ASX Announcement **28 October 2024**

September 2024 Q3 Quarterly Report & Business Update

Performance Highlights

Elsight is pleased to report a 70% increase (USD 635K) in revenue of the first 3 successive quarters of 2024 compared with the same period last year. The proportion of the revenue derived from the defence sector is 52% as opposed to 30% that occurred in Q3 to date in 2023.

Recurrent revenue has maintained its quarterly increase in Q3 by $109K or 106%, a consistent trend over the past two years. Seven new Design-Win commercial customers were acquired in Q3, and 43 are recurring customers, including several from the defence sector, and commercial such as Farada, Skydrones, and CenSys (US).

News Highlights:

- **A Southeast Asian** multinational technology and engineering group in the aerospace, defence and public security sectors purchased several Halo units;
- **Telespazio,** a Leonardo and Thales joint venture , a leading global supplier of satellite solutions and services, purchased a smart starter set for their end customer (Spain).
- **CENSYS Technologies** was in the top users of the Halo this quarter, mostly due to its disaster recovery work following Hurricane Helene, having been commissioned by the Florida Dept. Of Transportation for data collection on flooded areas. (U.S.)

Main Metrics

Biggest order yet from defence contractor
Elsight secured its largest single military order to-date for the development and supply of the first batch of a new cellular communication product for the modern battlefield. Should those orders proceed, it is expected that revenues would grow to at least US$5m (~A$7.3m) over the next 1-2 years.

Convertible Notes Conversion
Following the quarter end, the company achieved irrevocable early commitments for the conversion of ~A$7.4 million of convertible notes notice from all noteholders, eliminating the debt previously accrued.

Major new customer wins
During the quarter the company added two Tier 1 logos including a leading satellite supplier, **Telespazio** (a Leonardo & Thales Company), and a Southeast Asian multinational technology company in the aerospace defence sector.

Defence revenue continues to bring the lion's share at 52% of total revenue in Q3 2024 as opposed to only 30% in Q3 2023

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 three quarters of 2024 to date.

Major Milestone as the quarter ends

Just before the quarter closed, the Company announced its biggest single order win to date with a leading defence contractor. Based on the Halo with some adaptations, the contracted product will become a new cellular communication product for the modern battlefield. This deal, in addition to a number of other repeat orders, maintains the company's strategic focus on this sector. This success is magnified by other endeavours which are moving forward, albeit more slowly than in the civil market, due to the bureaucratic nature of the government and defence sector.

Overall, when looking at the cumulative 3 quarter figures, Elsight achieved a 70% increase (USD 635K), over the same period in 2023.

This milestone of the biggest single order for Elsight to date begins the first phase of a strategic multi-year program in partnership with this major defence contractor, with anticipated growth starting in 2025 and moving beyond which is expected our revenues would grow to at least US$5m (~A$7.3m) over the next 1-2 years from this account alone It is also Elsight's largest defence deal to-date. The new product is a key element of a strategic program that leverages cellular and other communication technologies to support various applications of both portable and stationary sensors. It offers a new way to communicate in the modern battlefield. The device has been designed and developed for high-scale deployments in large quantities.

In addition, this new product will be designed to support other existing and new customers in various other industries.

Irrevocable early commitments for conversion of convertible notes eliminating company debt is secured

Just recently, the company announced that it secured irrevocable early commitments for the conversion of ~$7.35 million of convertible notes. As the maturity date for the Convertible Notes is approaching, the irrevocable conversion commitments provide certainty to Elsight and its investors.

Elsight CEO Yoav Amitai commented on the conversion commitments:

"These conversion commitments demonstrate confidence in Elsight's vision and growth potential as it continues to push towards mainstream commercial adoption in a number of sectors and industries."

Continuing the progress in the commercial market

On August 9, 2024, Elsight leading partner, DroneUp, America's leading autonomous drone delivery company announced that it has achieved a new industry benchmark of 500 deliveries made in a single day while also dramatically improving the pilot-to-drone ratio required to safely accomplish each flight.

