ASX APPENDIX 4D
HALF-YEAR FINANCIAL REPORT TO 30 JUNE 2023

1. DETAILS OF REPORTING PERIOD

Name of Entity	Elsight Limited ("the Company")
ABN	98 616 435 753
Reporting Period	30 June 2023
Previous Corresponding Period	30 June 2022

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	30 June 2023 US$	30 June 2022 US$	Increase/ (Decrease) US$	Amount change %
Revenues from ordinary activities	595,616	360,029	235,587	65%
Profit/(Loss) after tax from ordinary activities attributable to members	(1,941,598)	(2,246,917)	305,319	14%
Profit/(Loss) after tax attributable to members	(1,941,598)	(2,246,917)	305,319	14%

	Amount Per Security	Franked Amount Per Security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Previous Corresponding Period	Nil	Nil
Record Date for Determining Entitlements	Not Applicable	

Commentary on results:

For further information, refer to the review of activities contained in the directors' report, which forms part of the attached Interim Financial Report.

3. NET TANGIBLE ASSETS PER SHARE

	30 June 2023 US$	30 June 2022 US$
Net tangible (liability)/asset backing per ordinary security	(0.22) cents	1.74 cents

4. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD

Control gained over entities

Name of entity (or group of entities)	N/A
Date control gained	N/A
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	N/A
Consolidated profit/(loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	N/A

Loss of control over entities

Name of entity (or group of entities)	N/A
Date control lost	N/A
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	N/A
Consolidated profit/(loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	N/A

5. DIVIDEND DETAILS

No dividend has been paid or recommended to be paid for the half-year ended 30 June 2023.

6. DETAILS OF DIVIDEND REINVESTMENT PLANS

Not Applicable

7 DETAILS OF ASSOCIATE AND JOINT VENTURE ENTITIES

N/A

8. FOREIGN ENTITIES

Not Applicable

9. AUDIT

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report. There are no items of dispute with the auditor and the audit review is not subject to qualification.

Mr David Furstenberg
Executive Director

28 August 2023

Elsight Limited

ABN 98 616 435 753

Interim Financial Report - 30 June 2023

Elsight Limited
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For the half-year ended 30 June 2023

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Elsight Limited
Corporate directory
For the half-year ended 30 June 2023

Directors	Major General (ret) Ami Shafran – Non-Executive Chairman Mr David Furstenberg – Executive Director Mr Howard Digby – Non-Executive Director Mr Joshua (Jim) Landau – Non-Executive Director
Company secretary	Mr Mark Licciardo
Registered office	Level 7 330 Collins Street Melbourne VIC 3000 AUSTRALIA Ph: +61 3 8689 9997 Email: info@el-sight.com
Share registry	Automic Registry Services Level 5, 191 St Georges Terrace Perth WA 6000 AUSTRALIA Phone: 1300 288 664 (within Australia) +61 2 9698 5414 (outside Australia) Fax: +61 8 9321 2337 Email: hello@automic.com.au Web: www.automic.com.au
Auditor	RSM Australia Partners Level 32 Exchange Tower 2 The Esplanade Perth WA 6000 AUSTRALIA
Securities exchange listing	Elsight Limited shares are listed on the Australian Securities Exchange (ASX code: ELS)
Website	www.el-sight.com

Elsight Limited
Directors' report
For the half-year ended 30 June 2023

The Directors of Elsight Limited (the **Company**) and its controlled entity (the **Group** or **Consolidated Entity**) submit the following report for the half-year ended 30 June 2023.

Directors
The names and the particulars of the Directors of the Company during the half-year and to the date of this report are:

Name	Status	Appointed	Resigned
Major General (ret) Ami Shafran	Non-Executive Chairman	2 June 2017	-
Mr David Furstenberg	Executive Director	2 June 2017	-
Mr Howard Digby	Non-Executive Director	13 December 2016	-
Mr Joshua (Jim) Landau	Non-Executive Director	1 October 2021	-

Company Secretary
Mr Mark Licciardo (Appointed 15 March 2019)

