

March 2024 Q1 Quarterly Report & Business Update

Performance Highlights

For the second consecutive Q, in Q1/24 Elsight found its ideal product fit for the global Defence & HLS markets, leading to an increased level of revenue from orders of **135%** over Q1/23.

Elsight's revenue during Q1/24 was **\$621K USD**, primarily by continuing the penetration to government and private defense and HLS entities on a global basis. The proportion of this sector in relation to overall sales rose by **57%** in Q1/24 versus Q4/23.

The continued rise in the number of returning customers came mainly from the defense and HLS sectors – **47** in total recurring customers, including Censys Technologies (US), Farada (Poland), Airobotics (US), Robotican (Israel), and Colugo (Israel).

Highlighted partners:

- **DroneUp**, a leading U.S.-based drone delivery company serving the retail giant Walmart, signed on two additional well-known US retail customers 7-11, Chick-fil-A
- **Speedbird Aero** was certified as the first company in Latin America certified to transport essential medical items such as disease and blood tests, organs for transplant, and vaccines.
- **Censys Technologies** announced the launch of the Sentaero 5 drone enabling beyond visual line of sight (BVLOS) operations through cellular connectivity and remote ID compliance.

Q1 Sales Metrics

Q1/24 Sales Revenue versus Q1/23
\$621K USD (+135%)
 vs \$264K in Q1/2023

Recurring Revenue
\$155K USD (+109%)
 vs \$74K in Q1/23

One-time Revenue
\$465K USD (+145%)
 vs \$190K in Q1/23

Design-Win Repeat Loyal Customers
A total of 47 customers submitted repeat orders during the Q

