Elsight Limited
Interim Financial Report
Appendix 4D
Half-year report

1. Company details

Name of entity:	Elsight Limited
ABN:	98 616 435 753
Reporting period:	For the half-year ended 30 June 2024
Previous period:	For the half-year ended 30 June 2023

2. Results for announcement to the market

				US$
Revenues from ordinary activities	up	83.4%	to	1,092,413
Loss from ordinary activities after tax attributable to the owners of Elsight Limited	down	12.1%	to	(1,706,836)
Loss for the half-year attributable to the owners of Elsight Limited	down	12.1%	to	(1,706,836)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the Group after providing for income tax decreased to US$1,706,836 (30 June 2023: US$1,941,598).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(2.13)	(0.22)

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

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8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

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10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Financial Report.

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11. Attachments

Details of attachments (if any):

The Interim Financial Report of Elsight Limited for the half-year ended 30 June 2024 is attached.

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12. Signed

Signed _____ Date: 26 August 2024

Mr David Furstenberg
Executive Director

Elsight Limited

Interim Financial Report

ABN 98 616 435 753

Interim Financial Report - 30 June 2024

Elsight Limited
Interim Financial Report
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Elsight Limited
Interim Financial Report
Corporate directory
For the half-year ended 30 June 2024

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 register	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 Tower Perth WA 6000 AUSTRALIA
Stock exchange listing	Elsight Limited shares are listed on the Australian Securities Exchange (ASX code: ELS)
Website	www.elsight.com

Elsight Limited
Interim Financial Report
Directors' report
For the half-year ended 30 June 2024

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Elsight Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2024.

Directors
The Directors of Elsight Limited (the **Company**) and its controlled entities (the **Group** or **Consolidated Entity**) submit the following report for the half-year ended 30 June 2024.

Directors
The following persons were Directors of Elsight Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

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.

Dividends
There were no dividends paid, recommended or declared during the current or previous financial half-year.

Review 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 $1,706,836 (30 June 2023: loss of $1,941,598). The decrease in loss of $234,762 from 30 June 2023 to 30 June 2024 is due to an increase in sales revenue and gross profit.

The net liabilities of the Group have increased by $1,339,775, from net liabilities of $1,660,975 at 31 December 2023 to net liabilities of $3,000,750 at 30 June 2024.

At 30 June 2024 the Group’s cash and cash equivalents decreased from a balance of $2,702,593 of 31 December 2023 to a balance of $1,968,383 at 30 June 2024. At 30 June 2024 the Group has a working capital of $2,158,448. Excluded from 30 June 2024 working capital are convertible notes with a balance of US$5,384,999 which the Group expects to be converted to equity or refinanced before their maturity dates (31 December 2023: working capital of $3,148,709 excluding convertible notes of $4,983,627).

2024 H1 Report & Business Update

Performance Highlights

Elsight continued to refine its product fit for the global defence and Homeland Security markets, resulting in an 83% increase in revenue from H1/24 compared to H1/23.

Recurrent revenue increased significantly by 108% or $181K, an increase that is due in part to the increased orders in the defence industry. New Design-Win commercial customers were acquired in H1, including **Lockheed Martin,** the U.S. giant in the defence industry, **ACSL,** Japan's largest drone manufacturer, Aerodrome Group offering aerial intelligence to multiple industries and Event38 supplying drones for markets such as Oil&Gas inspections.

News Highlights:

- **Lockheed Martin**, the U.S. giant in the defence industry contracted with Elsight to integrate the Halo platform to its Indago4 Quadcopter.
- **ACSL**, Japan's largest drone manufacturer, will use Elsight's Halo in its drones for logistics. This was the first deal made by Elsight's regional partner in Japan, Navicom.
- **Event38** and **AviSight** announced the selection of Elsight's Halo in its inspections of large Oil&Gas pipelines in the U.S.
- Co-founder & CTO, Roee Kashi, was elected to the GSMA Drone Interest Group, to lead innovation between mobile operators and uncrewed aerial vehicles.
- In July 2024, Elsight received additional orders from the **Israel Police** that were part of the tender won in 2023. In addition, the Company began a pilot program with another defence organization using the Halo for a communications application unrelated to UAVs.

