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ASX Announcement **29 October 2021**

September 2021 Quarterly Report and Appendix 4C

Key Highlights:

- **Elsight announced signing of first 'Elite Level Partner' agreement with Tech Data in the US**
- **Elsight partner Airobotics completed its TASE IPO**
- **Elsight advanced communication attracted demonstrable attention in two major unmanned exhibitions where "Halo" was featured**
- **Elsight's "Halo" signature product continuing to enable all Drones operating within the NAAMA Tel Aviv Initiative seen as a Design Win**

Elsight Limited (ASX: ELS) ('Elsight Ltd, 'Elsight' or 'the Company'), the carrier agnostic, AI powered drone connectivity solutions company, is pleased to provide the following **Business Update**, outlining the Company's current achievements over the September quarter.

First 'Elite Level Partner' Agreement – US Partner

As announced on 13 July 2021, Elsight has completed an agreement with its first US major tech partner, Tech Data Corporation (www.techdata.com), a leading global IT distributor and solutions aggregator to be a lead distributor for Elsight sales in North America. During this quarter, Tech Data completed a major (US$8 billion) merger with Synnex, to form TD SYNNEX (NYSE: SNX) with US$60 billion in revenues. This complex merger not surprisingly, took the focus away from operational and day to day matters for Tech Data including working with Elsight however, we are expecting a resumption of activity in the lead up to calendar year end. Tech Data is a versatile global IT partner at the heart of the technology ecosystem with a dedicated approach to uniting IT solutions that deliver business outcomes today and unlock growth for tomorrow. Having reach, capabilities and resources that span the technology continuum from edge-to-cloud, Tech Data delivers insights and optimised solutions channel partners can depend on to compete and benefit in an evolving marketplace.

During the quarter, Tech Data completed adding Elsight to their catalog and ordering system; additionally, Tech Data initiated the training with Tech Data's operational personnel and will continue the planned training with Synnex personnel now that the two companies have completed their merger. In parallel, Elsight, in conjunction with Tech Data sales personnel will be approaching Tech Data's main broadband solution resellers to drive "Halo" product awareness and first sales through the channel; The Company expect similar activities to be initiated with Synnex personnel in the short to medium term.

In assessing the revenue opportunities for the Company, it was decided that the Elsight VP of Sales, Scott Jonasz, relocate to Florida, next door to Tech Data's headquarters, to accelerate Elsight's sales and partnership initiatives within both the Unmanned Aerial Vehicle (UAV) and Broadband markets. As the Drone BVLOS market is not yet fully matured and in parallel to our indirect sales through channels in the USA, the Company is also working on number of deals in the broadband market, with direct sales.

Elsight Partner Airobotics has completed their TASE IPO – FAA

As announced in TASE on 19th September 2021, Airobotics, one of Elsight partners has completed their IPO on the Tel Aviv Stock Exchange. Airobotics is continuing with its process to secure the FAA Type certificate approval after recently completing the last required test by the FAA.

Elsight is considered to be a groundbreaking leader in the Nascent Drone BVLOS Market with "Halo".

The drone market in general, and the Drone Package Delivery Beyond Visual Line Of Sight (BVLOS) in particular are one of Elsight's most exciting and promising markets. However, whilst being on the verge of deployment and exponential growth – these markets are still in a pre-mass deployment stage. From the beginning, Elsight's strategy is to establish itself as an early market leader, while patiently waiting to grow with the market. To do so, the Company is engaging with key players and leaders in the industry. These agreements are perceived as highly strategic and with promising revenues in the future.

During this quarter (September 21-31), Elsight concluded a successful 10-day drones parcel delivery demonstration in Arkansas as part of the world's most ambitious project of its kind to date. However, despite its success and the potential magnitude of this project in the next five years, initial revenues are below the announcement threshold.

Elsight advanced communication attracts Major attention in two major unmanned Exhibitions – Lead Generation

Trade shows and major performance demonstration events (like NAAMA) have been part of Elsight strategy as the market starts opening up again, despite the pandemic. The fact that in such events (as NAAMA) all the demonstrating drones, from various suppliers, chose to be equipped with "Halo" has propelled Halo towards strong brand recognition in this embryonic industry and this is not likely to go unnoticed in the competitive marketplace.