Continuing Trend: Defence & HLS
\$351K USD (+57%)
 vs \$223K in Q4 23

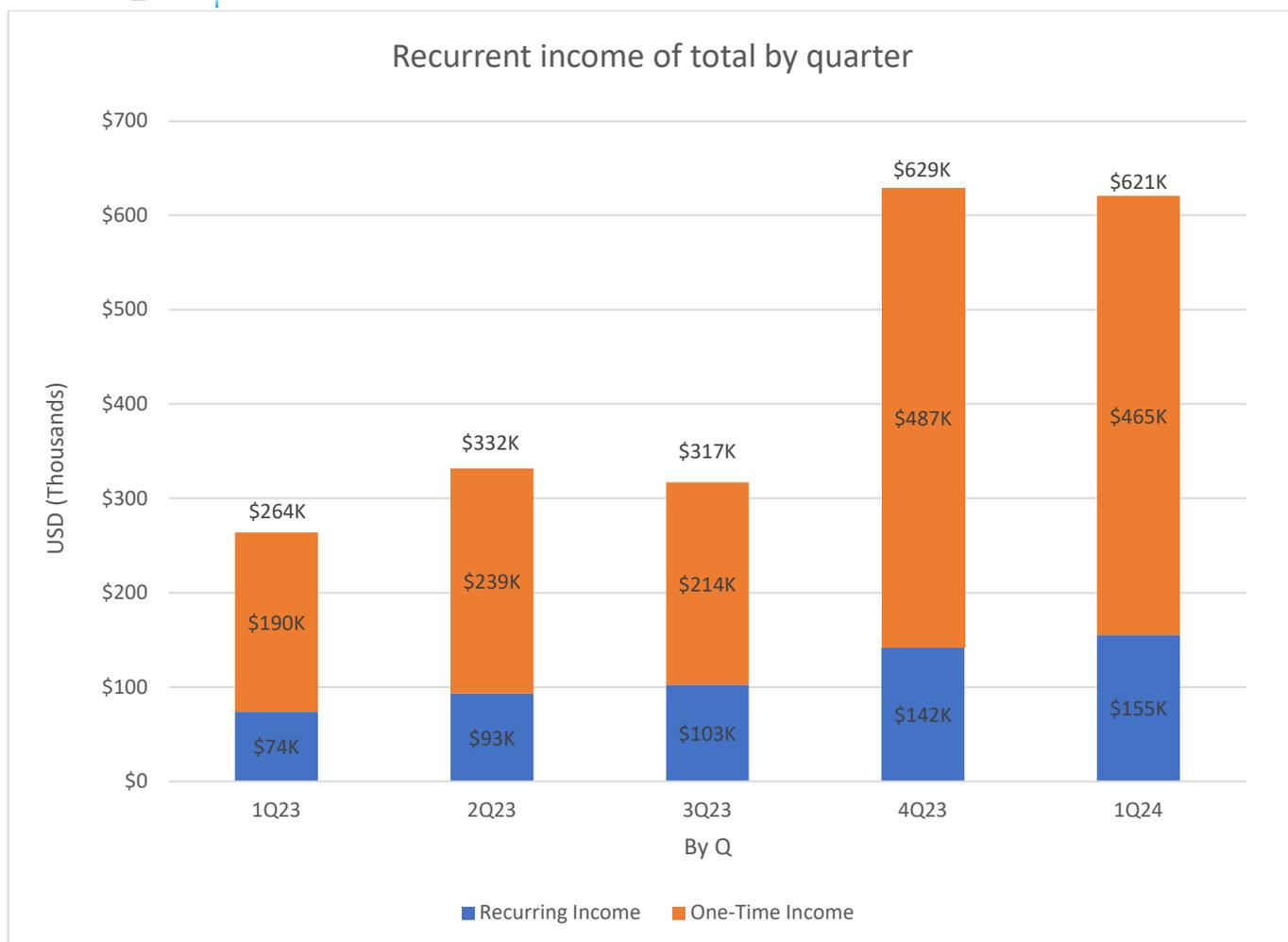


Table 1 This chart sets out the unaudited quarterly income for the Company with the increasing contribution of the Recurrent Income based on AllSight Cloud and connectivity products.

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 first quarter of 2024.

Continued growth and Dramatic Burn Rate Reduction

Although Q1 2024 ended at a similar level to the previous quarter (Q4/23), it is important to keep in mind that the level of over **\$600k** was more than a **200%** increase from the previous quarters. Furthermore, Q1 traditionally is expected to be lower than year-end Q4. This important fact shows that the sales level that occurred in Q4 2023 was not a one-time occurrence but has essentially set a new baseline milestone.

Elsight’s Burn Rate in Q3/24 was \$788K. In Q4/23, the burn rate went down to \$409K (-48%). During Q1/24 it went further down to **\$175K USD** (-77% versus Q3/23 and -57% versus Q4/23)

Beginning in October 2023, a noteworthy increase in demand and new use cases in the HLS and defense sectors contributed to better-than-expected revenues during the first quarter.

During the first quarter of 2024, the Company enjoyed continuously increasing demand for robust and reliable communications in the defense and homeland security sectors. It is important to mention that from the feedback received from various customers, Elsight's Halo is the ideal product for many organizations in the Defense and HLS sectors requiring available, robust, reliable communications. In addition to the fit in unmanned aerial systems, so too does the Halo answers many of the market requirements in unmanned ground systems (UGS) and mission-critical communication scenarios.

The Company's management sees this interest from the Defense and HLS sector expanding in 2024, in parallel to its current efforts in the commercial sectors. As a result, the Company has implemented strategies to leverage these new use cases to penetrate similar defense and HLS organizations globally.

Although the overall quarterly revenue is slightly lower (-\$8k) than the previous quarter (Q4/23), the revenue portion from the Defense and HLS sector has risen, quarter-after-quarter, at 57% higher from Q4/23.

The Company's Design-Win partners are showing continued development, scale, and loyalty.

