

June 2023 Quarterly Report & Business Update

Key Highlights:

- **Elsight continues the growth in revenues and recurring revenues as more Halo units are deployed more widely with a number of existing Design-Win partners repeat orders as well as new ones.**
- **Repeat 'Halo' order received from Censys Technologies Corporation.**
- **Elsight wins strategic multi-year Israeli Police and government public tender and secures an order from the Israeli government.**
- **Successful integration of Halo connectivity platform with Sagetech Avionics takes the industry closer to routine BVLOS flight operations.**

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.

Continued growth in recurring revenues

For the fifth consecutive quarter, the Company continues to enjoy Q over Q growth in revenues. The acceleration is based on Elsight's proprietary data and cloud services as more Halos are being deployed with new and existing customers. Unaudited recurring income totalled approximately US\$93k during the quarter, up from ~US\$74k at the March 2023 quarter, in a sustainable growth rate. As the market begins to mature and the rate of adaptation grows, the impact of the increasing recurring revenues will become more and more material.

Taking all the Design-Wins that have been previously reported with new ones constantly added throughout the quarter, the revenue growth, both one-time and recurrent continues to validate the Company's strategy to win increased market share with Design-Win partners and grow together with each of them as they expand their deployments. During this quarter, 15 partners submitted repeat orders while growing their fleets and operations.

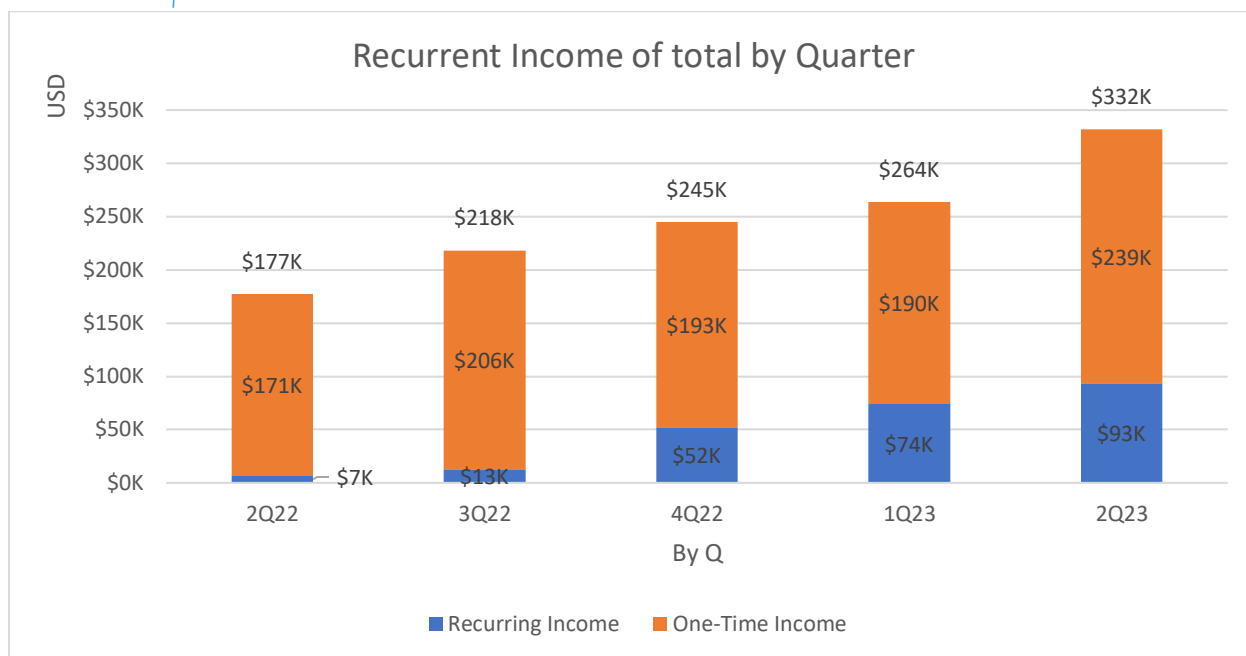


Table 1 This chart sets out the unaudited quarterly income for the Company with the increasing contribution of the Recurrent Income based on AllSight Cloud and connectivity plans.