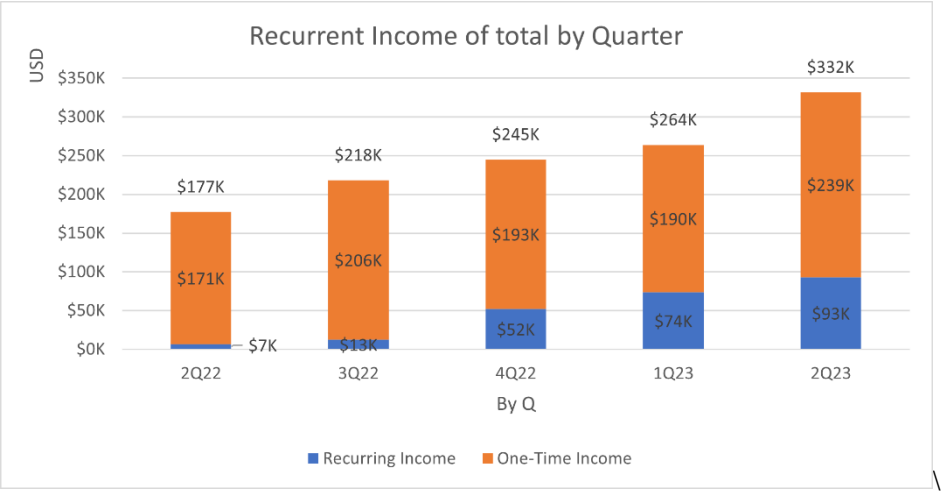
Principal activities
The principal activities of the Group during the year were the development and commercialisation of Halo in the Unmanned Aerial Vehicle ("UAV") market.

Review and results of operations
Unless otherwise stated all figures in this report are in the Group's presentation currency US$.
Elsight Limited incurred a net loss for the half-year of $1,941,598 (30 June 2022: loss of $2,246,917). The decrease in loss of $305,319 from 30 June 2023 to 30 June 2022 is largely due to the Company's focus on reducing its operational costs together with an increase in sales revenues. The half-year ended loss included selling, general and administrative expenses of $1,878,286, share based payment expenses of $242,245 and net finance expenses of $339,185.

The net assets of the Group have decreased by $1,795,844, from net assets of $1,849,496 at 31 December 2022 to net assets of $53,652 at 30 June 2023.

As of 30 June 2023, the Group's cash and cash equivalents decreased from a balance of $5,194,794 of 31 December 2022 to a balance of $3,901,449 of 30 June 2023. As of 30 June 2023 the Group has a working capital of $4,280,622 (31 December 2022: $5,789,295).

Review of activities
Strong growth in recurring revenues
During the half-year, the Group continued to see robust growth in revenues, despite the early stage nature of the drone industry. The Group has also seen a significant increase in recurring revenues as Elsight's proprietary data and cloud services are being deployed (along with the Halo) with new and existing customers. As the drone market moves towards mainstream and the rate of commercial adaptation grows, the impact of increasing recurring revenues are expected to become more and more material for the Group.



'Design-Win' Strategy
Elsight exceeded 100 strategic Design-Win partners during the half-year. These partners are at varying stages of development and deployment and will form the foundation of future, growth for the Group. The partners are from a range of industries and geographies including the US, Europe, and APAC. The list also includes some new partners from India following a successful trip to the Aero India trade show in February 2023.

The Group continued to receive small but consistent new orders from existing Design-Win partners such as DroneUp, Speedbird, Spright, and Xtend, as they continued to slowly grow their fleets and operations. Censys Technologies Corporation (Censys), a leading US-based drone manufacturer and services provider, also placed a repeat order during the half year following a period of trialling and integration. The commercial value of the Censys order was approximately US$120,000 and consisted of both upfront hardware as well as recurring software revenue. Like other Design-Win partners, the Company expects further orders to be received as Censys grows and expands its drone network. The design win strategy is a key to the Company's success. As the market matures, these current small orders, from many of these 100+ design win partners, are expected to expand along with the growth of these partners and the industry as a whole resulting in organic growth for the Company with relatively minor sales effort and cost.

New Customers and Contracts
In May, Elsight won a strategic, multi-year public tender to supply Israeli Police and other Israeli government departments with solutions for Communication On-The-Move (COTM). After extensive testing, the Israeli Police ordered and implemented the use of dozens of Halo units in 2022 for forces in the field, with that number now expected to grow significantly in the last quarter of 2023, 2024, and beyond following this tender win.

