

ASX Announcement

30 April 2020

January – March 2020 Quarterly Report

Highlights

- Ongoing proof-of-concept (POC) trials are progressing positively in all key areas, despite local travel restrictions and limitations due to over a month long lockdown.
- New opportunities have presented themselves in the wake of the global pandemic. The company is prioritizing these opportunities in light of our ability to supply and deliver product in the short term versus our need to focus on longer term repeat orders
- Given the impact of the Pandemic, the founders, employees and directors have taken a 50% salary and fee cut while increasing all efforts in respect of accelerating collections.
- Following a A\$2.88m placement and an aggressive round of cost cutting measures, the company is well-positioned to address the significant economic challenges of 2020 while modifying some of our strategic moves to take advantage of newly created, significant opportunities in the remote health and working environments.

30 April 2020 – Elsieht Limited (ASX: ELS) ('Elsieht Ltd, 'Elsieht' or 'the Company'), an ASX-listed company that develops advanced communication technologies for real-time data, video, and audio transmission over cellular networks in mission-critical environments, is pleased to provide an operational and financial update for the quarter ended 31 March 2020.

Halo commercialisation

Q1 2020 started with several Proof-of-Concept Trials in progress involving Halo v1.1, the new iteration of Halo which was first released on 24 November 2019. These trials commenced with drone projects in various countries, including Halo trials in Singapore. As set out in the Company's February 27, 2020 release "*Business update as a consequence of COVID-19 virus outbreak*", the Global Covid-19 outbreak and its associated travel restrictions have forced the Company to change and modify many of its original plans for trials as well as plans to launch the product in various large trade shows that have been cancelled. While this has caused delays, it has also presented several significant market opportunities, consistent with Elsieht's core competencies as the need to communicate from remote locations became more and more strategic to an increasing number of prospective customers.

In relation to the POC trials, initially the Company sought to move activities from Asia, where the outbreak commenced, towards the western hemisphere, but this too became untenable when the impact of the pandemic and subsequent lockdowns became apparent.

Q1 started with the expansion of our relationship with global defence technology company, IAI and continued collaboration with Airobotics subsequent to their initial purchase of POC units in December. Pioneering work is under way also in the USA with these companies and with Gadfin, as has previously been announced. The Company is supporting our partners to obtain the appropriate FAA waivers, approvals and licensing which for the first time will enable drones to fly over urban areas and *beyond the visual line of sight (BVLOS)* in the

USA without having to procure permission each time. The Company also extended its work programme with CopterPix in March.

Importantly, progress continues to be made despite strict travel limitations and government enforcement of a lockdown (since March 20th). As of now only 30% of all employees are permitted to attend the office, restricted previously to 15%. Over recent weeks the company's software has dramatically matured and improved based on inputs and positive feedback from the ongoing POCs. Many new Covid-19-related opportunities have been identified by the Company's existing as well as potentially new customers.

Opportunities Relating to the Covid-19 Pandemic.

The Company provided the market with updates on the impact of the pandemic on February 27 and March 23. The continuation of work is prevalent as described above resulting in some promising developments. At present the world's communications infrastructure is being severely tested due to extremely heavy traffic and demand. This is expected to continue and in part become the 'new normal'.

This applies especially to healthcare infrastructure, but also to many other essential sectors. In addition, the nature of transmission of this virus combined with the isolation imperative, and importance to maintain telecommunications at all levels are driving demand for telehealth solutions as well as the need for fast, secure, always-on wideband communication, as described publicly by our partner in France, Alrena . It should be noted that Alrena's Smart MedicaSe (MedicaSe) is enjoying ongoing demand in France, although at present, the challenge of manufacturing and securing sufficient supply of parts to meet demand remains. It is also noteworthy that in December 2019, Alrena was the recipient of an international innovation award for the new Halo equipped MedicaSe enabled by ElSight after a submission made in conjunction with Airbus Industries (Airbus). Alrena has subsequently announced a formal partnership with Airbus.

Currently, ElSight is helping Alrena to satisfy the demand for MedicaSe, in particular by finding ways to circumvent supply chain issues and by assuming responsibility for some aspects of product manufacturing. Part of this work involves use of the ElSight Secure Portable Gateway which is based on our new Halo technology.

The Company has also received a number of product inquiries from around the world relating to "always on" low latency communications enabling businesses to function as a result of the situation. This has also promoted a refocussing and refining of the core value of ElSight technology and its applicability well beyond the pandemic. The opportunities which have opened up as a result of the pandemic have been substantial, both in terms of number as well as potential size.

Based on increased demand by a vast amount of hospitals with makeshift corona ICU departments in remote locations with limited communication infrastructure, the Company was requested to provide a quick solution for connecting monitors from outside the contaminated area to the patients under treatment. The Company has tested a number of such cases using Halo, and the solutions are summarised on the Company's website (<https://elsight.com/resources-3/>). Management is now evaluating the best opportunities upon which to focus available resources to maximise commercial outcomes.