Customer/Partner Progress

During the quarter, Elsight received a repeat order from a recent Design-Win partner, Censys Technologies Corporation (Censys). Censys is a leading US-based drone manufacturer and services provider. The Censys order followed a period of trialling and integration and consists of both upfront hardware revenue as well as recurring software revenue.

The commercial value of the Censys order is approximately US\$120,000, which will also add to Elsight’s recurring revenue, and like other Design-Win partners, the Company expects further orders to be received as Censys grows and expands its Drone network. This is in addition to repeat orders from our longer-term partners, such as DroneUp, Speedbird, Spright, Xtend, and a number of others.

In May, Elsight won a strategic, multi-year public tender to supply Israeli Police and other Israeli government departments with solutions for Communication On-The-Move (COTM).

Elsight has been collaborating with various units within the Israeli Police, such as Border Patrol, the SWAT Team and the Drone Unit, for several years. After extensive testing, the Israeli Police ordered and implemented the use of dozens of Halo units in 2022 for forces in the field, with that number now expected to grow significantly in 2023, 2024 and beyond following this tender win.

Towards the end of the quarter, the Company received an order from the Israeli government, which is separate to the tender mentioned above.

Early in the quarter, Elsight announced the successful integration of the Halo drone connectivity platform with Sagotech Avionics ACAS X-based DAA system for aircraft seeking type certification/airworthiness with BVLOS concept operations.

Sagotech Avionics (Sagotech), is an aerospace technology company that advances safer skies through innovative Detect and Avoid Systems (DAA). Sagotech's solutions are mission-proven and offer decades of program experience, certifications and millions of flight hours to ensure UAVs fly safer with Sagotech.

The ACAS/DAA integration with the Halo has been tested with multiple flights to gather data and validate the technology required to safeguard future BVLOS missions. The Company believes the successful integration with Sagotech continues to take the industry closer to routine BVLOS flight operations.

Corporate

Cash at bank at 30 June 2023 totalled US\$3,901K. Payments to related parties and their associates during the quarter totalled US\$43K comprising Directors' fees.

Elsight Webinar Presentation on 7 August at 4.30pm AEST.

Elsight plans to hold its Q2/2023 webinar presentation on 7 August at 4.30pm 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 opportunity to participate in a Q&A session.

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

-ENDS-

For more information, please contact:

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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 2023

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	207	571
1.2 Payments for		
(a) research and development	(358)	(740)
(b) product manufacturing and operating costs	(31)	(89)
(c) advertising and marketing	(187)	(416)
(d) leased assets	-	-
(e) staff costs	(186)	(354)
(f) administration and corporate costs	(208)	(425)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	40	85
1.5 Interest and other costs of finance paid	(6)	(7)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	26	181
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(703)	(1,194)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(6)
(d) investments	-	-
(e) intellectual property	-	(35)
(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	-	(41)

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	-	70
3.3	Proceeds from exercise of options	-	-
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	-	-
3.8	Dividends paid	-	-
3.9	Other – principal elements of lease payments	(14)	(63)
3.10	Net cash from / (used in) financing activities	(14)	7

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,674	5,195
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(703)	(1,194)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(41)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(14)	7

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

4.5	Effect of movement in exchange rates on cash held	(56)	(66)
4.6	Cash and cash equivalents at end of period	3,901	3,901

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	2,119	419
5.2	Call deposits	1,782	4,255
5.3	Bank overdrafts	-	-
5.4	Other	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,901	4,674

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.	43
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7. Financing facilities <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 – Convertible Notes	5,079	5,079
7.4 Total financing facilities	5,079	5,079
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.		
At 30 June 2023 the Group has issued 25,583,333 Convertible Notes with a face value of A\$0.30 each to Gleneagle Securities Nominees Pty Ltd. The Convertible Notes issued have a total face value of US\$5,079,000 at quarter end.		
The Convertible Notes bear interest at a rate of 8% per annum (capitalised) and are secured over all assets of the Borrower and its subsidiaries. 25,149,500 Convertible Notes mature on 30 December 2024; the remaining 433,833 Convertible Notes mature 31 March 2025.		

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(703)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,901
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	3,901
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	5.5
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	

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

Answer: N/A

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

Compliance statement

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

Date: 27 July 2023

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

Notes

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