H1 Sales Metrics

H1/24 Sales Revenue vs H1/23

H1/24 reached $1,092K USD
vs $596K in H1/23, an increase of **83%**

Recurring Revenue

108% increase from H1/24 ($348K) over H1/23 ($167K)

Major new customer wins

During the H1 the company added 2 Tier 1 logos including giants **Lockheed Martin** & **ACSL** (Japan)

Design-Win Repeat Loyal Customers

A total of 59 customers submitted repeat orders during the quarter

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 first half of 2024.

Continued growth as Elsight increases its focus on defence industries

Thanks to the renewed focus on the defence market beginning in Q4/23, Elsight's sales have maintained their upswing, leading to an increased level of H1/24 revenue of **83%** over H1/23. This continuous higher sales level verifies Halo's ideal product fit for the global defence & HLS markets in various geographies.

It's important to keep in mind that Elsight's expanded focus required greater marketing and sales investment to penetrate the defence market and requires time to show results due to much longer sale cycles in the typical government procurement timeframes. Starting in Q4/23 much of the revenue increase came from urgently needed defence and HLS orders marked by relatively reduced red tape. Now that Elsight is a recognized' known, and established defense supplier and the urgency has somewhat subsided, the red tape is back, and the procurement processes are longer. However, this is a mature market with a much higher sale consistency and revenue volume in comparison to the Company's traditional commercial drone delivery market which is still in its embryonic stages. Down the road, this should help Elsight in its rate of revenue increase and accuracy of revenue predictions and planning. In addition, despite operating with an extremely frugal marketing investment to maintain and increase the Company's exposure in the current commercial market.

The Half-Year Promising Results

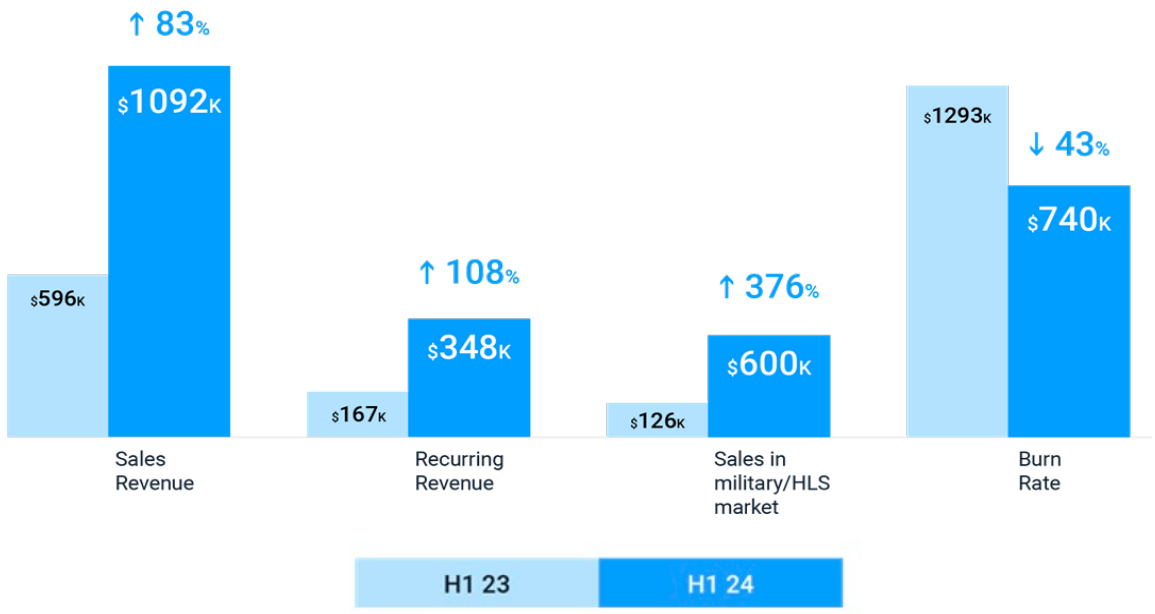

Table 1 This chart sets out the Half year results

Burn rate

Elsight's Burn Rate in H1/24 reached $740K, which is $554K or **43% lower** than H1/23 reflecting the higher positive cash flow despite the increased marketing investment required for new market penetration (e.g. events, content and collateral creation, ABM strategies etc.).