US market update

Following the end of the Quarter the Company announced its reseller agreement with US-based Agile Defense, Inc. (Agile) – a leading information technology (IT) services business in Reston, VA, with a large number of U.S. Government clients, including several United States Civil agencies and various branches within the U.S. Department of Defense. The Company had previously announced the appointment of its US country manager, Ms. Karin Zalcborg who was instrumental in securing this relationship and working together

with Agile. Notwithstanding the impact of the pandemic in the US, this partnership has started very positively, giving Elsieht access to potential attractive customer opportunities. The companies have started working together with new prospects, building key relationships and are currently responding to a large tender with the USA government. These advancements are expected to result in increased US revenues.

Corporate

The Company had a change of board members with the departure of Mr Raj Logaraj and the appointment of Mr Peter Marks to the board.

The Company announced on 10 January 2020 that it had raised A\$2.88m through a placement to a Hong Kong-based group of high net worth investors, who have been shareholders for the majority of the Company's time as a listed entity. The funds are being used carefully to expand sales and marketing efforts with respect to the commercialisation of Halo in addition to being earmarked as working capital required for the ongoing manufacture of product.

The Company has also undertaken a thorough review of all expenses, cutting costs right across the organisation, including a 50% cut to all salaries, along with those of the founders, board fees and suppliers, as appropriate. This is being done carefully in order not to hinder the longer term prospects or operations of the business, and to conserve funds to focus on the execution of its core commercialisation strategy for 2020, as well as to deploy resources to best serve the immediate opportunities presented as a result of the current global situation. As a result of this and other cost reduced efforts by the Company, it is expected that the operational costs for Q2 to be \$538k instead of the previous estimate of \$1,273k and compared to actual costs of \$912k in Q1 2020.

Specific details on the financial position of the Company are outlined in the Appendix 4C attached.

We would also like to thank all shareholders and other stakeholders for their ongoing support during these unprecedented times. The Company is doing everything possible to 'right size' the organisation while also positioning it to take advantage of the range of opportunities the current crisis has presented. We expect to emerge from the current situation well positioned and firmly focussed on continuing the rapid deployment of our technology.

Authorised for release by the Board of Directors of Elsieht Limited.

-ENDS-

For more information, please contact:

Corporate, Business, and Media Enquiries

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About Elsieht

Elsieht (www.elsieht.com) is a solution provider of ground-breaking hybrid video and data transport services (on-the-move or fixed) for large Safe-City projects, sensitive facilities management, and surveillance and protective activities. The platform supports video capturing, recording, and highly secured transmission against video interception and hacking. **Elsieht's** platform was designed to address the most demanding requirements of Special Forces across enemy lines and sophisticated intelligence organizations. These systems underwent the most rigorous testing in combat situations as well as extensive testing by the most demanding laboratories. As a result, they present an unmatched level of reliability, lowest latency, and highest adaptive bandwidth over cellular networks that enables HD and 4K tv transmission quality, with "never-fail" redundancy and much more. For the first time they offer strict military requirements for civil usage. **Elsieht's** customers range from defence and homeland security to industrial security, broadcasting, first responders and healthcare.

Appendix 4C

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

Name of entity

ELSIGHT LIMITED

ABN

98 616 435 753

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (3 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	472	472
1.2 Payments for		
(a) research and development	(247)	(247)
(b) product manufacturing and operating costs	(210)	(210)
(c) advertising and marketing	(182)	(182)
(d) leased assets	-	-
(e) staff costs	(142)	(142)
(f) administration and corporate costs	(185)	(185)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(2)	(2)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(496)	(496)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	(35)	(35)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(35)	(35)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,987	1,987
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(11)	(11)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(5)	(5)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – principal elements of lease payments	(43)	(43)
3.10	Net cash from / (used in) financing activities	1,928	1,928

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	933	933
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(496)	(496)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(35)	(35)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,928	1,928
4.5	Effect of movement in exchange rates on cash held	(268)	(268)
4.6	Cash and cash equivalents at end of period	2,062	2,062

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	834	933
5.2	Call deposits	1,228	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,062	933

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1 – Payment to directors for their salaries and fees
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$US'000**

90

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
7.1 Loan facilities	65	65
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	65	65

7.5 Unused financing facilities available at quarter end

-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Facilities included above comprise a bank overdraft facility, short term bank loans and long-term bank loans.

Loan facility 1 – secured long term bank loan of US\$14,000 at quarter end, bearing interest at 2.25%

Loan facility 2 – secured short term bank loan of US\$51,000 at quarter end, bearing interest at 2.35%

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(496)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,062
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	2,062
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	4.2

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 April 2020

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

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.