The Board approved a 13% recurring revenue target for 2018. Recurring revenues for Elsight which are based on maintenance, support and increasingly, software licensing, provides an increased degree of certainty over future cashflows.

Since the reporting period, the Company has announced substantial progress with identifying, opening, and cultivating a new market opportunity in the Autonomous vehicle (AV) sector. In this vertical, for most technology companies, significant revenues can only be realised into the future, when and if AVs are on the road. However, Elsight is also targeting the existing and vibrant market for the fleet of AV test vehicles on special roads, with thousands of such test vehicles currently in operation. At the time of this report, Elsight's solution for test AVs is in the advanced stages of evaluation by a world-leading automotive electronics supplier - with a leadership position in the nascent AV sector.

During the next quarter the Company will continue the investment in its newly configured sales and support resources to support its aggressive plans to increase revenues in 2018 and beyond. The Board sees revenue growth being generated in the following ways:

- increase sales into new verticals, and geographies;
- increase sales into existing markets, as more new customers complete product testing and integration;
- increase sales into existing verticals with higher revenues per order; and
- increasing to 13% the share of recurring revenues in the revenue mix.

The Company expects to operate the business and its cost commitments with funding from revenue generation and will evaluate all opportunities to fund additional investment in new verticals or revenue opportunities above and beyond its plans as outlined in the Prospectus. The Company has been approached by a number of strategic investment groups and we are currently working through the potential opportunities.

Elsight Limited ACN 616 435 753
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Two new key verticals are planned to start providing material revenues towards the second half of 2018 with appropriate sales activity underway now. These two sectors are: TV News Gathering and Broadcasting as well as Telemedicine market with our innovative multichannel based Medicase.

While the Company's revenues are still relatively small and are growing according to plan, the Board noticed with great satisfaction the adherence by the Company to its revenue's targets and business plan outcomes and has a positive view of the financial outlook for the first half of 2018 driven in part by the following factors:

- Visible sales results (starting in Q4) from its transformation post IPO
- Deals which, recognition wise, migrated from Q4/2017 to Q1/2018
- Existing strong sales pipeline which is expected to grow further.

Overall, the Board believes the Company is reaping the benefits of its listing on the ASX and is expecting increased revenue growth in the coming two quarters and 2018 as a whole.

-ENDS-

For more information, please contact:

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About Elsight

Elsight (www.el-sight.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 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, broadcasting, first responders and healthcare.

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+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	31 December 2017

Consolidated statement of cash flows		**Current quarter $US'000**	**Year to date (12 months) $US'000***
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	143	719
1.2	Payments for		
	(a) research and development	-	(23)
	(b) product manufacturing and operating costs	(95)	(321)
	(c) advertising and marketing	(64)	(105)
	(d) leased assets	(23)	(66)
	(e) staff costs	(486)	(1,095)
	(f) administration and corporate costs	(72)	(867)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	2	4
1.5	Interest and other costs of finance paid	(51)	(91)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other – transaction costs	-	(191)
1.9	**Net cash from / (used in) operating activities**	**(646)**	**(2,036)**

*On 2 June 2017, Elsight Limited (ELS) completed the acquisition of 100% of the issued capital of Israeli company El-Sight Ltd. In accordance with the Accounting Standards the acquisition of El-Sight Ltd has been accounted for as a capital reorganisation. As a result the year to date consolidated statement of cash flows comprises the cash transactions of El-Sight Ltd for the period 1 January – 31 December 2017 and the cash transactions of ELS for the period 2 June – 31 December 2017.

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Consolidated statement of cash flows		Current quarter $US'000	Year to date (12 months) $US'000*
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(85)	(173)
	(b) businesses (see item 10)	-	-
	(c) investments	(32)	(36)
	(d) intellectual property	-	-
	(e) other non-current assets (intangibles)	(1)	(50)
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
2.4	Dividends received (see note 3)	-	-
2.5	Other – cash on reverse acquisition	-	19
2.6	**Net cash from / (used in) investing activities**	**(118)**	**126**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	-	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)
3.5	Proceeds from borrowings	1	92
3.6	Repayment of borrowings	(13)	(635)
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**	**(12)**	**3,014**

Consolidated statement of cash flows		**Current quarter $US'000**	**Year to date (12 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	1,881	7
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(646)	(2,036)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(118)	126
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(12)	3,014
4.5	Effect of movement in exchange rates on cash held	(11)	(17)
4.6	**Cash and cash equivalents at end of quarter**	**1,094**	**1,094**

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	1,094	1,881
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)**	**1,094**	**1,881**

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	61
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$60,672

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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

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	184	184
8.2	Credit standby arrangements	58	-
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$32,000 at quarter end, bearing interest at 2.10%.

Loan facility 2 – secured short term bank loan of US$4,200 at quarter end, bearing interest at 6.00%.

Loan facility 3 – secured long term bank loan of US$67,000 at quarter end, bearing interest at 4.60%.

Loan facility 4 - secured long term bank loan of $US80,000 at quarter end, bearing interest at 2.2%.

Credit standby arrangements - secured bank overdraft facility.

9.	Estimated cash outflows for next quarter	$US'000
9.1	Research and development	-
9.2	Product manufacturing and operating costs	51
9.3	Advertising and marketing	1
9.4	Leased assets	36
9.5	Staff costs	412
9.6	Administration and corporate costs	171
9.7	Other – equipment	33
9.8	**Total estimated cash outflows**	**704**

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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	-	-
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: ..... Date: 31 January 2018

(~~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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