



ELSIGHT LIMITED

ABN 98 616 435 753

**ANNUAL REPORT
31 DECEMBER 2019**



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CORPORATE DIRECTORY

Directors

Major General (ret) Ami Shafran – Non-Executive Chairman
Mr Nir Gabay – Managing Director
Mr David Furstenberg – Non-Executive Director
Mr Howard Digby – Non-Executive Director
Mr Peter Marks – 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
Web: www.el-sight.com

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street
PO Box 700
Subiaco WA 6008
AUSTRALIA

Share Registry

Automic Registry Services
Level 2, 267 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

Securities Exchange Listing

ASX Limited
Level 40, Central Park
152-158 St Georges Terrace
Perth WA 6000

ASX Code – ELS



Dear Shareholder,

The last 12 months have been characterised by significant progress, in particular the development and release of Halo, our uniquely crafted communication platform. This is the world's most compact, next-generation technology, enabling always-on, real-time connectivity. Together, with its hardware solutions our technology platform is the backbone of remote, mobile and distributed work.

Elsight solutions have demonstrated to be highly relevant for security forces, police, army, medical professionals, government, and other organisations requiring a secured communication solution while providing always-on connectivity to the internet at high speeds, low power consumption and secured data transmission. These solutions are best designed for conversations, meetings, and other forms of communications using video livestreams. In the rapid onset of COVID-19 globally, Elsieht solutions can offer reliable communication for these groups where this has become even more crucial.

Challenges arising from the spread of the COVID-19 are likely to accelerate the need and use of technologies as arms of government, a huge array of businesses as well as consumers go into lockdowns, and millions are forced to work from home. Businesses have greater motivations and fewer perceived barriers to actively seek technology-enabled solutions to assist in business continuity.

In the past several weeks Elsieht has received a substantial increase in the number of significant requests by many governments, security services and health ministries for telehealth and generally innovative and secure communications solutions. The Company is currently assessing its ability to deliver the quantities as well as the quality of product required. We will have a better view of these promising developments in the coming weeks.

Importantly, Elsieht is well positioned to help companies, organisations and governments globally with innovative solutions, during these turbulent times.

On behalf of my fellow directors, I would like to thank our staff and other stakeholders for continuing to operate during this period and to our investors for continuing their journey with us.

Stay safe and healthy and we look forward to reporting our progress to you throughout 2020.

Sincerely,

Maj. Gen. (res) Ami Shafran
Chairman

REMOTE MEDICARE

ALWAYS-ON CONNECTIVITY GATEWAY SOLUTION



ELSIGHT'S ALWAYS-ON CONNECTIVITY SOLUTION FOR REMOTE MEDICARE

We enable field medical teams on-the-move or on-the-ground to consult with command centers in real-time. Our bonding technology is based on existing cellular network infrastructure, offering the transmission of live video, audio, and critical medical data to command centers, where doctors can evaluate and examine patients remotely.

USECASES

First responders • Medical teams • Medical centers • Temporary medical facilities • Doctors • Health institutions

OUR INNOVATIVE GATEWAY UNIQUE VALUE PROPOSITION



HIGH
BANDWIDTH



FULLY ENCRYPTED
SECURITY



RELIABILITY &
REDUNDANCY



REAL-TIME
TRANSMISSION



PLUG & PLAY
INTEGRATION

REMOTE CONNECTIVITY

ALWAYS-ON CONNECTIVITY GATEWAY SOLUTION



ELSIGHT'S ALWAYS-ON SECURE SOLUTION FOR REMOTE CONNECTIVITY

We enable teams on-the-move, on-the-ground, at home or in command centers to communicate with each other in real-time. Our bonding technology is based on existing cellular network infrastructure, offering the transmission of live video, audio, and data seamlessly and securely, anytime, anywhere.

USECASES

First responders • Police • Military • Medical teams • Health organizations • Government officials • Organizational conferences • Executives & VIPs

OUR INNOVATIVE GATEWAY UNIQUE VALUE PROPOSITION



HIGH
BANDWIDTH



FULLY ENCRYPTED
SECURITY



RELIABILITY &
REDUNDANCY



REAL-TIME
TRANSMISSION



PLUG & PLAY
INTEGRATION

Email info@elsight.com

Website www.elsight.com

Tel [+972-77-751-5600](tel:+972-77-751-5600)

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REMOTE SITES

ALWAYS-ON CONNECTIVITY GATEWAY SOLUTION

elsight | *expand your visual reach*

ELSIGHT'S ALWAYS-ON CONNECTIVITY SOLUTION FOR REMOTE SITES

Our bonding technology is based on existing cellular network infrastructure, offering the seamless connection of any remote site to the internet. We enable constant communication, video, audio and data transmission in real-time.

USECASES

Emergency facilities • Medical centers • Critical infrastructure • Oil&Gas • Temporary facilities

OUR INNOVATIVE GATEWAY UNIQUE VALUE PROPOSITION

HIGH BANDWIDTH	FULLY ENCRYPTED SECURITY	RELIABILITY & REDUNDANCY	REAL-TIME TRANSMISSION	PLUG & PLAY INTEGRATION

Email info@elsight.com | Website www.elsight.com | Tel [+972-77-751-5600](tel:+972-77-751-5600)

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DIRECTORS' REPORT

Your Directors present their report, together with the financial statements of Elsight Limited ("the Company") and controlled entities ("the Group") for the financial year ended 31 December 2019.

Directors

The names and the particulars of the Directors of the Company during or since the end of the financial year are:

Name	Status	Appointed	Resigned
Major General (ret) Ami Shafran	Non-Executive Chairman	2 June 2017	-
Mr Nir Gabay	Managing Director	2 June 2017	-
Mr David Furstenberg	Non-Executive Director	2 June 2017	-
Mr Howard Digby	Non-Executive Director	13 December 2016	-
Mr Peter Marks	Non-Executive Director	9 January 2020	-
Mr Raj Logaraj	Non-Executive Director	1 August 2018	7 January 2020
Mick Keelty AO APM	Deputy Chairman	12 December 2018	24 April 2019

Principal Activities

The principal continuing activities of the Group during the year was the development and commercialisation of multichannel high-band-width-mobile-secured-datalink technology.

Dividends

There were no dividends paid or recommended during the financial year ended 31 December 2019 (2018: Nil).

Review of operations

Unless otherwise stated all figures in this report are in the Company's presentation currency US\$.

Elsight Limited had a loss for the year of \$3,192,433 (2018: loss of \$4,206,972). The 2019 loss included selling, general and administrative expenses of \$3,660,673.

The net assets of the Group have decreased by \$3,084,798, from net assets of \$4,500,060 at 31 December 2018 to net assets of \$1,415,262 at 31 December 2019.

As at 31 December 2019, the Group's cash and cash equivalents decreased from a balance of \$3,632,926 at 31 December 2018 to a balance of \$933,517 at 31 December 2019. As at 31 December 2019 the Group has working capital of \$936,808 (2018: \$4,288,342).

Significant changes in the state of affairs

There were no significant changes to the Company or the state of its affairs during the year.

Highlights during the year

Halo

The Group unveiled its new Halo communication platform at the world's largest mobile technology conference in February 2019. Halo's breakthrough technology integrates Elsight's high bandwidth secured data transmission technology while introducing a dramatically reduced form factor, weight, power consumption and heat index. The platform is offered in two main configurations: a highly compact standalone external device, or a lightweight internal board. The Halo 2000/4000 features multiple cellular modules, built in WiFi, and an optional video encoder and an internal battery. Halo is highly adaptable and able to integrate with any platform or device, making it ideal for future-forward Original Electronic Manufacturers (OEMs), drones or other application that requires light weight, hi-bandwidth, secured and always-on solution.

During the first half of the year, the Group focused on the development of its Halo technology towards commercialisation, involving a ramp up in the final testing, logistics, marketing and sales activities.

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Proof of concept (POC) trials were undertaken throughout the year, with feedback received from the trials incorporated into Halo performance enhancements resulting in the release of the first commercially available version of Halo, Halo v1.1, in November 2019. The Group's testing and pilot programs continued towards the end of the year, with feedback and data generated by the testing expected to result in additional features and enhancements which will be incorporated in a later release of Halo v1.2. Through the execution of a methodical, sector-by-sector approach, the Company is aiming to have and maintain a single, comprehensive version of firmware that is as generic as possible in order to minimise the cost of installation, integration and adaptation.

The Group continues to receive positive feedback from the field trials being undertaken with POC partners, providing additional validation of the Group's flagship Halo program.

Following the end of the reporting period the Group was pleased to announce on 13 January 2020 that it had received an initial purchase order for 50 Halo units from Israel's largest defence, aerospace, robotics, and aviation manufacturer – Israel Aerospace Industries (IAI), a key strategic partner for Elsieht. The 50 unit order was received following an extended, wide-ranging POC that paved the way for the full integration of the Halo communications platform within the robotic and unmanned systems of IAI subsidiary ELTA.

Halo's Integration with Drones

In October 2019, Elsieht received its first purchase order for ten Halo units from Airobotics, a tier one US-based provider of automated, industrial drone and aerial data platforms, for a pilot trial. Airobotics' pilotless drone solution is the world's first and only regulatory compliant UAV solution that can be operated remotely. Airobotics' end-to-end automated drone platform is purpose-built to simplify drone operations. The pilot trial commenced in November 2019, with Airobotics successfully conducting a wide range of tests during numerous flights with airborne platforms and fully integrated with Halo v1.1 onboard as the communications solution. The success of these flight tests follows system adaptations undertaken by both Elsieht and Airobotics to advance the integration process. The next step in the integration process is the carrying out of additional test flights in different field flight test areas and terrains across the country, and upon their success, additional field flight tests will be carried out in the U.S. designed to prepare Airobotics' Halo-integrated platform to become the world's first, manually driven and autonomous drone based airborne platform and communication system certified by the Federal Aviation Authority (FAA) to fly over urban and populated areas.

The Group is making significant progress validating Halo v1.1's applicability and integrability for drone operations beyond the visual line of sight (BVLOS) through the field trials with Airobotics, Gadfin, and other drone technology solution providers. The Group's partners and clients have carried out hundreds of hours of test flights of Halo-equipped drones, and the responses coming in indicate that the capabilities of the Halo platform with respect to the facilitation and enabling of BVLOS drone operations continue to unequivocally differentiate it from other market entrants.

Halo v1.1 Software Platform

In December 2019 the Group received an initial A\$91,000 purchase order for Halo firmware equipped Multichannel units from the official National Fire and Rescue Authority, the official fire and rescue authority of the State of Israel. The National Fire and Rescue Authority will use these units to provide always-on communication between their national headquarters and their command and control centres spread across the country.

This is the first purchase order for Elsieht technology solutions including the newly released Halo software platform, with a cloud based, recurring revenue model, in this case supplied as firmware with Multichannel units. Beyond the actual modernisation and upgrade of the Multichannel platform, this Multichannel equipped with Halo's advanced firmware provides the Group with a new capability to sell cloud-based services under a monthly recurring revenue model to existing and new customers alike.

The purchase order comes after a year of field trials conducted to demonstrate the capabilities of Elsieht's technology, and the identification of a wide array of applications for Elsieht's technology within the National Fire and Rescue Authority's platforms.

Opening of US office with local staff

In November, the Group opened its US office in Atlanta, Georgia and announced the appointment of Ms Karin Zalcborg as Director of Sales and Marketing for Elsieht North America. In North America, the Group remains focused on extending its ongoing network with a number of Original Equipment Manufacturers (OEMs) in both the defence and civilian sectors. In

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addition to established OEM relationships the Company has begun laying the groundwork for direct and indirect sales via distributors and reseller agreements under Ms Zalcborg's leadership.

Placement

Subsequent to the reporting period the Group announced on 10 January 2020 that it had raised approximately AUD\$2.88m through a placement to a Hong Kong-based group of cornerstone investors who have been shareholders for the majority of the Group's history of quotation on the ASX. The funds raised will be used to expand sales and marketing efforts with respect to the commercialisation of Halo in addition to being earmarked as working capital required for expanding the manufacture of product. Following the placement, the Group is well attended to execute its commercialisation strategy for 2020.

Significant events after the reporting period

Since the reporting date the following significant events have occurred:

- Mr Raj Logaraj resigned as a director of the Company effective 7 January 2020.
- Mr Peter Marks became a director of the Company on 9 January 2020.
- On 13 January 2020 the Company announced the receipt of an initial purchase order for 50 Halo units from Israel Aerospace Industries following a large-scale Proof-of-Concept field trial.
- On 14 January 2020 the Company completed a private placement to a group of significant investors. 9,000,000 fully paid ordinary Shares were issued at \$0.32 to raise approximately AUD\$2.88m.
- On 27 February 2020 the Company released a business update as a consequence of COVID-19 virus outbreak.
- On 16 March 2020 the Company advised that, following one month of intensive and successful POC test flights using Halo, CopterPIX PRO has elected to expand the ongoing POC trials and purchase an additional six Halo units for integration with their drone platforms.

There were no other significant events after reporting date.

