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ASX Announcement **30 October 2020**

September 2020 Quarterly Report Update

Highlights

- Halo became ready and certified during the second half of July
- Resumption of Halo POC trials leading to further commercial momentum
- FCC and CE certifications received
- Large initial Halo order for US$1.6m and new partnership with Kinetx Prime , LLC
- First material Halo order from Telemedicine technology pioneer, Alrena received
- FAA certification process on track.

30 October 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 2020.

Halo commercialisation continues

Upon securing the FCC, CE and other mandatory certifications during the second half of July, Halo was ready for mass deployment for the first time. Since then the Company has continued the resumption of commercial sales and several Proof-of-Concept Trials (POCs) that had been placed on hold or paused due to the pandemic travel and other restrictions in many countries around the word.

The company has continued to practice its health and safety precautions, including the division of employees into two distinctive groups, alternating work locations daily (one day office, one day home). This process did enable significant progress to be made in advancing field operations, particularly to support ongoing POCs while eliminating the possibility of total shutdown due to an illness by any one of the employees.

With significant opportunities for Halo now emerging in a number of vertical markets, the company has paid particular attention to the key areas of Drone and robotics 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. The Company completed an additional 15 POCs and over 3,000 flight hours on various platforms in various geographies, including but not limited to USA, Singapore, and others. In addition, the company commenced 5 new POCs in various stages during the third quarter. The importance of these POCs with Drones is that on the successful conclusion of these trials we will be securing a design win. Such a design win will basically assure that once the specific drone receives FAA and similar certifications, any such drone that is sold in the future will have our Halo installed on it without further need for follow-on activities. This is because FAA Type Certificates that are being sought do not permit a change of any certified component, once this certification is received.

Further 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; telemedicine, remote paramedics, and nurse practitioner solutions (France) are also continuing.

Digital accessibility in rural areas in many countries is becoming a growing concern for their respective governments. According to a UNESCO report (September 2019), there are Over 4 Billion (**O4B**) people (54.8% of the world's population) living today in remote areas marked by limited to no access to the internet. With the pandemic looming over our lives, children living in the countryside are totally dependent on remote (Zoom) learning. However, it is impossible to have such remote learning without a stable internet connection. These same **O4B** people are also living hours away from a nearby hospital during a pandemic, and therefore are totally dependent on telehealth and remote healthcare that cannot operate without proper connection to the internet. This is the core justification for our partnership with Kinetx prime LLC.

The Company signed a comprehensive agreement with Kinetx Prime, LLC in the USA and has received only the initial order of a US$1.6m relating to broadband accessibility technology for telehealth and other rural and remote services. With this order Elsight commenced a strategic partnership with this company which is expected to yield further orders of even larger magnitude during 2021 and beyond, as this partnership develops.

Elsight also received the first material Halo order from telemedicine innovator and IoT award winner Alrena in France. The Halo product was integrated into an ultralight backpack version of Alrena's "Smart Medicase" branded as the "Smart Medibag". This solution, which has been adopted by the French Ministry of Health, is being used by remote nurses and paramedics in rural areas with communications and accessibility problems made worse as a result of the Covid-19 crisis. The initial order had a value of US$300K. The membership of this nurse's association is over 80,000 members.

Certifications

The Halo product received two levels of communication product certification from the FCC in the USA. The initial SDOC - Supplier's Declaration of Conformity, was granted in July with full certification (Grant of Equipment Authorization, Part 15, Class B Digital Device) later the same month. This is an essential step which qualifies Elsight to provide communications solutions, particularly in the Drone sector, using its flagship Halo product in the USA and Canada. Under a similar scenario the company secured a CE certification required for the European Union and the UK.

In addition, and as was mentioned in Elsight's previous quarterly report, Halo is part of a major FAA first TC (Type Certificate) test, which will mean that that once successful, Elsight 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). During the quarter a number of additional "certifications" to enable trial operations to occur over people were announced by major companies such as Amazon and Google. It needs to be stressed that these approvals are just early "waivers" for trials and test use in confined areas, and represent a step which Elsight and its partners had long ago undertaken in order to be at the stage where we are awaiting a final FAA Type Certification.