Team expansion planned

In light of the increased government tenders and RFPs in the defence sector globally, Elsight's management decided that it is imperative to add two sales positions to enable the Company to obtain a greater portion of these opportunities. Therefore, two positions, one in EMEA sales, the other in project management, have been advertised.

Recurring revenue

Elsight's business model of recurring revenue is derived from customers' Halo usage (connectivity charges and our Allsight cloud option). In H1/24, there was a **108% increase** to $348K over H1/23 ($167K), which is consistent with the increase in sales.

The US Army is looking to use robust connectivity technology for "remote combat"

The US Army is looking for technologies that use jam-resistant connectivity for its soldiers to be in less danger. They are evaluating the use of Robotic Combat Vehicles (RCVs) and acknowledge that the key part to the success of using robotic vehicles is the quality of the communications link. "It's our first robot system like this [that] we're actually going to keep. So, I'm not surprised that there's turbulence in the key technologies, including the radio comm link, which is foundational to the whole thing," said Army acquisition head Doug Bush.

Elsight Featured in Tier 1 Technology US-based Publication "Fast Company"

The technology focused magazine "Fast Company" recently featured Elsight as the key player in supporting the growth and success of the drone delivery services of Walmart. "Behind the scenes of Walmart's drone delivery service, however, are companies like Elsight, which DroneUp has been leaning on since 2022 to make sure its unmanned systems stay connected. Reliable communication is essential for mission completion," says John Vernon, CTO of DroneUp. "We can't have drones dropping out of the sky because they lose signal. Unlike a dropped video call, a lost connection during a drone flight could have serious consequences."

The Company's Design-Win partners are showing continued development, scale, and loyalty.

- **Lockheed Martin,** a new design-win partner and the U.S. giant in the defence industry contracted with Elsight to integrate the Halo platform to its Indago4 Quadcopter.
- **ACSL, a new design-win partner,** and Japan's largest drone manufacturer, will use Elsight's Halo in its drones for delivery logistics and deliveries, and selected Elsight for the Halo's ability to manage over hilly terrain. This win was the first with a regional partner, Navicom, who has begun to manage the sales and support of Elsight in parts of Asia.
- **DroneUp,** a world-leading U.S.-based drone delivery company serving the retail giant Walmart, accelerated its activities since the US Government passed a bill encouraging the growth of the commercial drone industry, particularly a section that mandates the FAA to develop a final rule for the operation of drones beyond the visual line of sight (BVLOS) in a little more than a year. In the wake of the FAA new decision, DroneUp announced its plans for major US expansion after FAA reauthorization boosts drone industry when Anthony Vittone, DroneUp's COO stated that "the authorization bill is probably one of the biggest things to help the advancement of drones into the national airspace, maybe even bigger than Part 107.
- **Event38 and AviSight,** a new design-win for Elsight, Event38 a manufacturer of unmanned aerial vehicles in the US and its customer AviSight, a provider of critical infrastructure inspections, selected the Halo for more precise inspections of Oil&Gas pipelines throughout difficult terrain.
- In July 2024, Elsight received additional orders from the **Israel Police** that were part of the tender won in 2023.
- In addition, the Company began a pilot program with another defence organization using the Halo for a communications application unrelated to UAVs.
- Long time partner, **CENSYS Technologies**, has received a significant waiver from the Federal Aviation Administration (FAA) that allows their drones to operate over people and moving vehicles without the need for visual observers. This approval marks a considerable advancement in the field of drone operations, particularly for Beyond Visual Line of Sight (BVLOS) applications.
- Poland-based partner, **Farada**, increased its Halo orders during H1/24, due to its increased activity in defence activities in the region.
- **InfinitDrones** of Canada, a relatively new drone manufacturer, purchased the Halo for several of their models serving a wide range of commercial applications.

The Dallas-Fort Worth "Battlefield" DroneUp Strategic Opportunity

In order to test how commercial drone operation will work at scale in crowded skies in the US , the FAA requires a location where it is possible to test this scenario with multiple operators from Walmart stores in the defined area. The Walmart stores in the Dallas-Ft. Worth area using 3 competing Drone Parcel Delivery providers working simultaneously in the same airspace is the perfect place to create these conditions.
One early key noticeable advantage of this real-life trial is Walmart's commitment to include drone delivery on their website as part of the normal product purchasing and delivery process.
This is in clear contrast to all other Walmart stores where to request a drone delivery, the customer must go out of the Walmart App and move to the DroneUp App, which dramatically restricts the volume of orders. The daily volume of deliveries is key to reducing the per-unit delivery cost to its target. The earlier "trials demonstrated we could offer customers delivery in minutes versus hours," Walmart's U.S. CEO, John Furner expressed. This operational shift towards the Dallas-Ft.