In June, the Group received an order from the Israeli government which is separate from the tender mentioned above.

New Product Features and Developments
Elsight continues to innovate and was pleased to introduce two new major product features during the half-year.

The first feature relates to Remote ID being incorporated on all Halo devices to align with United States Federal Aviation Administration (US FAA part 89) requirements. Having this compliance will ease the certification process for partners who incorporate the Halo and will also provide cost savings for them by eliminating the need for additional dedicated hardware. The Halo RID capability was recently accepted by the FAA and it adheres to the FAA's accepted RID-ASTM-F3586-22-NOA-22-01 Means Of Compliance (MOC).
Remote ID allows UAS in flight to provide identification and location information that other parties can receive via a broadcast signal (in the US and via LTE in Europe). The technology is designed to provide increased safety and security in U.S. airspace as unmanned aerial systems become more ubiquitous. As the FAA mandates the inclusion of Remote ID for all UAS operating within the U.S. national airspace system from September 16, 2023 onwards, the Company timed the release of this feature accordingly.

The second new feature enables Halo to support automatic RF recording and upload to the cloud during the operation of the drone or other remote asset. By that, the Group will be building a reliable real-life database for communication performance in 4 dimensions (location + time) which can become a meaningful asset for the Company and provide a highly valued service to the operator.
These new features are expected to generate additional revenue for Elsight from existing and new customers moving forward, from up-sales and cross-sales activities.

During the half-year, Elsight also completed the successful integration of the Halo drone connectivity platform with Sagetech Avionics' ACAS X-based Detect and Avoid (DAA) system for aircraft seeking type certification/airworthiness with Beyond the Visual Line of Sight (BVLOS) concept operations. The ACAS/DAA integration with the Halo has been tested with multiple flights to gather data and validate the technology required to safeguard future BVLOS missions. The Group believes the successful integration with Sagetech continues to take the industry closer to routine BVLOS flight operations.

5G Open Innovation Lab
During the half-year, Elsight was selected as one of only 14 global companies to participate in the 5G Open Innovation Lab in the USA. The 5G Open Innovation Lab is an ecosystem for Startups, Enterprises, and Technology leaders pursuing the future edge of computing capabilities. During the participation, Elsight was able to collaborate with leading global companies and network operators like, Ericsson, T-Mobile, and Intel to enhance 5G capabilities and strengthen key strategic relationships.

Customer/Partner Progress

The Group's partners and customers continued to make regulatory and commercial inroads in existing and new jurisdictions, further driving Halo adoption:

- DroneUp has continued to expand their delivery service within Walmart;
- Spright was awarded the first nationwide, non-geo-specific Certificate of Waiver (CoW) for Beyond the Visual Line of Sight drone operations by the FAA;
- Airobotics received a multi-system purchase from SkyGo, a UAE-based company with a commercial license to provide unmanned aerial transport of goods and services across the city of Abu Dhabi; and
- Speedbird Aero announced that it was granted a Type Certificate from ANAC (National Civil Aviation Agency of Brazil) with the Halo onboard as the connectivity solution provider. Speedbird also started a successful operations outside of Brazil with the UK post office services.

Corporate

In April the Group issued an additional 433,833 convertible notes, resulting in net cash proceeds to the Group of US$70K. The terms and conditions of the convertible notes are disclosed at note 11.

Cash at bank at 30 June 2023 totalled US$3,901K.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the half-year.

Matters subsequent to the reporting period

On 31 July 2023 200,000 options exercisable at $A0.675 and 55,000 options exercisable at A$0.60 expired without exercise or conversion.

