



## APPENDIX 4E PRELIMINARY FINAL REPORT

### 1. DETAILS OF REPORTING PERIOD

Name of Entity	Elsight Limited (“the Company”)
ABN	98 616 435 753
Reporting Period	31 December 2021
Previous Corresponding Period	31 December 2020

### 2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key information	12 months ended 31 December 2021US\$	12 months ended 31 December 2020 US\$	Increase/ (Decrease) %	Amount change US\$
Revenues from ordinary activities	574,014	1,725,209	(67%)	(1,151,195)
Loss from ordinary activities after tax attributable to members	(6,043,694)	(3,880,688)	56%	2,163,006
Net loss for the period attributable to members	(6,043,694)	(3,880,688)	56%	2,163,006

	Amount Per Security	Franked Amount Per Security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Previous Corresponding Period	Nil	Nil
Record Date for Determining Entitlements	Not Applicable	

#### Commentary on results:

Refer to section 14 below.

### 3. STATEMENT OF COMPREHENSIVE INCOME

Refer to attached financial statements.

### 4. STATEMENT OF FINANCIAL POSITION

Refer to attached financial statements.

### 5. STATEMENT OF CASH FLOWS

Refer to attached financial statements.

### 6. STATEMENT OF RETAINED EARNINGS/CHANGES IN EQUITY

Refer to attached financial statements.

**7. DIVIDENDS/DISTRIBUTIONS**


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No dividends declared in current or prior year.

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**8. DETAILS OF DIVIDEND REINVESTMENT PLANS**


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Not Applicable

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**9. NET TANGIBLE ASSETS PER SHARE**

	Current Period	Previous Period
Net tangible asset backing per ordinary security	1.80 cents	6.19 cents

**10. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD****Control gained over entities**

Name of entity (or group of entities)	N/A
Date control gained	N/A
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	N/A
Consolidated profit/(loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	N/A

**Loss of control over entities**

Name of entity (or group of entities)	N/A
Date control lost	N/A
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	N/A
Profit/(loss) of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	N/A

**11. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES**


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Not Applicable

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**12. ANY OTHER SIGNIFICANT INFORMATION NEEDED BY AN INVESTOR TO MAKE AN INFORMED ASSESSMENT OF THE COMPANY'S FINANCIAL PERFORMANCE AND FINANCIAL POSITION**


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Refer to attached financial statements.

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**13. FOREIGN ENTITIES**


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Not Applicable

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**14. COMMENTARY ON RESULTS FOR PERIOD AND EXPLANATORY INFORMATION**

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Refer to commentary on page 2 of the attached financial statements.

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**15. AUDIT**

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This report is based on accounts which are in the process of being audited.

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*David Furstenberg*

**David Furstenberg**  
**Executive Director**

25 February 2022



# **ELSIGHT LIMITED**

**ABN 98 616 435 753**

**PRELIMINARY FINAL REPORT**

**31 DECEMBER 2021**

**ELSIGHT LIMITED**  
**ABN 98 616 435 753**



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### **REVIEW AND RESULTS OF OPERATIONS**

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

Elsight Limited incurred a loss for the year of \$6,043,694 (2020: loss of \$3,880,688). The increase in loss of \$2,163,006 from 2021 to 2020 is largely due to the Company's decision to increase the investment in building inventories in anticipation of worldwide components shortages. There were also increases in costs associated with research, sales and marketing costs due to new market developments in the unmanned market, and bad debts expenses incurred during the 2021 year.

The net assets of the Group have decreased by \$5,600,564, from net assets of \$8,432,829 at 31 December 2020 to net assets of \$2,832,265 at 31 December 2021.

As at 31 December 2021, the Group's cash and cash equivalents decreased from a balance of \$7,924,309 at 31 December 2020 to a balance of \$1,990,057 at 31 December 2021. As at 31 December 2021 the Group has working capital of \$2,403,409 (2020: \$8,132,701).

The Company currently has 16,728,000 options on issue with a A\$0.20 strike price, expiring 2 June 2022. Throughout the 2021 financial year and at the time of releasing this report, these options have been 'in-the-money'. Should these options be fully exercised in accordance with the option terms, this would potentially raise A\$ 3,345,600 for the Company via the issue of 16,728,000 Fully Paid Ordinary Shares, further adding to the Group's current cash position.

#### **Significant changes in the state of affairs**

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

### **REVIEW OF ACTIVITIES**

During the period, Elsight focused on increasing the brand profile and awareness in the unmanned aerial vehicle (UAV) industry and has begun capitalizing on commercial opportunities within the fast-growing drone market via the Company's 'design win' strategy.

