



# **ELSIGHT LIMITED**

**ABN 98 616 435 753**

**ANNUAL REPORT  
31 DECEMBER 2020**

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**Directors**

Major General (ret) Ami Shafran – Non-Executive Chairman  
Mr David Furstenberg – Executive Director  
Mr Howard Digby – Non-Executive Director  
Mr Peter Marks – Non-Executive Director

**Company Secretary**

Mr Mark Licciardo

**Registered Office**

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AUSTRALIA

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**Auditor**

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

**Share Registry**

Automatic Registry Services  
Level 2, 267 St Georges Terrace  
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**Securities Exchange Listing**

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

**ASX Code – ELS**

Dear Shareholder,

It is with a sense of pride and enthusiasm that as Elsight's Chairman, I wish to report to you on the current status of our Company and the significant strides we have made in the past 12 months despite adversity and the positive plans awaiting us, not only during the remainder of 2021 but importantly, in the years ahead.

As we are all well aware, 2020 was a year marked by the worldwide pandemic's many and varied challenges to all of us. Despite this position, Elsight, witnessed a solid formative year of growth, maturity and made certain changes and adjustments to our operations which have helped to secure the Company's future over the longer term. It was also a year marked by the change at the helm of the Company. This led to a fundamental reappraisal and change in many aspects of the Company's operations, including a shift towards a total focus on "Halo" as the pivotal product focus, and the channeling towards two principal segments, namely:

O4B – Other 4 billion people, living in areas without satisfactory internet/cellular coverage in the USA as well as elsewhere;  
Drones – with a focus on securing a key Type Certificate (TC) with the FAA.

As a consequence of COVID as well as other delays which were experienced by many of our customers, the planned first half of 2020 revenue growth didn't materialize quite as we expected. However, given the changes and adjustments that have been implemented, including the renewed focus on the two key verticals, as well as various cost cutting and related measures, starting September a material booking performance improvement started to surface. This adds to our confidence in the validity of the implemented changes. We therefore believe that the Company is better positioned today and stronger than ever before.

As part of this transition and aim to ensure we had the necessary resources to implement our plans, the Company undertook and completed a successful capital raising program in late 2020. This has enabled us to pursue a variety of opportunities, at a time when other companies have been struggling to survive. An example of this was, despite two major fires at large chip plants in Japan (at the end of October 2020 and a further one in mid March 2021) and which resulted in a global supply shortage throughout the electronics and auto industries, the fact that we were financially secure enabled us to continue to supply products on time.

As part of its COVID practices, the Company went through a significant protection strategy that included working in groups, alternating between working from home and the office as well as undertaking the vaccination program.

As part of its longer term strategy, Elsight has taken a number of important steps designed to accelerate its discussions with substantially larger and more financially secure North America distribution companies. This is essential as we need to be ahead of the curve and continue with the rapid expansion of our distribution channels within the lucrative North American market. We expect to be able to provide all Shareholders with further updates in relation to these important strategic developments over the coming months.

Finally, I would like to thank all our Shareholders for their ongoing interest and support for the Company. The past 12 months has certainly thrown up many challenges as well as opportunities where we can capitalise in the months ahead. With the additional financing secured and a strong financial position, we intend to take advantage of all the opportunities that are now before us and look forward to providing you with further information when it comes to hand.

Sincerely,

Maj. Gen. (res) Ami Shafran

Chairman

30th March, 2021.

Your Directors present their report, together with the financial statements of Elsieht Limited (“the Company”) and controlled entities (“the Group”) for the financial year ended 31 December 2020.

### 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 David Furstenberg	Executive Director	2 June 2017	-
Mr Howard Digby	Non-Executive Director	13 December 2016	-
Mr Peter Marks	Non-Executive Director	9 January 2020	-
Mr Nir Gabay	Managing Director	2 June 2017	31 October 2020
Mr Raj Logaraj	Non-Executive Director	1 August 2018	7 January 2020

### Principal Activities

The principal activities of the Group during the year were the development and commercialisation of Halo.

### Dividends

There were no dividends paid or recommended during the financial year ended 31 December 2020 (2019: Nil).

### Review of operations

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

Elsieht Limited incurred a loss for the year of \$3,880,688 (2019: loss of \$3,192,433). The 2020 loss included selling, general and administrative expenses of \$3,949,805.

The net assets of the Group have increased by \$7,017,567, from net assets of \$1,415,262 at 31 December 2019 to net assets of \$8,432,829 at 31 December 2020.

As at 31 December 2020, the Group’s cash and cash equivalents increased from a balance of \$933,517 at 31 December 2019 to a balance of \$7,924,309 at 31 December 2020. As at 31 December 2020 the Group has working capital of \$8,132,701 (2019: \$936,808).

### 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

The following significant Group matters occurred during 2020:

In early January 2020, the Board announced the resignation of Raj Logaraj and the appointment of Peter Marks as a Non-Executive Director of the Company.

Later in January the Group completed a private placement of 9,000,000 fully paid ordinary shares at A\$0.32 per share to raise a total of approximately A\$2,880,000 (US\$2,000,000).

The COVID-19 outbreak struck in February 2020, creating dramatic changes and challenges. This potentially negative impact was turned into an opportunity with minimal material impact on bookings and revenue, despite lockdown and the need of many to work from home during a critical time for the Company.

A key priority was finalising the development of the flagship Halo product and commencing sales activities while the Company’s salesforce was grounded and unable to meet with customers during the most critical product launch period. Notwithstanding this, significant progress was made with the initial launch and commercialisation of the product.

Key actions and changes during the year included:

1. The transition from project to solution-based approach to better realise value from development efforts in chosen segments.
2. Total focus on completion and launch of Halo during H2.
3. Narrowing of our focus on 3 market segments: bridging the digital divide to the “Other 4 Billion” (O4B) rural customers with no workable connectivity; Drones; and Medical First Responders.

After previously announcing details of its strategic work with Airobotics in the drone space (December 19, 2019), in March 2020, the Group announced the broadening of a partnership with CopterPIX PRO. CopterPIX PRO, is a leading drone company focussing on advanced solutions using autonomous drones. Following one month of successful POC test flights using HALO, CopterPIX PRO elected to expand the Halo POC and purchase an additional 6 Halo units for integration within their drone platform.

In May and June 2020, the Group issued a total of 1,774,000 fully paid ordinary shares on the conversion of options, raising a total of approximately A\$532,000 (US\$350,000).

July 2020 saw the Group enter a strategic partnership with Kinetx Prime to deliver direct-to-consumer telehealth services in the US with its flagship Halo product. The Group received an initial order of US\$1,600,000 with the prospect of additional repeat orders over the course of the next 36 months.

Full FCC certification was also received in July.

Following completion of Halo’s integration into a backpack version of Alrena’s “Smartmedicase” branded as “Smartmedibag” in August 2020, the Group received an initial order worth approximately US\$300,000. Alrena’s “Smartmedibag” solution enables independent nurses in remote and rural areas to provide lifesaving treatment via telemedicine. This has been adopted by the French Ministry of Health.

In October 2020, the Group obtained the necessary CE certification for Halo which enabled it to ship all Halo units to fulfil the Alrena Technologies order. The Group received a repeat order of US\$133,000 from a leading cash-in-transit and security company, bringing their total orders to date to approx. US\$190,000.

In November 2020, the Group received approximately A\$376,000 (US\$273,000) on the exercise of 1,880,000 options by Mr Nir Gabay. This followed Mr Gabay’s resignation as a Managing Director and the appointment of Mr Yoav Amitai as the new CEO.

In December 2020, the Group completed a renounceable rights issue to raise \$A8,200,000 and a follow-on placement of A\$2,800,000, raising a total of A\$11,000,000 (US\$8,300,000) before costs. The Group issued a total of 24,444,983 new fully paid ordinary shares and 23,222,653 new listed options exercisable at A\$0.90 on or before 31 March 2023 in relation to the rights issue and placement.

At the end of 2020 and as at the reporting date, the impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not significantly impacted the entity up to 31 December 2020, it is not possible to accurately predict the potential impact, positive or negative, the pandemic may have during the current year. The situation continues to develop and is dependent on measures imposed by the Israeli Government as well as other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

#### **Significant events after the reporting period**

Since the reporting date the following significant events have occurred:

- On 2 March 2021 the Group announced a strategic partnership with JS Group to amplify expansion efforts in the North American broadband market.
- On 16 March 2021 the Group announced finalisation of FAA certifications will be delayed pending the release of the final ruling covering ‘Operation of Small Unmanned Aircraft Systems Over People’ on 21 April 2021.

Other than what has already been stated within this report, there have been no other matters or circumstances that have arisen since the end of the period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of the Group in subsequent financial periods.