Information on Directors

Major General (ret) Ami Shafran	Non-Executive Chairman (Appointed 2 June 2017)
Qualifications	-
Experience	Major General Shafran is the former Head of the Israeli Defence Force Information and Communications Technology Command. In addition, he is currently the Head of the Center for Cyber Technology at Ariel University in Israel. Over the course of his extensive career Major General Shafran held numerous prestigious and prominent positions in the Defence and Intelligence forces of the Israeli Defence Force, including serving as its Chief Scientist, service as Chief of Staff of the Ministry of Defence, and the Research and Development Attach at the Israeli Embassy in Washington DC.
Interest in Shares and Options at the date of this report	100,000 options expiring 9 October 2022 exercisable at A\$0.60
Special Responsibilities	Nil
Directorships held in other listed entities (last 3 years)	Nil

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Information on Directors

Mr Nir Gabay	Managing Director (Appointed 2 June 2017)
Qualifications	-
Experience	Nir is one of the founders of El-Sight Israel. Commencing his career in the Israeli military, he has more than 20 years' experience in communications, security and surveillance including a mobile cellular provider, local municipality, and high tech companies. Nir was previously a member of an Israeli Special Forces unit. During the past ten years Nir has been involved in a number of technological and business achievements. Among them is the establishment of El-Sight Israel, which was founded based on his communications and security experiences.
Interest in Shares and Options at the date of this report	26,159,474 Ordinary shares, 29,595,000 Performance Options expiring 2 June 2022 exercisable at A\$0.20, and 110,000 options expiring 9 October 2022 exercisable at A\$0.60
Special Responsibilities	Nil
Directorships held in other listed entities (last 3 years)	Nil
Mr David Furstenberg	Non-Executive Director (Appointed 2 June 2017)
Qualifications	-
Experience	David has held various senior CEO, Chairman, Board member and VP Global sales positions in a number of publicly traded and privately owned companies, including Comverse (NASDAQ: CNSI) and Audiocodes (NASDAQ: AUDC), Enure, and Vista (a subsidiary of Israel Aerospace Industries). Most recently David was the active Chairman at NovelSat and the CEO at InsurBit, as well as a director of White Cyber Knight Ltd Insurix Inc., all companies involved in cyber and security businesses in some form. David has built a speciality in assisting with the turnaround of high tech companies through product and market repositioning (as opposed to reduction in force).
Interest in Shares and Options at the date of this report	250,000 options expiring 9 October 2022 exercisable at A\$0.60
Special Responsibilities	Nil
Directorships held in other listed entities (last 3 years)	Nil

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Information on Directors

<i>Mr Howard Digby</i>	Non-Executive Director (Appointed 13 December 2016)
Qualifications	Bachelor of Engineering (Mechanical) (Honours)
Experience	Howard began his career at IBM and has spent 25 years managing technology related businesses in the Asia Pacific region, of which 12 years were spent in Hong Kong. More recently, he was with The Economist Group as Regional Managing Director. Prior to this, he held senior regional management roles at Adobe and Gartner. Upon returning to Perth, Howard served as Executive Editor of WA Business News and now spends his time as an advisor and investor, having played key roles in several M&A and reverse takeover transactions.
Interest in Shares and Options	1,795,834 Ordinary shares and 750,000 Options expiring 2 June 2020 exercisable at \$0.30
Special Responsibilities	Nil
Directorships held in other listed entities (last 3 years)	4DS Memory Limited (current) IMEXHS Limited (current) HearMeOut Limited (resigned 11 September 2017) Estrella Resources Limited (resigned 3 April 2017)
<i>Mr Peter Marks</i>	Non-Executive Director (Appointed 9 January 2020)
Qualifications	MBA, Bachelor of Economics, Bachelor of Law, and Grad Dip in Commercial Law
Experience	Peter has over 30 years' experience in corporate advisory and investment banking. Over the course of his esteemed career, he has specialized in capital raising IPOs, cross border, M&A transactions, corporate underwriting and venture capital transactions for companies in Australia, the US and Israel. He has been involved in a broad range of transactions with a special focus in the life sciences, biotechnology, medical technology and high tech segments. Peter has served as both an Executive and Non-Executive Director of a number of different entities which have been listed on the ASX, NASDAQ, and AIM markets.
Interest in Shares and Options	Nil
Special Responsibilities	Nil
Directorship held in other listed entities (last 3 years)	Alterity Therapeutics Limited (current) Noxopharm Limited (current) Fluence Corporation Limited (current) Nyrada Inc (current)

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Information on Directors

<i>Mr Raj Logaraj</i>	Non-Executive Director (Appointed 1 August 2018, Resigned 7 January 2020)
Qualifications	LLB, LL M
Experience	Mr Logaraj's career spans law and investment banking. He has served on the Boards of public companies listed on the Australian Securities Exchange (ASX), Singapore Stock Exchange (SGX) and the Malaysian Stock Exchange (Bursa Malaysia), dealing with a diverse range of businesses including Agribusiness, FMCG, Uranium Mining, Medical Devices, Financial Services and on University Committees and Government Councils in Australia and overseas. He practiced Law as a Partner of a major law firm in Singapore following graduation with a LLB (Hons) degree from the National University of Singapore where he also taught Commercial Law part-time. He subsequently obtained a LL M degree from Sydney University majoring in International Tax and Public Company Finance and practiced law as an International Partner of Baker & McKenzie in Australia responsible for the development of its business in the ASEAN region, as Head of the Corporate and Commercial Group of the Australian offices and as Chair of its Business Development Committee before joining Turnbull & Partners (now Goldman Sachs Australia) as Executive Director. He then worked for Temasek Holdings in Singapore as a Board Director, President of the Financial Solutions Group of its stockbroking unit and Chair of the Risk and Management Committee.
Interest in Shares and Options	50,000 Ordinary shares
Special Responsibilities	Nil
Directorship held in other listed entities (last 3 years)	Nil
<i>Mr Mick Keelty AO APM</i>	Deputy Chairman (Appointed 12 December 2018, Resigned 24 April 2019)
Qualifications	Masters in Public Policy and Administration, Graduate Certificate in Criminal Justice Education, AIM (Fellow)
Experience	Mick joined the Australian Federal Police Force (AFP) in Canberra and rose through the ranks to be appointed Commissioner in 2000; the first AFP member to achieve this milestone promotion. In this position, Mick filled several integral roles, including serving as the inaugural Chairperson of the Australian Crime Commission (now the Australian Crime & Intelligence Commission). He was also the Chair of the Asia Pacific Group on Money Laundering, a regional organisation of the Financial Action Task Force based in France, an initiative of the G7 group of nations. During his tenure as Commissioner, Mick oversaw the police responses to the Bali bombings, the Indian Ocean Tsunami and other regional events. Since leaving the AFP in 2009, Mick has spearheaded major government reviews and inquiries, leading to monumental organisational changes. Mick has held and continues to hold positions on several government and private sector advisory boards.
Interest in Shares and Options at the date of this report	Nil
Special Responsibilities	Nil

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Directorships held in other Nil
 listed entities (last 3 years)

Information on Key Management

Mr Roe Kashi Vice President – Research and Development

Qualifications -

Experience Roe commenced his career in the Israeli Defence Force and has over nine years of experience and expertise in building and developing digital video systems.

Roe has been responsible for some major technological achievements including the development of the core software of El-Sight Israel's digital video recorder that is responsible for video encoding and transmission, user interface design and construction of the system, handheld software development (Pocket PC, Smartphone), moving cameras, smart searches, and send notification email recordings to name a few.

Information on Company Secretary

Mr Mark Licciardo Company Secretary

Qualifications B.Bus (Acc), GradDip CSP, FGIA, FCIS, FAICD

Experience Mr Licciardo is the founder and Managing Director of Mertons Corporate Services. Mark has extensive experience working with Boards of high profile ASX listed companies in the areas of corporate governance, accounting & finance and company secretarial practice. His expertise is in developing and guiding effective governance and he is considered a leader in this sector. His 35 year corporate career has encompassed executive roles in banking and finance, funds management, investment and infrastructure development. Mark is a director of various ASX listed public and private companies, a former Chairman of the Governance Institute of Australia Victorian division, Academy of Design (LCI Melbourne) and Melbourne Fringe Festival and a former company secretary of Top 50 ASX listed companies Transurban Group and Australian Foundation Investment Company.

Meetings of Directors

The number of formal meetings of Directors held during the period and the number of meetings attended by each director was as follows:

		DIRECTORS' MEETINGS	
		Number eligible to attend	Number Attended
Ami Shafran	Appointed 2 June 2017	9	9
Nir Gabay	Appointed 2 June 2017	9	9
David Furstenberg	Appointed 2 June 2017	9	8
Howard Digby	Appointed 13 December 2016	9	9
Peter Marks	Appointed 9 January 2020	-	-
Raj Logaraj	Appointed 1 August 2018, Resigned 7 January 2020	9	8
Mick Keelty	Appointed 12 December 2018, Resigned 24 April 2019	2	1

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Options

Unissued shares under option

At the date of this report, the unissued ordinary shares of Elsight Limited under option are as follows:

Expiry Date	Issue Date	Status	Exercise Price	Number Under Option
2 June 2020	2 June 2017	Unlisted	A\$0.30	6,646,000
18 June 2021	19 June 2018	Listed	A\$1.00	6,878,983
2 June 2022	2 June 2017	Unlisted	A\$0.20	30,000,000
2 June 2022	2 June 2017	Unlisted	A\$0.20	8,608,000
9 October 2022	29 December 2017	Unlisted	A\$0.60	125,000
9 October 2022	2 October 2018	Unlisted	A\$.060	460,000
14 November 2022	9 January 2018	Unlisted	\$A1.08	25,000
4 February 2023	7 May 2018	Unlisted	A\$0.80	24,000
4 March 2023	7 May 2018	Unlisted	A\$0.745	12,000
31 July 2023	2 October 2018	Unlisted	A\$0.675	117,000
31 July 2023	2 October 2018	Unlisted	A\$0.60	200,000
1 December 2023	1 December 2018	Unlisted	A\$0.60	50,000
23 June 2024	12 August 2019	Unlisted	A\$0.35	165,000
12 November 2024	22 November 2019	Unlisted	A\$0.41	186,000
				53,496,983

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity. During the year ended 31 December 2019 354,000 options exercisable at A\$0.30 on or before 2 June 2020 were exercised and converted to ordinary Shares (2018: Nil).

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Indemnifying Officers

The Company indemnifies each of its Directors, officers and company secretary. The Company indemnifies each director or officer to the maximum extent permitted by the *Corporations Act 2001* from liability to third parties, except where the liability arises out of conduct involving lack of good faith, and in defending legal and administrative proceedings and applications for such proceedings.

The Company must use its best endeavours to insure a director or officer against any liability, which does not arise out of conduct constituting a wilful breach of duty or a contravention of the *Corporations Act 2001*. The Company must also use its best endeavours to insure a Director or officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal.

Insurance Premiums

During the year the Company paid insurance premiums to insure directors and officers against certain liabilities arising out of their conduct while acting as an officer of the Group. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against and the premium paid cannot be disclosed.

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Environmental Regulations

In the normal course of business, there are no environmental regulations or requirements that the Company is subject to.

Likely Developments and Expected Results of Operations

The Company's principal continuing activity is the development and commercialisation of multichannel high-band-width-mobile-secured-datalink technology. The Company's future developments, prospects and business strategies are to continue to develop and commercialise this technology.

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, BDO Audit (WA) Pty Ltd, as part of the terms of its audit engagement agreement against claims by third parties arising from their report on the financial report.

Non-audit Services

During the year, BDO Audit (WA) Pty Ltd, the Company's auditor provided no non-audit services. Details of their remuneration can be found within the financial statements at Note 6 Auditor's Remuneration.

In the event that non-audit services are provided by BDO (WA) Pty Ltd, the Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the *Corporations Act 2001*. These procedures include:

- non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 31 December 2019 has been received and can be found on page 21 of the financial report.

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Remuneration Report (Audited)

This remuneration report for the year ended 31 December 2019 outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* (Cth), as amended (**Act**) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report is presented under the following sections:

1. Introduction
2. Remuneration governance
3. Executive remuneration arrangements
4. Non-executive Director fee arrangements
5. Details of remuneration
6. Additional disclosures relating to equity instruments
7. Loans to key management personnel (KMP) and their related parties
8. Other transactions and balances with KMP and their related parties
9. Voting of shareholders at last year's annual general meeting

1. Introduction

Key Management Personnel (**KMP**) have authority and responsibility for planning, directing and controlling the major activities of the Group. KMP comprise the directors of the Company and identified key management personnel.

Compensation levels for KMP are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Board may seek independent advice on the appropriateness of compensation packages, given trends in comparable companies both locally and internationally and the objectives of the Group's compensation strategy.

Key management personnel covered in this report are as follows:

Name	Status	Appointed	Resigned
Major General (ret) Ami Shafran	Non-Executive Chairman	2 June 2017	-
Mr Nir Gabay	Managing Director	2 June 2017	-
Mr David Furstenberg	Non-Executive Director	2 June 2017	-
Mr Howard Digby	Non-Executive Director	13 December 2016	-
Mr Peter Marks	Non-Executive Director	9 January 2020	-
Mr Raj Logaraj	Non-Executive Director	1 August 2018	7 January 2020
Mick Keelty	Deputy Chairman	12 December 2018	24 April 2019
Mr Roe Kashi	Vice President – Research and Development	2 June 2017	-

2. Remuneration governance

The Directors believe the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of a separate remuneration committee. Accordingly, all matters are considered by the full Board of Directors, in accordance with a remuneration committee charter.

