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**ASX Announcement** **28 April 2022**

**March 2022 Quarterly Report & Business Update**

**Key Highlights:**

- **Continued implementation and success of the 'Design Win' strategy – 15 new partners added to the Company program during the quarter.**
- **Auterion, one of the world's most widely used open-source flight controller platforms, to integrate the Company's Halo into its Skynode platform**
- **NA'AMA project – the Company participates in the 5th NA'AMA** (Hebrew acronym for Urban Aerial Transport) **event introducing new Halo product features to expand revenue opportunities**
- **Elsight R&D and certification partner, Airobotics Inc., receives FAA Special Class Airworthiness Criteria for their OPTIMUS 1-EX Unmanned Aircraft (UA) which is embedded with Elsight's "Halo" technology**
- **Structured early options exercise by Co-Founders adds A$2,608,144 to the Company's cash position**

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

**'Design Win' Strategy Update**

During the quarter, the Company continued to make good progress with the 'Design Win' strategy, securing 15 additional new partners to join the Company's eco-system, bringing the total number of companies working with Elsight's Halo solution to 51. The new partners are from a range of regions (Europe, North America, South East Asia) and industries (Home Land Security, logistics, inspection), which not only provides strong validation for the Company's Halo product, but also has Elsight well positioned for future revenue growth as these different markets and companies advance their commercial opportunities within the unmanned market.

During the quarter, the Company completed the delivery of Halo units required for the first stage of the previously announced drone delivery rollout program (refer ASX announcement "Elsight's Halo selected for Drone Delivery Rollout" dated 13 January 2022), and continues to make progress on this important project.

Subsequent to the quarter-end, one of the design-win partners, MissionGo, an Unmanned Aircraft System (UAS) solutions manufacturer for utility inspections, critical medical and commercial cargo systems, has

published the partnership with the Company, mentioning MissionGo's current initiative to pursue FAA Type Certification and Part 135 Certification.

"Safety is always our top priority when flying," says Chris Corgnati, President of MissionGO. "By integrating Halo, MissionGO is looking forward to flying Beyond Visual Line of Sight (BVLOS) with confidence in the connectivity between our pilots and aircraft. This collaboration will be critical in MissionGO's BVLOS operations"

**Auterion to integrate Halo into its Skynode platform**

Subsequent to quarter-end, Auterion announced they will be integrating Halo into its Skynode platform to deliver absolute connection confidence for drones and their customers. Auterion operates one of the world's most widely used open-source flight controller platforms for drones and other unmanned vehicles. Integrating Halo into their Skynode platform strengthens connectivity functionality for Auterion's customers and provides full redundancy, high bandwidth, low latency, data security and overall operational safety, ideal for communications in BVLOS and VLOS operations. The Halo is now part of the Skynode platform eco-system and customers can connect the system together for best results. The Company believes that this integration will yield additional channels to new prospects and customers to integrate the Halo into their system.

**NA'AMA Project Update**

Elsight's involvement in the NAAMA Initiative continues at pace with the Company participating in the 5th NAAMA event during the quarter, with all participants in the initiative choosing to use the Company's Halo card in their drones platforms. During the event, the Company introduced the RID (Remote-ID) and the 5G features to be offered to new and existing partners.
The Company released a white paper on the FAA Remote-ID Regulations. Remote-ID is an FAA standard for "tail number" for drones, that will become a requirement for all drone operators starting September of 2023.
These new features will be offered as additional services for a fee, and as a result, represent additional revenue opportunities for Elsight moving forward.

**Regulatory Update**

During the quarter, the Company announced that the US Federal Aviation Administration (FAA) has issued a special class airworthiness criteria for Airobotics Inc. ("Airobotics") Model OPTIMUS 1-EX Unmanned Aircraft (UA) which is embedded with Elsight's "Halo" technology for Beyond Visual Line of Sight (BVLOS) connection capability.

This was a pivotal milestone following Airobotics' application to the FAA on September 25, 2019, for a special class type certificate under title 14, Code of Federal Regulations (14 CFR), § 21.17(b) for the Model

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OPTIMUS 1-EX Unmanned Aircraft System (UAS). Elsight is excited by the completion of the next stage of the certification process and the Board maintains that Airobotics is likely to be among the first in the world to receive the highly coveted FAA TC (Type Certificate).

Elsight's partnership with Airobotics further validates and enhances the Company's pursuit of the 'Design Win' strategy with "Halo" embedded as a critical component in the OPTIMUS 1-EX UA.