Subsequent to the end of the reporting period, the Company was pleased to announce that DroneUp, a leading US-based complete UAV services provider, selected Elsight's "Halo" for their commercial drone parcel delivery project at Walmart. This order is the first material commercial order of "Halo" and includes a monthly recurring revenue component. This key design win, one of 28 during the calendar year, serves to both amplify expansion efforts in the North American drone market and acts as a foundation for further commercial opportunities in the Drone Parcel Delivery and UAV market.

The Group also continues work in regard to securing and strengthening partnerships, key to transitioning from direct sales to channel sales in the broadband market.

### **DRONE MARKET UPDATE AND OPPORTUNITIES**

Since May 2021, the Group has been involved in 41 extensive trials and worked closely with a range of drone companies. To date, more than half of these efforts already have been successfully concluded. This is how the Company was able to secure 28 successful 'Design Win' integrations and trials aimed at producing revenues once these projects are commercially launched, with no need for additional contract negotiations. Similar to the semiconductor industry, where the design win concept indicates that a company's product has been specified and embedded into a larger product design, which is intended to produce revenues for many years into the future (for example, a new iPhone model), it is expected that 'design wins' in the drone industry will be of key importance. Once your product has been selected and certified for a particular drone, it will be very difficult to displace it due to the extensive testing, regulations, and certifications required for a new product release. Furthermore, it is important to understand that the Group is not focused on a single market. These 28, already won 'Design Wins', represent a variety of different types of projects and applications. The Company will continue to diversify by pursuing new prospective customers to ensure that once the industry reaches the inflexion point of mainstream commercial adoption, that Elsight is very well positioned to grow organically with them.

Calendar 2021 was a year marked by extensive work performed behind the scenes as the Group conducted many long trials, tests, integrations, and certifications toward Design Wins, with 28 successfully concluded and many others still

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progressing. With the exception of DroneUp, these design wins are yet to produce material revenues for the Group, however they have laid a solid foundation for future organic growth within the fast evolving drone industry.

The drone market in general, and the Drone Package Delivery Beyond Visual Line of Sight (BVLOS) in particular, is one of Elsight's most promising opportunities. However, whilst being on the verge of large scale deployment and exponential growth, these markets are still in a pre mass deployment stage.

In March 2021 the Group was integrated into the NAAMA Hadera Initiative as part of its inception. Elsight's involvement in the NAAMA Initiative allows the Company to be at the forefront of the drone industry, forming relationships with key leading players, leading to future commercial partnerships. Later in the year (October 2021), as part of the NAAMA Initiative, five companies participated in an extraordinary demonstration of drone parcel delivery, beyond line of sight and in populated city environments. All participating BVLOS drone companies elected to equip their drones with Elsight's "Halo" on Board.

In July 2021 Elsight completed one of the first ALO (Airborne LTE Operations) certifications on the North American cellular provider Verizon to its flagship product – the Halo. The certificate will enable the Group's customers to work on the Verizon network with their drone operations and by that, will expand the Group's reach.

In July 2021 the Group launched their globally available Halo Value Investment Program (HALO VIP) to accelerate drone company expansion into Beyond the Visual Line of Sight (BVLOS) operations.

During August – September, Elsight participated in two main unmanned exhibitions, AUVSI Exponential 2021 in Atlanta, Georgia, USA and The Commercial UAV Expo Americas in Las Vegas, Nevada, USA. These exhibitions primarily focused on the current state and future potential of the unmanned market.

In late September, the Group concluded a successful 10-day drones parcel delivery demonstration in Arkansas as part of the world's most ambitious project of its kind to date.

The Group participated in Phase 4 of the NAAMA Project, which focused on using drones for search and rescue missions in November 2021. Phase 4 used the opportunity to successfully test two technologies under development: 5G mapping and Remote-ID broadcasting.

Following the worldwide semiconductor crisis, which emerged in 2021, Elsight took the initiative in the second quarter of FY 2021 to increase inventories in anticipation of potential supply shortages and continued this initiative in the fourth quarter of 2021 in order to prevent supply chain disruptions to customers.

### **ELSIGHT PARTNER PROGRAM**

Elsight's Partner Program, as announced during the 30 June 2021 Interim Report, continues to progress via a growing community of channel partners in North America. President Biden's 'American Jobs Plan' (15 April 2021) in which \$2 trillion has been allocated to overhaul and upgrade the United States' infrastructure nationally – including expanding broadband and wireless broadband to every American – continues to provide an opportunity for the Company moving forward.