During the financial year, the Company did not engage any remuneration consultants.

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3. Executive remuneration arrangements

The compensation structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. Compensation packages may include a mix of fixed compensation, equity-based compensation, as well as employer contributions to superannuation funds. Shares and options may only be issued subject to approval by shareholders in a general meeting.

At the date of this report the Company has two appointed executives, Mr Nir Gabay as Managing Director and Mr Roe Kashi as Vice President – Research and Development. The terms of their Executive Employment Agreements with Elsieht Limited are summarised in the following table.

Executive Name	Services Agreement Summary
Mr Nir Gabay	- Executive salary of ILS 772,668 per annum (based on the exchange rate at the date of this report, equals approximately US\$211,325 per annum). - Reimbursement of reasonable business expenses incurred in the ordinary course of the business in accordance with the Group's reimbursement policies. - The agreement commenced on 5 April 2017 and may be terminated by either party on 12 months' notice, but is for a minimum period of three years. It may be terminated immediately with justifiable cause.
Mr Roe Kashi	- Executive salary of ILS 660,000 per annum (based on the exchange rate at the date of this report, equals approximately US\$180,510 per annum). - Reimbursement of reasonable business expenses incurred in the ordinary course of the business in accordance with the Group's reimbursement policies. - The agreement commenced on 6 April 2017 and may be terminated by either party on 180 days' notice. It may be terminated immediately with justifiable cause.

At this stage the Board does not consider the Group's earnings or earnings related measures to be an appropriate key performance indicator (KPI). In considering the relationship between the Group's remuneration policy and the consequences for the Company's shareholder wealth, changes in share price are analysed as well as measures such as successful completion of business development and corporate activities.

Performance Conditions Linked to Remuneration

The Group has established and maintains Employee Limited Employee Share Option Plan (**Plan**) to provide ongoing incentives to Eligible Participants of the Company. Eligible Participants include:

- a Director (whether executive or non-executive) of any Group Company;
- a full or part time employee of any Group Company;
- a casual employee or contractor of a Group Company; or
- a prospective participant, being a person to whom the Offer was made but who can only accept the Offer if arrangement has been entered into that will resulting in the person becoming an Eligible Participant.

The Board adopted the Plan to allow Eligible Participants to be granted Options to acquire shares in the Company.

The purpose of the Plan is to assist in the reward and motivation of Eligible Participants and link the reward of Eligible Participants to performance and the creation of Shareholder value. It is designed to align the interest of Eligible Participants more closely to the interests of Shareholders by providing an opportunity for Eligible Participants to receive shares. It provides the Eligible Participants with the opportunity to share in any future growth in value of the Company and provides greater incentives for Eligible Participants to focus on the Company's longer term goals. There were no options were issued to key management personnel under the Plan during the 2019 financial year (2018: 460,000).

4. Non-executive Director fee arrangements

The Board policy is to remunerate Non-executive Directors at a level to comparable companies for time, commitment, and responsibilities. Non-executive Directors may receive performance related compensation. Directors' fees cover all main Board

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activities and membership of any committee. The Board has no established retirement or redundancy schemes in relation to Non-executive Directors.

The maximum aggregate amount of fees that can be paid to Non-executive Directors is presently limited to an aggregate of AU\$500,000 (US\$349,695) per annum and any change is subject to approval by shareholders at the General Meeting. Fees for Non-executive Directors are not linked to the performance of the Company. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

Total fees for the Non-executive Directors for the financial year were US\$146,020 (2018: US\$80,283) and cover main Board activities only. Non-executive Directors may receive additional remuneration for other services provided to the Group.

All non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

5. Details of Remuneration

The Key Management Personnel of Elsieht Limited includes the current and former Directors of the Company and Key Management Personnel of Elsieht during the year ended 31 December 2019.

31-Dec-19	Short Term Salary, Fees & Commissions US\$	Post- Employment Retirement Benefits US\$	Non- monetary benefits US\$	Other ⁽ⁱ⁾ US\$	Share-based payments ⁽ⁱⁱⁱ⁾ US\$	Total US\$	Performance based remuneration
Directors:							
Ami Shafran	69,533 ⁽ⁱⁱⁱ⁾	-	-	-	11,011	80,544	14%
Nir Gabay	252,640	29,992	16,357	24,495	(388,738)	(65,254)	596%
David Furstenberg	69,533 ⁽ⁱⁱⁱ⁾	-	-	-	27,527	97,060	28%
Howard Digby	34,767	-	-	-	-	34,767	-
Peter Marks	-	-	-	-	-	-	-
Raj Logaraj	41,720	-	-	-	-	41,720	-
Mick Keelty	-	-	-	-	-	-	-
Key management:							
Roe Kashi	186,238	28,942	9,255	23,990	226,079	474,504	48%
Total	654,431	58,934	25,612	48,485	(124,121)	663,341	(19%)

⁽ⁱ⁾ Israeli social benefits.

⁽ⁱⁱ⁾ Fees for Ami Shafran and David Furstenberg are comprised of Non-executive Director fees of \$34,767 and consulting fees of \$34,767.

⁽ⁱⁱⁱ⁾ Share-based payment expense is recorded pro-rata over the vesting period. Negative amounts arise due to the reversal of expense recorded in prior financial years. Refer to Section 6 Additional disclosures relating to equity instruments for further information. Share-based payment amounts included in the 2019 remuneration table are comprised as follows:

31-Dec-19	10,000,000 Class A Performance Options US\$	10,000,000 Class B Performance Options US\$	10,000,000 Class C Performance Options US\$	8,608,000 ESOP Options US\$	460,000 ESOP Options US\$	Total US\$
Ami Shafran	-	-	-	-	11,011	11,011
Nir Gabay	-	(400,850)	-	-	12,112	(388,738)
David Furstenberg	-	-	-	-	27,527	27,527
Roe Kashi	-	(5,485)	-	231,564	-	226,079
Total	-	(406,335)	-	231,564	50,650	(124,121)

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31-Dec-18	Short Term Salary, Fees & Commissions US\$	Post- Employment Retirement Benefits US\$	Non- monetary benefits US\$	Other ⁽ⁱ⁾ US\$	Share-based payments ⁽ⁱⁱⁱ⁾ US\$	Total US\$	Performance based remuneration
Directors:							
Ami Shafran	22,636 ⁽ⁱⁱ⁾	-	-	-	2,715	25,351	11%
Mick Keelty	2,412	-	-	-	-	2,412	-
Nir Gabay	155,304	21,043	16,866	15,428	848,317	1,056,958	80%
David Furstenberg	22,636 ⁽ⁱⁱ⁾	-	-	-	6,788	29,424	23%
Howard Digby	37,376	-	-	-	-	37,376	-
Raj Logaraj	18,690	-	-	-	-	18,690	-
Anton Uvarov	21,805	-	-	-	-	21,805	-
Key management:							
Roe Kashi	139,826	20,000	9,875	14,679	382,740	567,120	67%
Total	420,685	41,043	26,741	30,107	1,240,560	1,759,136	71%

⁽ⁱ⁾ Israeli social benefits.

⁽ⁱⁱ⁾ Consulting fees.

⁽ⁱⁱⁱ⁾ Share-based payment expense is recorded pro-rata over the vesting period. Refer to Section 6 Additional disclosures relating to equity instruments for further information. Share-based payment amounts included in the 2018 remuneration table are comprised as follows:

31-Dec-18	10,000,000 Class A Performance Options US\$	10,000,000 Class B Performance Options US\$	10,000,000 Class C Performance Options US\$	8,608,000 ESOP Options US\$	460,000 ESOP Options US\$	Total US\$
Ami Shafran	-	-	-	-	2,715	2,715
Nir Gabay	589,095	256,235	-	-	2,987	848,317
David Furstenberg	-	-	-	-	6,788	6,788
Roe Kashi	8,062	3,507	-	371,171	-	382,740
Total	597,157	259,742	-	371,171	12,490	1,240,560

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6. Additional disclosures relating to equity instruments

KMP Shareholdings

There were no shares issued as remuneration or on the exercise of options during the 2019 financial year (2018: nil).

The number of ordinary shares in Elsie Limited held by each KMP of the Group during the financial year is as follows:

31-Dec-19	Balance at start of the year	Shares acquired during the year ⁽ⁱ⁾	Balance at Date of Appointment/ (Resignation) ⁽ⁱⁱ⁾	Balance at end of the year
Directors:				
Ami Shafran	-	-	-	-
Nir Gabay	26,127,974	31,500	-	26,159,474
David Furstenberg	-	-	-	-
Howard Digby	1,795,834	-	-	1,795,834
Peter Marks	-	-	-	-
Raj Logaraj	50,000	-	-	50,000
Mick Keelty	-	-	-	-
Key management:				
Roe Kashi	2,894,775	-	-	2,894,775
Total	30,868,583	31,500	-	30,900,083

⁽ⁱ⁾ On-market purchases during the year.

⁽ⁱⁱ⁾ Mr Keelty resigned on 24 April 2019 and is not considered to be a KMP from this date.

Options awarded, vested and lapsed during the year

The tables below disclose the number of share options granted, vested or lapsed during the year.

Share options do not carry any voting or dividend rights, and can only be exercised once the vesting conditions have been met, until their expiry date.

KMP Options Holdings

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

31-Dec-19	Balance at the start of the year	Granted as remuneration during the year	Exercised during the year	Balance at Date of Appointment / (Resignation) ⁽ⁱ⁾	Balance at the end of the year	Vested and exercisable	Vested and un-exercisable	Unvested and un-exercisable
Directors:								
Ami Shafran	100,000	-	-	-	100,000	-	-	100,000
Nir Gabay	29,705,000	-	-	-	29,705,000	9,865,000	-	19,840,000
David Furstenberg	250,000	-	-	-	250,000	-	-	250,000
Howard Digby	750,000	-	-	-	750,000	750,000	-	-
Peter Marks	-	-	-	-	-	-	-	-
Raj Logaraj	-	-	-	-	-	-	-	-
Mick Keelty	-	-	-	-	-	-	-	-
Key management:								
Roe Kashi	9,013,000	-	-	-	9,013,000	5,515,000	-	3,498,000
Total	39,818,000	-	-	-	39,818,000	16,130,000	-	23,688,000

⁽ⁱ⁾ Mr Keelty resigned on 24 April 2019 and is not considered to be a KMP from this date.

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Terms and conditions of the share-based payment arrangements

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting are as follows:

Option class	Number granted	Grant Date	Vesting and exercise date ⁽ⁱ⁾	Expiry date	Exercise price	Value per option at grant date ^(iv)	Vested %	Value Yet to Vest US\$	Value Yet to be Expensed US\$
Class A Performance Options	10,000,000	2-Jun-17	7-Jun-18	2-Jun-22	A\$0.20	US\$0.104	100%	-	-
Class B Performance Options	10,000,000	2-Jun-17	7-Jun-20	2-Jun-22	A\$0.20	US\$0.104	-	-	-
Class C Performance Options	10,000,000	2-Jun-17	7-Jun-20	2-Jun-22	A\$0.20	US\$0.104	-	-	-
ESOP Options	8,608,000	2-Jun-17	(ii)	2-Jun-22	A\$0.20	US\$0.104	62.5%	334,919	74,797
ESOP Options	460,000	28-May-18	(iii)	9-Oct-22	A\$0.60	US\$0.265	-	121,981	58,842

⁽ⁱ⁾The vesting and exercise dates of the Performance Options are based on the definition of Year set out below.

Vesting of Performance Options is subject to achievement of the following performance milestones:

Option Class	Performance Milestone	Assessed likelihood of milestone achievement
Class A Performance Options	Class A Performance Options vested on 7 June 2018 upon achievement of the vesting milestone (the Company achieving aggregate revenue of A\$1,000,000 from the sale of products based on the Technology in a Year ^(a) for broadcast to consumers or to manufacturers of consumer or safety products or any business in the distribution chain of consumer or safety products).	100%
Class B Performance Options	Class B Performance Options will vest and become exercisable upon the Company achieving aggregate revenue of A\$4,000,000 from total sales of products based on the Technology in a Year ^(a) .	-
Class C Performance Options	Class C Performance Options will vest and become exercisable upon the Company achieving aggregate revenue of A\$10,000,000 from total sale of products based on the Technology in a Year ^(a) .	-

^(a)The term Year shall mean one of: (a) the time period commencing 1 January 2017 and ending on the 12 month anniversary of the completion of the IPO; (b) the 12 month period immediately after the end of the first year, and (c) the 12 month period immediately after the end of the second Year.

⁽ⁱⁱ⁾50% of the 8,608,000 options vested on 2 June 2019, with an additional 6.25% vesting at the end of each quarter of continuous service thereafter. A total of 5,380,000 options vested during the year ended 31 December 2019. There are no performance milestones applicable to the ESOP Options.

⁽ⁱⁱⁱ⁾50% of the 460,000 options vest on 2 October 2020, with an additional 6.25% vesting at the end of each quarter of continuous service thereafter. There are no performance milestones applicable to the ESOP Options.

^(iv)The value per option at grant date has been determined using a Black Scholes option pricing model. Share-based payment expense is recorded pro-rata over the vesting period.

