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Elsight Limited

ACN 616 435 753

SUPPLEMENTARY PROSPECTUS

Important Information

This is a supplementary prospectus (**Supplementary Prospectus**) intended to be read with the prospectus dated 16 November 2020 (**Prospectus**) issued by Elsight Limited (**Company**).

This Supplementary Prospectus is dated 11 December 2020 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that day. Neither ASIC nor ASX (and their respective officers) take any responsibility as to the contents of this Supplementary Prospectus.

To the extent of any inconsistency between this Supplementary Prospectus and the Prospectus, this Supplementary Prospectus will prevail. Unless otherwise indicated, terms defined and used in the Prospectus have the same meaning in this Supplementary Prospectus.

This is an important document and should be read in its entirety. If you do not understand it you should consult your professional advisors without delay.

1 ISSUE OF FURTHER SECURITIES UNDER THE PROSPECTUS

The Company advises that, as a result of excess demand under the Shortfall Offer it has today agreed to issue a 6,295,556 New Shares and 3,147,775 attaching New Options under the Prospectus to raise an additional A$2,833,000 (**Follow-on Placement**). Additional funds raised will be used for the purposes set out in the Prospectus.

The Follow-on Placement is made without Shareholder approval, and the securities will be issued under the Company's existing capacity under Listing Rule 7.1 and Listing Rule 7.1A.

The New Options will be listed under the ASX code ELSOA.

Attached to this Supplementary Prospectus is an announcement made by the Company to ASX today.

The Company now closes the Shortfall Offer and no further issues will be made under the Prospectus.

2 AMENDMENTS TO PROSPECTUS

The following sections of the Prospectus are amended as follows:

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2.1 Capital structure

Sections 2 and 5.4 of the Prospectus are amended to reflect the current number of securities on issue:

Shares on issue prior to the Offer	108,896,599
New Shares issued under the Prospectus	24,444,989
Total Shares on issue	133,341,587
Total Options on issue prior to the Offer	26,915,983
New Options issued under the Prospectus	23,222,739
Total Options on issue	50,138,722
Amount raised under the Prospectus (before costs)	$11,000,245

2.2 Use of funds

Sections 4 and 5.2 of the Prospectus are amended to reflect the increased amount raised:

Use of funds (approx.)	**Amount (A$)**
Sales	3,472,075
Marketing	1,533,000
Halo development	1,678,769
New product development	1,198,093
Working Capital	1,648,573
Other	739,384
Costs of the Offer	730,351
Total use of funds	11,000,245

2.3 Statement of financial position

Set out in the annexure to this Supplementary Prospectus is the reviewed Statement of Financial Position for the Company, as at 30 June 2020 and on the basis of the following assumptions:

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Set out in section 13 is the reviewed Statement of Financial Position of the Company and the Pro-Forma Statement of Financial Position, as at 30 June 2020 and on the basis of the following assumptions:

(a) the Offer was effective on 30 June 2020;

(b) adjustments to reflect changes between 1 July 2020 and 30 September 2020 as a result of the Company's trading activities and the exercise of 1,880,000 Options (raising $376,000);

(c) an exchange rate of A$1:US$0.70;

(d) no further Shares are issued other than all Shares offered under this Prospectus;

(e) $11,000,245 is received under the Offers; and

(f) (cash) costs of the Offer are $730,351.

The pro-forma Statement of Financial Position has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company set out in the annexure to this Supplementary Prospectus. The pro-forma financial information is presented in US$ and in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

2.4 Dilution

Shareholders who did not participate in the Offer will have their holdings diluted. Following is a table which sets out the dilutionary effect on the basis of the full amount raised under the Prospectus and assuming no further Shares are issued or Options exercised:

Holder	Holding at Record Date		Entitlement	Holding following the Offer if no Entitlement taken up	
	Number	%		Number	%
1	108,897	0.10	18,149	108,897	0.08
2	217,793	0.20	36,299	217,793	0.16
3	1,088,966	1	181,494	1,088,966	0.82
4	2,177,932	2	362,989	2,177,932	1.63

2.5 Consents

Each of the persons referred to in this section:

(a) has given and has not, before the date of lodgement of this Supplementary Prospectus with ASIC withdrawn their written consent:

(i) to be named in the Supplementary Prospectus in the form and context which it is named; and

(ii) where applicable, to the inclusion in this Supplementary Prospectus of the statement(s) and/or reports (if any) by that person in the form and context in which it appears in this Supplementary Prospectus;

(b) has not caused or authorised the issue of this Supplementary Prospectus;

(c) has not made any statement in this Supplementary Prospectus or any statement on which a statement in this Supplementary Prospectus is based, other than specified below;

(d) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Supplementary Prospectus, other than the references to their name and the statement(s) and/or report(s) (if any) specified below and included in this Supplementary Prospectus with the consent of that person.

Name	**Role**
Mahe Capital Pty Limited	Lead Manager and Underwriter

2.6 Expenses of the Offer

The total (cash) expenses of the Offer are estimated to be $730,351, consisting of the following:

Cost[1]	**A$**
Legal fees	13,000
ASX and ASIC fees	30,000
Capital raising fees[2]	657,351
Printing, postage and other expenses	30,000
Total	730,351

[1] These expenses have or will be paid by the Company.

[2] The Company has also agreed to issue 1 New Option for every $1 raised under the Prospectus to the Underwriter or 11,000,245 New Options.

The Directors do not consider the circumstances disclosed in this Supplementary Prospectus to be materially adverse from the point of view of an investor, and no withdrawal rights will be offered to investors.

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This Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors. In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Supplementary Prospectus with ASIC.

Dated: 11 December 2020

Ami Shafran
Chairman
On behalf of Elsight Limited

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Rights Issue Closes Oversubscribed

Highlights

- **Renounceable rights issue seeking to raise $8.2 million closes oversubscribed.**
- **Significant support from shareholders and new institutional and professional investors.**
- **Top-up placement of $2.8 million to accommodate some of the substantial excess demand.**
- **Elsight now well funded to move forward with its commercial rollout and to satisfy demand for the Halo product.**

11th December, 2020. Elsight Limited (**ASX: ELS**) (**Elsight** or the **Company**) is pleased to announce that the renounceable rights issue announced on 16 November 2020 has closed significantly oversubscribed and raised **$8,167,245**. To accommodate a portion of the substantial excess demand, the Company has agreed to undertake a placement to raise an additional **$2,833,000** on the same terms as the rights issue (**Follow-on Placement**).

Following completion of the Follow-on Placement, the total amount raised will be $11 million, before costs. The Company will issue a total of 24,444,989 new fully paid ordinary shares (**Shares**) and 12,222,494 new options exercisable at $0.90, with an expiry date of 31 March 2023 (**Options**). The Options will be quoted under the ASX code ELSOA.

Under the terms of the Follow-on Placement, the Company will issue a total of 6,295,556 new Shares and 3,147,778 ELSOA Options. These will be issued using the Company's existing capacity under Listing Rule 7.1 and 7.1A, and without shareholder approval.

Mahe Capital Pty Ltd (ACN 634 087 84) acted as Lead Manager and Underwriter to the Rights Issue and advised Elsight on the Rights Issue and the Follow-on Placement.

The proceeds from the Rights Issue and the Follow-on Placement will be used for the following purposes:

- Take advantage of a range of commercial opportunities that have arisen from the demonstrated functionality of its latest flagship product, continue to fund a substantial increase in new orders, conduct trials with new customers as well as fund anticipated regulatory aviation (FAA) approvals in the USA. Funds will also be used for product working capital and to ramp up production and shorten delivery lead times in anticipation of increased sales. Such measures will enable the fastest fulfilment for existing and new orders;
- Significantly expand the Company's sales and marketing activities and manpower, as well as undertake further product enhancement development activities;
- Contribute towards ongoing general working capital requirements, to support material increase in sales; and
- Provide additional capital to enable the Company to pursue strategic M&A options, which have the ability to accelerate the aggressive growth which is beyond the planned organic growth.

Additionally, the proceeds will be used for general working capital and to cover all costs associated with the Offers.