With the US Government's initiative in mind, Elsight looks to offer agents, distributors and the partner community access to Elsight's connectivity solutions and award-winning support. Both partnerships with JS Group and Tech Data Corporation are assisting the Company's transition from direct sales to channel sales as Elsight works to create a solid network of influential partners and infiltrate the broadband market with its "Halo" solution.

### **MATTERS SUBSEQUENT TO THE REPORTING PERIOD**

On 13 January 2022 the Group announced that its "Halo" bonded connectivity solution has been selected by DroneUp for the crucial task of controlling drones Beyond the Visual Line of Sight (BVLOS), to ensure absolute connection confidence to their drones used for commercial parcel deliveries. The Halo technology will provide DroneUp and Walmart with a robust

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connection solution to complete the end-to-end link between the drone, with all communication technologies, DroneUp field drone hub and DroneUp control-centre.

DroneUp has placed the first commercial order of Elsight's "Halo" to support their initial fleet of drones (this order is equivalent to ~80% of 1H 2021 revenues for Elsight). The order of "Halo" units combined with monthly recurring Elsight cloud and SIM card services has been received by DroneUp for deployment.

Walmart announced a large strategic investment in DroneUp in June 2021. As Walmart rolls out its drone delivery services, other retailers and industries are expected to follow and the Group is well-positioned to grow organically with them. This order with DroneUp validates Elsight's 'design win' strategy within the drone industry and is a great indicator at the potential of the Company's suite of connectivity solutions and ability to be a solutions provider when businesses need uncompromised connection confidence.

### **CORPORATE**

During the year, Mr Jim Landau joined the Board as a Non-Executive Director on 1 October 2021 following Mr Peter Marks' resignation effective the same date.

Mr Landau has 40 years' experience as a technology entrepreneur and mentor and brings significant experience as both a senior leader and director of numerous listed and unlisted companies. He currently serves as a Chair for an Australian TEC group of managing directors from diverse industries and is a non-executive director of the private equity Leading Technology Group and Banxa Inc, a listed crypto payments service provider. Mr Landau was the former chairman of Centricom - the developer of the Poli Payments platform, a director of Collaborate Corporation and held roles as director or advisor to several cutting-edge technology companies, including those involved with the emerging UAV industry.

Mr Landau is based in Melbourne, Australia and holds Fellowships of the Australian Society of Certified Practising Accountants, the Financial Services Institute of Australasia, and the Australian Institute of Company Directors.

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 US\$	2020 US\$
Revenue from contracts with customers	2	574,014	1,725,209
Cost of sales		(957,538)	(1,230,248)
<b>Gross (loss)/profit</b>		<b>(383,524)</b>	<b>494,961</b>
Other income		-	3,070
Selling, general and administrative expenses	3	(5,294,015)	(3,949,805)
Net share based payments expense	12	(280,569)	(397,793)
<b>Loss before finance expenses</b>		<b>(5,958,108)</b>	<b>(3,849,567)</b>
Net finance expenses	3	(85,586)	(31,121)
<b>Loss before income tax</b>		<b>(6,043,694)</b>	<b>(3,880,688)</b>
Income tax expense		-	-
<b>Loss for the year</b>		<b>(6,043,694)</b>	<b>(3,880,688)</b>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation, net of tax	11(c)	149,226	35,275
<b>Total comprehensive loss for the year attributable to owners of the Company</b>		<b>(5,894,468)</b>	<b>(3,845,413)</b>
<b>Loss per Share attributable to owners of the Company</b>			
Basic loss per share (cents per share)	4	(4.53)	(3.62)
Diluted loss per share (cents per share)	4	(4.53)	(3.62)

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



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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021**

	Note	2021 US\$	2020 US\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,990,057	7,924,309
Trade and other receivables	5	353,106	1,048,565
Inventory	6	853,338	396,272
<b>TOTAL CURRENT ASSETS</b>		<b>3,196,501</b>	<b>9,369,146</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		202,598	255,207
Intangible assets		95,254	163,142
Right of use assets	7	333,929	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>631,781</b>	<b>418,349</b>
<b>TOTAL ASSETS</b>		<b>3,828,282</b>	<b>9,787,495</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	577,005	1,227,674
Borrowings		-	8,771
Lease liabilities	9	216,087	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>793,092</b>	<b>1,236,445</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings		-	768
Lease liabilities	9	124,498	-
Provision for employees' severance benefits, net		78,427	117,453
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>202,925</b>	<b>118,221</b>
<b>TOTAL LIABILITIES</b>		<b>996,017</b>	<b>1,354,666</b>
<b>NET ASSETS</b>		<b>2,832,265</b>	<b>8,432,829</b>
<b>SHAREHOLDERS' EQUITY</b>			
Issued capital	10	21,375,191	21,361,856
Reserves	11	2,590,315	2,247,015
Accumulated losses		(21,133,241)	(15,176,042)
<b>SHAREHOLDERS' EQUITY</b>		<b>2,832,265</b>	<b>8,432,829</b>