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31-Dec-19	Fair value of options granted during the year	Value of options vested during the year	Value of options lapsed during the year	Remuneration consisting of options for the year
	US\$	US\$	US\$	US\$
Directors:				
Ami Shafran	-	-	-	11,011
Nir Gabay	-	-	-	(388,738)
David Furstenberg	-	-	-	27,527
Key management:				
Roe Kashi	-	558,198	-	226,079
Total	-	558,198	-	(124,121)

7. Loans from key management personnel (KMP) and their related parties

There were no loans between the Group and its directors or key management personnel during the year.

8. Other transactions and balances with KMP and their related parties

Transactions with related parties are entered into on terms equivalent to those that prevail in arm's length transactions. The Group had the following transactions with members of the Group's key management personnel and/or their related parties during the year.

Key Management Personnel or Their Related Party	Nature of transaction	Transaction value US\$	Payable balance US\$
Ami Shafran	Director and consulting fees included within trade and other payables	-	40,797
Nir Gabay	Executive salary and director fees included within trade and other payables	-	7,403
Susana Gabay ⁽ⁱ⁾	Salary and salary related expenses	122,317	3,091
Guy Gabay ⁽ⁱ⁾	Salary and salary related expenses	16,945	-
Eden Gabay ⁽ⁱ⁾	Professional services	263	-
Dipio ⁽ⁱⁱ⁾	Subcontractor	84,163	-
David Furstenberg	Director and consulting fees included within trade and other payables	-	35,928
Howard Digby	Director fees included within trade and other payables	-	2,914
Raj Logaraj	Director fees included within trade and other payables	-	3,847
Roe Kashi	Salary and salary related expenses	-	6,940

⁽ⁱ⁾Related parties of Nir Gabay.

⁽ⁱⁱ⁾Related party of Nir Gabay and Roe Kashi.

9. Voting of shareholders at last year's annual general meeting

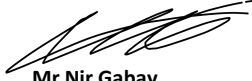
The Company received 81% "Yes" votes cast on its Remuneration Report for the 2018 financial year. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

REMUNERATION REPORT (END)

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Signed in accordance with a resolution of the Board of Directors.



Mr Nir Gabay
Managing Director
24 March 2020

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF ELSIGHT LIMITED

As lead auditor of Elsieht Limited for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Elsieht Limited and the entity it controlled during the period.



Phillip Murdoch
Director

BDO Audit (WA) Pty Ltd
Perth, 24 March 2020

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 US\$	2018 US\$
Revenue from contracts with customers	2	1,287,897	1,691,922
Cost of sales		(836,732)	(771,651)
Gross profit		451,165	920,271
Other income		31,952	78,277
Selling, general and administrative expenses	3	(3,660,673)	(3,836,146)
Net share based payments income/(expense)	18	43,438	(1,362,695)
Loss before finance expenses		(3,134,118)	(4,200,293)
Finance expenses	3	(58,315)	(6,679)
Loss before income tax		(3,192,433)	(4,206,972)
Income tax expense		-	-
Loss for the year		(3,192,433)	(4,206,972)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation, net of tax	17(c)	85,318	(615,004)
Total comprehensive loss for the year attributable to owners of the Company		(3,107,115)	(4,821,976)
Loss per Share attributable to owners of the Company			
Basic loss per share (cents per share)	7	(3.33)	(4.51)
Diluted loss per share (cents per share)	7	(3.33)	(4.51)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	2019 US\$	2018 US\$
CURRENT ASSETS			
Cash and cash equivalents	8a	933,517	3,632,926
Trade and other receivables	9	571,618	1,152,211
Inventory	10	251,148	314,277
Other current assets	11	107,388	93,272
TOTAL CURRENT ASSETS		1,863,671	5,192,686
NON-CURRENT ASSETS			
Plant and equipment	12	292,177	326,701
Intangible assets		141,909	45,140
Right of use assets	1d	161,703	-
TOTAL NON-CURRENT ASSETS		595,789	371,841
TOTAL ASSETS		2,459,460	5,564,527
CURRENT LIABILITIES			
Trade and other payables	13	694,882	883,882
Borrowings	14	64,461	20,462
Lease liabilities	1d	167,520	-
TOTAL CURRENT LIABILITIES		926,863	904,344
NON-CURRENT LIABILITIES			
Borrowings	14	8,072	64,976
Provision for employees' severance benefits	15	109,263	95,147
TOTAL NON-CURRENT LIABILITIES		117,335	160,123
TOTAL LIABILITIES		1,044,198	1,064,467
NET ASSETS		1,415,262	4,500,060
SHAREHOLDERS' EQUITY			
Issued capital	16	11,739,495	11,667,737
Reserves	17	1,630,987	1,613,865
Accumulated losses		(11,955,220)	(8,781,542)
SHAREHOLDERS' EQUITY		1,415,262	4,500,060

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2019

	Issued Capital	Accumulated losses	Share Based Payment Reserve	Foreign Exchange Reserve	Predecessor Accounting Reserve	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Balance at 1 January 2018	5,091,738	(4,574,570)	1,296,456	(152,005)	(296,796)	1,364,823
Loss for the year	-	(4,206,972)	-	-	-	(4,206,972)
Other comprehensive loss	-	-	-	(615,004)	-	(615,004)
Total comprehensive loss for the year	-	(4,206,972)	-	(615,004)	-	(4,821,976)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of shares	7,059,429	-	-	-	-	7,059,429
Capital raising costs	(483,430)	-	-	-	-	(483,430)
Share based payments	-	-	1,381,214	-	-	1,381,214
Balance at 31 December 2018	11,667,737	(8,781,542)	2,677,670	(767,009)	(296,796)	4,500,060
Balance as at 31 December 2018	11,667,737	(8,781,542)	2,677,670	(767,009)	(296,796)	4,500,060
Change in accounting policy (Note 1d)	-	(6,003)	-	-	-	(6,003)
Restated total equity at 1 January 2019	11,667,737	(8,787,545)	2,677,670	(767,009)	(296,796)	4,494,057
Loss for the year	-	(3,192,433)	-	-	-	(3,192,433)
Other comprehensive income	-	-	-	85,318	-	85,318
Total comprehensive loss for the year	-	(3,192,433)	-	85,318	-	(3,107,115)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of shares	71,758	-	-	-	-	71,758
Exercise of options	-	24,758	(24,758)	-	-	-
Share based payments	-	-	(43,438)	-	-	(43,438)
Balance at 31 December 2019	11,739,495	(11,955,220)	2,609,474	(681,691)	(296,796)	1,415,262

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 US\$	2018 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,901,353	1,380,214
Payments to suppliers and employees		(4,389,030)	(4,706,119)
Interest received		33,165	58,683
Interest paid		(26,718)	(6,679)
Net cash used in operating activities	8b	(2,481,230)	(3,273,901)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(8,522)	(165,709)
Purchase of intangible assets		(100,222)	-
Proceeds from deposits		-	43,658
Net cash used in investing activities		(108,744)	(122,051)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from the issue of shares		71,758	6,594,517
Repayment of borrowings		(19,511)	(88,552)
Principal elements of lease payments		(170,601)	-
Net cash (used in)/provided by financing activities		(118,354)	6,505,965
Net (decrease)/increase in cash and cash equivalents		(2,708,328)	3,110,014
Cash and cash equivalents at the beginning of the financial year		3,632,926	1,093,853
Foreign exchange		8,919	(570,941)
Cash and cash equivalents at the end of the financial year	8a	933,517	3,632,926

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

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CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

These consolidated financial statements cover ElSight Limited (**Company**) and its controlled entities as a consolidated entity (also referred to as **Group**). ElSight Limited is a company limited by shares, incorporated and domiciled in Australia. The Group is a for-profit entity.

The financial statements were issued by the board of directors on 24 March 2020 by the directors of the Company.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the financial report

a) Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (**AASBs**) (including Australian interpretations) adopted by the Australian Accounting Standard Board (**AASB**) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

b) Basis of Measurement and Reporting Conventions Including Capital Reorganisation

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded off to the nearest dollar unless stated otherwise.

On 2 June 2017 ElSight Limited ('ELS') completed a transaction with the shareholders of El-Sight Ltd to acquire 100% of the share capital of El-Sight Ltd. In accordance with Australian Accounting Standards, the acquisition did not meet the definition of a business combination as ELS was established for the sole purpose of facilitating the listing process and to acquire El-Sight Ltd by way of an equity swap. Common control entity accounting was applied at transaction date.

c) Adoption of New and Amended Accounting Standards

The Group had to change its accounting policies as a result of the adoption of AASB 16 *Leases* from 1 January 2019. The impact of the adoption of this standard has had a material impact on the amounts presented in the Group's financial statements as disclosed below.

d) Changes in Accounting Policies

This note explains the impact of the adoption of AASB 16 *Leases* on the group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The Group has applied the Modified Retrospective Approach in its adoption of AASB 16. Comparative information has not been restated as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the adoption of AASB 16 are recognised in the opening statement of financial position at 1 January 2019, with the cumulative effect of initial application recognised as an adjustment to the opening retained earnings balance at that date.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

AASB 16 Leases – Impact of Adoption

Lease liabilities

On adoption of AASB 16 the group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.58%.

Lease liabilities recognised at 1 January 2019 are as follows:

	2019
	US\$
Operating lease commitments disclosed as at 31 December 2018	361,902
Less: Discount applied	(36,970)
Operating lease commitments discounted using the lessee's incremental borrowing rate at the date of initial application	324,932
Add: finance lease liabilities recognised as at 31 December 2018	-
Less: short-term leases recognised on a straight-line basis as expense	-
Lease liability recognised as at 1 January 2019	324,932

Of which are:

	31 December 2019	1 January 2019
	US\$	US\$
Current lease liabilities	167,520	189,618
Non-current lease liabilities	-	135,314
Total lease liability	167,520	324,932

Right of use assets

The associated right of use assets for property and vehicle leases were measured on a retrospective basis as if the new rules had always been applied. There were no other right of use assets and no onerous lease contracts that would have required an adjustment to the right of use assets at the date of initial application.

The recognised right of use assets relate to the following types of assets:

	31 December 2019	1 January 2019
	US\$	US\$
Office space	135,645	250,155
Motor vehicles	26,058	68,774
Total right of use assets	161,703	318,929

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- Right of use assets – increase by US\$318,929; and
- Lease liabilities – increase by US\$324,932.

The net impact on accumulated losses on 1 January 2019 was an increase of US\$6,003.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

e) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements,
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (**OCI**) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investments retained
- Recognises any surplus or deficit in profit and loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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f) Revenue from Contracts with Customers

Group revenues consist of the following elements:

- physical products which are sent to the customer, where revenue is recognised upon shipment or arrival of goods, dependent on the terms that have been agreed with the customer;
- IT services, where revenue is recognised in the accounting period in which the services are rendered;
- installation fees, which are recognised upon the completion of product installation; and
- other revenue including cloud services fees which are recognised over the service period; software license fees which are recognised over the license period; maintenance fees for which contracts are generally one year with revenue recognised over the contract period; and service level agreements which are recognised over the agreement period.

In relation to IT services, cloud services, software licence, maintenance fees and service level agreements, the Group recognises a contract liability where payments received exceed the services rendered.

The Group has no material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and can be reliably measured.

g) Income Tax

Current income tax expense charged to profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (**income**) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

h) Financial Instruments

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on how the Group manages the financial assets and the contractual terms of the cash flows. At year end, all of the Group's financial assets have been classified as those to be measured at amortised cost.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Impairment

The Group assesses expected credit losses associated on a forward-looking basis. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

i) Impairment of non-financial assets

At the end of each reporting period, the Directors assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits.

If any such indication exists, an impairment test is carried out on the asset by comparing the asset's recoverable amount, being the higher of its fair value less costs to sell and its value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks with original maturity of three months or less.

k) Trade receivables

Trade receivables are amounts due from customers for goods or services performed in the ordinary course of business. They are generally due for settlement within 45 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional which is considered to be fair value; none of the Group's trade receivables contain a financing component. The Group holds the trade receivables with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest method.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the Group's past history, existing market conditions and forward-looking estimates at the end of each reporting period.

l) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the average principle and includes expenditure incurred in acquiring the inventories and the costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

m) Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

n) Depreciation

Depreciation is a systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount is the cost of the asset, less its residual value.

An asset is depreciated from the date it is ready for use, meaning the date it reaches the location and condition required for it to operate in the manner intended by management.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of the fixed asset item, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

The estimated useful lives for the current and comparative periods are as follows:

- Computers – 3 years
- Furniture and equipment – 7-17 years
- Motor vehicles – 7 years

Leasehold improvements are depreciated over the shorter of the lease period or the useful life of the leasehold improvement.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

o) Goods and Services Tax (GST)

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

Receivable and payables are stated inclusive of the amount of GST receivable or payable. The net amount of the GST recoverable from, or payable to, the ATO is included with other receivables and payables in the statement of financial position.

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Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

p) Employee Benefits

Post-employment benefits

The Company has a post-employment benefit plan in place in accordance with its obligations under Israeli employment law. Under Israeli employment law, in the event of termination of an employee, the Group is obligated to pay the employee their last monthly salary multiplied by the number of years the employee was employed. The value of this severance pay obligation is recorded net of accumulated severance fund benefits as a liability for employees' severance benefits in the Group's statement of financial position.

Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided or upon the actual absence of the employee when the benefit is not accumulated.