- **DroneUp**, a world-leading U.S.-based drone delivery company serving the retail giant Walmart, signed on two additional well-known US retail customers, 7-11 and Chick-fil-A, with these deliveries supported by Elsight's Halo.
- **Speedbird Aero**, a drone manufacturer in Brazil, was the first company in Latin America certified to transport essential medical items such as disease and blood tests, organs for transplant, and vaccines.
- **Censys Technologies** announced the launch of the Sentaero 5 drone enabling beyond visual line of sight (BVLOS) operations through cellular connectivity and remote ID compliance, supported by the Halo.

In addition to the above, a total of **47** Design-Win partners have submitted repeat orders during the quarter (**+330%** over the last quarter); most of them were delivered, and the Company has booked a healthy backlog of orders expected to be delivered during the second quarter of 2024.

The Company's business development effort continues.

During the quarter and subsequent to the quarter-end date, the Company received a grant from the Israel Ministry of Economy and Industry ("Smart Money" program) to develop the Company's business in APAC. In addition, the Company has started an advanced integration with a Tier 1 defense contractor in the U.S. This integration is scheduled to be completed during the second quarter of 2024.

Increasingly number of use cases in law enforcement, first responders, and HLS

The success of the strategy taken after Q4/23 of applying the wider set of use cases to defense organizations globally has been validated via revenue growth. In situations such as natural disasters (e.g. wildfires, flooding, earthquakes) or law enforcement scenarios (e.g. hostages, search and rescue, crowd or traffic control), the transmission of real-time video and data providing exact situational awareness can be critical. The transmission of this video via either drones or other types of systems like cameras is exactly what Elsieht's Halo does best (it performs reliably and robustly).

Corporate

Cash at the bank on 31 March 2024 totalled US\$2,529K. Payments to related parties and their associates during the quarter totalled US\$42K, comprising Directors' fees.

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

-ENDS-

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about Elsieht

Elsieht (ASX: ELS) (www.elsieht.com) Elsieht's flagship product, the Halo, uses AI-based multi-link bonding to provide the most robust connectivity for drones and other unmanned systems. By adding cellular communications aggregated with satellite and RF communications, the Halo is 99.99% reliable and cyber-secured. With options for less than a 100-gram card or a boxed ground version, the Halo provides continuous connectivity even in the most challenging areas for stationary, portable, or actively mobile situational requirements. Elsieht's products serve many vertical markets leveraging UAV and UAS technologies, including defense, HLS, public safety, delivery, medical, oil and gas, utilities, inspections, surveillance, and others. Elsieht was founded in 2009.

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")

31 March 2024

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (3 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	896	896
1.2 Payments for		
(a) research and development	(341)	(341)
(b) product manufacturing and operating costs ⁽ⁱ⁾	(174)	(174)
(c) advertising and marketing	(204)	(204)
(d) leased assets	-	-
(e) staff costs	(191)	(191)
(f) administration and corporate costs	(165)	(165)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(4)	(4)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	58	58
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(123)	(123)
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	-	-
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	(47)	(47)
3.10	Net cash from / (used in) financing activities	(47)	(47)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,704	2,704
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(123)	(123)
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)	(47)	(47)

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

4.5	Effect of movement in exchange rates on cash held	(4)	(4)
4.6	Cash and cash equivalents at end of period	2,529	2,529

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	884	2,668
5.2	Call deposits	1,645	36
5.3	Bank overdrafts	-	-
5.4	Other	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,529	2,704

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.	42
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	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other – Convertible Notes	4,960	4,960
7.4 Total financing facilities	4,960	4,960
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 31 March 2024 the Group has on issue 25,400,000 Convertible Notes with a face value of A\$0.30 each to Gleneagle Securities Nominees Pty Ltd. The Convertible Notes have a total face value of US\$4,960,000 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. 24,966,167 Convertible Notes mature on 30 December 2024; the remaining 433,833 Convertible Notes mature 5 April 2025.	

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(123)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,529
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	2,529
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	20.6
<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?
	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: 24 April 2024

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.