

## September 2023 Quarterly Report & Business Update

### Key Highlights:

- Elsight Design-Win partner Airobotics OPTIMUS 1-EX DRONE receives historic U.S. FAA type certification, paving way for security and data capture innovation for commercial drones.
- Elsight continues the growth in recurring revenues as more Halo units are deployed more widely with several existing Design-Win partners repeating orders as well as new ones.
- Following the quarter end, Elsight sees increasing demand and new defense orders in light of Israel's wartime.

**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 September quarter.

### Continued growth in recurring revenues

For the sixth consecutive quarter, the Company continues to enjoy Q-over-Q growth in recurring 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\$103k during the quarter, up from ~US\$93k at the June 2023 quarter, in a sustainable growth rate of 11%. As the market continues to mature and the rate of adoption grows, the impact of the increasing recurring revenues will become more and more material. Furthermore, during periodical economic slowdowns and recession cycles - recurring revenues are generally considered to be somewhat "recession-proof" as they depend on usage and do not necessarily depend exclusively on new procurements when companies are tightening their belts.

Taking all the Design-Wins that have been previously reported with new ones constantly added throughout the quarter, the recurring revenue growth continues to validate the Company's strategy to win increased market share through new Design-Win partners and grow together with each of them as they expand their deployments. During this quarter, 21 partners submitted repeat orders while growing their fleets and expanding their operations.

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## **U.S. FAA Type Certification**

As announced by the US FAA on September 6<sup>th</sup>, after a 4 years process , the agency has provided the first Type Certificate (TC) for the Company's partner Airobotics. During the quarter, Elsight announced that the U.S. Federal Aviation Administration (FAA) has granted the Halo-enabled Airobotics Optimus-1EX system a Type Certificate, that will allow flight operations over people and infrastructure without the need for case-by-case waivers. This world first certification verifies the compliance of the system's design with the required FAA airworthiness and noise standards, ensuring safe operation within the National Airspace System (NAS), thereby significantly broadening the range of operational scenarios and scaling up operations for automated Uncrewed Aircrafts (UAs).

The first-of-its-kind certification was achieved after 4 years of intensive engineering and operational review processes conducted by the FAA. The Airobotics Optimus System is already operating regularly in urban environments in the United Arab Emirates (UAE) and with the Type Certificate, Airobotics with its parent company Ondas aims to operate the Optimus System in urban environments across the U.S. aligning with the Company's vision of deploying fleets of Optimus systems as a permanent drone infrastructure. This infrastructure aims to provide Smart City solutions, enhance Public Safety, enable Drones as First Responder (DFR) capabilities, and offer various commercial and industrial aerial data services.

Now that our Halo system has successfully passed the scrutiny of the most extensive testing by the FAA, we see an increase in interest in adoption by the industry. Following the announcement, Elsight has experienced a boost in inbound commercial leads and the Company is looking to mature those leads in the coming weeks and months.

In addition, since the TC approval announcement, the Company received two additional orders from its partner, Airobotics as well.

## Wartime

After the quarter's end, and despite the wartime challenges in Israel, from a sales and revenue perspective, it modestly drove new unplanned orders and created new business opportunities with existing and new defense-related customers. Based on what the Company experienced during this month, the Company expects this positive financial trend to continue at least until the end of 2023 and into early 2024.

It is also important to mention that the situation does not affect the Company ongoing operations.

## Corporate

Cash at the bank at 30 September 2023 totalled US\$3,113K. Payments to related parties and their associates during the quarter totalled US\$19K comprising Directors' fees.

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

-ENDS-

## For more information, please contact:

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## About Elsieht

**Elsieht (ASX:ELS)** ([www.elsieht.com](http://www.elsieht.com)) Elsieht 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.

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## 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 September 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$US'000</b>	<b>Year to date (9 months) \$US'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	294	865
1.2 Payments for		
(a) research and development	(385)	(1,125)
(b) product manufacturing and operating costs	(101)	(190)
(c) advertising and marketing	(190)	(606)
(d) leased assets	-	-
(e) staff costs	(180)	(534)
(f) administration and corporate costs	(192)	(617)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	54	139
1.5 Interest and other costs of finance paid	(2)	(9)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	9	190
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash used in operating activities</b>	<b>(693)</b>	<b>(1,887)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(2)	(8)
(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)	-	-
<b>2.6</b>	<b>Net cash used in investing activities</b>	<b>(2)</b>	<b>(43)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	(32)	(95)
<b>3.10</b>	<b>Net cash used in financing activities</b>	<b>(32)</b>	<b>(25)</b>

<b>4.</b>	<b>Net decrease in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	3,901	5,195
4.2	Net cash used in operating activities (item 1.9 above)	(693)	(1,887)
4.3	Net cash used in investing activities (item 2.6 above)	(2)	(43)
4.4	Net cash used in financing activities (item 3.10 above)	(32)	(25)

**Appendix 4C**  
**Quarterly cash flow report for entities subject to Listing Rule 4.7B**

4.5	Effect of movement in exchange rates on cash held	(61)	(127)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>3,113</b>	<b>3,113</b>

5.	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$US'000</b>	<b>Previous quarter \$US'000</b>
5.1	Bank balances	1,255	2,119
5.2	Call deposits	1,858	1,782
5.3	Bank overdrafts	-	-
5.4	Other	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,113</b>	<b>3,901</b>

6.	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$US'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1 – Payment to directors for their salaries and fees.	19
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>		

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

7. <b>Financing facilities</b> <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>	<b>Total facility amount at quarter end \$US'000</b>	<b>Amount drawn at quarter end \$US'000</b>
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other – Convertible Notes	4,954	4,954
7.4 <b>Total financing facilities</b>	4,954	4,954
7.5 <b>Unused financing facilities available at quarter end</b>		-
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.		
<p>As of 30 September 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\$4,954,000 at quarter end.</p> <p>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 mature on 31 March 2025.</p>		

8. <b>Estimated cash available for future operating activities</b>	<b>\$US'000</b>
8.1 Net cash used in operating activities (item 1.9)	(693)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,113
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	3,113
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	4.5
<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: 31 October 2023

Authorised by: The Board of Directors

(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.