**Information on Directors**

<b>Major General (ret) Ami Shafran</b>	Non-Executive Chairman (Appointed 2 June 2017)
Qualifications	-
Experience	<p>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.</p> <p>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 Attaché at the Israeli Embassy in Washington DC.</p>
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
<b>Mr David Furstenberg</b>	Executive Director (Appointed 2 June 2017)
Qualifications	-
Experience	<p>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 Converse (NASDAQ: CNSI) and Audiocodes (NASDAQ: AUDC), Enure, and Vista (a subsidiary of Israel Aerospace Industries).</p> <p>Most recently David was the active Chairman at NovelSat and the CEO at InsurBit, as well as a director of White Cyber Knight Ltd and Insurix Inc., all companies involved in cyber and security businesses in some form.</p> <p>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). He became an Executive Director of the Company from 1 November 2020.</p>
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

**Information on Directors**

<b><i>Mr Howard Digby</i></b>	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	2,052,004 Ordinary shares and 128,085 Options expiring 31 March 2023 exercisable at \$0.90
Special Responsibilities	Nil
Directorships held in other listed entities (last 3 years)	4DS Memory Limited (current) Vortiv Limited (current) Cirralto Limited (current) Singular Healthcare Limited (current) IMEXHS Limited (resigned 30 April 2020)
<b><i>Mr Peter Marks</i></b>	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 35 years' experience in corporate advisory and investment banking. Over the course of his long 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) Nyrada Inc (current) Fluence Corporation Limited (resigned 31 March 2020)



**Information on Directors**

<b>Mr Nir Gabay</b>	Managing Director (Appointed 2 June 2017, Resigned 31 October 2020)
Qualifications	-
Experience	<p>Nir is one of the founders of El-Sight Israel.</p> <p>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.</p> <p>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.</p>
Interest in Shares and Options at the date of resignation	19,534,474 Ordinary shares, 29,595,000 Performance Options expiring 2 June 2022 exercisable at A\$0.20, 110,000 options expiring 9 October 2022 exercisable at A\$0.60 and 100,000 options expiring 23 April 2025 exercisable at A\$0.28
Special Responsibilities	Nil
Directorships held in other listed entities (last 3 years)	Nil
<b>Mr Raj Logaraj</b>	Non-Executive Director (Appointed 1 August 2018, Resigned 7 January 2020)
Qualifications	LLB, LL M
Experience	<p>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.</p> <p>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 &amp; 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 &amp; 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.</p>
Interest in Shares and Options at the date of resignation	50,000 Ordinary shares
Special Responsibilities	Nil
Directorship held in other listed entities (last 3 years)	Nil

**Information on Key Management**

<b>Mr Yoav Amitai</b>	Chief Executive Officer
Qualifications	BSc Mechanical Engineering
Experience	Yoav has been with ElSight for four years. Prior to becoming the Company's Chief Executive Officer, most recently as Chief Operating Officer and as Chief Innovation & Product Officer before that. With a degree in Mechanical Engineering from the Ben-Gurion University of the Negev and a rich resume that includes serving as General Manager of Agor Engineering, Yoav brings extensive managerial, business strategy, and technical experience to the ElSight table. Yoav played a major part in initiating and executing ElSight's strategic transition from project-based to product-oriented company, leveraging its advanced technology and shaping its technological and business vision. Yoav is well-versed in product design, manufacturing, and "creative engineering" solutions and is a perfect fit to lead ElSight's team.

<b>Mr Roe Kashi</b>	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**

<b>Mr Mark Licciardo</b>	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 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. Mark is a director of various 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 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	11	10
David Furstenberg	Appointed 2 June 2017	11	11
Howard Digby	Appointed 13 December 2016	11	11
Peter Marks	Appointed 9 January 2020	10	9
Nir Gabay	Appointed 2 June 2017, Resigned 31 October 2020	10	5
Raj Logaraj	Appointed 1 August 2018, Resigned 7 January 2020	-	-

**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
18 June 2021	19 June 2018	Listed	A\$1.00	6,878,983
2 June 2022	2 June 2017	Unlisted	A\$0.20	8,120,000
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 March 2023	7 May 2018	Unlisted	A\$0.745	12,000
31 March 2023	15 December 2020	Listed	A\$0.90	23,222,653
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	145,000
23 April 2025	29 June 2020 and 4 August 2020	Unlisted	A\$0.28	1,750,000
15 May 2025	29 June 2020	Unlisted	A\$0.34	150,000
12 June 2025	29 June 2020	Unlisted	A\$0.32	100,000
27 July 2025	23 September 2020	Unlisted	A\$0.30	75,000
12 October 2025	12 November 2020	Unlisted	A\$0.54	100,000
1 February 2026	2 February 2021	Unlisted	A\$0.43	210,000
9 March 2026	10 March 2021	Unlisted	A\$0.52	180,000
				<b>50,528,636</b>

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 2020 1,774,000 options exercisable at \$A0.30 on or before 2 June 2020 and 1,880,000 options exercisable at A\$0.20 on or before 2 June 2022 were exercised and converted to ordinary Shares (2019: 354,000 options exercisable at \$A0.30 on or before 2 June 2020 exercised and converted to ordinary Shares).

**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.

**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 2020 has been received and can be found on page 20 of the financial report.

**Remuneration Report (Audited)**

This remuneration report for the year ended 31 December 2020 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:

<b>Name</b>	<b>Status</b>	<b>Appointed</b>	<b>Resigned</b>
Major General (ret) Ami Shafran	Non-Executive Chairman	2 June 2017	-
Mr David Furstenberg	Executive Director	2 June 2017	-
Mr Howard Digby	Non-Executive Director	13 December 2016	-
Mr Peter Marks	Non-Executive Director	9 January 2020	-
Mr Nir Gabay	Managing Director	2 June 2017	31 October 2020
Mr Raj Logaraj	Non-Executive Director	1 August 2018	7 January 2020
Mr Yoav Amitai	Chief Executive Officer	1 November 2020	-
Mr Roei 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.

**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 Yoav Amitai as Chief Executive Officer and Mr Roe Kashi as Vice President – Research and Development. The terms of their Executive Employment Agreements with Elsight Limited are summarised in the following table.

Executive Name	Services Agreement Summary
Mr Yoav Amitai	<ul style="list-style-type: none"> <li>Executive salary of ILS 600,000 per annum (based on the exchange rate at the date of this report, equals approximately US\$180,451 per annum).</li> <li>Reimbursement of reasonable business expenses incurred in the ordinary course of the business in accordance with the Group's reimbursement policies.</li> <li>The agreement commenced on 1 November 2020 and may be terminated by either party on 104 days' notice. It may be terminated immediately with justifiable cause.</li> </ul>
Mr Roe Kashi	<ul style="list-style-type: none"> <li>Executive salary of ILS 660,000 per annum (based on the exchange rate at the date of this report, equals approximately US\$198,496 per annum).</li> <li>Reimbursement of reasonable business expenses incurred in the ordinary course of the business in accordance with the Group's reimbursement policies.</li> <li>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.</li> </ul>

As the Group is in the early stages of operations 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 200,000 Options issued to key management personnel or their related parties under the Plan during the 2020 financial year (2019: Nil).

The table below shows the performance of the Group over the last 5 reporting periods:

Financial Year	31 Dec 20	31 Dec 19	31 Dec 18	31 Dec 17	31 Dec 16 <sup>(i)</sup>
(Loss)/income for the year	(3,880,688)	(3,192,433)	(4,206,972)	(3,119,570)	-
EPS (cents)	(3.62)	(3.33)	(4.51)	(3.74)	-
Share price	\$A0.425	A\$0.39	A\$0.70	A\$1.47	-

(i) Prior to establishment of the Group and ASX Listing.

**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 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\$300,000 (US\$231,000) 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\$142,795 (2019: US\$146,020) 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 2020.

31-Dec-20	Short Term Salary, Fees & Commissions	Post-Employment Retirement Benefits	Non-monetary benefits	Termination benefits <sup>(i)</sup>	Other <sup>(ii)</sup>	Share-based payments <sup>(iii)</sup>	Total	Performance based remuneration
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	
<b>Directors:</b>								
Ami Shafran	51,766 <sup>(iv)</sup>	-	-	-	-	9,409	61,175	15%
David Furstenberg	51,766 <sup>(iv)</sup>	-	-	-	-	23,521	75,287	31%
Howard Digby	31,631	-	-	-	-	-	31,631	-
Peter Marks	49,352	-	-	-	-	-	49,352	-
Nir Gabay	262,940	57,590	13,588	183,407	21,145	24,664	563,334	4%
Raj Logaraj	863	-	-	-	-	-	863	-
<b>Key management:</b>								
Yoav Amitai	128,286	18,765	12,475	-	13,297	22,067	194,890	11%
Roe Kashi	176,928	27,318	9,886	-	23,371	77,915	315,418	25%
<b>Total</b>	<b>753,532</b>	<b>103,673</b>	<b>35,949</b>	<b>183,407</b>	<b>57,813</b>	<b>157,576</b>	<b>1,291,950</b>	<b>12%</b>

<sup>(i)</sup> On termination Nir Gabay received ILS 631,359 (US\$183,407) comprised of 12 months average salary calculated on the basis of the aggregate salary paid to Mr Gabay over the past three years plus a pension amount calculated as 6.5% of the average cash salary.

<sup>(ii)</sup> Israeli social benefits.

<sup>(iii)</sup> 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.

<sup>(iv)</sup> Fees for Ami Shafran are comprised of Non-executive Director fees of US\$34,510 and consulting fees of US\$17,256. Fees for David Furstenberg are comprised of Non-executive Director fees of US\$26,440, executive director fees of US\$8,070 and consulting fees of US\$17,256. Non-executive directors received consulting fees through 30 June 2020 in recognition of services provided to the Company over and above the level of service expected from a non-executive director.

## DIRECTORS' REPORT

### 5. Details of Remuneration (continued)

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

<sup>(i)</sup> Israeli social benefits.

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

<sup>(iii)</sup> 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	<b>11,011</b>
Nir Gabay	-	(400,850)	-	-	12,112	<b>(388,738)</b>
David Furstenberg	-	-	-	-	27,527	<b>27,527</b>
Roe Kashi	-	(5,485)	-	231,564	-	<b>226,079</b>
<b>Total</b>	<b>-</b>	<b>(406,335)</b>	<b>-</b>	<b>231,564</b>	<b>50,650</b>	<b>(124,121)</b>



## DIRECTORS' REPORT

### 6. Additional disclosures relating to equity instruments

#### KMP Shareholdings

There were no shares issued as remuneration during the 2020 financial year (2019: nil).