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

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2021**

	<b>Issued Capital</b>	<b>Accumulated losses</b>	<b>Share Based Payment Reserve</b>	<b>Foreign Exchange Reserve</b>	<b>Predecessor Accounting Reserve</b>	<b>Total</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>Balance at 1 January 2020</b>	11,739,495	(11,955,220)	2,609,474	(681,691)	(296,796)	1,415,262
Loss for the year	-	(3,880,688)	-	-	-	(3,880,688)
Other comprehensive loss	-	-	-	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>
<b>Balance at 1 January 2021</b>	21,361,856	(15,176,042)	3,190,227	(646,416)	(296,796)	8,432,829
Loss for the year	-	(6,043,694)	-	-	-	(6,043,694)
Other comprehensive income	-	-	-	149,226	-	149,226
Total comprehensive income/(loss) for the year	-	(6,043,694)	-	149,226	-	(5,894,468)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of shares	13,335	-	-	-	-	13,335
Exercise, expiry and cancellation of options	-	86,495	(86,495)	-	-	-
Share based payments	-	-	280,569	-	-	280,569
<b>Balance at 31 December 2021</b>	<b>21,375,191</b>	<b>(21,133,241)</b>	<b>3,384,301</b>	<b>(497,190)</b>	<b>(296,796)</b>	<b>2,832,265</b>

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

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**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 US\$	2020 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		487,027	1,424,163
Payments to suppliers and employees		(6,412,084)	(4,645,176)
Interest received		11,790	3,069
Interest paid		(10,423)	(10,352)
<b>Net cash used in operating activities</b>		<b>(5,923,690)</b>	<b>(3,228,296)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of plant and equipment		40,194	-
Purchase of plant and equipment		(42,690)	(13,956)
Purchase of intangible assets		-	(67,668)
Conversion of short-term bank deposits to cash		108,524	-
Payment for short term bank deposits		-	(23,272)
<b>Net cash provided by/(used in) investing activities</b>		<b>106,028</b>	<b>(104,896)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from the issue of shares		14,487	10,464,234
Repayment of borrowings		(54,681)	(20,950)
Principal elements of lease payments		(177,940)	(168,182)
Shareholder refunds		(33,935)	-
Proceeds collected from the sale of Non-Eligible Foreign Shareholders' Entitlements		-	33,117
<b>Net cash (used in)/provided by financing activities</b>		<b>(252,069)</b>	<b>10,308,219</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(6,069,731)</b>	<b>6,975,027</b>
Cash and cash equivalents at the beginning of the financial year		7,924,309	933,517
Foreign exchange		135,479	15,765
<b>Cash and cash equivalents at the end of the financial year</b>		<b>1,990,057</b>	<b>7,924,309</b>

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



## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of preparation**

The preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report has been prepared in accordance with Australian Accounting Standards (**AASBs**) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001*.

#### **a) Basis of Measurement and Reporting Conventions**

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.

#### **b) Going Concern Basis**

The financial statements are prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. For the year ended 31 December 2021, the Group recorded a net loss of US\$6,043,694 (2020: US\$3,880,688), net cash outflows from operating activities of US\$5,923,690 (2020: US\$3,228,296) and had net working capital of US\$2,403,409 (2020: US\$8,132,701).

The Directors have approved a detailed cash flow forecast, which indicates that the entity will be required to raise additional funds in order to provide additional working capital and to continue to fund the proposed level of business activities. The ability of the Group to continue as a going concern is dependent on securing such additional funding by capital raise or other means.

This condition indicates a material uncertainty that may cast a significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Management believes that there are sufficient funds to meet the entity's working capital requirements as at the date of this report. The financial statements have been prepared on a going concern basis as the Directors expect the Group to be successful in securing additional funds through debt or equity issues, as and when required.

It is the Directors' intention to raise additional equity funding within the next six months to enable the smooth and continuing progression of the Group's current and planned commercial activities.