On 11 August 2023 the Group incorporated a subsidiary in the USA.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Auditor's independence declaration

The auditor's independence declaration for the half year ended 30 June 2023 has been received and can be found on page 6 of the financial report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

_____

Mr David Furstenberg
Executive Director

28 August 2023

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Elsight Limited for the half-year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 28 August 2023

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RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Elsight Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2023

	Note	30 June 2023 US$	30 June 2022 US$
Revenue		595,616	360,029
Cost of sales		(149,371)	(209,426)
Gross profit		446,245	150,603
Other income	4	71,873	218,003
Selling, general and administrative expenses		(1,878,286)	(2,438,518)
Share based payments	9	(242,245)	(160,035)
Loss before finance expense		(1,602,413)	(2,229,947)
Finance expenses	5	(339,185)	(16,970)
Loss before income tax expense		(1,941,598)	(2,246,917)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Elsight Limited		**(1,941,598)**	**(2,246,917)**
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation, net of tax	8	(111,454)	(238,667)
Other comprehensive loss for the half-year, net of tax		(111,454)	(238,667)
Total comprehensive loss for the half-year attributable to the owners of Elsight Limited		**(2,053,052)**	**(2,485,584)**
Loss per share attributable to owners of the Company attributable to the owners of Elsight Limited			
Basic and diluted loss per share (cents)	2	(1.29)	(1.61)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Elsight Limited
Consolidated statement of financial position
As at 30 June 2023

	Note	30 June 2023 US$	31 Dec 2022 US$
Assets			
Current assets			
Cash and cash equivalents		3,901,449	5,194,794
Trade and other receivables		336,472	584,200
Inventory		935,043	951,942
Total current assets		**5,172,964**	**6,730,936**
Non-current assets			
Plant and equipment, net		117,997	140,114
Right-of-use assets		341,303	112,639
Intangible assets, net		45,391	21,319
Total non-current assets		**504,691**	**274,072**
Total assets		**5,677,655**	**7,005,008**
Liabilities			
Current liabilities			
Trade and other payables		705,626	854,552
Lease liabilities		186,716	87,089
Total current liabilities		**892,342**	**941,641**
Non-current liabilities			
Convertible notes	6	4,526,369	4,138,048
Lease liabilities		159,486	28,795
Provisions		45,806	47,028
Total non-current liabilities		**4,731,661**	**4,213,871**
Total liabilities		**5,624,003**	**5,155,512**
Net assets		**53,652**	**1,849,496**
Equity			
Issued capital	7	23,749,095	23,749,095
Reserves	8	787,643	1,511,909
Accumulated losses		(24,483,086)	(23,411,508)
Total equity		**53,652**	**1,849,496**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Elsight Limited
Consolidated statement of changes in equity
For the half-year ended 30 June 2023

	Issued capital US$	Share-based payment Reserve US$	Foreign Exchange Reserve US$	Predecessor Accounting Reserve US$	Equity reserve US$	Accumulated losses US$	Total equity US$
Balance at 1 January 2022	**21,375,191**	**3,384,301**	**(497,190)**	**(296,796)**	**-**	**(21,133,241)**	**2,832,265**
Loss after income tax expense for the half-year	-	-	-	-	-	(2,246,917)	(2,246,917)
Other comprehensive loss for the half-year, net of tax	-	-	(238,667)	-	-	-	(238,667)
Total comprehensive loss for the half-year	-	-	(238,667)	-	-	(2,246,917)	(2,485,584)
Transactions with owners in their capacity as owners:							
Issue of shares, net of transaction costs	2,361,107	-	-	-	-	-	2,361,107
Share-based payments	-	160,035	-	-	-	-	160,035
Exercise of options	-	(1,747,506)	-	-	-	1,747,506	-
Balance at 30 June 2022	**23,736,298**	**1,796,830**	**(735,857)**	**(296,796)**	**-**	**(21,632,652)**	**2,867,823**

	Issued capital US$	Share-based payment Reserve US$	Foreign Exchange Reserve US$	Predecessor Accounting Reserve US$	Equity reserve US$	Accumulated losses US$	Total equity US$
Balance at 1 January 2023	23,749,095	1,852,331	(762,039)	(296,796)	718,413	(23,411,508)	1,849,496
Loss after income tax expense for the half-year	-	-	-	-	-	(1,941,598)	(1,941,598)
Other comprehensive loss for the half-year, net of tax	-	-	(111,454)	-	-	-	(111,454)
Total comprehensive loss for the half-year	-	-	(111,454)	-	-	(1,941,598)	(2,053,052)
Transactions with owners in their capacity as owners:							
Share-based payments (note 9)	-	242,245	-	-	-	-	242,245
Exercise, expiry and cancellation of options	-	(870,019)	-	-	-	870,019	-
Financial instruments recognised in equity	-	-	-	-	14,963	-	14,963
Balance at 30 June 2023	**23,749,095**	**1,224,557**	**(873,493)**	**(296,796)**	**733,376**	**(24,483,087)**	**53,652**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Elsight Limited
Consolidated statement of cash flows
For the half-year ended 30 June 2023