Subsequent to his resignation as a director of the Company, 1,880,000 shares were issued to Mr Nir Gabay during the 2020 financial year on the exercise of remuneration options (2019: nil).

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

31-Dec-20	Balance at start of the year	Shares acquired during the year <sup>(i)</sup>	Shares sold during the year <sup>(ii)</sup>	Balance at Date of Appointment/ (Resignation)	Balance at end of the year
<b>Directors:</b>					
Ami Shafran	-	-	-	-	-
David Furstenberg	-	-	-	-	-
Howard Digby	1,795,834	256,170	-	-	2,052,004
Peter Marks	-	-	-	-	-
Nir Gabay	26,159,474	-	(6,625,000)	(19,534,474)	-
Raj Logaraj	50,000	-	-	(50,000)	-
<b>Key management:</b>					
Yoav Amitai	-	-	-	-	-
Roe Kashi	2,894,775	-	-	-	2,894,775
<b>Total</b>	<b>30,900,083</b>	<b>256,170</b>	<b>(6,625,000)</b>	<b>(19,584,474)</b>	<b>4,946,779</b>

<sup>(i)</sup>Participation in December 2020 Rights Issue and Follow on Placement.

<sup>(ii)</sup>Off-market sales during the year.

#### 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 (and/or their related party) during the financial year is as follows:

31-Dec-20	Balance at the start of the year	Granted as remuneration during the year	Other options granted during the year <sup>(i)</sup>	Expired during the year	Exercised during the year	Cancelled during the year	Balance at Date of Appointment / (Resignation)	Balance at the end of the year
<b>Directors:</b>								
Ami Shafran	100,000	-	-	-	-	-	-	100,000
David Furstenberg	250,000	-	-	-	-	-	-	250,000
Howard Digby	750,000	-	128,085	(750,000)	-	-	-	128,085
Peter Marks	-	-	-	-	-	-	-	-
Nir Gabay	29,705,000	100,000	-	-	-	-	(29,805,000)	-
Raj Logaraj	-	-	-	-	-	-	-	-
<b>Key management:</b>								
Yoav Amitai	-	-	-	-	-	-	241,000	241,000
Roe Kashi	9,013,000	-	-	-	-	(270,000)	-	8,743,000
<b>Total</b>	<b>39,818,000</b>	<b>100,000</b>	<b>128,085</b>	<b>(750,000)</b>	<b>-</b>	<b>(270,000)</b>	<b>(29,564,000)</b>	<b>9,462,085</b>

<sup>(i)</sup>Participation in December 2020 Rights Issue and Follow on Placement.

## DIRECTORS' REPORT

### 6. Additional disclosures relating to equity instruments (continued)

Details of vested and unvested options at year end is as follows:

31-Dec-20	Vested and exercisable	Unvested and un-exercisable	Balance at the end of the year
<b>Directors:</b>			
Ami Shafran	50,000	50,000	100,000
David Furstenberg	125,000	125,000	250,000
Howard Digby	128,085	-	128,085
Peter Marks	-	-	-
Nir Gabay	-	-	-
Raj Logaraj	-	-	-
<b>Key management:</b>			
Yoav Amitai	27,937	213,063	241,000
Roe Kashi	7,667,000	1,076,000	8,743,000
<b>Total</b>	<b>7,998,022</b>	<b>1,464,063</b>	<b>9,462,085</b>

### 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	Expiry date	Exercise price	Value per option at grant date <sup>(vii)</sup>	Vested %	Value Yet to Vest	Value Yet to be Expensed
								US\$	US\$
ESOP Options	8,608,000	2-Jun-17	(i)	2-Jun-22	A\$0.20	US\$0.104	87.50%	111,640	8,333
ESOP Options	26,000	10-Dec-17	(ii)	9-Oct-22	A\$0.60	US\$0.795	75%	5,165	567
ESOP Director Options	460,000	28-May-18	(iii)	9-Oct-22	\$A0.60	US\$0.265	50.00%	60,990	15,562
ESOP Options	15,000	1-Aug-18	(iv)	31-Jul-23	A\$0.675	US\$0.277	56.25%	1,821	434
ESOP Options	100,000	24-Jun-19	(v)	23-Jun-24	\$A0.35	US\$0.182	-	18,219	6,698
ESOP Options	200,000	10-May-20	(vi)	23-Apr-25	\$A0.28	US\$0.220	-	43,952	21,049
ESOP Director Options	100,000	30-Jul-20	(vi)	23-Apr-25	A\$0.28	US\$0.275	-	27,470	13,155

<sup>(i)</sup>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 2,152,000 options vested during the year ended 31 December 2020. There are no performance milestones applicable to the ESOP Options.

<sup>(ii)</sup>50% of the 26,000 options vested on 10 October 2019, with an additional 6.25% vesting at the end of each quarter of continuous service thereafter. A total of 6,500 options vested during the year ended 31 December 2020. There are no performance milestones applicable to the ESOP Options.

<sup>(iii)</sup>50% of the 460,000 options vested on 2 October 2020, with an additional 6.25% vesting at the end of each quarter of continuous service thereafter. A total of 230,000 options vested during the year ended 31 December 2020. There are no performance milestones applicable to the ESOP Options.

<sup>(iv)</sup>50% of the 15,000 options vested on 1 August 2020, with an additional 6.25% vesting at the end of each quarter of continuous service thereafter. A total of 8,438 options vested during the year ended 31 December 2020. There are no performance milestones applicable to the ESOP Options.

<sup>(v)</sup>50% of the 100,000 options vest on 21 June 2021, 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.

**6. Additional disclosures relating to equity instruments (continued)**

(vi) 50% of the 300,000 options vest on 23 April 2021, with an additional 6.25% at the end of each quarter of continuous service thereafter. There are no performance milestones applicable to the ESOP Options and ESOP Director Options.

(vii) 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.

31-Dec-20	Fair value of options granted during the year	Value of options vested during the year	Value of options cancelled during the year	Remuneration consisting of options for the year
	US\$	US\$	US\$	US\$
<b>Directors:</b>				
Ami Shafran	-	13,259	-	9,409
David Furstenberg	-	33,147	-	23,521
Nir Gabay	27,470	14,585	2,047,074	24,664
<b>Key management:</b>				
Yoav Amitai	21,976	7,506	-	22,067
Roe Kashi	21,976	223,279	28,014	77,915
<b>Total</b>	<b>71,422</b>	<b>291,776</b>	<b>2,075,088</b>	<b>157,576</b>

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

During the year Mr Nir Gabay received an advance of ILS 100,000 (US\$28,852) which was repaid to the Group prior to 31 December 2020. At 31 December 2020 there is an amount owing to Mr Gabay of ILS 147,888 (US\$46,000) in relation to Group bank borrowings paid by Mr Gabay. No interest has been recorded or incurred in respect of these transactions. Had interest been charged on the advance to Mr Gabay at a rate of 10% interest received by the Company would have been approximately \$1,100.

**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	-	33,333
David Furstenberg	Director and consulting fees included within trade and other payables	-	33,333
Howard Digby	Director fees included within trade and other payables	-	3,511
Nir Gabay	Termination benefits, Post-employment retirement benefits, Company bank loan settled by Nir on behalf of the Group	-	261,117
Susana Gabay <sup>(i)</sup>	Salary and salary related expenses	116,186	3,068
Eden Gabay <sup>(i)</sup>	Professional services	2,294	-
Dipio <sup>(ii)</sup>	Subcontractor	87,148	-
Yoav Amitai	Salary and salary related expenses	-	14,499
Roe Kashi	Salary and salary related expenses	-	7,006

<sup>(i)</sup> Related parties of Nir Gabay.

<sup>(ii)</sup> Related party of Nir Gabay and Roe Kashi.

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

The Company received 89.85% "Yes" votes cast on its Remuneration Report for the 2019 financial year. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

**REMUNERATION REPORT (END)**

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

*David Furstenberg*

**Mr David Furstenberg**

**Executive Director**

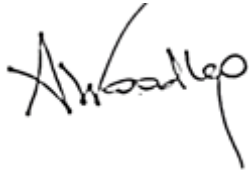
30 March 2021

## DECLARATION OF INDEPENDENCE BY ASHLEIGH WOODLEY TO THE DIRECTORS OF ELSIGHT LIMITED

As lead auditor of Elsieht Limited for the year ended 31 December 2020, 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.