The employee benefits are classified, for measurement purposes, as short-term benefits or as other long-term benefits depending on when the Group expects the benefits to be wholly settled.

Equity-settled compensation

The Group operates an employee share and option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. The fair value of performance right options is determined using the satisfaction of certain performance criteria (Performance Milestones). The number of shares option and performance rights expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest. The fair value is determined using either a Black Scholes or Monte Carlo simulation model depending on the type of share-based payment.

q) Trade and other payables

Liabilities for trade creditors and other amounts carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group. Interest, when charged by the lender, is recognised as an expense on an accruals basis.

r) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

s) Equity and reserves

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits. The option reserve records the value of share-based payments.

t) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each entity within the Group is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in USA dollars which is the Parent's functional currency.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognized other comprehensive Income; otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of operations with functional currencies other than United States dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed of.

u) Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The Group's sole operating segment is consistent with the presentation of these consolidated financial statements.

v) Share Based Payments

Share-based payments are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

w) Earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to members of the parent entity, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year (if any).

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Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

x) Intangible assets

Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the product so that it will be available for use;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available, and
- the expenditure attributable to the product during its development can be reliably measured.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use over a period of 3 – 7 years.

Research expenditure and development expenditure that do not meet the criteria in set out above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

y) Predecessor Accounting

Business combinations involving entities under common control are accounted for using the predecessor accounting method. Under this method;

- carrying values are not restated in the accounts of the acquiring entity, rather prior book values are maintained. As a result no fair value adjustments are recorded on the acquisition; and
- the carrying value of net assets or liabilities acquired is recorded as a separate element of equity.

z) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates and judgements

Share based payments

The Group initially measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them, as well as an assessment of the probability of achieving non-market based vesting conditions.

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The probability of achieving non-market based vesting conditions of performance options is assessed at each reporting period.

Management has applied judgement in assessing the likelihood of achieving the performance milestones for Class B and C Performance Options based on revenues from future contracts expected to be realised prior to the vesting date.

The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 18.

Trade receivables

Management assess impairment of the Group's trade receivables based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs for the expected credit loss model under AASB 9 and impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

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	2019	2018
	US\$	US\$
NOTE 2: REVENUE FROM CONTRACTS WITH CUSTOMERS		
Revenue recognised at a point in time:		
- Sale of physical goods	1,040,884	1,610,938
Revenue recognised over a period of time:		
- SLA and other services	247,013	80,984
Total revenue	<u>1,287,897</u>	<u>1,691,922</u>

The Group has recognised the following assets and liabilities related to contracts with customers:

- Contract assets	-	-
- Contract liabilities	34,610	40,668

There were no significant movements in contract assets or liabilities during the year.

	2019	2018
	US\$	US\$
NOTE 3: EXPENSES		
Loss before income tax from continuing operations includes the following specific expenses:		
Selling, general and administrative expenses:		
- Salaries and related expenses	604,288	1,410,444
- Sales, marketing and exhibitions	747,172	94,826
- Travel	157,724	230,688
- Office related expenses	168,686	289,958
- Amortisation of right of use lease asset	178,567	-
- Depreciation of plant and equipment and amortisation of intangible assets	78,854	71,186
- Professional services	388,899	564,967
- Research	1,140,758	917,827
- Others	195,725	256,250
Total selling, general and administrative expenses	<u>3,660,673</u>	<u>3,836,146</u>
Finance expenses:		
- Interest on borrowings and bank fees	5,592	6,679
- Implied interest on leases	8,517	-
- Exchange rate differences	44,206	-
Total finance expenses	<u>58,315</u>	<u>6,679</u>

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NOTE 4: INCOME TAX

The financial accounts for the year ended 31 December 2019 comprise the results of ElSight Australia and El-Sight Israel. The legal parent is incorporated and domiciled in Australia where the applicable tax rate is 30% (2018: 30%). The applicable tax rate in Israel is 23% (2018: 23%).

	2019	2018
	US\$	US\$
(a) Income tax expense	-	-
Current tax	-	-
Deferred tax	-	-
(b) The prima facie tax payable on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Income tax expense/(benefit) on operating loss at 27.50% (2018: 27.07%)	(1,432,727)	(2,203,410)
<i>Non-deductible items</i>		
Non-deductible expenditure	117,684	63,626
Deferred tax assets not recognised	1,315,043	2,139,784
Income tax attributable to operating income/(loss)	-	-
Utilisation of tax losses	-	-
Income tax expense	-	-
Deferred tax assets		
Investments	2,153,287	1,538,003
Accruals	4,276	4,710
Provisions	63,127	58,158
Tax losses	1,366,689	835,151
Deferred tax asset	3,587,379	2,436,022
Less deferred tax assets not recognised	(3,587,379)	(2,436,022)
Net deferred tax assets	-	-
Deferred tax liabilities		
Other	-	-
Net deferred tax liabilities	-	-
Deferred tax assets not brought to account		
Temporary differences	2,220,690	1,540,890
Operating tax losses	1,366,689	835,151
Capital loss	-	-
Unused tax losses for which no deferred tax asset has been recognised	3,587,379	2,376,041

Carry forward losses

Potential future income tax benefits attributable to tax losses carried forward have not been brought to account at 31 December 2019 because the Directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable.

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NOTE 5: RELATED PARTY TRANSACTIONS

a) Key Management Personnel Compensation

The totals of remuneration paid to KMP during the year are as follows:

	2019	2018
	US\$	US\$
Short-term salary and fees	654,431	420,685
Retirement benefits	58,934	41,043
Non-monetary benefits	25,612	26,741
Other	48,485	30,107
Share based payments	(124,121)	1,240,560
Total KMP Compensation	663,341	1,759,136

b) Other related party transactions

Key management personnel or their related party	Nature of transactions	Transaction value		Payable balance	
		2019	2018	2019	2018
		US\$	US\$	US\$	US\$
Nir Gabay	Executive salary and director fees included within trade and other payables	-	-	7,403	45,147
Susana Gabay (related party of Nir Gabay)	Salary and salary related expenses	122,317	93,608	3,091	2,951
Guy Gabay (related party of Nir Gabay)	Salary and salary related expenses	16,945	-	-	-
Eden Gabay (related party of Nir Gabay)	Professional services	263	2,376	-	-
Dipio (related party of Nir Gabay and Roei Kashi)	Revenue earned	84,163	-	-	-
Howard Digby	Director fees included within trade and other payables	-	-	2,914	5,876
Roei Kashi	Salary and salary related expenses	-	-	6,940	6,990
Ami Shafran	Director and consulting fees included within trade and other payables		-	40,797	41,139
Mick Keelty	Director fees included within trade and other payables		-	-	2,275
David Furstenberg	Director and consulting fees included within trade and other payables		-	35,928	41,139
Raj Logaraj	Director fees included within trade and other payables		-	3,847	3,526

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NOTE 5: RELATED PARTY TRANSACTIONS

c) Loans from key management personnel (KMP) and their related parties

There were no loans between the Group and its directors or key management personnel in the current or prior year.

NOTE 6: AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2019	2018
	US\$	US\$
Auditor remuneration		
- Auditing and reviewing the financial reports (BDO) – Australia	27,983	30,741
- Auditing and reviewing the financial reports (BDO) – Israel	15,000	15,000
	42,983	45,741
Other non-audit remuneration		
- Special Purpose Accountant's Report (BDO) – Israel	-	5,007
	-	5,007

NOTE 7: EARNINGS/(LOSS) PER SHARE

	2019	2018
	US\$	US\$
Earnings/ (Loss) per share (EPS)		
a) Profit/(Loss) used in calculation of basic EPS and diluted EPS	(3,192,433)	(4,206,972)
b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted earnings/ (loss) per share	95,991,667	93,352,891

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NOTE 8a : CASH AND CASH EQUIVALENTS	2019	2018
	US\$	US\$
Cash at bank	933,517	3,632,926
Total cash and cash equivalents in the statement of cash flows	933,517	3,632,926

The Group's exposure to the risks associated with cash are disclosed in Note 20.

NOTE 8b : CASH FLOW INFORMATION	2019	2018
	US\$	US\$
Loss after income tax	(3,192,433)	(4,206,972)
Non-cash flows in loss after income tax		
Share based payments	(43,438)	1,362,695
Depreciation of plant and equipment and amortisation of intangible assets	78,854	71,186
Amortisation of right of use lease asset	178,567	-
Changes in assets and liabilities		
Decrease/(increase) in trade and other receivables	653,108	(891,547)
Decrease/(increase) in inventory	86,953	(131,155)
Decrease/(increase) in supplier advances	(6,045)	97,244
(Decrease)/increase in trade and other payables	(260,498)	363,723
Increase in provisions	23,702	60,925
Cash flows used in operating activities	(2,481,230)	(3,273,901)

Non-Cash investing and financing activities

There were no non-cash investing and financing activities during the year.

Reconciliation of cash and non-cash movements in liabilities arising from financial activities:

	2018	Cash	Non-cash foreign	Transfer from long	2019
	US\$	flows	exchange movement	term to short term	US\$
Short term borrowings	20,462	(19,511)	3,551	59,959	64,461
Long term borrowings	64,976	-	3,055	(59,959)	8,072
Total borrowings	85,438	(19,511)	6,606	-	72,533

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NOTE 9: TRADE AND OTHER RECEIVABLES	2019	2018
	US\$	US\$
CURRENT		
Trade and other receivables	428,547	1,024,530
Loss allowance	(9,310)	(2,257)
Short term deposits	79,358	73,106
Prepaid expenses	73,023	56,832
	<u>571,618</u>	<u>1,152,211</u>

All amounts are short-term. The net carrying value of trade and other receivables is considered a reasonable approximation of fair value. The Group's exposure to the risks associated with trade and other receivables are disclosed in Note 20.

NOTE 10: INVENTORY	2019	2018
	US\$	US\$
Inventory at cost	251,148	314,277
	<u>251,148</u>	<u>314,277</u>

NOTE 11: OTHER CURRENT ASSETS	2019	2018
	US\$	US\$
Supplier advances	107,388	93,272
	<u>107,388</u>	<u>93,272</u>

NOTE 12: PLANT AND EQUIPMENT	2019	2018
	US\$	US\$
Cost	584,186	523,046
Accumulated depreciation	(292,009)	(196,345)
Net carrying amount	<u>292,177</u>	<u>326,701</u>

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NOTE 12: PLANT AND EQUIPMENT

	Computers	Motor vehicles	Office furniture and equipment	Installations and leasehold improvements	Total
	US\$	US\$	US\$	US\$	US\$
Balance at 1 January 2018	26,012	142,802	18,896	67,026	254,736
Additions	47,469	-	41,954	68,247	157,670
Disposals	-	-	-	-	-
Depreciation expense	(22,092)	(23,203)	(5,056)	(12,704)	(63,055)
Foreign currency translation adjustments	(2,954)	(9,583)	(2,901)	(7,212)	(22,650)
Balance at 31 December 2018	48,435	110,016	52,893	115,357	326,701
Additions	4,845	-	3,677	-	8,522
Disposals	-	-	-	-	-
Depreciation expense	(26,575)	(23,401)	(5,338)	(13,443)	(68,757)
Foreign currency translation adjustments	3,408	8,561	4,417	9,325	25,711
Balance at 31 December 2019	30,113	95,176	55,649	111,239	292,177

NOTE 13: TRADE AND OTHER PAYABLES

	2019	2018
	US\$	US\$
CURRENT		
Trade payables	122,090	194,848
Other payables and accrued expenses	538,182	648,366
Contract liability	34,610	40,668
	<u>694,882</u>	<u>883,882</u>

All amounts are short-term. The carrying values of trade payables and other payables are considered to approximate fair value. The Group's exposure to the risks associated with trade and other payables are disclosed in Note 20.

NOTE 14: BORROWINGS

	2019	2018
	US\$	US\$
CURRENT		
Current maturities of long term bank loans	64,461	20,462
	<u>64,461</u>	<u>20,462</u>
NON-CURRENT		
Long term bank loan, net of current maturities	8,072	64,976
	<u>8,072</u>	<u>64,976</u>

The Group's exposure to the risks associated with borrowings are disclosed in Note 20.

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NOTE 15: PROVISIONS	2019	2018
	US\$	US\$
NON-CURRENT		
Accrued severance pay	131,100	116,684
Severance pay fund	(21,837)	(21,537)
	109,263	95,147
Opening net carrying amount	95,147	39,634
Increase in provision	14,116	55,513
Severance pay fund utilised	-	-
Closing net carrying amount	109,263	95,147

NOTE 16: ISSUED CAPITAL	2019	2018
	US\$	US\$
(a) Share Capital		
96,242,599 (31 December 2018: 95,888,599) fully paid ordinary shares	11,739,495	11,667,737

(b) Movement in Ordinary Capital

	Date	No.	Unit Price US\$	Total US\$
Opening balance at 1 January 2018		83,381,391	-	5,091,738
Issue of institutional placement shares	15-Mar-18	12,507,208	0.56	7,059,429
Costs of capital raising		-	-	(464,911)
Issue of 625,360 options to lead manager, deemed capital raising cost		-	-	(18,519)
Closing balance at 31 December 2018		95,888,599		11,667,737
Issue of shares on conversion of options	1-Aug-19	100,000	0.20	20,100
Issue of shares on conversion of options	2-Oct-19	232,000	0.20	47,043
Issue of shares on conversion of options	22-Oct-19	22,000	0.21	4,615
Closing balance at 31 December 2019		96,242,599		11,739,495

(c) Capital Management

Due to the nature of the Group's activities, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet research and development programs and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. Any surplus funds are invested with major financial institutions.