Worth area suggests that Walmart is aiming for greater efficiency and reliability as it simplifies its drone delivery process. To reciprocate with Walmart's decision, DroneUp has also just announced its strategic commercial decision to move its focus to this more profitable and challenging market where winner may take all. At the conclusion of this FAA monitored trial and based on the lessons studied - it is expected that the FAA will give greater rein and freedom to operate to this industry with a positive impact to both Walmart and Droneup, paving the way to a more efficient and profitable delivery operation.

Business risk disclosure
Material business risks that could affect future operational and financial growth of the Group are as follows:

Currency and Foreign Exchange Risk
There is a currency risk in relation to the value of financial instruments, possibly fluctuating due to changes in foreign exchange rates. This currency risk may arise when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency.

The Company is also exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar and the New Israeli Shekel. Any reasonable fluctuation in exchange rates is not expected to have a material impact on either profit or equity. However, the Company acknowledges that currency risk and/or foreign exchange risk remains a potential future risk for the Group, and the Company continually monitors this.

Competition in key markets
The industry in which the Group is involved is subject to domestic and international competition. Whilst the Group undertakes reasonable due diligence in business decisions and its operations, the Group has no influence or level of control over the activities of its competitors.

The Company has worked diligently on its product innovation to ensure that it remains as the market leader in BVLOS (Beyond Visual Line-Of-Sight) communication solutions (Products), and through its Design-Win program, has partnered with over 100 different drone and UAV manufacturers and service providers who are all using the Company's Products as their connectivity solution, in many cases embedding the Product in the design of the drone and proceeding to regulatory certification of their drone with the Product onboard.

The Company's technology (which comprises its Products) is protected by multiple patents, and ELS is constantly following potential competition to make sure that the Company stays ahead of the market. Additionally, the Company considers that its design-win concept of the Products provides significant protection against the Company's potential competition, as it makes it very hard to change critical components like ours once an entity has designed its solution around the Products, and in many cases, once an entity has gone through the long certifications process with the Products included in their own product. Furthermore, as part of our stickiness effort - the Company is providing the best professional support and speed of order delivery to its partnering customers who clearly recognize this.

Reliance on Key Personnel and Consultants
The Company's success largely depends on the core competencies of its directors, management and third-party consultants and their familiarization with, and ability to operate in, the telecommunications and related industries. The financial performance of the Company and the value of an investment in the Company party depend on the ability of the Company to retain these key personnel and consultants.

General Economic Conditions
The Company's operating and financial performance is influenced by a variety of general economic and business conditions including the level of inflation, interest rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including an increase in interest rates, could be expected to have a corresponding adverse impact on the Company's operating and financial performance.

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

Matters subsequent to the end of the reporting period
No matter or circumstance has arisen since 30 June 2024 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.

Rounding of amounts
All amounts in the financial statements have been rounded to the nearest dollar, except as indicated in accordance with the ASIC Corporations instrument 2016/191.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' 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

26 August 2024

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Elsight Limited
Interim Financial Report
Statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2024

	Note	30 June 2024 US$	30 June 2023 US$
Revenue			
Revenue		1,092,413	595,616
Cost of sales		(471,780)	(149,371)
Gross profit		620,633	446,245
Other income		109,677	71,873
Expenses			
Selling, general and administrative expenses		(1,819,727)	(1,878,286)
Net share-based payments expense	7	(173,801)	(242,245)
Loss before finance expense		(1,263,218)	(1,602,413)
Finance expenses		(443,618)	(339,185)
Loss before income tax expense		(1,706,836)	(1,941,598)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Elsight Limited		(1,706,836)	(1,941,598)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation, net of tax		(967)	(111,454)
Other comprehensive loss for the half-year, net of tax		(967)	(111,454)
Total comprehensive loss for the half-year attributable to the owners of Elsight Limited		(1,707,803)	(2,053,052)
		Cents	**Cents**
Basic and diluted loss per share (cents)	2	(1.13)	(1.29)