**Ashleigh Woodley**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 30 March 2021

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 US\$	2019 US\$
Revenue from contracts with customers	2	1,725,209	1,287,897
Cost of sales		(1,230,248)	(836,732)
<b>Gross profit</b>		<b>494,961</b>	<b>451,165</b>
Other income		3,070	31,952
Selling, general and administrative expenses	3	(3,949,805)	(3,660,673)
Net share based payments (expense)/income	17	(397,793)	43,438
<b>Loss before finance expenses</b>		<b>(3,849,567)</b>	<b>(3,134,118)</b>
Finance expenses	3	(31,121)	(58,315)
<b>Loss before income tax</b>		<b>(3,880,688)</b>	<b>(3,192,433)</b>
Income tax expense		-	-
<b>Loss for the year</b>		<b>(3,880,688)</b>	<b>(3,192,433)</b>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation, net of tax	16(c)	35,275	85,318
<b>Total comprehensive loss for the year attributable to owners of the Company</b>		<b>(3,845,413)</b>	<b>(3,107,115)</b>
<b>Loss per Share attributable to owners of the Company</b>			
Basic loss per share (cents per share)	7	(3.62)	(3.33)
Diluted loss per share (cents per share)	7	(3.62)	(3.33)

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	2020 US\$	2019 US\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8a	7,924,309	933,517
Trade and other receivables	9	1,048,565	571,618
Inventory	10	396,272	251,148
Other current assets		-	107,388
<b>TOTAL CURRENT ASSETS</b>		<b>9,369,146</b>	<b>1,863,671</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	11	255,207	292,177
Intangible assets		163,142	141,909
Right of use assets		-	161,703
<b>TOTAL NON-CURRENT ASSETS</b>		<b>418,349</b>	<b>595,789</b>
<b>TOTAL ASSETS</b>		<b>9,787,495</b>	<b>2,459,460</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	1,227,674	694,882
Borrowings	13	8,771	64,461
Lease liabilities		-	167,520
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,236,445</b>	<b>926,863</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	13	768	8,072
Provision for employees' severance benefits, net	14	117,453	109,263
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>118,221</b>	<b>117,335</b>
<b>TOTAL LIABILITIES</b>		<b>1,354,666</b>	<b>1,044,198</b>
<b>NET ASSETS</b>		<b>8,432,829</b>	<b>1,415,262</b>
<b>SHAREHOLDERS' EQUITY</b>			
Issued capital	15	21,361,856	11,739,495
Reserves	16	2,247,015	1,630,987
Accumulated losses		(15,176,042)	(11,955,220)
<b>SHAREHOLDERS' EQUITY</b>		<b>8,432,829</b>	<b>1,415,262</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2020

	Issued Capital	Accumulated losses	Share Based Payment Reserve	Foreign Exchange Reserve	Predecessor Accounting Reserve	Total
	US\$	US\$	US\$	US\$	US\$	US\$
<b>Balance at 1 January 2019</b>	<b>11,667,737</b>	<b>(8,787,545)</b>	<b>2,677,670</b>	<b>(767,009)</b>	<b>(296,796)</b>	<b>4,494,057</b>
Loss for the year	-	(3,192,433)	-	-	-	(3,192,433)
Other comprehensive loss	-	-	-	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)
<b>Balance at 31 December 2019</b>	<b>11,739,495</b>	<b>(11,955,220)</b>	<b>2,609,474</b>	<b>(681,691)</b>	<b>(296,796)</b>	<b>1,415,262</b>
<b>Balance at 1 January 2020</b>	<b>11,739,495</b>	<b>(11,955,220)</b>	<b>2,609,474</b>	<b>(681,691)</b>	<b>(296,796)</b>	<b>1,415,262</b>
Loss for the year	-	(3,880,688)	-	-	-	(3,880,688)
Other comprehensive income	-	-	-	35,275	-	35,275
Total comprehensive income/(loss) for the year	-	(3,880,688)	-	35,275	-	(3,845,413)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of shares	9,622,361	-	-	-	-	9,622,361
Exercise and expiry of options	-	659,866	(659,866)	-	-	-
Share based payments	-	-	1,240,619	-	-	1,240,619
<b>Balance at 31 December 2020</b>	<b>21,361,856</b>	<b>(15,176,042)</b>	<b>3,190,227</b>	<b>(646,416)</b>	<b>(296,796)</b>	<b>8,432,829</b>

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



## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 US\$	2019 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		1,424,163	1,901,353
Payments to suppliers and employees		(4,645,176)	(4,389,030)
Interest received		3,069	33,165
Interest paid		(10,352)	(26,718)
<b>Net cash used in operating activities</b>	<b>8b</b>	<b>(3,228,296)</b>	<b>(2,481,230)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of plant and equipment		(13,956)	(8,522)
Purchase of intangible assets		(67,668)	(100,222)
Payment for short term bank deposits		(23,272)	-
<b>Net cash used in investing activities</b>		<b>(104,896)</b>	<b>(108,744)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from the issue of shares		10,464,234	71,758
Repayment of borrowings		(20,950)	(19,511)
Principal elements of lease payments		(168,182)	(170,601)
Proceeds collected from the sale of Non-Eligible Foreign Shareholders' Entitlements		33,117	-
<b>Net cash provided by/(used in) financing activities</b>		<b>10,308,219</b>	<b>(118,354)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6,975,027</b>	<b>(2,708,328)</b>
Cash and cash equivalents at the beginning of the financial year		933,517	3,632,926
Foreign exchange		15,765	8,919
<b>Cash and cash equivalents at the end of the financial year</b>	<b>8a</b>	<b>7,924,309</b>	<b>933,517</b>

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

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 30 March 2021 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 has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2020. It has been determined by the Group that there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and therefore no change is necessary to Group accounting policies. No retrospective change in accounting policy of material reclassification has occurred during the year.

**d) Principles of Consolidation**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2020. 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.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****d) Principles of Consolidation (continued)**

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.

**e) 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 license, 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.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****f) 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.

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.

**g) 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.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****h) 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.

**i) 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.

**j) 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.

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.

**k) 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.

**l) Operating expenses**

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

**m) 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.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****m) Depreciation (CONTINUED)**

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.

**n) 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.

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.

**o) 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 Black Scholes simulation model.

**p) 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.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****q) 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.

**r) 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.

**s) 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.

**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.

**t) 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 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****u) 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.

**v) 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).

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.

**w) 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.

**x) 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.

**y) Critical Accounting Estimates and Judgements**

The directors evaluate estimates and judgements incorporated into the consolidated 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.



**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Key Estimates and judgements*****Coronavirus (COVID-19) pandemic***

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic. At 31 December 2020 the Group has reassessed all significant judgements and estimates included in the 31 December 2020 financial result and position, including but not limited to, provisions against debtors, net realizable value of inventory, liability to future claims, impairment of non-current assets, and other provisions and estimates.

***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.

The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 17.

***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.

Assumptions made regarding the collectability of the Group's receivables are disclosed at Note 9.

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

	2020	2019
<b>NOTE 2: REVENUE FROM CONTRACTS WITH CUSTOMERS</b>	<b>US\$</b>	<b>US\$</b>
Revenue recognised at a point in time:		
- Sale of physical goods	1,399,452	1,040,884
Revenue recognised over a period of time:		
- Service level agreements and other services	325,757	247,013
<b>Total revenue</b>	<b>1,725,209</b>	<b>1,287,897</b>

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

- Contract liabilities	52,007	34,610
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There were no significant movements in contract assets or liabilities during the year.

	2020	2019
<b>NOTE 3: EXPENSES</b>	<b>US\$</b>	<b>US\$</b>
Loss before income tax from continuing operations includes the following specific expenses:		
Selling, general and administrative expenses:		
- Research	1,212,678	1,140,758
- Sales, marketing and exhibitions	845,995	747,172
- Salaries and related expenses	655,147	604,288
- Professional services	419,196	388,899
- Amortisation of right of use lease asset	162,341	178,567
- Office related expenses	167,171	168,686
- Depreciation of plant and equipment and amortisation of intangible assets	126,712	78,854
- Travel	30,535	157,724
- Others	330,030	195,725
<b>Total selling, general and administrative expenses</b>	<b>3,949,805</b>	<b>3,660,673</b>
Finance expenses:		
- Interest on borrowings and bank fees	7,652	5,592
- Implied interest on leases	2,625	8,517
- Exchange rate differences	20,844	44,206
<b>Total finance expenses</b>	<b>31,121</b>	<b>58,315</b>

**NOTE 4: INCOME TAX**

The financial accounts for the year ended 31 December 2020 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% (2019: 30%). The applicable tax rate in Israel is 23% (2019: 23%).

	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
(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 27.02% (2019: 27.50%)	(1,048,480)	(1,432,727)
<i>Non-deductible items</i>		
Non-deductible expenditure	255,306	117,684
Deferred tax assets not recognised	793,174	1,315,043
Income tax attributable to operating income/(loss)	-	-
Utilisation of tax losses	-	-
Income tax expense	-	-
<b>Deferred tax assets</b>		
Investments	3,116,510	2,153,287
Accruals	3,313	4,276
Provisions	62,372	63,127
Tax losses	2,226,565	1,366,689
Deferred tax asset	5,408,760	3,587,379
Less deferred tax assets not recognised	(5,408,760)	(3,587,379)
Net deferred tax assets	-	-
<b>Deferred tax liabilities</b>		
Other	-	-
Net deferred tax liabilities	-	-
<b>Deferred tax assets not brought to account</b>		
Temporary differences	3,182,196	2,220,690
Operating tax losses	2,226,564	1,366,689
Capital loss	-	-
Unused tax losses for which no deferred tax asset has been recognised	5,408,760	3,587,379

**Carry forward losses**

Potential future income tax benefits attributable to tax losses carried forward have not been brought to account at 31 December 2020 because the Directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable.

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**
**NOTE 5: RELATED PARTY TRANSACTIONS**
**a) Key Management Personnel Compensation**

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

	2020	2019
	US\$	US\$
Short-term salary and fees	753,532	654,431
Retirement benefits	103,673	58,934
Non-monetary benefits	35,949	25,612
Termination benefits	183,407	-
Other	57,813	48,485
Share based payments	157,576	(124,121)
<b>Total KMP Compensation</b>	<b>1,291,950</b>	<b>663,341</b>

**b) Other related party transactions**

Key management personnel or their related party	Nature of transactions	Transaction value		Payable balance	
		2020	2019	2020	2019
		US\$	US\$	US\$	US\$
Ami Shafran	Director and consulting fees included within trade and other payables	-	-	33,333	40,797
David Furstenberg	Director and consulting fees included within trade and other payables	-	-	33,333	35,928
Howard Digby	Director fees included within trade and other payables	-	-	3,511	2,914
Nir Gabay	2020: Termination benefits, Post-employment retirement benefits, Company bank loan settled by Nir on behalf of the Company 2019: Executive salary and director fees included within trade and other payables	-	-	261,117	7,403
Susana Gabay (related party of Nir Gabay)	Salary and salary related expenses	116,186	122,317	3,068	3,091
Guy Gabay (related party of Nir Gabay)	Salary and salary related expenses	-	16,945	-	-
Eden Gabay (related party of Nir Gabay)	Professional services	2,294	263	-	-
Dipio (related party of Nir Gabay and Roe Kashi)	Revenue earned	87,148	84,163	-	-
Raj Logaraj	Director fees included within trade and other payables	-	-	-	3,847
Yoav Amitai	Salary and salary related expenses	-	-	14,499	-
Roe Kashi	Salary and salary related expenses	-	-	7,006	6,940

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

### NOTE 5: RELATED PARTY TRANSACTIONS

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

During the year Mr Nir Gabay received an advance of ILS 100,000 (US\$28,852) which was repaid to the Group prior to 31 December 2020. At 31 December 2020 there is an amount owing to Mr Gabay of ILS 147,888 (US\$46,000) in relation to Group bank borrowings paid by Mr Gabay. No interest has been recorded or incurred in respect of these transactions. Had interest been charged on the advance to Mr Gabay at a rate of 10% interest received by the Company would have been approximately \$1,100.