Importantly, much of the actual testing phase had already been successfully completed in California during Q3 and we are awaiting a final decision in Q4 2020. Once published, this is expected to boost Halo's product and commercial position in this vibrant market.

Leadership changes during the Quarter

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As reported to the market on (7th October) Mr Nir Gabay has stepped down from his role as CEO and director of the Company, effective 31st October, 2020. Mr Yoav Amitai who was the Company's COO has replaced Nir as the new CEO. The Board would once again like to thank Nir for his vision, dedication and years of service in helping build Elsight to the position it now is in and where realisation of the commercial opportunities are becoming a reality.

Cash receipts

Following receipt of a number of existing contracted orders, including those from Kinetx and Alrena already referred to, the company is expecting the following cash receipts over the course of the next 30-90 days:

Cash receipts expected and based on existing orders to the total amount of approx. US$**2.1million,** according to the following schedule:

- US$**340K** in next 30 days.
- US$**860K** in next90 days.
- US$**850+** in next 6 months.

Specific details relating to the financial position of the Company are set out in the Appendix 4C attached. The Company is also examining various options for securing additional capital to ensure the maintenance of the current commercial rollout momentum. As part of this, and as previously announced, Mr Nir Gabay has commenced the exercise of his Options resulting in further cash coming into the Company immediately.

We would like to thank all shareholders and other stakeholders for their ongoing support during these unprecedented times. The Elsight team has made significant progress during 2020 and the Board remains confident that the Company's management and technology is well positioned to build on its initial success with Halo, to take advantage of the extensive range of opportunities the current crisis has presented and to further accelerate the commercial outcomes into 2021 and beyond.

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

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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.

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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 September 2020

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	379	974
1.2	Payments for		
	(a) research and development	(335)	(792)
	(b) product manufacturing and operating costs	(323)	(697)
	(c) advertising and marketing	(242)	(545)
	(d) leased assets	-	-
	(e) staff costs	(278)	(526)
	(f) administration and corporate costs	(263)	(716)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	3
1.5	Interest and other costs of finance paid	(1)	(5)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	9
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(1,063)**	**(2,295)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	(3)
	(d) investments	-	-
	(e) intellectual property	(1)	(56)
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $US'000	Year to date (9 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**	**(1)**	**(59)**

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
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)	(15)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – principal elements of lease payments	(43)	(129)
3.10	**Net cash from / (used in) financing activities**	**(48)**	**2,182**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,787	933
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,063)	(2,295)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	(59)

Consolidated statement of cash flows		Current quarter $US'000	Year to date (9 months) $US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(48)	2,182
4.5	Effect of movement in exchange rates on cash held	35	(51)
4.6	**Cash and cash equivalents at end of period**	**710**	**710**

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	710	1,787
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)**	**710**	**1,787**

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. This amount includes payments of accrued fees for past quarters.	230
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	58	58
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	58	58

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$11,000 at quarter end, bearing interest at 2.25%

Loan facility 2 – secured short term bank loan of US$47,000 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)	(1,063)
8.2	Cash and cash equivalents at quarter end (item 4.6)	710
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	710
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	0.7*

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: Yes, the Company expects that it will continue to have the current level of net operating cash flows for the time being.

* This does not include expected receipts of US$340,000 in next 30 days and US$860,000 in next 90 days. In addition, the Company is expecting an amount of additional funds to be received by the Company in the coming days following the partial exercise of Options held by Mr Nir Gabay and which was previously announced to the market.

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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:	In order to continue to accelerate its commercial rollout plans, the Company is examining a variety of capital procurement strategies (including the Option exercise program mentioned above). Once the details have been finalised, full details will be provided to the market.
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:	Yes. Refer to comment in 8.6.2 above.

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 October 2020

Authorised by: Mark Licciardo – Company Secretary
(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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