	30 June 2023 US$	30 June 2022 US$
Cash flows from operating activities		
Receipts from customers	570,770	464,022
Proceeds from government grants	181,190	-
Payments to suppliers and employees	(2,024,071)	(2,539,811)
Interest received	84,652	23
Interest paid	(7,263)	(8,345)
Net cash used in operating activities	**(1,194,722)**	**(2,084,111)**
Cash flows from investing activities		
Purchase of plant and equipment	(5,965)	(1,024)
Purchase of intangible assets	(34,808)	-
Net cash used in investing activities	**(40,773)**	**(1,024)**
Cash flows from financing activities		
Net proceeds from convertible notes	69,685	-
Net proceeds from the issue of shares	-	2,362,812
Repayment of lease liabilities	(62,903)	(101,003)
Net cash from financing activities	**6,782**	**2,261,809**
Net (decrease)/increase in cash and cash equivalents	**(1,228,713)**	**176,674**
Cash and cash equivalents at the beginning of the financial half-year	5,194,794	1,990,057
Effects of exchange rate changes on cash and cash equivalents	(64,632)	(139,096)
Cash and cash equivalents at the end of the financial half-year	**3,901,449**	**2,027,635**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Basis of preparation

The interim financial report (**Report**) of Elsight Limited (the **Company**) and its controlled entity (the **Group** or **Consolidated Entity**) for the half-year ended 30 June 2023 was authorised for issue in accordance with a resolution of the Directors on 28 August 2023.

Elsight Limited is a listed public company, trading on the Australian Securities Exchange, limited by shares, incorporated and domiciled in Australia.

The Group's registered office and principal place of business is Level 7, 330 Collins Street, Melbourne VIC 3000 Australia.

a) Statement of Compliance

The interim financial report has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

This interim financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report. It is recommended that this interim financial report be read in conjunction with any public announcements made by Elsight Limited up to the date of this report in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

b) Basis of Measurement and Reporting Conventions Including Capital Reorganisation

The interim financial report is presented in United States dollars and all values are rounded to the nearest dollar unless otherwise stated.

The principal accounting policies adopted are consistent with the accounting policies adopted in the Group's annual financial statements for the year ended 31 December 2022 and interim financial report for the half-year ended 30 June 2022 except for the amendment to the Group's accounting policy for Other Income as disclosed at note 4.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Loss per share

	30 June 2023 US$	30 June 2022 US$
Loss after income tax attributable to the owners of Elsight Limited	1,941,598	2,246,917
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	150,319,581	139,263,181
	Cents	**Cents**
Basic and diluted loss per share (cents)	(1.29)	(1.61)

Note 3. Related party transactions

Directors and their related parties continued to receive salaries and fees during the half-year consistent with the year ended 31 December 2022.

Note 4. Other income

	30 June 2023 US$	30 June 2022 US$
Israeli Innovation Authority government grant income[1]	71,873	-
Other income	-	23
Recovery of bad debts in the form of inventory	-	217,980
	71,873	218,003

Accounting policy for other income
[1]Grant income from the Israeli Innovation Authority is recognised when the Group recognises the related expenses for which the grants are intended to compensate.

Note 5. Finance expenses

	30 June 2023 US$	30 June 2022 US$
Interest income	(84,651)	-
Accrued and effective interest on convertible notes (note 6)	416,572	-
Interest and finance charges paid on lease liabilities	3,422	4,191
Bank commissions, fees and other miscellaneous expenses	3,842	12,779
	339,185	16,970

Note 6. Convertible notes

	30 June 2023 US$	31 December 2022 US$
NON-CURRENT		
Convertible notes	4,526,369	4,138,048

During the half-year ended 30 June 2023 the Group issued a further 433,833 convertible notes, bringing the total number of convertible notes on issue at 30 June 2023 to 25,583,333. 25,149,500 convertible notes mature on 30 December 2024. 433,833 convertible notes mature on 5 April 2025.