### 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:

	2020	2019
	US\$	US\$
<b>Auditor remuneration</b>		
- Auditing and reviewing the financial reports (BDO) – Australia	28,039	27,983
- Auditing and reviewing the financial reports (BDO) – Israel	18,000	15,000
	46,039	42,983

### NOTE 7: EARNINGS/(LOSS) PER SHARE

	2020	2019
	US\$	US\$
<b>Earnings/ (Loss) per share (EPS)</b>		
a) Loss used in calculation of basic EPS and diluted EPS	(3,880,688)	(3,192,433)
b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted loss per share	107,315,722	95,991,667

### NOTE 8a : CASH AND CASH EQUIVALENTS

	2020	2019
	US\$	US\$
Cash at bank	7,924,309	933,517
Total cash and cash equivalents in the consolidated statement of cash flows	7,924,309	933,517

The Group's exposure to the risks associated with cash are disclosed in Note 19.

### NOTE 8b : CASH FLOW INFORMATION

	2020	2019
	US\$	US\$
Loss after income tax	(3,880,688)	(3,192,433)
<b>Non-cash flows in loss after income tax</b>		
Share based payments	397,793	(43,438)
Depreciation of plant and equipment and amortisation of intangible assets	126,712	78,854
Amortisation of right of use lease asset	162,341	178,567
<b>Changes in assets and liabilities</b>		
Decrease/(increase) in trade and other receivables	(382,214)	653,108
Decrease/(increase) in inventory	(117,955)	86,953
Decrease/(increase) in supplier advances	107,812	(6,045)

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**

<b>NOTE 8b : CASH FLOW INFORMATION</b>	<b>2020</b>	<b>2019</b>
(Decrease)/increase in trade and other payables	364,445	(260,498)
Increase in provisions	(6,542)	23,702
Cash flows used in operating activities	<u>(3,228,296)</u>	<u>(2,481,230)</u>

**Non-Cash investing and financing activities**

During the year Mr Nir Gabay personally repaid ILS 147,888 (US\$46,000) of the Group's bank borrowings. The Group has a liability recorded to Mr Gabay in relation to the same at 31 December 2020.

The reconciliation of cash and non-cash movements in liabilities arising from financial activities is as follows:

	<b>2019</b>	<b>Cash flows</b>	<b>Non-cash</b>	<b>Transfer from</b>	<b>Transfer</b>	<b>2020</b>
	<b>US\$</b>	<b>\$US</b>	<b>foreign</b>	<b>borrowings to</b>	<b>from long</b>	<b>US\$</b>
			<b>exchange</b>	<b>other payables</b>	<b>term</b>	<b>US\$</b>
			<b>movement</b>			
			<b>\$US</b>	<b>\$US</b>	<b>US\$</b>	
Short term borrowings	64,461	(20,950)	3,602	(46,000)	7,658	8,771
Long term borrowings	8,072	-	354	-	(7,658)	768
Total borrowings	<u>72,533</u>	<u>(20,950)</u>	<u>3,956</u>	<u>(46,000)</u>	<u>-</u>	<u>9,539</u>

<b>NOTE 9: TRADE AND OTHER RECEIVABLES</b>	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
<b>CURRENT</b>		
Trade and other receivables	885,732	428,547
Loss allowance	(12,611)	(9,310)
Short term deposits	110,225	79,358
Prepaid expenses	65,219	73,023
	<u>1,048,565</u>	<u>571,618</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 is disclosed in Note 19.

Included in the Group's trade and other receivables at 31 December 2020 is an amount of US\$501,551 which remains outstanding as at the date of Annual Report publication. The Group has carefully considered the circumstances and financial position of the client to which these receivables relate and concluded that it expects the amount to be fully recoverable in the short-term. Accordingly, no loss allowance has been recorded in respect of these receivables at 31 December 2020.

<b>NOTE 10: INVENTORY</b>	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
Inventory at cost	396,272	251,148
	<u>396,272</u>	<u>251,148</u>

Write downs of inventory to net realisable value amounted to US\$41,017 (2019: US\$10,589). These were recognised as an expense during the year ended 31 December 2020.

<b>NOTE 11: PLANT AND EQUIPMENT</b>	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
Cost	551,374	584,186
Accumulated depreciation	(296,167)	(292,009)
Net carrying amount	<u>255,207</u>	<u>292,177</u>

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**
**NOTE 11: PLANT AND EQUIPMENT (CONTINUED)**

	Computers	Motor vehicles	Office furniture and equipment	Installations and leasehold improvements	Total
	US\$	US\$	US\$	US\$	US\$
Balance at 1 January 2019	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
Additions	4,509	-	8,579	868	13,956
Disposals <sup>(i)</sup>	-	-	-	-	-
Depreciation expense	(26,033)	(25,837)	(7,445)	(14,960)	(74,275)
Foreign currency translation adjustments	3,035	7,134	4,778	8,402	23,349
Balance at 31 December 2020	11,624	76,473	61,561	105,549	255,207

(i) Plant and equipment with a cost value of US\$85,500 was disposed during the year ended 31 December 2020. The net carrying value of the disposed plant and equipment was nil.

**NOTE 12: TRADE AND OTHER PAYABLES**

	2020	2019
	US\$	US\$
<b>CURRENT</b>		
Trade payables	320,911	122,090
Other payables and accrued expenses	854,756	538,182
Contract liability	52,007	34,610
	<u>1,227,674</u>	<u>694,882</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 19.

**NOTE 13: BORROWINGS**

	2020	2019
	US\$	US\$
<b>CURRENT</b>		
Current maturities of long term bank loans	8,771	64,461
	<u>8,771</u>	<u>64,461</u>
<b>NON-CURRENT</b>		
Long term bank loan, net of current maturities	768	8,072
	<u>768</u>	<u>8,072</u>

The Group's exposure to the risks associated with borrowings are disclosed in Note 19.

<b>NOTE 14: PROVISIONS</b>	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
<b>NON-CURRENT</b>		
Accrued severance pay	140,927	131,100
Severance pay fund	(23,474)	(21,837)
	<u>117,453</u>	<u>109,263</u>
Opening net carrying amount	109,263	95,147
Increase in provision	-	14,116
Severance pay fund utilised	-	-
Foreign currency translation adjustments	8,190	-
Closing net carrying amount	<u>117,453</u>	<u>109,263</u>
<b>NOTE 15: ISSUED CAPITAL</b>		
	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
<b>(a) Share Capital</b>		
133,341,582 (31 December 2019: 96,242,599) fully paid ordinary shares	15b	<u>21,361,856</u>
		<u>11,739,495</u>

**(b) Movement in Ordinary Capital**

	<b>Date</b>	<b>No.</b>	<b>Unit Price US\$</b>	<b>Total US\$</b>
<b>Opening balance at 1 January 2019</b>		<b>95,888,599</b>		<b>11,667,737</b>
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
<b>Closing balance at 31 December 2019</b>		<b>96,242,599</b>		<b>11,739,495</b>
Issue of placement shares	14-Jan-20	9,000,000	0.22	1,987,145
Issue of shares on conversion of options	6-May-20	46,000	0.20	9,013
Issue of shares on conversion of options	8-May-20	200,000	0.19	38,541
Issue of shares on conversion of options	13-May-20	500,000	0.20	97,602
Issue of shares on conversion of options	2-Jun-20	1,028,000	0.20	205,150
Issue of shares on conversion of options	13-Nov-20	1,880,000	0.14	272,508
Issue of rights issue and follow-on placement shares	15-Dec-20	24,444,983	0.34	8,333,610
Costs of capital raising		-		(1,321,208)
<b>Closing balance at 31 December 2020</b>		<b>133,341,582</b>		<b>21,361,856</b>

**(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.

<b>NOTE 16: RESERVES</b>	<b>2020</b>	<b>2019</b>
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**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**

	US\$	US\$
Reserves	2,247,015	1,630,987

	Ref	2020 US\$	2019 US\$
<b>a) Share Based Payment Reserve</b>			
43,885,013 (31 December 2019: 47,219,360) options on issue	17	3,190,227	2,609,474
		3,190,227	2,609,474

	No.	US\$
<b>b) Movement in Share Based Payment Reserve</b>		
<b>Opening balance at 1 January 2019</b>	<b>47,269,360</b>	<b>2,677,670</b>
Net pro-rata (income) of options issued in prior periods	-	(31,733)
Issue of ESOP options (Note 17)	50,000	12,214
Issue of ESOP options (Note 17)	215,000	6,496
Issue of ESOP options (Note 17)	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)
<b>Closing balance at 31 December 2019</b>	<b>47,219,360</b>	<b>2,609,474</b>
Expense of options issued in prior periods, prior to cancellations (Note 17)	-	146,606
Issue of ESOP options (Note 17)	1,450,000	166,049
Issue of ESOP options (Note 17)	200,000	37,148
Issue of ESOP options (Note 17)	150,000	20,991
Issue of ESOP options (Note 17)	100,000	12,779
Issue of ESOP director related party options (Note 17)	100,000	14,315
Issue of ESOP options (Note 17)	75,000	5,512
Issue of ESOP options (Note 17)	100,000	2,757
Issue of lead manager/underwriter options (Note 17)	11,000,245	842,828
Issue of free attaching rights issue and follow-on placement options	12,222,408	-
Options exercised and converted to fully paid ordinary shares (Note 15)	(3,654,000)	(319,128)
Expiry of options	(4,872,000)	(340,738)
Options cancelled on termination of employment	(206,000)	(8,366)
Options cancelled after vesting conditions not met	(20,000,000)	-
<b>Closing balance at 31 December 2020</b>	<b>43,885,013</b>	<b>3,190,227</b>

Share based payment options on issue at 31 December 2020 have a weighted average exercise price of \$0.59 (2019: \$0.19) and a weighted average remaining contractual life of 2.01 years (2019: 2.16 years).