During the months of August – September, Elsight participated in two main unmanned exhibitions, AUVSI exponential 2021 in Atlanta Georgia, USA and The Commercial UAV Expo Americas in Las Vegas Nevada, USA. These Exhibition events were primarily focused on the current state and future potential of the unmanned market. The Elsight team in attendance experienced tremendous interest in our advanced communication solution, not only from UAV hardware manufacturers, but also solution, service, and operational partners engaged in the global UAV market. The event resulted in 35+ new leads in various stages of the Company's pipeline, from Design/POC partners to potential integrated solution partners.

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Elsight's "Halo" product enables all Drones operating within the NAAMA Tel Aviv Initiative to perform safe, reliable Beyond Visual line of sight operations – Drone Parcel Delivery

The NAAMA Initiative (Hebrew acronym for Urban Aerial Transport) - developing agile regulation and supporting ecosystem to enable drones and UAM[1] operations to deliver on the ultimate platform and testbed for large scale parcel drone deliveries of Sushi throughout the city.

Elsight has been integrated into the NAAMA Initiative from inception, in March 2021. Now, for the third time, as a world's most advanced drones urban deliveries initiative, from 1st October to 14th October 2021 five companies participated in this extraordinary demonstration of drone parcel delivery, beyond line of sight and in populated city environments. The event included thousands of flights operations and was monitored by most of the world's leading players, with special focus on the USA. All participating BVLOS drone companies elected to equip their drones with Elsight's "Halo" on board (now considered the new industry standard for drone connectivity).

KINETX Prime LLC (KP) Update – Drone Parcel Delivery

Elsight has just been informed that the long awaited and anticipated merger and acquisition of Kinetx Prime has not eventuated as we had previously advised the market and our shareholders and as we had anticipated. To avoid possible KP bankruptcy procedures, Elsight is currently in final arrangement process toward repatriating all unpaid product units and transferring them to our own warehouse in their original sealed boxes. It is expected that this process will be completed during this quarter and the units will then be available for sale through other channels.

Elsight Webinar Presentation on Thursday 4th November at 11.00am

Elsight plans to hold a webinar presentation of what to expect from the Company to Calendar year end and beyond in early November. Further details and links will follow in a separate communication for all shareholders.

This will be an opportunity to hear from the CEO, Yoav Amitai and the other Directors as well as meeting newly appointed Non-Executive Director Mr Jim Landau. The Company looks forward to meeting with our shareholders at this presentation where you will also be given the chance to participate in a Q & A session.

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

-ENDS-

[1] Urban Air Mobility (UAM) - New technologies such as electric propulsion and enhanced battery capacity, applied to vertical take-off and landing systems, make this possible.

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About Elsight

Elsight (www.elsight.com) Elsight delivers Absolute Connection with 24/7 Confidence. Our proprietary bonding technology incorporates both software and hardware elements to deliver extremely reliable, secure, high bandwidth, real-time connectivity - even in the most challenging areas for stationary, portable, or actively mobile situational requirements.

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 2021

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	64	363
1.2	Payments for		
	(a) research and development	(398)	(1,282)
	(b) product manufacturing and operating costs	(263)	(1,096)
	(c) advertising and marketing	(290)	(900)
	(d) leased assets	-	-
	(e) staff costs	(200)	(769)
	(f) administration and corporate costs	(167)	(706)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	12	12
1.5	Interest and other costs of finance paid	(7)	(7)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(1,249)**	**(4,385)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(2)	(30)
	(d) investments	-	(2)
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

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2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	40
	(d) investments	-	110
	(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**	**(2)**	**(118)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	10	10
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(12)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(54)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – principal elements of lease payments	(101)	(101)
3.9	Other – proceeds collected from the sale of Non-Eligible Foreign Shareholders' Entitlements in Q4 2020 and distributed to the Non-Eligible Foreign Shareholders in Q1 2021	-	(34)
3.10	**Net cash from / (used in) financing activities**	**(91)**	**(191)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	4,796	7,924
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,249)	(4,385)

4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2)	118
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(91)	(191)
4.5	Effect of movement in exchange rates on cash held	3	(9)
4.6	**Cash and cash equivalents at end of period**	**3,457**	**3,457**

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	3,314	2,124
5.2	Call deposits	143	2,672
5.3	Bank overdrafts	-	-
5.4	Other – proceeds held in relation to Non-Eligible Foreign Shareholders' Entitlements	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**3,457**	**4,796**

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.	45
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	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

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.

8.	**Estimated cash available for future operating activities**	**$US'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,249)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,457
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	3,457
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	2.8[1]

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

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.

[1] The estimated 2.8 quarters does not include expected receipts for the remainder of this year or into next year.

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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.

Date: 29 October 2021

Authorised by: The Board of Directors
(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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