In parallel, the large and unique FAA lead trial conducted in the Dallas-Fort Worth at Walmart stores by DroneUp, and others is proving the most favourable impact of moving the delivery ordering from the DroneUp Application to thatof Walmart. It is estimated that the positives of this key trial together with pending relaxation of limiting regulations will manifest itself toward the end of Q1/2025 and early Q2 into renewed orders by DroneUp and others.

On October 15, 2024 in a newspaper article, John Vernon, CTO of DroneUp was quoted to say "By reducing delivery time to mere seconds, we're not only improving operational efficiency but also enhancing safety and public perception. This speed is critical and allows us to complete more deliveries in less time, directly contributing to our goal of achieving $7 drone deliveries. It's a pivotal step towards making drone delivery a practical, everyday reality for consumers."

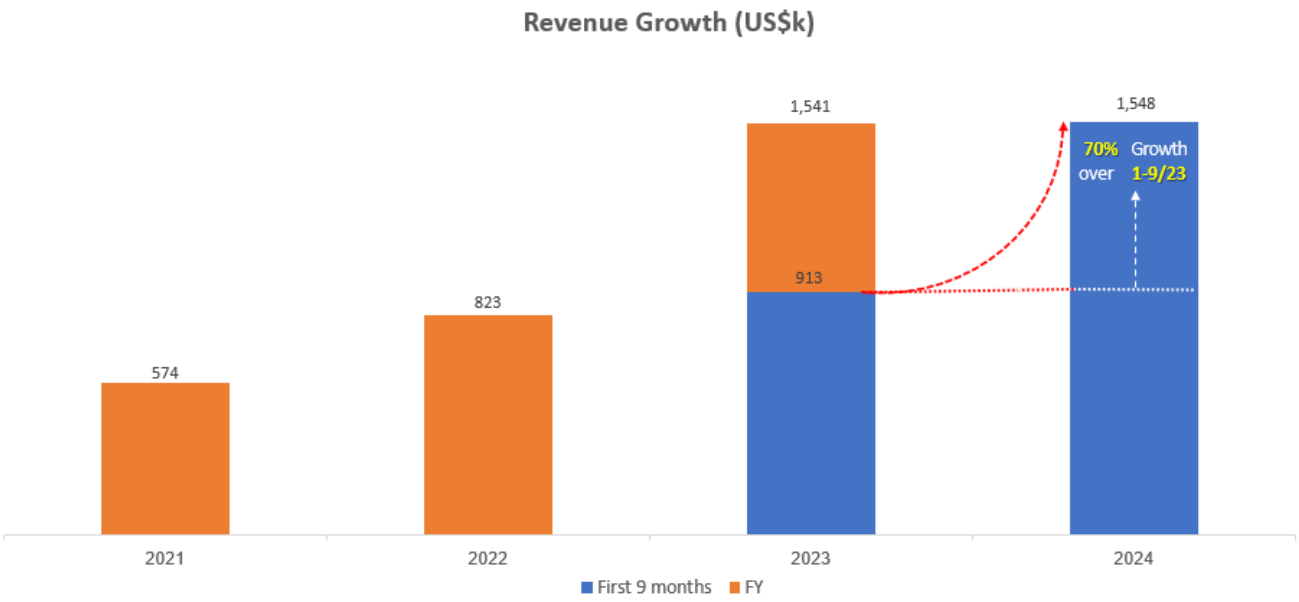

Table 1 This chart sets out the unaudited YTD Revenue

Burn rate

Despite a dramatic decline of 27% in Burn Rate of cumulative Q3 24 over 23, Elsight's Burn Rate in Q3/24 increased over the last quarter by 38% reflecting increased hiring in sales and the marketing investments required for new market penetration, in light of the high potential of the military and HLS markets.

