

ASX Announcement

29 January 2021

December 2020 Quarterly Report & Update

Highlights

- Completed successful capital raising secured approx. AUD11.0m (USD8.3m) via Rights Issue & Placement
- FAA certification process is on track and expected to be concluded during March
- Significant market opportunities in the critical communication world because of COVID-19 effects
- Management Team strengthened with additional appointments
- Company well positioned to achieve a significant increase in commercial rollout and revenues.

21 January 2020 – Elsight Limited (ASX: ELS) ('Elsight Ltd, 'Elsight' 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 December 2020.

Oversubscribed Capital Raising

In December 2020, the Company raised approx. A\$11m through an oversubscribed Rights Issue which raised \$8,167,245 and a further follow on Placement to raise an additional \$2,833,000. As a result, the Company issued a total of 24,444,983 fully paid ordinary shares and 12,222,408 new options exercisable at \$0.90 with an expiry date of 31 March 2023. In addition, a further amount of US\$256K was received via the exercise of Options.

Proceeds of the capital raising are being used to take advantage of a number of commercial opportunities that have arisen from the successful release of Halo to customers as well as fund activities associated with the anticipated receipt of key regulatory approvals in the USA.

As well as supporting working capital requirements, the funding will also enable the company to continue to expand its sales and marketing activities, including human resources. The funds also provide the Company with a strong balance sheet, should strategic opportunities present themselves, leading to the acceleration of the company's growth trajectory.

Halo progress

In light of the COVID-19 world pandemic, which brought the need for reliable communications to be almost as critical as power and water, the Company's Halo solution provides a great solution for various use cases that are now being leveraged into new business opportunities.

The Company is still actively carrying out several Proof-of-Concept Trials for Halo that were recommenced in Q4 (following lifting of certain Covid-related restrictions) and, at the same time, is also working with existing customers to expand the business and generate further follow-on orders.

Alongside the additional sales and marketing activities currently underway, the Company started to establish additional manufacturing facilities to ensure flexibility, in-built redundancy, and, more importantly, the ability to triple the manufacturing capacity. Importantly, during the quarter, the Company commenced delivery of hundreds of Halo units under existing contracts.

With significant opportunities for Halo now emerging in a number of key vertical markets, the Company has paid particular attention to the major areas of Drone operations, rural broadband communication as well as Telemedicine.

The Company is now expanding its marketing and sales activities to broaden the current pipeline and significantly increase the sales results. The main efforts include marketing campaigns, additional trials for drones and robotics manufacturers, as well as the establishment and expansion of existing and additional sales channels to extend the market reach.

Regulatory.

As alluded to in previous announcements, Elsieht is part of a major FAA first TC (Type Certificate) test that once successful, will mean that Elsieht's specified drone's communication component will be the world's first to have gone through the entire certification process, allowing a drone to fly beyond the visual line of sight all over the United States (like any other aircraft).

Importantly, much of the actual testing phase had already been successfully completed in California during Q2. While a final decision has not as yet been officially announced, we are working closely with our partner to complete final processes as required by the regulator. We now are anticipating a final decision during March. Once published, this is expected to boost Halo's product and commercial position in this vibrant and rapidly expanding market.

Leadership changes

During the quarter, Mr Nir Gabay founder of Elsieht, stepped down from his role as CEO and director of the Company, effective 31st October 2020. Mr Yoav Amitai who was the Company's COO has replaced Nir as the new CEO. The Board has thanked Nir for his vision, dedication, and years of service in helping build Elsieht to the position it now holds. As a sign of his continued support for the Company, Mr Gabay participated personally in the recent capital raising.

COVID -19 update

The Company has undertaken several steps to ensure business continuity. As of today, only two of the company employees were found to be positive for COVID-19. No one else was affected by Covid. Furthermore, the company is in advance stage of vaccination of its entire working force. In parallel, the Company is working to ensure manufacturing redundancy and expand existing inventory levels to support the current sales efforts.

Specific details relating to the financial position of the Company are set out in the Appendix 4C attached.

We would like to thank all shareholders and other stakeholders for their ongoing support during these unprecedented times. The Elsieht team made significant progress during 2020 and the Board remains confident that the Company's management and technology is well positioned to build on its initial success with Halo, to take advantage of the extensive range of opportunities the current crisis has presented and to further accelerate the commercial outcomes in 2021 and beyond. Importantly, the Company is now in a strong financial position and with a leading technology and product poised to take advantage of many existing as well as new market opportunities.

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

-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 defense 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 December 2020

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (12 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	450	1,424
1.2 Payments for		
(a) research and development	(347)	(1,139)
(b) product manufacturing and operating costs	(465)	(1,162)
(c) advertising and marketing	(240)	(785)
(d) leased assets	-	-
(e) staff costs	(123)	(649)
(f) administration and corporate costs	(208)	(924)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	3
1.5 Interest and other costs of finance paid	(5)	(10)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	5	14
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(933)	(3,228)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(11)	(14)
(d) investments	(23)	(23)
(e) intellectual property	(12)	(68)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 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	(46)	(105)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	8,043	10,030
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	272	622
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(451)	(462)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(6)	(21)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – principal elements of lease payments	(39)	(168)
3.9	Other – proceeds collected from the sale of Non-Eligible Foreign Shareholders' Entitlements (to be distributed to the Non-Eligible Foreign Shareholders in Q1 2021)	32	32
3.10	Net cash from / (used in) financing activities	7,851	10,033

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

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	710	933
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(933)	(3,228)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(46)	(105)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	7,851	10,033
4.5	Effect of movement in exchange rates on cash held	342	291
4.6	Cash and cash equivalents at end of period	7,924	7,924

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	7,892	710
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other – proceeds held in relation to Non-Eligible Foreign Shareholders' Entitlements	32	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,924	710

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1 – Payment to directors for their salaries and fees	125
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>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.</i>		

7. Financing facilities	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	10	10
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	10	10
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\$10,000 at quarter end, bearing interest at 2.25%		

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(933)
8.2 Cash and cash equivalents at quarter end (item 4.6)	7,924
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	7,924
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	8.5
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	

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

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

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

Date: 29 January 2021

Authorised by: The Board of Directors of Elsie Limited

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.