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ASX Announcement 31 October 2019

September 2019 Quarterly Report

Highlights

- Conversion of successful proofs-of-concept into paying customers expected to deliver material revenues
- Ongoing product testing and positive feedback accrued provides validation of Halo offering, with first purchase order received post-quarter end
- Commercial discussions underway to deliver hundreds of Halo units by end of 1Q 2020 with the Company now in a strong position to accelerate its path to commercialisation
- Company remains poised to execute its commercialisation strategy, based on projected forward revenues and planned expenditures, with first revenues expected by 1Q 2020

Elsight Limited (ASX: ELS) ('Elsight Ltd, 'Elsight' or 'the Company'), an ASX-listed company that develops advanced 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 September 2019.

Product enhancements to HALO underway with first purchase order received

The last quarter was a period of high activity for Elsight as the company focused on extensive research testing and development to its flagship offering upon receiving valuable feedback from its proof-of-concept partners. Existing pilot programs, such as with leading Israeli defence manufacturer IAI and remote surveillance solution provider Oneberry Technologies, have underlined the opportunity to incorporate performance enhancements to HALO in keeping with required specifications of the Company's prospective customers. Elsight will incorporate these changes into a new iteration of Halo, Halo v1.1, to be released on 24 November 2019.

The Company has identified multiple commercial opportunities in fast growing industries such as autonomous vehicles, security, defence and aviation and remains focused on converting existing sales opportunities in the pipeline into commercial contracts as we proceed into 1Q 2020.

Post-quarter end, the Company was also pleased to announce it had received its first purchase order for 10 Halo units from Airobotics, a leading US-based provider of fully automated end-to-end drone solutions. Under the terms of the agreement, Halo will be deployed across Airobotics' range of pilotless drone solutions to simplify drone operations and power aerial-data collection in Smart Cities. The pilot trial is scheduled to begin in November 2019 and Elsight will continue to keep the market updated with its progress.

Company expands "beyond the visual line of sight" (BVLOS) drone operations following Gadfin trial

Earlier this month, Elsight has successfully entered into a proof-of-concept field trial with drone technology provider Gadfin. The Company has received an order for three Halo units that will see its flagship Halo offering tested and demonstrated to new customers. Halo's cellular communication system will be incorporated into Gadfin Spirit One, Gadfin Spirit X and other aerial cargo systems operated by Gadfin to demonstrate long-range drone delivery capabilities that are beyond the visual line of sight, a key differentiator of the Halo platform in comparison to other market entrants. Following a successful trial, the Company expects to identify new customers for its Halo offering as it proceeds to expand its footprint in unmanned aerial vehicle technologies.

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Strong progress with existing customers deepens footprint in the Israeli market

Elsight was pleased to extend its longstanding relationship with Israel Aerospace Industries (IAI) this quarter with the successful completion of a proof-of-concept trial. IAI, a leading Israeli defence company manufacturing robotics and unmanned vehicles, successfully explored Halo's deployment within the framework of the production of robotic devices. This collaboration is expected to result in further contracts and revenue-generating opportunities.

Outlook

The Company remains on track to deliver first revenues by 1Q 2020 with further commercial discussions underway to commence a large-scale field trial of Halo.

The focus for Elsight now is on near-term commercialisation and to deliver first revenues after converting successful proofs-of-concept that have been overseen to date. The Company is also presently engaged in a number of commercial discussions with collaboration partners in Singapore as it focuses on converting a strong pipeline of opportunities for its flagship offering.

As of 30 September 2019, Elsight had a cash balance of USD $1.66 million. To further support the product manufacture and other working capital needs until revenues from Halo are received, the Company is in advanced discussions with a number of Australia debt funding groups and will keep the market updated in accordance with its continuous disclosure obligations.

Further details on the financial position of the Company are outlined in the Appendix 4C attached.

-ENDS-

For further information, please contact:

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About Elsight

Elsight (ASX:ELS) is a cutting-edge communications and live data transmission solutions provider for organisations across defence and security, IoT, sensitive facilities management, large-scale Safe City projects, as well as surveillance and protective activities. The platform supports video capturing, recording, and highly secured transmission that can prevent against video interception and hacking. With an unmatched level of reliability, our products provide the lowest latency and highest adaptive bandwidth over cellular networks to ensure safe and stable signals.

+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 September 2019

Consolidated statement of cash flows		**Current quarter $US'000**	**Year to date (9 months) $US'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	613	1,580
1.2	Payments for		
	(a) research and development	(305)	(875)
	(b) product manufacturing and operating costs	(125)	(471)
	(c) advertising and marketing	(206)	(579)
	(d) leased assets[(i)]	-	-
	(e) staff costs	(138)	(503)
	(f) administration and corporate costs	(336)	(980)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	6	32
1.5	Interest and other costs of finance paid[(i)]	(5)	(22)
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**	**(496)**	**(1,818)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(22)	(58)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-

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Consolidated statement of cash flows		**Current quarter $US'000**	**Year to date (9 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**	**(22)**	**(58)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	68	68
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	(5)	(14)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – principal elements of lease payments[(i)]	(43)	(120)
3.10	**Net cash from / (used in) financing activities**	**20**	**(66)**

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	2,213	3,633
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(496)	(1,818)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(22)	(58)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	20	(66)

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Consolidated statement of cash flows		**Current quarter $US'000**	**Year to date (9 months) $US'000**
4.5	Effect of movement in exchange rates on cash held	(49)	(25)
4.6	**Cash and cash equivalents at end of quarter**	**1,666**	**1,666**

(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.

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	1,666	950
5.2	Call deposits	-	1,263
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)**	**1,666**	**2,213**

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	99
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$99,000

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	

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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	77	77
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$19,000 at quarter end, bearing interest at 2.25%.

Loan facility 2 - secured long term bank loan of $US58,000 at quarter end, bearing interest at 2.35%.

9.	**Estimated cash outflows for next quarter**	**$US'000**
9.1	Research and development	300
9.2	Product manufacturing and operating costs	210
9.3	Advertising and marketing	203
9.4	Leased assets	41
9.5	Staff costs	130
9.6	Administration and corporate costs	284
9.7	Other	-
9.8	**Total estimated cash outflows**	**1,168**

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	-	-

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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: ...31/10/2019.....
(~~Director/~~Company secretary)

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.

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