The convertible notes have a face value of A$0.30 each. The notes are convertible into ordinary shares of the parent entity, at any time at the option of the holder, or repayable on the above maturity dates. The conversion rate is 1 ordinary share for each note held, subject to certain anti-dilution clauses that may alter the conversion ratio in certain circumstances.

The notes bear interest at 8%, with interest capitalised for payment on the earlier of redemption or conversion.

The convertible notes are secured over all assets of the Company and its subsidiary.

Note 6. Convertible notes (continued)

A reconciliation of the movement in the convertible note facility is as follows:

	US$
Face value of convertible notes	5,123,481
Transaction costs	(227,522)
Conversion option recognised in equity, net	(757,911)
Value recognised at 31 December 2022	**4,138,048**
Face value of 433,833 convertible notes	87,912
Transaction costs adjustment	13,078
Conversion option recognised in equity, net	(14,963)
Accrued interest	205,146
Effective interest	211,426
Foreign currency translation adjustment	(114,278)
Value recognised at 30 June 2023	**4,526,369**

The fair value of the liability recognised on inception has been determined based on the net present value of convertible note contractual cashflows using a discount rate of 17%. The difference between the fair value of the liability component and the face value of convertible notes has been recognised in equity on inception and will be recorded to profit or loss as effective interest over the life of the convertible notes. Transaction costs incurred in relation to the convertible note have been recognised pro-rata against the liability and equity components.

Note 7. Issued capital

	30 June 2023 Shares	31 December 2022 Shares	30 June 2023 US$	31 December 2022 US$
Share capital	150,319,581	150,319,581	23,749,095	23,749,095
Closing balance at 30 June 2023	**150,319,581**	**150,319,581**	**23,749,095**	**23,749,095**

There is no movement in the Company's share capital during the half-year ended 30 June 2023.

Note 8. Reserves

	30 June 2023 US$	31 December 2022 US$
Share Based Payment Reserve	1,224,556	1,852,331
Foreign Exchange Reserve	(873,493)	(762,039)
Predecessor Accounting Reserve	(296,796)	(296,796)
Equity reserve	733,376	718,413
	787,643	1,511,909

a) Share Based Payment Reserve	2023 US$	2022 US$
11,092,452 Options (31 December 2022: 34,541,104 Options)	1,224,556	1,852,331

Note 8. Reserves (continued)

b) Movement in Share Based Payment Reserve	**No**	**US$**
Opening balance at 1 January 2023	**34,541,104**	**1,852,331**
Expense of options issued in prior periods, prior to cancellations	-	250,756
Issue of ESOP options	50,000	4,301
Issue of ESOP options	43,000	1,314
Transfer to retained earnings due to the expiry of options	(23,234,652)	(845,947)
Vested options cancelled on termination of employment	(108,500)	(24,073)
Unvested options cancelled on termination of employment	(198,500)	(14,126)
Closing balance at 30 June 2023	**11,092,452**	**1,224,556**

	2023 US$	**2022 US$**
c) Foreign Exchange Reserve	(873,493)	(762,039)

The foreign currency translation reserve records exchange differences arising on translation from functional currency to presentation currency.

	2023 US$	**2022 US$**
d) Predecessor Accounting Reserve	(296,796)	(296,796)

The reserve arises from the capital reorganisation and records the net liabilities of Elsight Limited as at the acquisition date of 2 June 2017.

	2023 US$	**2022 US$**
e) Equity Reserve	733,376	718,413

The equity reserve holds the equity component of the convertible notes and is not remeasured from inception. This value will remain in the reserve until the convertible notes are converted or repaid.

Note 9. Share-based payments

Share Based Payments Issued During the Half Year Ended 30 June 2023
During the half-year ended 30 June 2023 the Group recorded the following share based payments:

- The issue of 50,000 Employee Share Plan Options exercisable at A$0.37, on or before 18 July 2025 to an employee of the Group. The options vested on issue resulting in an expense of US$4,301 recorded at 30 June 2023. The Black Scholes option pricing model was used to determine the fair value of the unlisted options issued.
- The issue of 43,000 Employee Share Plan Options exercisable at A$0.37, on or before 18 January 2028 to an employee of the Group, exercisable after the satisfaction of the following vesting condition, 25% on 18 January 2024 and an additional 6.25% at the end of each quarter of continuous services thereafter, resulting in an expense of US$1,314 recorded at 30 June 2023. The Black Scholes option pricing model was used to determine the fair value of the unlisted options issued.