The continuing viability of the Group and its ability to continue as a going concern and meet its debt and commitments as they fall due are dependent on this funding, together with maintaining already implemented cost contained and deferment strategies as well as being successful in continuing to roll out its various commercial initiatives.

#### COVID-19 – Current Period Impact

The COVID-19 outbreak was declared a pandemic by the 'World Health Organization' in March 2020. The outbreak and the response of Governments in dealing with the pandemic is impacting the general activity levels within the community, the economy and to an extent the operations of ElSight's business. For the period to (and at) 31 December 2021 there has been no significant impact on operations, cash flow and financial condition. The Group's operations continue to run well.



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

Future Impact and Going Concern

It is not possible to precisely estimate the impact of the outbreak's near-term and longer effects on the Group or of Governments' varying efforts to combat the outbreak and support businesses globally. The Directors have taken the following matters into consideration in forming a view that the Group is a going concern, amongst other matters:

- the Group has cash on hand of US\$1,990,057 at 31 December 2021;
- the Group has on issue 16,728,000 options exercisable at \$0.20 on or before 2 June 2022, which, if exercised will increase the Group's cash balance by approximately \$3,300,000;
- the Directors have the ability to manage the quantum and timing of operating expenditures and related cash flows should the need arise; and
- the Group is expected to have access to a range of working capital finance opportunities should it choose to increase its funding.

**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 2021. 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) 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.

**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 2021 the Group has reassessed all significant judgements and estimates included in the 31 December 2021 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 12.

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

***Trade receivables***

Management assesses 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 5.

	<b>2021</b>	<b>2020</b>
	<b>US\$</b>	<b>US\$</b>
<b>NOTE 2: REVENUE FROM CONTRACTS WITH CUSTOMERS</b>		
Revenue recognised at a point in time:		
- Sale of physical goods	452,468	1,399,452
Revenue recognised over a period of time:		
- Service level agreements and other services	121,546	325,757
Total revenue	574,014	1,725,209

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

- Contract liabilities	39,825	52,007
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There were no significant movements in contract assets or liabilities during the year.

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<b>NOTE 3: EXPENSES</b>	<b>2021</b>	<b>2020</b>
Loss before income tax from continuing operations includes the following specific expenses:	<b>US\$</b>	<b>US\$</b>
Selling, general and administrative expenses:		
- Research	1,703,093	1,212,678
- Sales, marketing and exhibitions	1,068,912	845,995
- Bad debts	725,190	2,430
- Salaries and related expenses	516,773	655,147
- Professional services	425,843	419,196
- Office related expenses	245,341	167,171
- Amortisation of right of use lease asset	184,347	162,341
- Depreciation of plant and equipment and amortisation of intangible assets	120,069	126,712
- Travel	51,953	30,535
- Others	252,494	327,600
Total selling, general and administrative expenses	<u>5,294,015</u>	<u>3,949,805</u>
Net finance expenses:		
- Interest income	(11,790)	-
- Interest on borrowings and bank fees	770	7,652
- Implied interest on leases	10,635	2,625
- Exchange rate differences	85,971	20,844
Total net finance expenses	<u>85,586</u>	<u>31,121</u>
<b>NOTE 4: EARNINGS/(LOSS) PER SHARE</b>	<b>2021</b>	<b>2020</b>
	<b>US\$</b>	<b>US\$</b>
<b>Loss per share (EPS)</b>		
a) Loss used in calculation of basic EPS and diluted EPS	<u>(6,043,694)</u>	<u>(3,880,688)</u>
b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted loss per share	133,373,831	107,315,722

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<b>NOTE 5: TRADE AND OTHER RECEIVABLES</b>	<b>2021</b>	<b>2020</b>
	<b>US\$</b>	<b>US\$</b>
<b>CURRENT</b>		
Trade and other receivables	243,134	885,732
Loss allowance	(32,031)	(12,611)
Short term deposits	51,183	110,225
Prepaid expenses	90,820	65,219
	<u>353,106</u>	<u>1,048,565</u>

All amounts are short-term. The net carrying value of trade and other receivables is considered a reasonable approximation of fair value.

<b>NOTE 6: INVENTORY</b>	<b>2021</b>	<b>2020</b>
	<b>US\$</b>	<b>US\$</b>
Inventory at cost	853,338	396,272
	<u>853,338</u>	<u>396,272</u>

In 2020/2021 there has been a global chip shortage primarily due to COVID 19. The Group has increased inventory levels to ensure it has an adequate supply on hand in the event of longer than expected lead times and in preparation for an anticipated increase in sales in 2021/2022.

The annual expense on write downs of inventory to net realisable value amounted to US\$73,002 (2020: US\$41,017).