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NOTE 17: RESERVES	Ref	2019	2018
a) Share Based Payment Reserve		US\$	US\$
47,219,360 (31 December 2018: 47,269,360) options on issue	17b	2,609,474	2,677,670
		<u>2,609,474</u>	<u>2,677,670</u>
b) Movement in Share Based Payment Reserve		No.	US\$
Opening balance at 1 January 2018		45,819,000	1,296,456
Pro-rata expense of 8,608,000 ESOP options		-	371,171
Pro-rata expense of 30,000,000 ESOP performance options		-	856,898
Pro-rata expense of 211,000 ESOP options		-	79,516
Issue of ESOP options		25,000	15,380
Issue of ESOP options		68,000	10,533
Issue of ESOP options		42,000	3,298
Issue of options to lead manager		625,360	18,518
Issue of director options		460,000	12,489
Issue of ESOP options		194,000	9,305
Issue of ESOP options		200,000	40,368
Cancellation of ESOP options on termination of employment		(164,000)	(36,262)
Closing balance at 31 December 2018		47,269,360	2,677,670
Net pro-rata (income) of options issued in prior periods (Note 18)		-	(31,733)
Issue of ESOP options (Note 18)		50,000	12,214
Issue of ESOP options (Note 18)		215,000	6,496
Issue of ESOP options (Note 18)		186,000	6,823
Cancellation of ESOP options on termination of employment		(147,000)	(37,238)
Options exercised and converted to fully paid ordinary shares		(354,000)	(24,758)
Closing balance at 31 December 2019		47,219,360	2,609,474
c) Foreign Exchange Reserve		2019	2018
		US\$	US\$
		(681,691)	(767,009)
The foreign currency translation reserve records exchange differences arising on translation from functional currency to presentation currency.			
d) Predecessor Accounting Reserve		2019	2018
		US\$	US\$
		(296,796)	(296,796)
The reserve arises from the capital reorganisation and records the net liabilities of Elsieht Limited as at the acquisition date of 2 June 2017.			

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NOTE 18: SHARE BASED PAYMENTS

Options Issued in Prior Periods

Options issued in prior periods that impact the year ended 31 December 2019 are as follows:

Description	Grant date	Exercise price	Expiry date	Options granted	Options forfeited on termination of employment ⁽ⁱ⁾	Options on issue at 31 Dec 2019	Vesting condition	Net pro-rata income/(expense) recorded at 31 Dec 2019
		A\$		No.	No.	No.		US\$
ESOP Performance Options	2-Jun-17	\$0.20	2-June-22	30,000,000	-	30,000,000	(ii),(iii),(iv)	(406,335)
ESOP Options	2-Jun-17	\$0.20	2-June-22	8,608,000	-	8,608,000	(v)	231,564
ESOP Options	10-Dec-17	\$0.60	9-Oct-22	211,000	(86,000)	125,000	(v)	28,659
ESOP Options	9-Jan-18	\$1.08	14-Nov-22	25,000	-	25,000	(vi)	2,256
ESOP Options	5-Feb-18	\$0.80	4-Feb-23	68,000	(68,000)	-	(v)	(5,576)
ESOP Options	26-Apr-18	\$0.745	4-Mar-23	42,000	(30,000)	12,000	(vii)	1,381
Director Options	28-May-18	\$0.60	9-Oct-22	460,000	-	460,000	(viii)	50,650
ESOP Options	1-Aug-18	\$0.675	31-Jul-23	194,000	(77,000)	117,000	(v)	11,798
ESOP Options	1-Aug-18	\$0.60	31-Jul-23	200,000	-	200,000	(ix)	16,632
Total				39,808,000	(261,000)	39,547,000		(68,971)

(i) 164,000 options were forfeited as of 31 December 2018; an additional 97,000 options were forfeited during the year ended 31 December 2019.

(ii) 10,000,000 Class A Performance Options vested on 7 June 2018 upon achievement of the vesting milestone

(iii) 10,000,000 Class B Performance options vest and become exercisable upon the Company achieving aggregate revenue of A\$4,000,000 from total sale of products based on the Technology in a Year. The implied value of Class B Performance Options is US\$1,037,544 however the probability was determined to be nil at 31 December 2019 due to the uncertainty of meeting the performance milestone by 7 June 2020. The expense recorded in relation to these options in prior financial years of \$406,335 has been reversed during the year ended 31 December 2019.

(iv) 10,000,000 Class C Performance Options will vest and become exercisable upon the Company achieving aggregate revenue of A\$10,000,000 from total sale of products based on the Technology in a Year. The implied value of Class C Performance Options is US\$1,037,544 however the probability was determined to be nil at 31 December 2019 due to the uncertainty of meeting the performance milestone by 7 June 2020.

(v) 50% on the second anniversary of the grant date and an additional 6.25% at the end of each quarter of continuous service thereafter.

(vi) 50% on 15 November 2017 and an additional 3.125% at the end of each quarter of continuous service thereafter.

(vii) 50% on 5 March 2020 and an additional 6.25% at the end of each quarter of continuous service thereafter.

(viii) 50% on 10 October 2020 and an additional 6.25% at the end of each quarter of continuous service thereafter.

(ix) 50% vested immediately and 50% on 1 August 2019.

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NOTE 18: SHARE BASED PAYMENTS

Share Based Payments Issued During the Year Ended 31 December 2019

During the year ended 31 December 2019 the Group recorded the following share based payments:

- The issue of 50,000 Employee Share Plan Options exercisable at A\$0.60, on or before 1 December 2023 to employees of the Group, exercisable after the satisfaction of the following vesting condition, 50% on 1 December 2019 and an additional 12.25% at the end of each quarter of continuous services thereafter, resulting in an expense of US\$12,214 recorded at 31 December 2019.
- The issue of 215,000 Employee Share Plan Options exercisable at A\$0.35, on or before 23 June 2024 to employees of the Group, exercisable after the satisfaction of the following vesting condition, 50% on 24 June 2021 and an additional 6.25% at the end of each quarter of continuous services thereafter. 50,000 of these options were cancelled during the year following the termination of employees' employment with the Group. The pro-rata expense of the remaining 165,000 options of US\$6,496 has been recorded at 31 December 2019.
- The issue of 186,000 Employee Share Plan Options exercisable at A\$0.41, on or before 12 November 2024 to an employee of the Group, exercisable after the satisfaction of the following vesting condition, 50% on 13 August 2021 and an additional 6.25% at the end of each quarter of continuous services thereafter, resulting in an expense of US\$6,823 recorded at 31 December 2019.

Fair Value

The fair value of ASX listed options has been determined with reference to market price on the date of commencement of trade. The Black Scholes option pricing model was used to determine the fair value of the unlisted options issued. The Black Scholes inputs and valuations were as follows:

Options	ESOP Options	ESOP Options	ESOP Options
Number of options	50,000	215,000	186,000
Grant date	1-Dec-18	24-Jun-19	20-Nov-19
Issue date	7-Feb-19	12-Aug-19	22-Nov-19
Exercise price	A\$0.60	A\$0.35	A\$0.41
Expected volatility	100%	100%	100%
Implied option life	5 years	4.87 years	4.98 years
Expected dividend yield	nil	nil	nil
Risk free rate	2.46%	2.21%	2.21%
Valuation per option A\$	\$0.4164	\$0.2605	\$0.3294
Exchange rate	\$0.7015	\$0.6994	\$0.6994
Valuation per option US\$	\$0.2921	\$0.1822	\$0.2304
Total valuation US\$	\$14,605	\$39,172	\$42,851

Share Based Payments Expense

Share based payment expense is comprised as follows:

	2019	2018
	US\$	US\$
Total net (income)/expense recognised in profit or loss ⁽ⁱ⁾	(43,438)	1,362,695
Total expense recognised in equity	-	18,519
Total net share based payments (income)/expense	(43,438)	1,381,214

- (i) Income of US\$406,335 on adjustment to Class B Performance options probability less pro-rata expense of options issued in 2019 and prior periods of \$362,897.

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NOTE 19: OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The Group's sole operating segment is consistent with the presentation of these consolidated financial statements.

NOTE 20: FINANCIAL INSTRUMENTS

Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, trade and other debtors, trade and other payables and borrowings. The main purpose of non-derivative financial instruments is to raise finance for Group's operations.

Specific Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments are market risk (including fair value and interest rate risk) and cash flow interest rate risk, credit risk and liquidity risk.

(a) Interest Rate Risk

From time to time the Group has significant interest bearing assets, but they are as a result of the timing of equity raising and capital expenditure rather than a reliance on interest income. The interest rate risk arises on the rise and fall of interest rates. The Group's income and operating cash flows are not expected to be materially exposed to changes in market interest rates in the future. The exposure to interest rates arises from the cash and cash equivalents balances and borrowings.

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is not considered to be material.

(b) Credit risk

The maximum exposure to credit risk is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

Credit risk related to balances with banks and other financial institutions and trade and other receivables, and is managed by the Group in accordance with approved Board policy. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings.

	Note	2019 US\$	2018 US\$
Cash and cash equivalents – AA Rated	8a	933,517	3,632,926
Trade and other receivables – no rating	9	571,618	1,152,211

Impaired trade receivables

The Group assesses expected credit losses associated on a forward looking basis. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure or a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

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NOTE 20: FINANCIAL INSTRUMENTS

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired receivables:

	2019	2018
	US\$	US\$
Impairment losses		
- individually impaired receivables	6,654	-
- movement in provision for impairment	6,654	(10,119)
Reversal of previous impairment losses	-	-

As at 31 December 2019, trade receivables of US\$228,806 (2018 – US\$32,786) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2019	2018
	US\$	US\$
Up to 3 months	13,971	25,054
3 to 6 months	2,485	1,770
Over 6 months	212,350	5,962
	<u>228,806</u>	<u>32,786</u>

Of the past due receivables of US\$228,806 at 31 December 2019, US\$30,000 remained outstanding at the date of annual report publication.

(c) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

The following are the contractual maturities of financial liabilities based on the actual rates at the reporting date excluding interest payments:

2019	Interest rate	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount
		US\$	US\$	US\$	US\$	US\$	US\$	US\$
<i>Financial liabilities at amortised cost</i>								
Trade and other payables	-	694,882	-	-	-	-	694,882	694,882
Borrowings	2.33%	10,307	53,145	8,044	1,037	-	72,533	72,533
Lease liabilities	-	83,760	83,760	-	-	-	167,520	167,520
		<u>788,949</u>	<u>136,905</u>	<u>8,044</u>	<u>1,037</u>	<u>-</u>	<u>934,935</u>	<u>934,935</u>

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NOTE 20: FINANCIAL INSTRUMENTS

2018	Interest rate	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount
		US\$	US\$	US\$	US\$	US\$	US\$	US\$
<i>Financial liabilities at amortised cost</i>								
Trade and other payables	-	883,882	-	-	-	-	883,882	883,882
Borrowings	2.32%	9,296	9,399	58,509	8,234	-	85,438	85,438
		893,178	9,399	58,509	8,234	-	969,320	969,320

(d) Net fair Value of financial assets and liabilities

Fair value estimation

Due to the short term nature of the receivables and payables the carrying value approximates fair value.

(e) Currency risk

The currency risk is the risk that the value of financial instruments will fluctuate due to change in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar and the New Israeli Shekel.

The Company's policy is not to enter into any currency hedging transactions.

	United States Dollars	2019 Total
	US\$	US\$
Cash and cash equivalents	82,983	82,983
Trade and other receivables	208,407	208,407
Trade and other payables	-	-
Borrowings	-	-
Lease liabilities	-	-
Net exposure	291,390	291,390

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NOTE 21: PARENT ENTITY FINANCIAL INFORMATION

The following information of the legal parent Elsieht Limited has been prepared in accordance with Australian Accounting Standards and the accounting policies as outlined in Note 1.

(a) Financial Position of Elsieht Limited

	2019	2018
	US\$	US\$
ASSETS		
Current assets	661,357	3,139,213
Non-current assets	870,068	1,492,528
TOTAL ASSETS	1,531,425	4,631,741
LIABILITIES		
Current liabilities	126,125	131,681
Non-current liabilities	-	-
TOTAL LIABILITIES	126,125	131,681
NET ASSETS	1,405,300	4,500,060
SHAREHOLDERS' EQUITY		
Issued capital	11,733,347	11,661,588
Reserves	1,645,555	1,658,923
Accumulated Losses	(11,973,602)	(8,820,451)
SHAREHOLDERS' EQUITY	1,405,300	4,500,060

(b) Statement of profit or loss and other comprehensive income

Loss for the year	(2,977,311)	(4,100,050)
Other comprehensive income	(145,768)	(716,592)
Total comprehensive loss	(3,123,079)	(4,816,642)

(c) Guarantees entered into by Elsieht Limited for the debts of its subsidiary

There are no guarantees entered into by Elsieht Limited.

(d) Contingent liabilities of Elsieht Limited

There were no contingent liabilities as at 31 December 2019 (2018: Nil).

(e) Commitments by Elsieht Limited

There were no commitments as at 31 December 2019 (2018: Nil).