Note 9. Share-based payments (continued)

Fair Value
Option fair values were determined using the following option pricing models and inputs:

Options	**ESOP Options**	**ESOP Options**
Option pricing model	Black Scholes	Black Scholes
Number of options	50,000	43,000
Grant date	18 Jan 2023	18 Jan 2023
Issue date	18 Jan 2023	18 Jan 2023
Exercise price	A$0.37	A$0.37
Expected volatility	70%	70%
Implied option life	2.5 years	5 years
Expected dividend yield	nil	nil
Risk free rate	3.43%	3.43%
Valuation per option A$	$0.13	$0.18
Exchange rate	$0.66	$0.66
Valuation per option US$	$0.09	$0.12
Total valuation US$	$4,301	$5,160

Share Based Payment Expense
Share based payment expense at 30 June 2023 is comprised as follows:

	30 June 2023 US$
Expense of options issued in comparative and prior periods	338,056
Reversal of expense recognised in a prior period due to a change in the number of options expected to vest[1]	(101,426)
Issue of 50,000 ESOP options	4,301
Issue of 43,000 ESOP options	1,314
Total net expense recognised in profit or loss	242,245

[1]On 26 May 2022 CEO Yoav Amitai was granted 3,584,452 Employee Share Plan Options exercisable at A$0.48 on or before 26 May 2027, vesting in 4 tranches of 895,863, with each Tranche subject to the achievement of a Performance Milestone. The likelihood of achieving the Tranche 1 Performance Milestone has been reduced from 100% at 31 December 2022 to nil at 30 June 2023, resulting in a reversal of previously recognised share based payment expense of US$101,426 at 30 June 2023.

Note 10. Operating segments

The Group has identified its operating segment based on internal reports that are reviewed by the Board and management. The Group has only one operating segment.

Note 11. Dividends

The Group did not pay or propose any dividends in the half-year.

Note 12. Commitments, contingent assets and liabilities

The Group has obtained grant proceeds from the Israel Innovation Authority in relation to its Halo Beyond the Visual Line of Sight (BVLOS) project. In return, the Group is obligated to pay royalties amounting to 3% of future Halo revenues up to the total amount of the grant. Through the half-year ended 30 June 2023 total grant proceeds obtained amounted to US$181,190. The total grant is expected to be worth approximately US$450,000 (ILS 1,570,624). No repayments are required during the project period which concludes 31 December 2024. Repayments will commence from 1 January 2025 based on Halo revenue generated from that date forward, contingent upon the successful outcome of the Group's research and development programs and attainment of sales. The Group has no obligation to repay these grants if sales are not generated. If the project fails the Group has no obligation to repay any grant received. Repayments are linked to the exchange rate of the US dollar and bear interest at annual LIBOR rates.

The directors are not aware of any other commitments, contingent liabilities or assets as at 30 June 2023 or subsequent to the reporting date.

Note 13. Events after the reporting period

On 31 July 2023 200,000 options exercisable at $A0.675 and 55,000 options exercisable at A$0.60 expired without exercise or conversion.

On 11 August 2023 the Group incorporated a subsidiary in the USA.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Elsight Limited
Directors' declaration
For the half-year ended 30 June 2023

The Directors of Elsight Limited declare that:

1. The consolidated financial statements and notes are in accordance with the *Corporations Act 2001*, and:
   a) comply with Accounting Standard AASB 134: Interim Financial Reporting, Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   b) give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial half-year ended on that date; and

2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

_____
Mr David Furstenberg
Executive Director

28 August 2023

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ELSIGHT LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Elsight Limited (Company) and its subsidiary (Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Elsight Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of Group's financial position as at 30 June 2023 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Elsight Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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Directors' Responsibility for the Half-Year Financial Report

The directors of the Elsight Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2023 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

RSM AUSTRALIA PARTNERS

Perth, WA
Dated: 28 August 2023

TUTU PHONG
Partner