	2020 US\$	2019 US\$
<b>c) Foreign Exchange Reserve</b>		
	(646,416)	(681,691)

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

	2020 US\$	2019 US\$
<b>d) Predecessor Accounting Reserve</b>		
	(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.

**NOTE 17: SHARE BASED PAYMENTS**
**Options Issued in Prior Periods**

Options issued in prior periods that impact the year ended 31 December 2020 are as follows:

Description	Grant date	Exercise price	Expiry date	Options on issue at 31 Dec 2020	Vesting condition	Net pro-rata income/(expense) recorded at 31 Dec 2020	
						A\$	US\$
ESOP Options	2-Jun-17	\$0.20	2-June-22	8,608,000	(i)		66,464
ESOP Options	10-Dec-17	\$0.60	9-Oct-22	125,000	(i)		11,027
ESOP Options	9-Jan-18	\$1.08	14-Nov-22	25,000	(ii)		1,093
ESOP Options	26-Apr-18	\$0.745	4-Mar-23	12,000	(iii)		609
Director Options	28-May-18	\$0.60	9-Oct-22	460,000	(iv)		43,280
ESOP Options	1-Aug-18	\$0.675	31-Jul-23	117,000	(i)		9,990
ESOP Options	1-Dec-18	\$0.60	1-Dec-23	50,000	(v)		2,392
ESOP Options	24-Jun-19	\$0.35	23-Jun-24	145,000	(i)		10,210
ESOP Options	20-Nov-19	\$0.41	13-Nov-24	-			(6,824)
<b>Total</b>				<b>9,542,000</b>			<b>138,241</b>

- (i) 50% on the second anniversary of the grant date and an additional 6.25% at the end of each quarter of continuous service thereafter.
- (ii) 50% on 15 November 2017 and an additional 3.125% at the end of each quarter of continuous service thereafter.
- (iii) 50% on 5 March 2020 and an additional 6.25% at the end of each quarter of continuous service thereafter.
- (iv) 50% on 10 October 2020 and an additional 6.25% at the end of each quarter of continuous service thereafter.
- (v) 50% on 1 December 2019 and an additional 12.50% at the end of each quarter of continuous service thereafter.

**Share Based Payments Issued During the Year Ended 31 December 2020**

During the year ended 31 December 2020 the Group recorded the following share based payments:

- The issue of 1,450,000 Employee Share Plan Options exercisable at A\$0.28, on or before 23 April 2025 to employees of the Group, exercisable after the satisfaction of the following vesting condition, 50% on 23 April 2021 and an additional 6.25% at the end of each quarter of continuous services thereafter, resulting in an expense of US\$166,049 recorded at 31 December 2020.
- The issue of 200,000 Employee Share Plan Options exercisable at A\$0.28, on or before 23 April 2025 to service providers of the Group, exercisable after the satisfaction of the following vesting condition, 50% on 31 October 2020 and an additional 50% on 23 April 2021, subject to the option holders continuing to provide services to the Group, resulting in an expense of US\$37,148 recorded at 31 December 2020.
- The issue of 150,000 Employee Share Plan Options exercisable at A\$0.34, on or before 15 May 2025 to service providers of the Group, exercisable after the satisfaction of the following vesting condition, 50% on 31 October 2020 and an additional 50% on 15 May 2021, subject to the option holders continuing to provide services to the Group, resulting in an expense of US\$20,991 recorded at 31 December 2020.
- The issue of 100,000 Employee Share Plan Options exercisable at A\$0.32, on or before 12 June 2025 to service providers of the Group, exercisable after the satisfaction of the following vesting condition, 50% on 31 October 2020 and an additional 50% on 13 June 2021, subject to the option holder continuing to provide services to the Group, resulting in an expense of US\$12,779 recorded at 31 December 2020.
- The issue of 100,000 Employee Share Plan Options, exercisable at A\$0.28, on or before 23 April 2025 to Susana Gabay, a related party of Nir Gabay, exercisable after the satisfaction of the following vesting condition, 50% on 23 April 2021 and an additional 6.25% at the end of each quarter of continuous services thereafter, resulting in an expense of US\$14,315 recorded at 31 December 2020.

**NOTE 17: SHARE BASED PAYMENTS (CONTINUED)**

- The issue of 75,000 Employee Share Plan Options exercisable at A\$0.30, on or before 27 July 2025 to an employee of the Group, exercisable after the satisfaction of the following vesting condition, 50% on 28 July 2022 and an additional 6.25% at the end of each quarter of continuous services thereafter, resulting in an expense of US\$5,512 recorded at 31 December 2020.
- The issue of 100,000 Employee Share Plan Options exercisable at A\$0.54, on or before 12 October 2025 to an employee of the Group, exercisable after the satisfaction of the following vesting condition, 50% on 13 October 2022 and an additional 6.25% at the end of each quarter of continuous services thereafter, resulting in an expense of US\$2,757 recorded at 31 December 2020.
- The issue of 11,000,245 ASX listed Options exercisable at A\$0.90 on or before 31 March 2023 to the lead manager and underwriter, resulting in an expense of US\$842,828 recorded as capital raising cost at 31 December 2020.

**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	ESOP Options	ESOP Director		
					Related Party	ESOP Options	ESOP Options
Number of options	1,450,000	200,000	150,000	100,000	100,000	75,000	100,000
Grant date	10-May-20	10-May-20	19-May-20	18-Jun-20	30-Jul-20	9-Aug-20	26-Oct-20
Issue date	29-Jun-20	29-Jun-20	29-Jun-20	29-Jun-20	4-Aug-20	23-Sep-20	12-Nov-20
Exercise price	A\$0.28	A\$0.28	A\$0.34	A\$0.32	A\$0.28	A\$0.30	A\$0.54
Expected volatility	100%	100%	100%	100%	100%	100%	100%
Implied option life	4.82 years	4.82 years	4.88 years	4.96 years	4.82 years	4.84 years	4.92 years
Expected dividend yield	nil	nil	nil	nil	nil	nil	nil
Risk free rate	1.96%	1.96%	1.96%	1.96%	1.96%	1.96%	1.96%
Valuation per option A\$	\$0.32	\$0.32	\$0.25	\$0.24	\$0.40	\$0.54	\$0.40
Exchange rate	\$0.69	\$0.69	\$0.69	\$0.69	\$0.69	\$0.77	\$0.77
Valuation per option US\$	\$0.22	\$0.22	\$0.17	\$0.17	\$0.28	\$0.42	\$0.31
Total valuation US\$	\$319,000	\$44,000	\$25,500	\$17,000	\$28,000	\$31,500	\$31,000

**Share Based Payments Expense**

Share based payment expense is comprised as follows:

	2020	2019
	US\$	US\$
Total net expense/(income) recognised in profit or loss <sup>(i)</sup>	397,793	(43,438)
Total expense recognised in equity	842,828	-
<b>Total net share based payments expense/(income)</b>	<b>1,240,621</b>	<b>(43,438)</b>

- (i) 2019: 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.

**NOTE 18: 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 19: 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.

**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 consolidated 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	2020 US\$	2019 US\$
Cash and cash equivalents – A+ Rated	8a	6,090,443	933,517
Cash and cash equivalents – A Rated	8a	1,833,866	-
Trade and other receivables – no rating	9	1,048,565	571,618

**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.

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**
**NOTE 19: FINANCIAL INSTRUMENTS (CONTINUED)**

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

	2020	2019
	US\$	US\$
Impairment losses		
- individually impaired receivables	2,430	6,654
- movement in provision for impairment	2,430	6,654

As at 31 December 2020, trade receivables of US\$206,045 (2019 – US\$228,806) 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:

	2020	2019
	US\$	US\$
Up to 3 months	201,918	13,971
3 to 6 months	3,843	2,485
Over 6 months	284	212,350
	206,045	228,806

**(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:

2020	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	-	1,227,674	-	-	-	-	1,227,674	1,227,674
Borrowings	2.1%	4,487	4,488	781	-	-	9,756	9,539
		1,232,161	4,488	781	-	-	1,237,430	1,237,213
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
		788,949	136,905	8,044	1,037	-	934,935	934,935

**NOTE 19: FINANCIAL INSTRUMENTS (CONTINUED)**
**(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. Any reasonable fluctuation in exchange rates is not expected to have a material impact on either profit or equity.