NOTE 22: CONTROLLED ENTITIES

The ultimate legal parent entity of the Group is Elsieht Limited, incorporated and domiciled in Australia. The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in Note 1.

Controlled entity	Country of Incorporation	Percentage Owned	
		2019	2018
El-Sight Ltd	Israel	100%	100%

The proportion of ownership interest is equal to the proportion of voting power held.

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CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 23: COMMITMENTS

The Group has no commitments which are not recorded on the statement of financial position as at 31 December 2019.

NOTE 24: CONTINGENT LIABILITIES

The Group has no known contingent liabilities as at 31 December 2019.

NOTE 25: EVENTS SUBSEQUENT TO REPORTING DATE

Since the reporting date the following significant events have occurred:

Since the reporting date the following significant events have occurred:

- Mr Raj Logaraj resigned as a director of the Company effective 7 January 2020.
- Mr Peter Marks became a director of the Company on 9 January 2020.
- On 13 January 2020 the Company announced the receipt of an initial purchase order for 50 Halo units from Israel Aerospace Industries following a large-scale Proof-of-Concept field trial.
- On 14 January 2020 the Company completed a private placement to a group of significant investors. 9,000,000 fully paid ordinary Shares were issued at \$0.32 to raise approximately \$2.88m.
- On 27 February 2020 the Company released a business update as a consequence of COVID-19 virus outbreak.
- On 16 March 2020 the Company advised that, following one month of intensive and successful POC test flights using Halo, CopterPIX PRO has elected to expand the ongoing POC trials and purchase an additional six Halo units for integration with their drone platforms.

There were no other significant events after reporting date.

NOTE 26: NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

Australian accounting standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 31 December 2019. Relevant Standards and Interpretations are outlined in the table below.

New/revised pronouncement	Explanation of amendments	Application Date of Standard	Application Date of Group
AASB 2019-5 (issued November 2019) Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia	This amendment adds paragraph 17 to AASB 1054 <i>Australian Additional Disclosures</i> . New paragraph 17 clarifies that, in complying with paragraph 30 of AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> , entities intending to assert compliance with IFRS must also disclose the potential effect of IFRS standards that are yet to be issued by the AASB.	1 January 2020	1 January 2020

The Group has decided not to early adopt any of the new and amended pronouncements. The impact of the above standards is yet to be determined unless noted otherwise above.

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DIRECTORS' DECLARATION

In the Director's opinion:

1. The consolidated financial statements and notes set out on pages 22 to 51 are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Australian Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements, noting the matters documented in Note 1 (a);
 - b) giving a true and fair view, the consolidated entity's financial position as at 31 December 2019 and of its performance for the year ended on that date; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. This declaration has been made after receiving the declaration required to be made to the directors in accordance with Section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2019.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Mr Nir Gabay
Managing Director
24 March 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Elsie Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Elsie Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of the Group in accordance with 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 (the Code) that are relevant to our audit of the 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 the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for Shared-based payments

Key audit matter	How the matter was addressed in our audit
During the year ended 31 December 2019, the Group issued options to key management personnel and employees and options to advisors which have been accounted for as share-based payments. Refer to notes 1 and 18 of the financial report for a description of the accounting policy and significant estimates and judgements applied to these arrangements. Share-based payments are a complex accounting area and due to the complex and judgemental estimates used in determining the fair value of the share-based payments, we consider the Group's accounting for share-based payments to be a key audit matter.	Our procedures included, but were not limited to the following: • Reviewing the relevant terms and conditions to obtain an understanding of the contractual nature of the share-based payment arrangements • Reviewing and evaluating management's assessment of the likelihood of achieving the non-market performance conditions attached to the share-based payments • Reviewing management's determination of the fair value of the share-based payments granted, considering the appropriateness of the valuation model used and assessing the valuation inputs using BDO's internal valuation specialists where appropriate • Assessing the allocation of the share-based payment expense over the relevant vesting period • Assessing the adequacy of the Group's disclosures in Notes 1 and 18 of the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 19 of the directors' report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Elsie Limited, for the year ended 31 December 2019, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd



Phillip Murdoch

Director

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CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement is current to the date of signing the Directors' report and has been approved by the Board of the Company. This statement relates to the reporting period ending 31 December 2019.

This Corporate Governance Statement discloses the extent to which the Company follows the recommendations set by the ASX Corporate Governance Council in its publication *Corporate Governance Principles and Recommendations 3rd Edition* (Recommendations). The Recommendations are not mandatory, however the Recommendations that have not been followed have been identified and reasons for not following them, along with what (if any) alternative governance practices have been adopted in lieu of the Recommendation.

The Company has adopted Corporate Governance Policies which provide written terms of reference for the Company's corporate governance practices. The Board of the Company has not yet formed an audit committee, nomination committee, risk management committee or remuneration committee.

The Company's Corporate Governance Policies are contained within the Corporate Governance Plan and available on the Company's website at www.el-sight.com

Principle 1: Lay solid foundations for management and oversight

Roles of the Board & Management

The role of the Board is to provide overall strategic guidance and effective oversight of management. The Board derives its authority to act from the Company's Constitution.

The Board is responsible for and has the authority to determine all matters relating to the strategic direction, policies, practices, establishing goals for management and the operation of the Company. The Board delegates responsibility for the day-to-day operations and administration of the Company to the Managing Director.

The role of management is to support the Managing Director and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

In addition to matters it is expressly required by law to approve, the Board has reserved the following matters to itself:

- overseeing the Company, including its control and accountability systems;
- appointment, evaluation, rewarding and if necessary the removal of the Managing Director (or equivalent), the Company Secretary and senior management personnel;
- ratifying the appointment, and where appropriate, the removal, of senior executives;
- in conjunction with members of the senior management team, develop corporate objectives, strategies and operations plans and approve and appropriately monitor plans, new investments, major capital and operating expenditures, use of capital, acquisitions, divestitures and major funding activities;
- establishing appropriate levels of delegation to the executive Directors to allow them to manage the business efficiently;
- monitoring actual performance against planned performance expectations and reviewing operating information at a requisite level, to understand at all times the financial and operating conditions of the Company, including the reviewing and approving of annual budgets;
- monitoring the performance of senior management, including the implementation of strategy, and ensuring appropriate resources are available to them;
- identifying areas of significant business risk and ensuring that the Company is appropriately positioned to manage those risks;
- overseeing the management of safety, occupational health and environmental matters;
- satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, and internal control processes are in place and functioning appropriately;
- ensuring that appropriate internal and external audit arrangements are in place and operating effectively;
- reporting accurately to shareholders, on a timely basis; and
- ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted, and that its practice is consistent with, a number of guidelines including:
 - Code of Conduct;
 - Continuous Disclosure Policy;
 - Diversity Policy;
 - Performance Evaluation Practices;
 - Procedures for Selection and Appointment of Directors;

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- Remuneration Policy;
- Risk Management Review Procedure and Internal Compliance and Control;
- Securities Trading Policy;
- Shareholders Communication Strategy; and
- Whistleblower Policy.

Subject to the specific authorities reserved to the Board under the Board Charter, the Board delegates to the Managing Director responsibility for the management and operation of Elsieht. The Managing Director is responsible for the day-to-day operations, financial performance and administration of Elsieht within the powers authorised to him from time-to-time by the Board. The Managing Director may make further delegation within the delegations specified by the Board and will be accountable to the Board for the exercise of those delegated powers.

Further details of Board responsibilities, objectives and structure are set out in the Board Charter which is contained within the Corporate Governance Place available on the Elsieht website.

Board Committees

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate committees at this time including audit and risk, remuneration or nomination committees, preferring at this stage of the Company's development, to manage the Company through the full Board of Directors. The Board assumes the responsibilities normally delegated to the audit and risk, remuneration and nomination Committees.

If the Company's activities increase, in size, scope and nature, the appointment of separate committees will be reviewed by the Board and implemented if considered appropriate.

Board Appointments

The Company undertakes comprehensive reference checks prior to appointing a director or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

The Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including agendas, Board papers and minutes, advising the Board and its Committees (as applicable) on governance matters, monitoring that the Board and Committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

Diversity

The Board has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect to gender, age, ethnicity and cultural diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives (if considered appropriate) and to assess annually both the objectives (if any have been set) and the Company's progress towards achieving them.

The Board considers that, due to the size, nature and stage of development of the Company, setting measurable objectives for the Diversity Policy at this time is not appropriate. The Board will consider setting measurable objectives as the Company increases in size and complexity.

The participation of women in the Company at the date of this report is as follows:

- | | |
|--|-----|
| • Women employees in the Company | 16% |
| • Women in senior management positions | 0% |
| • Women on the Board | 0% |

The Company's Diversity Policy is available on its website.

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Board & Management Performance Review

On an annual basis, the Board conducts a review of its structure, composition and performance.

The annual review includes consideration of the following measures:

- comparison of the performance of the Board against the requirements of the Board charter;
- assessment of the performance of the Board over the previous twelve months having regard to the corporate strategies, operating plans and the annual budget;
- review the Board's interaction with management;
- identification of any particular goals and objectives of the Board for the next year;
- review the type and timing of information provided to the directors; and
- identification of any necessary or desirable improvements to Board or committee charters.

The method and scope of the performance evaluation will be set by the Board and may include a Board self-assessment checklist to be completed by each Director. The Board may also use an independent adviser to assist in the review.

The Chairman has primary responsibility for conducting performance appraisals of Non-Executive Directors, in conjunction with them, having particular regard to:

- contribution to Board discussion and function;
- degree of independence including relevance of any conflicts of interest;
- availability for and attendance at Board meetings and other relevant events;
- contribution to Company strategy;
- membership of and contribution to any Board committees; and
- suitability to Board structure and composition.

The Board conducts an annual performance assessment of the Managing Director against agreed key performance indicators.

The Managing Director conducts an annual performance assessment of senior executives against agreed key performance indicators.

Due to Elsieht only listing in June 2017, no formal appraisal of the Board or Managing Director has been conducted.

Independent Advice

Directors have a right of access to all Company information and executives. Directors are entitled, in fulfilling their duties and responsibilities, to seek independent external professional advice as considered necessary at the expense of the Company, subject to prior consultation with the Chairman. A copy of any such advice received is made available to all members of the Board.

Principle 2: Structure the board to add value

Board Composition

During the financial year and as at the date of this report the Board was comprised of the following members:

Ret Gen Ami Shafran	Non-Executive Chairman (appointed 2 June 2017)
Mr Mick Keelty AO APM	Non-Executive Deputy Chairman (appointed 13 December 2018, resigned 24 April 2019)
Mr Nir Gabay	Managing Director (appointed 2 June 2017)
Mr Howard Digby	Non-Executive Director (appointed 13 December 2016)
Mr David Furstenberg	Non-Executive Director (appointed 2 June 2017)
Mr Raj Logaraj	Non-Executive Director (appointed 1 August 2018, resigned 7 January 2020)
Mr Peter Marks	Non-Executive Director (appointed 9 January 2020)

The Board comprises of the majority of Non-Executive Directors.

Elsight has adopted a definition of 'independence' for Directors that is consistent with the Recommendations.

Nir Gabay is not considered to be independent as he is an executive director of the Company and in addition, he is also a substantial holder.

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Board Selection Process

The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required in order to effectively govern Elsight. The Board believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review.

The Board is responsible for the nomination and selection of directors. The Board reviews the size and composition of the Board regularly and at least once a year as part of the Board evaluation process.

The Board has established a Board Skills Matrix. The Board Skills Matrix includes the following areas of knowledge and expertise:

- strategic expertise;
- specific industry knowledge;
- accounting and finance;
- risk management;
- experience with financial markets; and
- investor relations.

Induction of New Directors and Ongoing Development

New Directors are issued with a formal Letter of Appointment that sets out the key terms and conditions of their appointment, including Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with any Committee work.

An induction program is in place and new Directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

Principle 3: Act ethically and responsibly

The Company has implemented a Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in employment. It underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders.

All employees and Directors are expected to:

- respect the law and act in accordance with it;
- maintain high levels of professional conduct;
- respect confidentiality and not misuse Company information, assets or facilities;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Conduct may face disciplinary action including, in the cases of serious breaches, dismissal. If an employee suspects that a breach of the Code of Conduct has occurred or will occur, he or she must report that breach to the Company Secretary, or in their absence, the Chairman. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach under the terms of the Company's Whistleblower Policy. All reports will be acted upon and kept confidential.

Principle 4: Safeguard integrity in corporate reporting

The Board as a whole fulfills the functions normally delegated to the Audit Committee as detailed in the Audit Committee Charter.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the

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Company throughout the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Board receives regular reports from management and from external auditors. It also meets with the external auditors as and when required.

The external auditors attend Elsight's AGM and are available to answer questions from security holders relevant to the audit.

Prior approval of the Board must be gained for non-audit work to be performed by the external auditor. There are qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the lead engagement partner responsible for the audit not perform in that role for more than five years.

CEO and CFO Certifications

The Board, before it approves the entity's financial statements for a financial period, receives from its CEO and CFO (or, if none, the persons fulfilling those functions) a declaration provided in accordance with Section 295A of the Corporations Act that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Principle 5: Make timely and balanced disclosure

The Company has a Continuous Disclosure Policy which outlines the disclosure obligations of the Company as required under the ASX Listing Rules and Corporations Act. The policy is designed to ensure that procedures are in place so that the market is properly informed of matters which may have a material impact on the price at which Company securities are traded.