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

Elsight Limited
Interim Financial Report
Statement of financial position
As at 30 June 2024

	Note	30 June 2024 US$	31 December 2023 US$
Assets			
Current assets			
Cash and cash equivalents		1,968,383	2,702,593
Trade and other receivables		705,134	661,753
Inventory		539,587	689,267
Total current assets		3,213,104	4,053,613
Non-current assets			
Plant and equipment		109,960	107,092
Right-of-use assets		214,250	242,262
Intangible assets		11,600	33,590
Total non-current assets		335,810	382,944
Total assets		3,548,914	4,436,557
Liabilities			
Current liabilities			
Trade and other payables		441,556	338,429
Contract liabilities		257,838	196,664
Convertible notes	4	5,384,999	4,983,627
Lease liabilities		156,222	179,123
Provisions		199,040	190,687
Total current liabilities		6,439,655	5,888,530
Non-current liabilities			
Convertible notes	4	-	93,349
Lease liabilities		63,659	68,891
Provisions		46,350	46,762
Total non-current liabilities		110,009	209,002
Total liabilities		6,549,664	6,097,532
Net liabilities		(3,000,750)	(1,660,975)
Equity			
Issued capital	5	23,944,721	23,750,494
Reserves	6	736,727	666,567
Accumulated losses		(27,682,198)	(26,078,036)
Total deficiency in equity		(3,000,750)	(1,660,975)

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

Elsight Limited
Interim Financial Report
Statement of changes in equity
For the half-year ended 30 June 2024

	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	-	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**

	Issued capital US$	Share-based payment Reserve US$	Foreign Exchange Reserve US$	Predecessor Accounting Reserve US$	Equity Reserve US$	Accumulated losses US$	Total deficiency in equity US$
Balance at 1 January 2024	**23,750,494**	**1,236,275**	**(1,006,288)**	**(296,796)**	**733,376**	**(26,078,036)**	**(1,660,975)**
Loss after income tax expense for the half-year	-	-	-	-	-	(1,706,836)	(1,706,836)
Other comprehensive loss for the half-year, net of tax	-	-	(967)	-	-	-	(967)
Total comprehensive loss for the half-year	-	-	(967)	-	-	(1,706,836)	(1,707,803)
Transactions with owners in their capacity as owners:							
Issue of shares, net of transaction costs (note 5)	194,227	-	-	-	-	-	194,227
Share-based payments (note 7)	-	173,801	-	-	-	-	173,801
Exercise, expiry and cancellation of options (note 6)	-	(88,341)	-	-	-	88,341	-
Convertible notes converted (note 6)	-	-	-	-	(14,333)	14,333	-
Balance at 30 June 2024	**23,944,721**	**1,321,735**	**(1,007,255)**	**(296,796)**	**719,043**	**(27,682,198)**	**(3,000,750)**

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

Elsight Limited
Interim Financial Report
Statement of cash flows
For the half-year ended 30 June 2024

	30 June 2024 US$	30 June 2023 US$
Cash flows from operating activities		
Receipts from customers	1,184,198	570,770
Proceeds from government grants	114,024	181,190
Payments to suppliers and employees	(2,025,075)	(2,024,071)
Interest received	15,331	84,652
Interest paid	(3,531)	(7,263)
Net cash used in operating activities	**(715,053)**	**(1,194,722)**
Cash flows from investing activities		
Purchase of plant and equipment	(4,506)	(5,965)
Purchase of intangible assets	-	(34,808)
Net cash used in investing activities	**(4,506)**	**(40,773)**
Cash flows from financing activities		
Net proceeds from convertible notes	-	69,685
Proceeds from exercise of options	84,450	-
Repayment of lease liabilities	(97,076)	(62,903)
Net cash (used in)/from financing activities	**(12,626)**	**6,782**
Net decrease in cash and cash equivalents	**(732,185)**	**(1,228,713)**
Cash and cash equivalents at the beginning of the financial half-year	2,702,593	5,194,794
Effects of exchange rate changes on cash and cash equivalents	(2,025)	(64,632)
Cash and cash equivalents at the end of the financial half-year	**1,968,383[(i)]**	**3,901,449**

[(i)]At 30 June 2024 $34,775 of the Group's cash balance is restricted.