	United States Dollars 2020 US\$	United States Dollars 2019 US\$
Cash and cash equivalents	44,250	82,983
Trade and other receivables	726,404	208,407
Trade and other payables	(89,577)	-
Net exposure	681,077	291,390

**NOTE 20: 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**

	2020 US\$	2019 US\$
<b>ASSETS</b>		
Current assets	6,183,119	661,357
Non-current assets	2,412,556	870,068
<b>TOTAL ASSETS</b>	<b>8,595,675</b>	<b>1,531,425</b>
<b>LIABILITIES</b>		
Current liabilities	183,846	126,125
Non-current liabilities	-	-
<b>TOTAL LIABILITIES</b>	<b>183,846</b>	<b>126,125</b>
<b>NET ASSETS</b>	<b>8,411,829</b>	<b>1,405,300</b>
<b>SHAREHOLDERS' EQUITY</b>		
Issued capital	21,355,707	11,733,347
Reserves	2,440,110	1,645,555
Accumulated Losses	(15,383,988)	(11,973,602)
<b>SHAREHOLDERS' EQUITY</b>	<b>8,411,829</b>	<b>1,405,300</b>

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

Loss for the year	(3,968,717)	(2,977,311)
Other comprehensive income	112,265	(145,768)
<b>Total comprehensive loss</b>	<b>(3,856,452)</b>	<b>(3,123,079)</b>

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

There are no guarantees entered into by Elsieht Limited.

**NOTE 20: PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)**
**(d) Contingent liabilities of Elsieht Limited**

There were no contingent liabilities as at 31 December 2020 (2019: Nil).

**(e) Commitments by Elsight Limited**

There were no commitments as at 31 December 2020 (2019: Nil).

**NOTE 21: CONTROLLED ENTITIES**

The ultimate legal parent entity of the Group is Elsight 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	
		2020	2019
El-Sight Ltd	Israel	100%	100%

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

**NOTE 22: COMMITMENTS**

The Group has no commitments which are not recorded on the statement of financial position as at 31 December 2020.

**NOTE 23: CONTINGENT LIABILITIES**

The Group has no known contingent liabilities as at 31 December 2020.

**NOTE 24: EVENTS SUBSEQUENT TO REPORTING DATE**

Since the reporting date the following significant events have occurred:

- On 2 March 2021 the Group announced a strategic partnership with JS Group to amplify expansion efforts in the North American broadband market.
- On 16 March 2021 the Group announced finalisation of FAA certifications will be delayed pending the release of the final ruling covering 'Operation of Small Unmanned Aircraft Systems Over People' on 21 April 2021.

Other than what has already been stated within this Report, there have been no other matters or circumstances that have arisen since the end of the period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of the Group in subsequent financial periods.

**NOTE 25: NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS**

There are no 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 2020 which are expected to have a material impact on the Group in future reporting periods.

## DIRECTORS' DECLARATION

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In the Director's opinion:

1. The consolidated financial statements and notes set out on pages 21 to 46 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 2020 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 2020.

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:

*David Furstenberg*

**Mr David Furstenberg**

**Executive Director**

30 March 2021



## INDEPENDENT AUDITOR'S REPORT

To the members of Elsight Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Elsight (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, 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 2020 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 (including Independence Standards)* (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 Share-based payments

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>During the year ended 31 December 2020, the Group issued options to employees and options to advisors which have been accounted for as share-based payments.</p> <p>Refer to notes 1 and 17 of the financial report for a description of the accounting policy and significant estimates and judgements applied to these arrangements.</p> <p>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.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Reviewing the relevant terms and conditions to obtain an understanding of the contractual nature of the share-based payment arrangements</li> <li>• Reviewing and evaluating management's assessment of the likelihood of achieving the non-market performance conditions attached to the share-based payments</li> <li>• 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</li> <li>• Assessing the allocation of the share-based payment expense over the relevant vesting period</li> <li>• Assessing the adequacy of the Group's disclosures in Notes 1 and 17 of the financial report.</li> </ul>

## Revenue Recognition

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group recognises revenue in accordance with AASB 15 <i>Revenue from Contracts with Customers</i> (AASB 15).</p> <p>There are complexities and judgements associated with interpreting key revenue contracts entered into by the Group against the requirements of the accounting standard.</p> <p>This area is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• the significance of revenue to the financial report; and</li> </ul>	<p>Our audit procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Verified the revenue recognition policy applied by the Group is in accordance with AASB 15;</li> <li>• Reviewed contracts to verify the terms and conditions within the agreements and review management's assessment against principles of AASB 15;</li> <li>• Performed detailed analytical procedures over the Group's revenue and compared actual</li> </ul>

- revenue being one of the key drivers to the Group's performance.
- results to BDO's expectations and prior year performance;
- Enquired with management as to the appropriateness of procedures in place to ensure proper cut-off for revenue has been achieved;
  - Substantively tested invoices and contracts ensuring that revenue has been appropriately recorded;
  - Reviewed the credit notes issued post year end; and
  - Reviewed accounting policies and disclosures including significant estimates and judgements within the financial report in Note 1 (e), and Note 2 within 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 2020, 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:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 12 to 19 of the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Elsie Limited, for the year ended 31 December 2020, 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**



**Ashleigh Woodley**

Director

Perth, 30 March 2021

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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 2020.

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 4<sup>th</sup> Edition* (Recommendations). The Recommendations are not mandatory, however where Recommendations have not been followed, reasons for not following them have been provided, 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](http://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 Chief Executive Officer.

The role of management is to support the Chief Executive Officer 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 Chief Executive Officer responsibility for the management and operation of Elsight. The Chief Executive Officer is responsible for the day-to-day operations, financial performance and administration of Elsight within the powers authorised and delegated to him from time-to-time by the Board. Chief Executive Officer 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 section on the Elsight 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, when applicable, Committee policies and procedures are followed, communication with regulatory bodies and the ASX as well as 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 17%
- 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 a periodic basis, the Board conducts a review of its structure, composition and performance.

The periodic 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.

A full board performance evaluation was not undertaken during the reporting period, however, the Board reviewed the mix of the Board leading to the appointment of a new Director in early 2020 and intends to undertake a performance review during the first half of 2021.

The Board conducts an annual performance assessment of the Chief Executive Officer against agreed key performance indicators. A formal appraisal of the Chief Executive Officer has not been conducted during the financial year as the Chief Executive Officer was appointed on 1 November 2020.

The Chief Executive Officer conducts an annual performance assessment of senior executives against agreed key performance indicators.

***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 Nir Gabay	Managing Director (appointed 2 June 2017, resigned 7 October 2020)
Mr Howard Digby	Non-Executive Director (appointed 13 December 2016)
Mr David Furstenberg	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 is comprised of a majority of Non-Executive Directors.

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

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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 to 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 Company throughout the engagement period. The Board may otherwise select an external auditor based on criteria relevant



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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.

The unaudited periodic corporate reports released to the market go through a detailed review process by the Director of Finance, followed by the Chief Executive Officer and Chief Financial Officer. The final reports are then reviewed and approved by the Board for release.

***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 Chief Executive Officer are to be circulated to and reviewed by all members of the Board.

The Chairman, the Board, Chief Executive Officer 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.

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The Company also makes available a telephone number and email address for shareholders to make enquiries of the 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 Elsight, and Elsight'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 Elsight'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 Chief Executive Officer having ultimate responsibility to the Board for the risk management and internal compliance and control framework. Elsight has established policies for the oversight and management of material business risks.

Elsight'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.

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

Elsight 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, Elsight'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.

Elsight assesses its risks on a residual basis; that is it evaluates the level of risk remaining taking into account all the mitigation practices and controls which are in place. Depending on the materiality of the risks, Elsight applies varying levels and types of management plans.

The Board has required management to design and implement a risk management and internal compliance and control system to manage Elsight'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 Elsight'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 Chief Executive Officer, Non-Executive Directors and senior management based on an annual review.

Elsieht'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 17 March 2021.

As at 17 March 2021 there were 133,341,582 ordinary fully paid shares held by 1,115 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	% of Issued Share Capital
CITICORP NOMINEES PTY LIMITED	21,000,898	15.75%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	11,469,369	8.60%
IBI TRUST MANAGEMENT <NIR GABAY A/C>	10,932,974	8.20%
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	9,308,833	6.98%
JB TORO PTY LTD	8,641,000	6.48%
MR NIR GABAY	3,831,500	2.87%
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	2,896,694	2.17%
IBI TRUST MANAGEMENT <ROEE KASHI A/C>	2,894,775	2.17%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,531,289	1.90%
RIGI INVESTMENTS PTY LIMITED <THE CAPE A/C>	2,512,000	1.88%
NATIONAL NOMINEES LIMITED	2,256,172	1.69%
TENBAGGA RESOURCES PTY LTD <TENBAGGA FAMILY A/C>	1,786,360	1.34%
THE LF POINT PTY LTD <POINT A/C>	1,770,000	1.33%
LAMMA NOMINEES PTY LTD	1,750,000	1.31%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,621,298	1.22%
AWZ HLS INVESTMENT FUND I LP	1,500,000	1.12%
SM HOLDING FUND LTD	1,460,000	1.09%
UBS NOMINEES PTY LTD	1,434,656	1.08%
ALBION HAWTHORN PTY LTD <TIM PEARS FAMILY A/C>	1,324,500	0.99%
MR JASON FRANCO BATTISTESSA	1,240,000	0.93%
<b>Totals: Top 20 holders of Issued Capital</b>	<b>92,162,318</b>	<b>69.12%</b>
<b>Total Remaining Holders Balance</b>	<b>41,179,264</b>	<b>30.88%</b>
<b>Totals</b>	<b>133,341,582</b>	<b>100.00%</b>

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**SUBSTANTIAL HOLDERS**

The names of the substantial shareholders disclosed to the Company as substantial shareholders as at 17 March 2021 are:

<b>Name</b>	<b>No of Shares Held</b>	<b>% of Issued Share Capital</b>
CITICORP NOMINEES PTY LIMITED	21,000,898	15.75%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	11,469,369	8.60%
IBI TRUST MANAGEMENT <NIR GABAY A/C>	10,932,974	8.20%
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	9,308,833	6.98%
JB TORO PTY LTD	8,641,000	6.48%

**DISTRIBUTION SCHEDULE**

**A. DISTRIBUTION OF EQUITY SECURITIES**

The distribution of issued capital as at 17 March 2021 were as follows:

<b>Holding Ranges</b>	<b>Number of shareholders</b>	<b>Number of ordinary shares</b>	<b>% of Issued Share Capital</b>
1 - 1,000	139	75,556	0.06%
1,001 - 5,000	291	802,376	0.60%
5,001 - 10,000	158	1,250,700	0.94%
10,001 - 100,000	426	14,319,154	10.74%
100,001 - and over	101	116,893,796	87.66%
<b>Totals</b>	<b>1,115</b>	<b>133,341,582</b>	<b>100.00%</b>

There were 153 holders with unmarketable parcels totalling 90,505 shares based on the share price as at close of business on 17 March 2021.