The Board considers whether there are any matters requiring disclosure in respect of each and every item of business that it considers in its meetings. Individual Directors are required to make such a consideration when they become aware of any information in the course of their duties as a Director of the Company.

The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company.

The Board has designated the Company Secretary as the person responsible for communicating with the ASX. All key announcements at the discretion of the Managing Director are to be circulated to and reviewed by all members of the Board.

The Chairman, the Board, Managing Director and the Company Secretary are responsible for ensuring that:

- a) company announcements are made in a timely manner, that announcements are factual and do not omit any material information required to be disclosed under the ASX Listing Rules and Corporations Act; and
- b) company announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

Principle 6: Respect the rights of security holders

The Company recognises the value of providing current and relevant information to its shareholders. The Board of the Company aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the company website, information posted or emailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to clear and understandable information about the Company; and
- making it easy for shareholders to participate in general meetings of the Company.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the

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Company. These contact details are available on the “Corporate Directory” page of the Company’s website.

Shareholders may elect to, and are encouraged to, receive communications from Elsieht and Elsieht's securities registry electronically. The contact details for the registry are available on the “Corporate Directory” page of the Company’s website.

The Company maintains information in relation to its Constitution, governance documents, Directors and senior executives, Board and committee charters, annual reports and ASX announcements on the Company’s website.

Principle 7: Recognise and manage risk

The Board is committed to the identification, assessment and management of risk throughout Elsieht's business activities.

The Board is responsible for the oversight of the Company’s risk management and internal compliance and control framework. The Company does not have an internal audit function. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director having ultimate responsibility to the Board for the risk management and internal compliance and control framework. Elsieht has established policies for the oversight and management of material business risks.

Elsieht's Risk Management and Internal Compliance and Control Policy recognises that risk management is an essential element of good corporate governance and fundamental in achieving its strategic and operational objectives. Risk management improves decision making, defines opportunities and mitigates material events that may impact security holder value.

Elsieht believes that explicit and effective risk management is a source of insight and competitive advantage. To this end, Elsieht is committed to the ongoing development of a strategic and consistent enterprise wide risk management program, underpinned by a risk conscious culture.

Elsieht accepts that risk is a part of doing business. Therefore, the Company’s Risk Management and Internal Compliance and Control Policy is not designed to promote risk avoidance. Rather, Elsieht's approach is to create a risk conscious culture that encourages the systematic identification, management and control of risks whilst ensuring we do not enter into unnecessary risks or enter into risks unknowingly.

Elsieht assesses its risks on a residual basis; that is it evaluates the level of risk remaining and considering all the mitigation practices and controls. Depending on the materiality of the risks, Elsieht applies varying levels of management plans.

The Board has required management to design and implement a risk management and internal compliance and control system to manage Elsieht’s material business risks. It receives regular reports on specific business areas where there may exist significant business risk or exposure. The Company faces risks inherent to its business, including economic risks, which may materially impact the Company’s ability to create or preserve value for security holders over the short, medium or long term. The Company has in place policies and procedures, including a risk management framework (as described in the Company’s Risk Management and Internal Compliance and Control Policy), which is developed and updated to help manage these risks. The Board does not consider that the Company currently has any material exposure to environmental or social sustainability risks.

The Company’s process of risk management and internal compliance and control includes:

- identifying and measuring risks that might impact upon the achievement of the Company’s goals and objectives, and monitoring the environment for emerging factors and trends that affect those risks;
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

The Board reviews the Company’s risk management framework at least annually to ensure that it continues to effectively manage risk.

Management reports to the Board as to the effectiveness of Elsieht’s management of its material business risks at each Board meeting.

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Principle 8: Remunerate fairly and responsibly

The Board as a whole fulfills the functions normally delegated to the Remuneration Committee as detailed in the Remuneration Committee Charter.

Elsight has implemented a Remuneration Policy which was designed to recognise the competitive environment within which Elsieht operates and also emphasise the requirement to attract and retain high caliber talent in order to achieve sustained improvement in Elsieht's performance. The overriding objective of the Remuneration Policy is to ensure that an individual's remuneration package accurately reflects their experience, level of responsibility, individual performance and the performance of Elsieht.

The key principles are to:

- review and approve the executive remuneration policy to enable the Company to attract and retain executives and Directors who will create value for shareholders;
- ensure that the executive remuneration policy demonstrates a clear relationship between key executive performance and remuneration;
- fairly and responsibly reward executives having regard to the performance of the Group, the performance of the executive and the prevailing remuneration expectations in the market;
- remunerate fairly and competitively in order to attract and retain top talent;
- recognise capabilities and promote opportunities for career and professional development; and
- review and approve equity based plans and other incentive schemes to foster a partnership between employees and other security holders.

The Board determines the Company's remuneration policies and practices and assesses the necessary and desirable competencies of Board members. The Board is responsible for evaluating Board performance, reviewing Board and management succession plans and determines remuneration packages for the Managing Director, Non-Executive Directors and senior management based on an annual review.

Elsight's executive remuneration policies and structures and details of remuneration paid to directors and key management personnel (where applicable) are set out in the Remuneration Report.

Non-Executive Directors receive fees (including statutory superannuation where applicable) for their services, the reimbursement of reasonable expenses and, in certain circumstances options.

The maximum aggregate remuneration for Non-Executive Directors is \$300,000 per annum as disclosed within the Company's constitution. The Directors set the individual Non-Executive Directors fees within the limit approved by shareholders.

Executive directors and other senior executives (where appointed) are remunerated using combinations of fixed and performance based remuneration. Fees and salaries are set at levels reflecting market rates and performance based remuneration is linked directly to specific performance targets that are aligned to both short and long term objectives.

The Company prohibits Directors and employees from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the Company's securities to any other person.

Further details in relation to the company's remuneration policies are contained in the Remuneration Report, within the Directors' report.

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ADDITIONAL ASX INFORMATION

The shareholder information set out below was applicable as at 18 March 2020

As at 18 March 2020 there were 105,242,599 ordinary fully paid shares held by 900 individual shareholders.

VOTING RIGHTS

The voting rights of the ordinary shares are as follows:

- (a) at meetings of members each member entitled to vote may vote in person or by proxy or attorney;
- (b) on a show of hands each person present who is a member has one vote; and
- (c) on a poll each person present in person or by proxy or by attorney has one vote for each ordinary share held.

There are no voting rights attached to any of the options that the Company currently has on issue. Upon exercise of these options, the shares issued will have the same voting rights as existing ordinary shares.

TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of each class of listed securities are listed below:

Ordinary Full Paid Shares

Holder Name	Holding	% IC
IBI TRUST MANAGEMENT <NIR GABAY A/C>	26,052,974	24.76%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED A/C 2	14,568,832	13.84%
CITICORP NOMINEES PTY LIMITED	8,251,613	7.84%
JB TORO PTY LTD	6,033,115	5.73%
DAVID LI KWOK PO	6,000,000	5.70%
INTERVEST HK LIMITED	3,250,000	3.09%
IBI TRUST MANAGEMENT <ROEE KASHI A.C>	2,894,775	2.75%
JP MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,141,835	2.04%
LAMMA NOMINEES PTY LTD	1,500,000	1.43%
AWZ HLS INVESTMENT FUND I LP	1,500,000	1.43%
MS YULIA URAROVA <TECHINVEST NOMINEES A/C>	1,500,000	1.43%
GNAT PTY LTD <G & N INVESTMENT A/C>	1,364,522	1.30%
ALBION HAWTHORN PTY LTD <TIM PEARS FAMILY A/C>	1,345,500	1.28%
RIGI INVESTMENTS PTY LIMITED <THE CAPE A/C>	1,300,000	1.24%
TENBAGGA RESOURCES PTY LTD <TENBAGGA FAMILY A/C>	1,171,750	1.11%
THE LF POINT PTY LTD <POINT A/C>	1,127,586	1.07%
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	1,120,065	1.06%
BRISPTOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	884,603	0.84%
MR MOSHE COHEN	700,000	0.67%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	673,680	0.64%
DEAD KNICK PTY LTD	642,500	0.61%
MISS KWAI-KUIN LEE & MR JASON BATTISTESSA <KUIN LEE SUPERFUND A/C>	478,000	0.45%
Totals: Top 20 holders of Issued Capital - Ordinary and Escrow (Total)	84,501,350	80.29%
Total Remaining Holders Balance	20,741,249	19.71%

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SUBSTANTIAL HOLDERS

The names of the substantial shareholders disclosed to the Company as substantial shareholders as at 18 March 2020 are:

Name	No of Shares Held	% of Issued Capital
NIR GABAY ¹	26,052,974	24.76%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED A/C 2	14,568,832	13.84%
CITICORP NOMINEES PTY LIMITED	8,251,613	7.84%
JB TORO PTY LTD	6,033,115	5.73%
DAVID LI KWOK PO	6,000,000	5.70%

DISTRIBUTION OF EQUITY SECURITIES

Holding Ranges	Ordinary fully paid shares	Options	Performance options
1 - 1,000	124	1	-
1,001 - 5,000	254	20	-
5,001 - 10,000	146	28	-
10,001 - 100,000	305	97	-
100,001 - and over.	71	27	2
Totals	900	173	2
Holding less than a marketable parcel	198		

RESTRICTED SECURITIES

As at 18 March 2020 the following shares are subject to escrow:

- 26,052,974 Ordinary Fully Paid Shares escrowed to 30/09/2020
- 17,950,000 Ordinary Fully Paid Shares escrowed to 31 March 2020

TWENTY LARGEST QUOTED OPTION HOLDERS

Security class:	ELSO - OPTIONS EXPIRING 18 JUNE 2021 @ \$1.00		
Position	Holder Name	Holding	% IC
1	MCNEIL NOMINEES PTY LIMITED	1,184,307	17.22%
2	MR IAN JAMES ARATHOON <IAN ARATHOON FAMILY A/C>	600,000	8.72%
3	KEVIN BORG HOLDINGS PTY LTD <KEVIN BORG SUPER FUND A/C>	300,000	4.36%
4	GLENEAGLE SECURITIES (AUST) PTY LTD	203,835	2.96%
5	MR MICHAEL BENEDICT COOKSON	180,000	2.62%
6	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	173,611	2.52%
7	MR COLIN WEEKES	152,813	2.22%

¹ Securities are held beneficially and registered in the name of IBI Trust Management (Nir Gabay A/C)

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8	MR IAN STUART FISHER	140,351	2.04%
9	MR VINCENT ALEXANDRE SWINNEN	140,000	2.04%
10	TIZOKU SECURITIES PTY LIMITED	126,739	1.84%
11	THE LF POINT PTY LTD <POINT A/C>	125,000	1.82%
12	MR GRANT MALCOLM WALKER	118,675	1.73%
13	FINK INK PTY LTD	111,111	1.62%
14	ROBERTSON ARCHITECTURAL SERVICES PTY LTD <ROBERTSON FAMILY S/F A/C>	105,808	1.54%
15	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	100,000	1.45%
16	HALIFAX SOLUTIONS LIMITED	99,703	1.45%
17	JUSTIN TERENCE ROSENBERG	95,036	1.38%
18	VEMAC ASCENT INVESTMENTS PTY LTD <MCCLELLAND FAMILY A/C>	91,667	1.33%
19	LEHAV PTY LTD	80,336	1.17%
20	JAMORA NOMINEES PTY LTD <KABOONK DISCRETIONARY A/C>	74,285	1.08%
	Total	4,203,277	61.10%
	Total issued capital - selected security class(es)	6,878,983	100.00%

UNQUOTED SECURITIES

As at 18 March 2020, the following unquoted securities are on issue:

Security Code	Security Name	Total Holders	Total Holdings
ELSOPT01	OPTS EXP 3YRS FROM 02/06/2017 @ \$0.30	22	6,646,000
ELSOPT02	OPTIONS EXP 02/06/27 @ \$0.20	1	8,608,000
ELSOPT03	OPTIONS EXPIRING 9 OCTOBER 2022 @ \$0.60	1	125,000
ELSOPT04	OPTIONS EXPIRING 14 NOVEMBER 2022 @ \$1.08	1	25,000
ELSOPT06	OPTIONS EXPIRING 31 JULY 2023 @ \$0.675	1	117,000
ELSOPT07	OPTIONS EXPIRING 31 JULY 2023 @ \$0.60	1	200,000
ELSOPT08	OPTIONS EXPIRING 9 OCTOBER 2022 @ \$0.60	1	460,000
ELSOPT09	OPTIONS EXPIRING 1 DECEMBER 2023 @ \$0.60	1	50,000
ELSOPT10	OPTIONS EXPIRING 23 JUNE 24 @ \$0.35	1	165,000
ELSOPT11	OPTIONS EXPIRING 12 NOVEMBER 24 @ \$0.41	1	186,000
ELSP01	PERF OPTS @ 20C EX 5YRS FROM 02/06/17	1	29,595,000
ELSP02	PERF OPT @ 20C EX 5YRS FROM 02/06/17	1	405,000
ELSEO2	EMPLOYEE OPTIONS EXPIRING 4 MARCH 2023 @ AU\$0.745	1	12,000
TOTAL		34	46,594,000

ON-MARKET BUY BACK

There is currently no on-market buyback program.