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ASX Announcement **30 July 2020**

June 2020 Quarterly Report

Highlights

- 15 ongoing proof-of-concept (POC) trials are progressing positively in all key areas, despite local travel restrictions and limitations due to the lockdown.
- New opportunities have presented themselves in the wake of the global pandemic. The company is prioritizing these opportunities in light of our ability to supply and deliver product in the short term versus our need to focus on longer term repeat orders
- Given the impact of the pandemic, the founders, employees and directors have taken a 50% salary and fee cut while increasing all efforts in respect of accelerating collections.
- Following a A$2.88m placement and an aggressive round of cost cutting measures, the company is well-positioned to address the significant economic challenges of 2020 while modifying some of our strategic moves to take advantage of newly created and significant opportunities, particularly in the rural remote health and working environments.

30 July 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 June 2020.

Halo commercialisation

Q2 2020 started with several Proof-of-Concept Trials for Halo that had been placed on hold or paused due to restrictions to activity and travel in many countries around the word.

As a precaution against contracting the virus, the employees of the company were divided into two distinctive groups, alternating work locations daily (one day office, one day home). Importantly, as various POCs and customer engagements became possible, the Company took every opportunity to advance projects in the field.

With significant opportunities for Halo emerging in a number of vertical markets, the company has paid particular attention to the areas of Drone operations, rural communication and Telemedicine. In the drone space, the company has focussed on obtaining the necessary regulatory approvals in the USA and other countries, advancing current POCs and starting new POCs. In addition and as was mentioned in Elsight's May 2020 Monthly Newsletter (https://elsight.com/news/our-monthly-newsletter-may-2020-edition/), Halo is part of a major FAA first TC (Type Certificate) test that if successful, we will be the world's first specified drone's communication component to go through certification allowing a drone to fly beyond the visual line of sight all over the United States (like any other aircraft). The actual testing phase was already successfully completed in California and we are awaiting a final decision by no later than early Q4 2020. Once published, this is expected to boost Halo's position in this vibrant market.

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The Company completed more than 15 extensive POCs and over 2,000 flight hours on various platforms in various geographies, including but not limited to USA, Singapore, and others. Trials for drones, robotics as well as command post vehicle/command & control vehicle backhauling; rural communication and upgrade of corporate networks in remote rural areas (USA and India); telemedicine and remote paramedics and nurse practitioner solutions (France), as well as HLS were also productively conducted.

Using the business slowdown caused by the initial outbreak of the pandemic, the company made significant efforts to secure a large set of key certifications (FCC SDoC, full FCC, CE, US carriers certifications, and privatization certifications, which are especially important to the medical community such as: HIPPA, GDPR, and CCPA). Some have already been concluded and others are in process. Importantly, this will enable the company to secure extensive sales of Halo in the United States, Europe, and other markets in the Far East. Starting from July and moving forward, the positive impact of these certifications is expected to be noticeable in securing much larger deals in the USA.

During the quarter, the Company continued to work closely with Alrena (France), having adapted its Medicase (telemedicine) solution to work with the new version of Halo. The two Companies are now finalising alternative supply chain arrangements in order to satisfy existing demand.
The company has also used the past quarter to streamline its POC processes to better track progress and ensure consistent quality, while improving alarms and remote monitoring to enable mass deployments. Based on extensive field testing and customer feedback the product has gone through a rapid development process with a number of hardware and software upgrades during and since the end of the quarter.

US Market Entry

In April, a distribution agreement was signed with Agile Defence Inc, (Agile) a leading information technology (IT) services business in Reston, VA, outside of Washington DC. Agile has a broad network of connections and contacts across the US public sector which are of interest to Elsight.

Towards the end of the quarter, the company worked on obtaining the US FCC certification, which is necessary to be part of drone solutions in various settings. These certifications were received after the reporting period and are referred to above.

Other Product Activity
In June the Company signed an agreement with one of the leading cash-in-transit companies worldwide to fit their entire fleet of armoured vehicles with Elsight's leading transportation solution. Importantly, the first orders were received during the quarter.

Corporate and Finance

In view of economic circumstances brought on by the pandemic, and the issues associated with being able to pursue and complete POCs and conduct international sales operations, the Company had previously undertaken a thorough review of all expenses. This included reducing costs across the organisation, in a way to ensure that the longer term prospects or operations of the business were not hindered, to ensure that key people were retained, to conserve funds to focus on the execution of its core commercialisation strategy for 2020. In addition, a key element has been to deploy resources to best serve the immediate opportunities presented as a result of the current global situation. As a result of this and other cost reduction efforts by the Company, operational costs decreased from the budgeted 1,273K USD to actual of 721K USD in Q2 (44% decrease). In comparison to actual costs in Q1 of 912K USD it represents a 21% decrease. This is as a result of the reduction in salaries, as well as other expenses as appropriate for April-May 2020.

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Specific details on the financial position of the Company are set out in the Appendix 4C attached.

Once again, we would like to thank all shareholders and other stakeholders for their ongoing support during these unprecedented times. The Company is doing everything possible to 'right size' the organisation while also positioning it to take advantage of the extensive range of opportunities the current crisis has presented. As a result of significant technical and related progress made during the quarter, the Board feels the company and its products are much better positioned to emerge from the current situation stronger and able to take advantage of the commercial opportunities which are now before us.

Authorised for release by the Board of Directors of Elsight Limited.

-**ENDS**-

For more information, please contact:

Corporate, Business, and Media Enquiries

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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 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 to industrial security, broadcasting, first responders and healthcare.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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Name of entity	
ELSIGHT LIMITED	
ABN	**Quarter ended ("current quarter")**
98 616 435 753	30 June 2020

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	123	595
1.2	Payments for		
	(a) research and development	(210)	(457)
	(b) product manufacturing and operating costs	(164)	(374)
	(c) advertising and marketing	(121)	(303)
	(d) leased assets	-	-
	(e) staff costs	(106)	(248)
	(f) administration and corporate costs	(268)	(453)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	3
1.5	Interest and other costs of finance paid	(2)	(4)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	9	9
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(736)**	**(1,232)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(3)	(3)
	(d) investments	-	-
	(e) intellectual property	(20)	(55)
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $US'000	Year to date (6 months) $US'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(23)**	**(58)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	1,987
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	350	350
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(11)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(5)	(10)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – principal elements of lease payments	(43)	(86)
3.10	**Net cash from / (used in) financing activities**	**302**	**2,230**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	2,062	933
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(736)	(1,232)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(23)	(58)

Consolidated statement of cash flows		Current quarter $US'000	Year to date (6 months) $US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	302	2,230
4.5	Effect of movement in exchange rates on cash held	182	(86)
4.6	**Cash and cash equivalents at end of period**	**1,787**	**1,787**

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	1,787	834
5.2	Call deposits	-	1,228
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)**	**1,787**	**2,062**

6.	Payments to related parties of the entity and their associates	Current quarter $US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1 – Payment to directors for their salaries and fees	121
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $US'000**	**Amount drawn at quarter end $US'000**
7.1	Loan facilities	62	62
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	62	62

7.5	**Unused financing facilities available at quarter end**	-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing 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$13,000 at quarter end, bearing interest at 2.25%

Loan facility 2 – secured short term bank loan of $US49,000 at quarter end, bearing interest at 2.35%

8.	**Estimated cash available for future operating activities**	**$US'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(736)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,787
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,787
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	2.4

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

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8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
Answer: N/A	
Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.	

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.

Date: 30 July 2020 .....

Authorised by: By the Board .....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow 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 cash flow 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.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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