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

Note 1. Material accounting policy information

The interim financial report (**Report**) of Elsight Limited (the **Company**) and its controlled entities (the **Group** or **Consolidated Entity**) for the half-year ended 30 June 2024 was authorised for issue in accordance with a resolution of the Directors on 26 August 2024.

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 Measurements and Reporting

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 2023 and interim financial report for the half-year ended 30 June 2023.

New or amended Accounting Standards and Interpretations adopted

The Group 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.

c) Going Concern

The financial statements are prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

As disclosed in the financial statements, the Group recorded a net loss of $1,706,836 and had net cash outflows from operating activities of $715,053. As at the reporting date, the Group had net current liabilities of $3,226,551.

The Directors have taken the following matters into consideration in forming a view that the Group is a going concern, amongst other matters:

- The Group has cash on hand of $1,968,383 at 30 June 2024;
- At 30 June 2024 the Group has 24,649,501 convertible notes on issue maturing 30 December 2024 and 433,833 convertible notes on issue maturing 5 April 2025. These convertible notes have a face value of A$0.30 each and the Company's share price at 22 August 2024 is A$0.34. These convertible notes are expected to be converted to equity, refinanced to extend their maturity date, or be refinanced via other means prior to their maturity dates;
- The Directors have the ability to manage the quantum and timing of operating expenditures and related cash flows should the need arise; and
- The Group is expected to have access to a range of working capital finance opportunities should it choose to increase its funding.

Note 2. Loss per share

	30 June 2024 US$	30 June 2023 US$
Loss after income tax attributable to the owners of Elsight Limited	(1,706,836)	(1,941,598)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	150,621,491	150,319,581
Weighted average number of ordinary shares used in calculating diluted earnings per share	150,621,491	150,319,581
	Cents	**Cents**
Basic and diluted loss per share (cents)	(1.13)	(1.29)

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 2023.

The Group's Chief Technology Officer Roee Kashi was issued 645,000 ESOP options as share based payments on 10 May 2024. The options are exercisable at A$0.36 on or before 26 March 2029 after the satisfaction of the following vesting condition, 25% on 26 March 2025 and an additional 6.25% at the end of each quarter of continuous service thereafter, resulting in an expense of $14,949 for the half-year ended 30 June 2024.

Note 4. Convertible notes

	30 June 2024 US$	31 December 2023 US$
Current		
Convertible notes payable	5,384,999	4,983,627
Non-current		
Convertible notes payable	-	93,349
Net carrying amount of convertible notes	5,384,999	5,076,976

At 30 June 2024 the Group has 25,083,334 convertible notes on issue with a face value of A$0.30 each. 24,649,501 convertible notes mature on 30 December 2024 and 433,833 convertible notes mature on 5 April 2025.

At 31 December 2023 the Group had 25,583,333 convertible notes on issue, with 25,149,500 maturing 30 December 2024 and 433,833 convertible notes maturing on 5 April 2025.

499,999 convertible notes were converted to ordinary fully paid shares during the half-year 30 June 2024.

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 at a conversion price of A$0.30, 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.

Note 4. Convertible notes (continued)

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

A reconciliation of the convertible note facility is as follows:

	US$
Opening balance at 1 January 2024	5,076,976
Accrued interest	236,046
Effective interest	269,101
499,999 convertible notes converted to fully paid ordinary shares	(100,564)
Foreign currency translation adjustment	(96,560)
Value recognised at 30 June 2024	5,384,999

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 5. Issued capital

	30 June 2024 Shares	31 December 2023 Shares	30 June 2024 US$	31 December 2023 US$
Share capital	151,279,017	150,324,581	23,944,721	23,750,494
Closing balance at 30 June 2024	**151,279,017**	**150,324,581**	**23,944,721**	**23,750,494**