<b>NOTE 7: RIGHT OF USE ASSETS</b>	<b>2021</b>	<b>2020</b>
	<b>US\$</b>	<b>US\$</b>
Office space	185,102	-
Motor vehicles	148,827	-
	<u>333,929</u>	<u>-</u>

The right of use assets recognised at 31 December 2021 relate to new motor vehicle leases entered into during the year and a new agreement entered into in relation to the existing office space.

**The Group's leasing activities and how these are accounted for**

The Group leases an office in Or Yehuda and various motor vehicles. Rental contracts are typically made for fixed period of 1 – 3 years but may have extension options.





**NOTE 7: RIGHT OF USE ASSETS (CONTINUED)**

Lease terms are negotiated on an individual basis and contain a range of terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowings purposes.

The lease payments are discounted using the interest rate implicit in the lease. If the rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in the financing conditions since third-party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term, country and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

**Extension and termination options**

Extension and termination options are included in the Group's office lease, exercisable at the option of the Group.

**Determining the lease term**

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For the Group's leases, the following factors are normally the most relevant:

- If there are significant penalty payments to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

There are no extension options in office and vehicles leases that have not been included in the lease liability because the Group expects to exercise the extension options.

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**NOTE 7: RIGHT OF USE ASSETS (CONTINUED)**

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. There was no impact of revising lease terms in current or previous financial year.

**NOTE 8: TRADE AND OTHER PAYABLES**

	<b>2021</b>	<b>2020</b>
	<b>US\$</b>	<b>US\$</b>
<b>CURRENT</b>		
Trade payables	86,718	320,911
Other payables and accrued expenses	450,462	854,756
Contract liability	39,825	52,007
	577,005	1,227,674

All amounts are short-term. The carrying values of trade payables and other payables are considered to approximate fair value.

**NOTE 9: LEASE LIABILITIES**

	<b>2021</b>	<b>2020</b>
	<b>US\$</b>	<b>US\$</b>
Current	216,087	-
Non-current	124,498	-
	340,585	-

The lease liabilities recognised at 31 December 2021 relate to office lease and motor vehicle leases entered into during the year. Lease liabilities have been measured at the present value of the lease payments, discounted using the Group's incremental borrowing rate in effect on lease execution date. Incremental borrowing rates applied range from 3.15% – 3.23%.

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**NOTE 10: ISSUED CAPITAL**

	2021	2020
	US\$	US\$

**(a) Share Capital**

133,470,748 (31 December 2020: 133,341,582) fully paid ordinary shares	16b	21,375,191	21,361,856
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**(b) Movement in Ordinary Capital**

	Date	No.	Unit Price US\$	Total US\$
<b>Opening balance 1 January 2020</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>
Issue of shares on conversion of options	1-Sep-21	50,000	0.20	10,241
Issue of shares on conversion of options	5-Oct-21	50,000	0.20	10,187
Issue of shares on conversion of options	14-Nov-21	29,166	0.21	5,984
Costs of capital raising		-		(13,077)
<b>Closing balance at 31 December 2021</b>		<b>133,470,748</b>		<b>21,375,191</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.

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<b>NOTE 11: RESERVES</b>	<b>2021</b>	<b>2020</b>
	<b>US\$</b>	<b>US\$</b>
Reserves	2,590,315	2,247,015
	<b>Ref</b>	<b>2021</b>
		<b>2020</b>
		<b>US\$</b>
		<b>US\$</b>
<b>a) Share Based Payment Reserve</b>		
46,571,819 (31 December 2020: 43,885,013) options on issue	3,384,301	3,190,227
	3,384,301	3,190,227
<b>b) Movement in Share Based Payment Reserve</b>	<b>No.</b>	<b>US\$</b>
<b>Opening balance at 1 January 2020</b>	<b>47,219,360</b>	<b>2,609,474</b>
Expense of options issued in prior periods, prior to cancellations	-	146,606
Issue of ESOP options	1,450,000	166,049
Issue of ESOP options	200,000	37,148
Issue of ESOP options	150,000	20,991
Issue of ESOP options	100,000	12,779
Issue of ESOP director related party options	100,000	14,315
Issue of ESOP options	75,000	5,512
Issue of ESOP options	100,000	2,757
Issue of lead manager/underwriter options	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 10)	(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>
Expense of options issued in prior periods, prior to cancellations	-	151,934
Issue of ESOP options (Note 12)	210,000	14,577
Issue of ESOP options (Note 12)	180,000	15,991
Issue of ESOP options (Note 12)	100,000	7,834
Issue of ESOP options (Note 12)	1,045,000	31,520
Issue of ESOP options (Note 12)	2,590,000	95,101
Issue of ESOP options (Note 12)	250,000	1,233
Issue of ESOP options (Note 12)	200,000	950
Options exercised and converted to fully paid ordinary shares (Note 10)	(129,166)	(28,386)
Expiry of options	(625,360)	(18,518)
Vested options cancelled on termination of employment	(86,000)	(39,591)
Unvested options cancelled on termination of employment	(1,047,668)	(38,571)
<b>Closing balance at 31 December 2021</b>	<b>46,571,819</b>	<b>3,384,301</b>

