

June 2022 Quarterly Report & Business Update

Key Highlights:

- Continued global success of our ‘Design Win’ strategy seeing partnerships converted into revenues with new commercial agreements added in both the United States and South America.
- First commercial shipment of the new Halo 5G units.
- Expansion of Walmart’s drone parcel delivery program with DroneUp from one US state to six by the end of 2022.
- Early options exercise by Founders complete, adds A\$3,345,000 to the Company’s cash position during the quarter.

Elsight Limited (ASX: ELS) (Elsight or the Company), the carrier agnostic, AI-powered connectivity solutions company, is pleased to provide the following **Business Update**, outlining the Company’s achievements over the June quarter.

‘Design Win’ Strategy Update

During the quarter, the Company continued to validate the success of its ‘Design Win’ strategy, by converting existing partners into paying customers while securing new commercial agreements with two partners who have been working with Elsight’s Halo solution.

At the end of June, Air Methods’ wholly owned drone subsidiary, [Spright](#), placed its first commercial order of ‘Halo’ after signing a five-year agreement with the Company. Spright is seeking to become the largest drone operator in the medical delivery space in North America. Air Methods is already a leading provider of air medical services, currently providing emergency medical services to more than 100,000 patients across 48 states every year. With the establishment of Spright, they are helping to solve some of the most difficult, time-sensitive challenges facing health services across North America.

Spright has selected ‘Halo’ as their secure, uninterrupted bonded connectivity solution for both manned and unmanned vehicle platforms and has committed to several further orders during the term of the

contract. As part of the agreement, Spright will also become an official 'Halo' reseller in the United States, further increasing the Company's distribution opportunities in that region.

After quarter-end, a Brazilian company, Speedbird Aero (**Speedbird**), signed a commercial agreement for 'Halo' to be used for BVLOS drone parcel delivery services in Brazil. Speedbird currently provides drone package delivery services and operations in Brazil for food, medicine, and various products across commercial, industrial and healthcare use.

Speedbird's drones have received certification and waivers from Brazil's National Civil Aviation Agency. This allows them to operate with 'Halo' onboard as the bonded connectivity solution and complete end-to-end link between the drone and all communication technologies associated with Speedbird's field drone hub and control-centre.

Speedbird has placed its first commercial order for 'Halo' with subsequent orders expected over calendar years 2022 and 2023.

In addition to those two commercial agreements, the Company added nine more companies to the Halo investment program as part of the 'Design Win' strategy, taking the total number to 60.

As disclosed in the previous quarter activity report, the Company now offers the Halo 5G version as well as the Remote ID feature as an add-on to the Halo.

During the quarter, the Company received the first commercial order for the Halo 5G unit. Those offerings expand the Company's product portfolio and create growth engines with new as well as existing customers.

Halo-as-a-Service (HaaS) payment model

In a new commercial initiative for the Company, Speedbird is the first customer to enjoy the benefits of the HaaS payment model. The HaaS model has been introduced to better align Elsieht's business model with that of some of our customers, by lowering the upfront payments while modestly increasing their monthly recurring payments received by Elsieht during the term of 'Halo' usage. This new pricing model allows the Company's customers to grow and scale with a smaller upfront cost, while improving Elsieht's recurring revenue opportunity and profitability over time as a win-win strategy.

The Company expects the HaaS model will help drive new customer adoption of Halo, particularly for those businesses in the early growth stages.

DroneUp update

During the quarter, Walmart announced its plan to expand drone delivery services, through their partnership with DroneUp, from one US state to six by the end of 2022. The expansion of the program demonstrates the commercial success of this new service. Importantly for Elsight, it provides an opportunity to participate in the growth of this exciting market opportunity through our collaboration with DroneUp to provide 'Halo' as the bonded connectivity solution for their drone fleet.

Corporate

Early exercise of Founder's options complete

During the quarter, the Company completed a transaction related to the early exercise of Founder options which raised a total \$3.345M (refer ASX announcement released 23 May 2022). Funds raised from the early exercise allows Elsight to continue to accelerate the execution of the 'Design Win' strategy and further the rollout of the Company's 'Halo' technology with commercial partners.

Long-term incentive for CEO

Following Mr. Yoav Amitai's appointment as Elsight's CEO on 7 October 2020 and the success of the 'Design Win' strategy and other strategic initiatives which have been implemented under his tenure, the Company offered a long-term incentive component to Mr. Amitai which further aligns his performance outcomes with the interests of shareholders. Details of Mr. Amitai's long-term incentive were announced to the ASX on 10 June 2022.

Elsight Webinar Presentation on 2 August at 4.30 pm AEST.

Elsight plans to hold a webinar presentation on 2 August at 4.30 pm AEST, to provide a business update and go through the June quarter results.

Please register in advance [HERE](#).

This will be an opportunity to hear from the CEO, Yoav Amitai, and the other Directors. The Company looks forward to meeting with our shareholders at this presentation where you will also be given the chance to participate in a Q&A session.

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

-ENDS-

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About Elsight

Elsight (ASX:ELS) (www.elsight.com) Elsight delivers Absolute Connection with 24/7 Confidence. Our proprietary bonding technology incorporates both software and hardware elements to deliver extremely reliable, secure, high bandwidth, real-time connectivity - even in the most challenging areas for stationary, portable, or actively mobile situational requirements.

Appendix 4C

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

Name of entity

ELSIGHT LIMITED

ABN

98 616 435 753

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	120	459
1.2 Payments for		
(a) research and development	(515)	(962)
(b) product manufacturing and operating costs	(281)	(430)
(c) advertising and marketing	(188)	(416)
(d) leased assets	-	-
(e) staff costs	(177)	(337)
(f) administration and corporate costs	(229)	(390)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(4)	(8)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,274)	(2,084)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(1)	(1)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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

2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1)	(1)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	2,456	2,467
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(104)	(104)
3.8	Dividends paid	-	-
3.9	Other – principal elements of lease payments	(49)	(101)
3.10	Net cash from / (used in) financing activities	2,303	2,262

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,145	1,990
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,274)	(2,084)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	(1)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,303	2,262

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

4.5	Effect of movement in exchange rates on cash held	(145)	(139)
4.6	Cash and cash equivalents at end of period	2,028	2,028

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	1,988	999
5.2	Call deposits	40	146
5.3	Bank overdrafts	-	-
5.4	Other – proceeds held in relation to Non-Eligible Foreign Shareholders' Entitlements	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,028	1,145

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1 – Payment to directors for their salaries and fees.	32
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,274)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,028
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	2,028
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.6*
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
<p>Answer: The Company expects an increase in cash receipts from revenues that have been previously recognized and from an overall increase in business revenues in the first half of 2022. The estimated quarters of funding calculation in 8.5 above does not include these amounts. In addition, towards the end of 2021, the Company increased its inventories (working capital) substantially in order to prepare for future sales. As a result, there will be a dual effect of a reduction of manufacturing and operating costs associated with that short term increase in working capital as well as the aforementioned expected increase in sales receipts. Furthermore, to maximize its runway, the Company is going through a modest streamlining to drive efficiencies in the business.</p>	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
<p>Answer: The Company is continually monitoring its cash position. Should the Company choose to increase its funding, it has access to a range of working capital finance opportunities.</p>	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
<p>Answer: Yes. Refer to comment in 8.6.2 above.</p>	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

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

Date: 27 July 2022

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

Notes

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