Movements in ordinary share capital

Details	Date	Shares	Issue price	US$
Balance	1 January 2024	150,324,581		23,750,494
Issue of shares on conversion of convertible notes	7 March 2024	201,522	US$0.20	39,511
Issue of shares on conversion of options	5 April 2024	161,458	US$0.19	30,272
Issue of shares on conversion of convertible notes	12 April 2024	92,324	US$0.20	18,075
Issue of shares on conversion of convertible notes	6 June 2024	261,632	US$0.20	52,191
Issue of shares on conversion of options	18 June 2024	37,500	US$0.24	9,163
Issue of shares on conversion of options	20 June 2024	100,000	US$0.23	23,341
Issue of shares on conversion of options	20 June 2024	50,000	US$0.25	12,337
Issue of shares on conversion of options	20 June 2024	50,000	US$0.19	9,337
Balance	30 June 2024	151,279,017		23,944,721

Note 6. Reserves

	30 June 2024 US$	31 December 2023 US$
Foreign Exchange Reserve	(1,007,255)	(1,006,288)
Share-based Payments Reserve	1,321,735	1,236,275
Predecessor Accounting Reserve	(296,796)	(296,796)
Equity Reserve	719,043	733,376
	736,727	**666,567**

a) Share Based Payment reserve	30 June 2024 US$	31 December 2023 US$
12,072,714 Options (31 December 2023: 9,952,452 Options)	1,321,735	1,236,275

Movements in share based payment reserve

	Number of options	US$
Opening balance at 1 January 2024	9,952,452	1,236,275
Expense of options issued in prior periods, prior to cancellations	-	133,004
Issue of ESOP options	3,643,000	84,430
Options exercised and converted to fully paid ordinary shares	(398,958)	(88,341)
Unvested options cancelled on termination of employment	(1,123,780)	(43,633)
Closing balance at 30 June 2024	**12,072,714**	**1,321,735**

	30 June 2024 US$	31 December 2023 US$
c) Foreign Exchange Reserve	(1,007,255)	(1,006,288)

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

	30 June 2024 US$	31 December 2023 US$
d) Predecessor Accounting Reserve	(296,796)	(296,796)

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

Note 6: Reserves (continued)

	30 June 2024 US$	31 December 2023 US$
e) Equity Reserve	719,043	733,376

Movements in equity reserve

	Number of convertible notes	US$
Opening balance at 1 January 2024	25,583,333	733,376
Convertible notes converted to fully paid ordinary shares	(499,999)	(14,333)
Closing balance at 30 June 2024	25,083,334	719,043

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

Note 7. Share-based payments

Share Based Payments Issued During the Half Year Ended 30 June 2024

During the half-year ended 30 June 2024 the Group recorded the following share based payments:

- The issue of 3,643,000 Employee Share Plan Options exercisable at A$0.36, on or before 26 March 2029 to employees of the Group, exercisable after the satisfaction of the following vesting condition, 25% on 26 March 2025 and an additional 6.25% at the end of each quarter of continuous service thereafter, resulting in an expense of $84,430 for the half-year ended 30 June 2024. The Black Scholes option pricing model was used to determine the fair value of the unlisted options issued.

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

Option pricing model	Black Scholes
Number of options	3,643,000
Grant date	10 May 2024
Issue date	10 May 2024
Exercise price	A$0.36
Expected volatility	70%
Implied option life	4.88 years
Expected dividend yield	nil
Risk free rate	4.35%
Valuation per option AUD$	$0.23
Exchange rate	$0.67
Valuation per option USD$	$0.15
Total valuation US$	546,450

Note 7. Share-based payments (continued)

Share Based Payment Expense
Share based payment expense at 30 June 2024 is comprised as follows:

	30 June 2024 US$
Expense of options issued in comparative and prior periods	133,004
Reversal of expense recognised in a prior period due to a change in the number of options expected to vest	(43,633)
Issue of 3,643,000 ESOP options	84,430
Total net expense recognised in profit or loss	173,801

Note 8. Operating segments

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

Note 9. Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 10. Commitments, contingent assets and liabilities

There Group has no commitments which are not recorded on the statement of financial position as at 30 June 2024 or subsequent to the reporting date.

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 2024 total grant proceeds obtained amounted to $100,737 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 Group has no other known contingent liabilities as at 30 June 2024.

Note 11. Events after the reporting period

No matter or circumstance has arisen since 30 June 2024 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
Interim Financial Report
Directors' declaration
For the half-year ended 30 June 2024

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the financial half-year ended on that date; and

- 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

26 August 2024

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