Share based payment options on issue at 31 December 2021 have a weighted average exercise price of AUD\$0.58 (2020: AUD\$0.59) and a weighted average remaining contractual life of 1.31 years (2020: 2.01 years).

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**NOTE 11: RESERVES (CONTINUED)**

	<b>2021</b>	<b>2020</b>
	<b>US\$</b>	<b>US\$</b>
<b>c) Foreign Exchange Reserve</b>	(497,190)	(646,416)

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

	<b>2021</b>	<b>2020</b>
	<b>US\$</b>	<b>US\$</b>
<b>d) Predecessor Accounting Reserve</b>	(297,796)	(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 12: SHARE BASED PAYMENTS**

**Options Issued in Prior Periods**

Options issued in prior periods that impact the year ended 31 December 2021 are as follows:

Description	Grant date	Exercise price	Expiry date	Options on issue at 31 Dec 2021	Vesting condition	Net pro-rata income/(expense) recorded at 31 Dec 2021
						A\$
ESOP Options	2-Jun-17	\$0.20	2-June-22	8,608,000	(i)	(8,333)
ESOP Options	10-Dec-17	\$0.60	9-Oct-22	89,000	(ii)	(2,726)
ESOP Options	9-Jan-18	\$1.08	14-Nov-22	25,000	(iii)	(315)
ESOP Options	26-Apr-18	\$0.745	4-Mar-23	12,000	(iv)	(179)
Director Options	28-May-18	\$0.60	9-Oct-22	460,000	(v)	(12,546)
ESOP Options	1-Aug-18	\$0.675	31-Jul-23	102,000	(vi)	1,237
ESOP Options	24-Jun-19	\$0.35	23-Jun-24	115,000	(vii)	(2,354)
ESOP Options	10-May-20	\$0.28	23-Apr-25	1,004,166	(viii)	(53,827)
ESOP Options	10-May-20	\$0.28	23-Apr-25	200,000	(ix)	(6,804)
ESOP Options	19-May-20	\$0.34	15-May-25	150,000	(x)	(4,763)
ESOP Options	18-Jun-20	\$0.32	12-Jun-25	100,000	(xi)	(3,703)
ESOP Options	30-Jul-20	\$0.28	23-Apr-25	100,000	(xii)	(8,911)
ESOP Options	9-Aug-20	\$0.30	27-Jul-25	75,000	(xiii)	(12,898)
ESOP Options	26-Oct-20	\$0.54	13-Oct-25	-	(xiv)	2,759
<b>Total</b>				<b>11,040,166</b>		<b>(113,363)</b>

- (i) Options became fully vested as of 2 June 2021.
- (ii) Options became fully vested as of 10 October 2021.
- (iii) Options became fully vested as of 15 November 2021.
- (iv) 50% on 5 March 2020 and an additional 6.25% at the end of each quarter of continuous service thereafter.
- (v) 50% on 10 October 2020 and an additional 6.25% at the end of each quarter of continuous service thereafter.
- (vi) 50% on 1 August 2020 and additional 6.25% at the end of each quarter of continuous service thereafter.
- (vii) 50% on 24 June 2021 and an additional 6.25% at the end of each quarter of continuous service thereafter.
- (viii) 50% on 23 April 2021 and an additional 4.17% at the end of each quarter of continuous service thereafter.
- (ix) Options became fully vested as of 23 April 2021.
- (x) Options became fully vested as of 15 May 2021.
- (xi) Options became fully vested as of 13 June 2021.
- (xii) 50% on 23 April 2021 and an additional 4.17% at the end of each quarter of continuous service thereafter.
- (xiii) 50% on 28 July 2022 and an additional 6.25% at the end of each quarter of continuous service thereafter.
- (xiv) Options cancelled on termination of employment during the year ended 31 December 2021.