**Corporate**

**Managed sale of founder shares to facilitate early exercise of options**

Post quarter-end, Elsight announced that a block trade of 8,040,002 ordinary shares, representing 6.02% of the issued capital of the Company, was facilitated on 6 April 2022 at $0.35 per share. Company Co-Founders Nir Gabay and Roee Kashi were parties to the block trade for the purpose of funding the early exercise of options ('the Options'), and for taxation purposes.

Up to the release of this report, 13,040,720 options have been exercised, adding A$2,608,144 to the Company's cash position. The Co-Founders have committed to exercise an additional 3,687,280 Options during the beginning of May, expected to add an additional A$737,456 to the Company's cash position.

The newly acquired shares will be subject to a six-month voluntary escrow period, in a strong show of endorsement for the management team and business moving forward. Entry into the voluntary restriction deed confirms both holders wish to remain long-term shareholders of Elsight.

The funds raised from the early exercise allows Elsight to continue to accelerate the execution of the 'Design Win' strategy and the rollout of the Company's "Halo" technology with commercial partners.

**Elsight Webinar Presentation on 10 May at 4.30 pm AEST.**

Elsight plans to hold a webinar presentation on 10 May at 4.30 pm AEST, to provide a business update and go through the March quarter results.

**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. 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**-

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**About Elsight**

***Elsight*** **(ASX:ELS)** (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.

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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 | 31 March 2022 |

| **Consolidated statement of cash flows** | | **Current quarter $US'000** | **Year to date (3 months) $US'000** |
|---|---|---|---|
| **1.** | **Cash flows from operating activities** | | |
| 1.1 | Receipts from customers | 339 | 339 |
| 1.2 | Payments for | | |
| | (a) research and development | (447) | (447) |
| | (b) product manufacturing and operating costs | (149) | (149) |
| | (c) advertising and marketing | (228) | (228) |
| | (d) leased assets | - | - |
| | (e) staff costs | (160) | (160) |
| | (f) administration and corporate costs | (161) | (161) |
| 1.3 | Dividends received (see note 3) | - | - |
| 1.4 | Interest received | - | - |
| 1.5 | Interest and other costs of finance paid | (4) | (4) |
| 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** | **(810)** | **(810)** |

| | | | |
|---|---|---|---|
| **2.** | **Cash flows from investing activities** | | |
| 2.1 | Payments to acquire or for: | | |
| | (a) entities | - | - |
| | (b) businesses | - | - |
| | (c) property, plant and equipment | - | - |
| | (d) investments | - | - |
| | (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 | - | - |
| | (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** | **-** | **-** |

| | | | |
|---|---|---|---|
| **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 | 11 | 11 |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | - | - |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | - | - |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other – principal elements of lease payments | (52) | (52) |
| **3.10** | **Net cash from / (used in) financing activities** | **(41)** | **(41)** |

| | | | |
|---|---|---|---|
| **4.** | **Net increase / (decrease) in cash and cash equivalents for the period** | | |
| 4.1 | Cash and cash equivalents at beginning of period | 1,990 | 1,990 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (810) | (810) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | - | - |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | (41) | (41) |

| | | | |
|---|---|---|---|
| 4.5 | Effect of movement in exchange rates on cash held | 6 | 6 |
| **4.6** | **Cash and cash equivalents at end of period** | **1,145** | **1,145** |

| **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 | 999 | 1,845 |
| 5.2 | Call deposits | 146 | 145 |
| 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)** | **1,145** | **1,990** |

| **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. | 37 |
| 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.*

| **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. | | |

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| 8. | Estimated cash available for future operating activities | $US'000 |
|---|---|---|
| 8.1 | Net cash from / (used in) operating activities (item 1.9) | (810) |
| 8.2 | Cash and cash equivalents at quarter end (item 4.6) | 1,145 |
| 8.3 | Unused finance facilities available at quarter end (item 7.5) | - |
| 8.4 | Total available funding (item 8.2 + item 8.3) | 1,145 |
| 8.5 | **Estimated quarters of funding available (item 8.4 divided by item 8.1)** | 1.4* |

*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: The Company expects an increase in net operating cashflows from an overall increase in business revenues due to increasing commercial activities. In addition, towards the end of 2021, the Company increased its inventories (working capital) substantially in order to prepare for future sales and therefore expects to benefit from future sales receipts in coming quarters. The estimated quarters of funding calculation in 8.5 above does not include these amounts.

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: Yes. Subsequent to the end of the quarter Elsight announced the early exercise of company options has been executed which has raised $2.6 million in cash (before costs) which will be added to the cash balance at quarter end. Should it be necessary, the Company also has access to a range of working capital finance opportunities.

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: 28 April 2022

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

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**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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