Recurring revenue

Elsight's business model of recurring revenue includes connectivity and Elsight's "Allsight cloud". Q3 24 alone was 106% (US 109K) higher than Q3 24. This is partially due to CENSYS Technologies being commissioned by the Florida Department of Transportation to gather data on areas that have remained flooded since Hurricane Helene.

"By utilizing the Elsight Halo, our Sentaero 5 can bounce between carriers and their active cell towers to collect data at a much higher rate than traditional C2 links would allow. Ultimately, this enables critical intelligence of post storm conditions to be delivered to First Responders faster," said John Lobdell CTO & Co-Founder of CENSYS.

Corporate

Cash at the bank on 30 September 2024 totalled US$1,185K. Payments to related parties and their associates during the quarter totalled US$29K, comprising Directors' fees.

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's flagship product, the Halo, uses AI-based multi-link bonding to provide the most robust connectivity for drones and other unmanned systems. By adding cellular communications aggregated with satellite and RF communications, the Halo is 99.99% reliable and cyber-secured. With options for less than a 100-gram card or a boxed ground version, the Halo provides continuous connectivity even in the most challenging areas for stationary, portable, or actively mobile situational requirements. Elsight's products serve many vertical markets leveraging UAV and UAS technologies, including defense, HLS, public safety, delivery, medical, oil and gas, utilities, inspections, surveillance, and others. Elsight was founded in 2009.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity	
ELSIGHT LIMITED	
ABN	**Quarter ended ("current quarter")**
98 616 435 753	30 September 2024

Consolidated statement of cash flows		**Current quarter $US'000**	**Year to date (9 months) $US'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	550	1,730
1.2	Payments for		
	(a) research and development	(389)	(1,087)
	(b) product manufacturing and operating costs[(i)]	(255)	(561)
	(c) advertising and marketing	(261)	(643)
	(d) leased assets	-	-
	(e) staff costs	(191)	(565)
	(f) administration and corporate costs	(208)	(474)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	20	35
1.5	Interest and other costs of finance paid	(6)	(10)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	114
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(740)**	**(1,461)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(5)	(9)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

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**	**(5)**	**(9)**

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	18	102
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	(53)	(150)
3.10	**Net cash from / (used in) financing activities**	**(35)**	**(48)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,964	2,704
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(740)	(1,461)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5)	(9)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(35)	(48)

4.5	Effect of movement in exchange rates on cash held	1	(1)
4.6	**Cash and cash equivalents at end of period**	**1,185**	**1,185**

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	734	1,277
5.2	Call deposits	451	687
5.3	Bank overdrafts	-	-
5.4	Other	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**1,185**	**1,964**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $US'000**
6.1	Aggregate number of payments to related parties and their associates included in item 1 – Payment to directors for their salaries and fees.	29
6.2	Aggregate number 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 – Convertible Notes	5,194	5,194
7.4	**Total financing facilities**	5,194	5,194

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.

At 30 September 2024 the Group has on issue 25,083,334 Convertible Notes with a face value of A$0.30 each to Gleneagle Securities Nominees Pty Ltd. The Convertible Notes have a total face value of US$5,194,000 at quarter end.

The Convertible Notes bear interest at a rate of 8% per annum (capitalised) and are secured over all assets of the Borrower and its subsidiaries. 24,649,501 Convertible Notes mature on 30 December 2024; the remaining 433,833 Convertible Notes mature 5 April 2025.

8.	**Estimated cash available for future operating activities**	**$US'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(740)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,185
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,185
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	1.6

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: With most promising initial results, in Q4 2023, Elsight decided to invest and expand beyond its traditional civil market and into the military, HLS, and public safety markets, driven by the success of the Halo in local conflicts. While Halo is gaining traction in Europe, North America, and Asia, progress in this market is somewhat slower due to complex government sales processes but with much higher revenue potential. To meet new sales goals, Elsight hired additional staff in sales, marketing, and support to strengthen its defence market presence and generate demand, which temporarily impacted cash flow.

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: The Company is continually monitoring its cash position. Should the Company choose to increase its funding, it 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 October 2024 .....

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

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.