**NOTE 12: SHARE BASED PAYMENTS (CONTINUED)**

**Share Based Payments Issued During the Year Ended 31 December 2021**

During the year ended 31 December 2021 the Group recorded the following share based payments:

- The issue of 210,000 Employee Share Plan Options exercisable at A\$0.43, on or before 1 February 2026 to employees of the Group, exercisable after the satisfaction of the following vesting condition, 50% on 2 February 2023 and an additional 6.25% at the end of each quarter of continuous service thereafter, resulting in an expense of US\$14,577 recorded at 31 December 2021.
- The issue of 180,000 Employee Share Plan Options exercisable at A\$0.52, on or before 9 March 2026 to an employee of the Group, exercisable after the satisfaction of the following vesting condition, 50% on 10 March 2023 and an additional 6.25% at the end of each quarter of continuous service thereafter, resulting in an expense of US\$15,991 recorded at 31 December 2021.
- The issue of 100,000 Employee Share Plan Options exercisable at A\$0.50, on or before 13 April 2026 to an employee of the Group, exercisable after the satisfaction of the following vesting condition, 50% on 14 April 2023 and an additional 6.25% at the end of each quarter of continuous service thereafter, resulting in an expense of US\$7,834 recorded at 31 December 2021.
- The issue of 1,045,000 Employee Share Plan Options exercisable at A\$0.42, on or before 14 September 2026 to employees of the Group, exercisable after the satisfaction of the following vesting condition, 25% on 15 September 2022 and an additional 6.25% at the end of each quarter of continuous service thereafter, resulting in an expense of US\$31,520 recorded at 31 December 2021.
- The issue of 2,590,000 Employee Share Plan Options exercisable at A\$0.48, on or before 14 September 2026 to employees of the Group, exercisable after the satisfaction of the following vesting condition, 25% on 15 September 2022 and an additional 6.25% at the end of each quarter of continuous service thereafter, resulting in an expense of US\$95,101 recorded at 31 December 2021.
- The issue of 250,000 Employee Share Plan Options exercisable at A\$0.38, on or before 14 December 2026 to employees of the Group, exercisable after the satisfaction of the following vesting condition, 25% on 15 December 2022 and an additional 6.25% at the end of each quarter of continuous service thereafter, resulting in an expense of US\$1,233 recorded at 31 December 2021.
- The issue of 200,000 Employee Share Plan Options exercisable at A\$0.44, on or before 14 December 2026 to employees of the Group, exercisable after the satisfaction of the following vesting condition, 25% on 15 December 2022 and an additional 6.25% at the end of each quarter of continuous service thereafter, resulting in an expense of US\$950 recorded at 31 December 2021.

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**NOTE 12: SHARE BASED PAYMENTS (CONTINUED)**

**Fair Value**

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 Options	ESOP Options	ESOP Options
Number of options	210,000	180,000	100,000	1,045,000	2,590,000	250,000	200,000
Grant date	2-Feb-21	10-Mar-21	14-Apr-21	15-Sep-21	15-Sep-21	15-Dec-21	15-Dec-21
Issue date	8-Feb-21	12-Mar-21	20-Apr-21	15-Sep-21	15-Sep-21	15-Dec-21	15-Dec-21
Exercise price A\$	\$0.43	\$0.52	\$0.50	\$0.42	\$0.48	\$0.38	\$0.44
Expected volatility	100%	100%	100%	100%	100%	100%	100%
Implied option life	4.98 years	4.99 years	4.98 years	5.00 years	5.00 years	5.00 years	5.00 years
Expected dividend yield	nil	nil	nil	nil	nil	nil	nil
Risk free rate	1.00%	1.00%	1.00%	1.96%	1.96%	1.96%	1.96%
Valuation per option A\$	\$0.32	\$0.35	\$0.35	\$0.34	\$0.34	\$0.27	\$0.26
Exchange rate	\$0.75	\$0.75	\$0.75	\$0.73	\$0.73	\$0.73	\$0.73
Valuation per option US\$	\$0.24	\$0.26	\$0.26	\$0.25	\$0.25	\$0.20	\$0.19
Total valuation US\$	\$50,400	\$46,800	\$26,000	\$261,250	\$647,500	\$50,000	\$38,000

**Share Based Payments Expense**

Share based payment expense is comprised as follows:

	<b>2021</b>	<b>2020</b>
	<b>US\$</b>	<b>US\$</b>
Total net expense recognised in profit or loss	280,569	397,793
Total expense recognised in equity	-	842,828
<b>Total net share based payments expense</b>	<b>280,569</b>	<b>1,240,621</b>