**B. DISTRIBUTION OF QUOTED OPTIONS - ELSO - OPTIONS EXPIRING 18 JUNE 2021 @ \$1.00**

<b>Holding Ranges</b>	<b>Number of holders</b>	<b>Number of options</b>	<b>% of Issued Capital</b>
1 - 1,000	1	297	0.00%
1,001 - 5,000	20	61,256	0.89%
5,001 - 10,000	27	216,772	3.15%
10,001 - 100,000	75	2,379,507	34.59%
100,001 - and over	12	4,220,881	61.36%
<b>Totals</b>	<b>135</b>	<b>6,878,983</b>	<b>100.00%</b>

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**C. DISTRIBUTION OF QUOTED OPTIONS - ELSOA - OPTIONS EXPIRING 31 MARCH 2023 @ \$0.90**

Holding Ranges	Number of holders	Number of options	% of Issued Capital
1 - 1,000	131	61,636	0.27%
1,001 - 5,000	120	310,925	1.34%
5,001 - 10,000	48	349,557	1.51%
10,001 - 100,000	104	3,657,800	15.75%
100,001 - and over	32	18,842,735	81.14%
<b>Totals</b>	<b>435</b>	<b>23,222,653</b>	<b>100.00%</b>

**RESTRICTED SECURITIES**

As at 17 March 2021 no shares are held under escrow.

**TWENTY LARGEST QUOTED OPTION HOLDERS**

Security class:	ELSO - OPTIONS EXPIRING 18 JUNE 2021 @ \$1.00		
Position	Holder Name	Holding	% of Issued Capital
1	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,006,929	14.64%
2	TENBAGGA RESOURCES PTY LTD <TENBAGGA FAMILY A/C>	854,300	12.42%
3	MR IAN JAMES ARATHOON <IAN ARATHOON FAMILY A/C>	590,000	8.58%
4	KEVIN BORG HOLDINGS PTY LTD <KEVIN BORG SUPER FUND A/C>	300,000	4.36%
5	MR VINCENT ALEXANDRE SWINNEN	269,135	3.91%
6	MR MICHAEL BENEDICT COOKSON	240,000	3.49%
7	MR HUGH LESLIE NANKERVIS	216,960	3.15%
8	GLENEAGLE SECURITIES (AUST) PTY LTD	203,835	2.96%
9	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	173,611	2.52%
10	MR SCHNEUR ZALMAN SEEWALD	130,000	1.89%
11	THE LF POINT PTY LTD <POINT A/C>	125,000	1.82%
12	FINK INK PTY LTD	111,111	1.62%
13	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	100,000	1.45%
14	HALIFAX SOLUTIONS LIMITED	99,703	1.45%
15	JUSTIN TERENCE ROSENBERG	95,036	1.38%
16	REBEL PROPERTY GROUP PTY LTD <A LINZ FAMILY A/C>	69,444	1.01%
16	LIGON 205 PTY LTD	69,444	1.01%

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	<SUMMIT ROAD INVESTMENT A/C>		
16	SPINITE PTY LTD	69,444	1.01%
16	MR NICHOLAS CHARLES DEVERELL POWNALL	69,444	1.01%
17	MR BENJAMIN M HAGE	65,000	0.94%
18	HALIFAX SOLUTIONS LIMITED	60,000	0.87%
19	LTL CAPITAL PTY LTD	59,444	0.86%
20	MR DANIEL FREDRICK CONRICK	54,011	0.79%
	<b>Total</b>	<b>5,031,851</b>	<b>73.15%</b>
	<b>Total issued capital - selected security class(es)</b>	<b>6,878,983</b>	<b>100.00%</b>

**TWENTY LARGEST QUOTED OPTION HOLDERS**

<b>Security class:</b>	<b>ELSOA - OPTIONS EXPIRING 31 MARCH 2023 @ \$0.90</b>		
<b>Position</b>	<b>Holder Name</b>	<b>Holding</b>	<b>% of Issued Capital</b>
1	MR MICHAEL SOUCIK & MRS HEATHER SOUCIK <HMS SUPERANNUATION FUND A/C>	8,231,188	35.44%
2	MR NIR GABAY	1,500,000	6.46%
3	CITICORP NOMINEES PTY LIMITED	1,468,162	6.32%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,416,863	6.10%
5	MR NICHOLAS DERMOTT MCDONALD	700,000	3.01%
6	MR GORDON JOHN MERCHANT & MR DENIS GRAHAM POINTING	447,475	1.93%
7	MR BENJAMIN M HAGE	360,521	1.55%
8	MR IAN JAMES ARATHOON <IAN ARATHOON FAMILY A/C>	350,000	1.51%
9	MR DANIEL FREDRICK CONRICK	308,000	1.33%
10	MR MARK DOUGLAS KEMPE	300,000	1.29%
10	SANDWICH HOLDINGS PTY LTD	300,000	1.29%
10	MR JAMES CHEN	300,000	1.29%
11	ROOKHARP CAPITAL PTY LIMITED	298,889	1.29%
12	RIGI INVESTMENTS PTY LIMITED <THE CAPE A/C>	257,083	1.11%
13	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	255,796	1.10%
14	TDF PROPERTIES PTY LTD <THE TDF PROPERTY A/C>	250,000	1.08%
15	MR PAUL HENRI VERON & MRS JULIE ANNE VERON <DEAD KNICK S/F A/C>	200,000	0.86%
16	POINTING ENTERPRISES PTY LTD	155,000	0.67%
17	SILVERWOOD CORPORATION PTY LTD <SUPER FUND ACCOUNT>	150,000	0.65%
18	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	145,367	0.63%
19	NATIONAL NOMINEES LIMITED	136,100	0.59%
20	MR DANIEL FREDRICK CONRICK & MRS SANDRA CONRICK <CONRICK 2 S/F A/C>	130,000	0.56%
	<b>Total</b>	<b>17,660,444</b>	<b>76.05%</b>
	<b>Total issued capital - selected security class(es)</b>	<b>23,222,653</b>	<b>100.00%</b>

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**UNQUOTED SECURITIES**

As at 17 March 2021, the following unquoted securities are on issue:

Security Code	Security Name	Total Holders	Total Holdings
ELSOPT02	OPTIONS EXP 02/06/22 @ \$0.20	1	8,608,000
ELSOPT03	OPTIONS EXPIRING 9 OCTOBER 2022 @ \$0.60	7	125,000
ELSOPT04	OPTIONS EXPIRING 14 NOVEMBER 2022 @ \$1.08	1	25,000
ELSOPT06	OPTIONS EXPIRING 31 JULY 2023 @ \$0.675	7	117,000
ELSOPT07	OPTIONS EXPIRING 31 JULY 2023 @ \$0.60	2	200,000
ELSOPT08	OPTIONS EXPIRING 9 OCTOBER 2022 @ \$0.60	4	460,000
ELSOPT09	OPTIONS EXPIRING 1 DECEMBER 2023 @ \$0.60	1	50,000
ELSOPT10	OPTIONS EXPIRING 23 JUNE 24 @ \$0.35	3	145,000
ELSOPT12	OPTIONS EXPIRING 23 APRIL 2025 @ \$0.28	19	1,750,000
ELSOPT13	OPTIONS EXPIRING 15 MAY 2025 @ \$0.34	3	150,000
ELSOPT14	OPTIONS EXPIRING 12 JUNE 2025 @ \$0.32	1	100,000
ELSOPT15	OPTIONS EXPIRING 1 FEBRUARY 2026 @ \$0.43	4	210,000
ELSPO1	PERF OPTS @ 20C EX 5YRS FROM 02/06/17	1	7,985,000
ELSPO2	PERF OPT @ 20C EX 5YRS FROM 02/06/17	1	135,000
ELSEO2	EMPLOYEE OPTIONS EXPIRING 4 MARCH 2023 @ AU\$0.745	1	12,000
ELSEO3	EMPLOYEE OPTIONS EXPIRING 27 JULY 2025 @ AU\$0.30	1	75,000
ELSEO4	EMPLOYEE OPTIONS EXPIRING 12 OCTOBER 2025 @ AU\$0.54	1	100,000
ELSEO5	EMPLOYEE OPTIONS EXPIRING 9 MARCH 2026 @ AU\$0.52	1	180,000
<b>TOTAL</b>		<b>59</b>	<b>20,427,000</b>

**ON-MARKET BUY BACK**

There is currently no on-market buyback program.