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The final results from the Rights Issue and the details of the Follow-on Placement are set out below:

	Funds raised	Shares	ELSOA Options*
Rights taken up	$5,484,933	12,188,741	6,094,371
Shortfall placed	$2,682,311	5,960,692	2,980,346
Follow-on Placement	$2,833,000	6,295,556	3,147,778
Total	**$11,000,245**	**24,444,989**	**12,222,495**

*The number of new Shares and ELSOA Options issued is subject to rounding. A further 11,000,245 ELSOA Options will be issued to the underwriter as fully described in the Prospectus.

An appendix 3B for the Follow-on Placement and underwriter options accompanies this announcement. A supplementary prospectus will be lodged shortly.

The new securities are expected to be issued on 15 December 2020, in accordance with the timetable set out in the Prospectus.

Elsight Director, Howard Digby said: "We would like to thank our existing shareholders for the strong support they have shown us during this Rights Issue, demonstrating their continued commitment to the Company and enthusiasm for our future as we embark on this transformational period of commercial ramp up and commercial rollout."

This announcement was authorised to be given to ASX by the Board of Directors of Elsight Limited.

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.

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SCHEDULE 2 PRO FORMA STATEMENT OF FINANCIAL POSITION

CONSOLIDATION SHEET	USD			
30/6/2020	Consolidated	Adjustments for material items between 30 June 2020 and 16 November	Adjustments for rights issue (full subscription)	Consolidated pro-forma (full subscription)
Current assets				
Cash and cash equivalents	1,786,809	(971,158)	7,188,926	8,004,577
Trade receivables	208,301	24,317		232,618
Other receivables	199,716	59,650		259,365
Inventory	356,838	62,428		419,266
Short-term deposit	79,159			79,159
Total current assets	**2,630,823**	**(824,764)**	**7,188,926**	8,994,985
				-
Non current assets				-
Investment in subsidiary	-			-
Provision for impairment	-			-
Intercompany loans	(0)			(0)
Provision for impairment	-			-
Long-term deferred tax assets	-			-
Total non current assets	**(0)**			(0)
				-
Fixed assets				-
Cost	585,132			585,132
accumulated depreciation	(351,755)	(33,070)		(384,825)
Total fixed assets	**233,377**	**(33,070)**		200,307
				-
Intangible assets				-
Cost	210,519			210,519
accumulated amortization	(20,789)			(20,789)
Total intangible assets	**189,730**			189,730
				-
Lease asset				-
Cost	344,878			344,878
accumulated amortization	(267,864)	**(43,371)**		(311,235)
Total intangible assets	**77,014**	**(43,371)**		33,643
				-
Goodwill	**-**			-
				-
Total assets	**3,130,944**	**(901,204)**	**7,188,926**	9,418,666
				-
Current liabilities				-
Credit from banking entities	57,280	(31,489)		25,791
Trade payables	240,428	(85,785)		154,644
Other payables	621,155	66,037		687,192
Current maturity - lease liability	80,468	(42,543)		37,925
Total current liabilities	**999,332**	**(93,781)**		905,551
				-
Long-term liabilities				-
Loans from banking entities	4,681	27,343		32,024
Liabilities to employees	108,947			108,947
Shareholders loans	-			-
Share based payments	-			-
Long-term deferred tax liabilities	-			-
Lease liability	-			-
Total long-term liabilities	**113,628**	**27,343**		140,971
				-
Capital and reserves				-
Share capital	15,315,771		7,700,172	23,015,942
Cost of capital	(1,250,247)		(511,246)	(1,761,492)
Share based payment reserve	2,293,231			2,293,231
Exchange rate capital reserve	(742,512)	57,813		(684,699)
Capital reorganisation/acquisition reserve	(296,796)			(296,796)
Current period earnings/(losses)	(1,811,052)	(892,580)		(2,703,632)
Retained earnings/(losses)	(11,490,412)			(11,490,412)
attributable to equity holders of the parent	**2,017,983**	**(834,767)**	**7,188,926**	8,372,142
minority interests	-			-
Total capital and reserves	**2,017,983**	**(834,767)**	**7,188,926**	8,372,142
				-
Total equity and liabilities	**3,130,943**	**(901,204)**	**7,188,926**	9,418,664