

## December 2022 Quarterly Report & Business Update

### Key Highlights:

- Eleven new 'Design Win' partners were added during the quarter, including integration with one of the largest defense contractors worldwide for a grand total of 78 committed partners.
- Strong growth in recurring revenues as connectivity plans are deployed more widely.
- DroneUp deployment under the initial agreement on schedule, with further and growing orders expected as Walmart's drone delivery service expands to new US states, cities, and towns.
- US\$450k grant was awarded to Elsieht by the Israel Innovation Authority to support and pay for Elsieht's leading participation in further extensive nationwide trials, demonstrations, and further tests to take today's drone platforms beyond their currently known limitations and into new horizons.
- Successful capital raising secures \$8 million to strengthen the balance sheet and fund growth initiatives as the industry is expected to start expanding its growth rate in H2/23.

**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 December quarter.

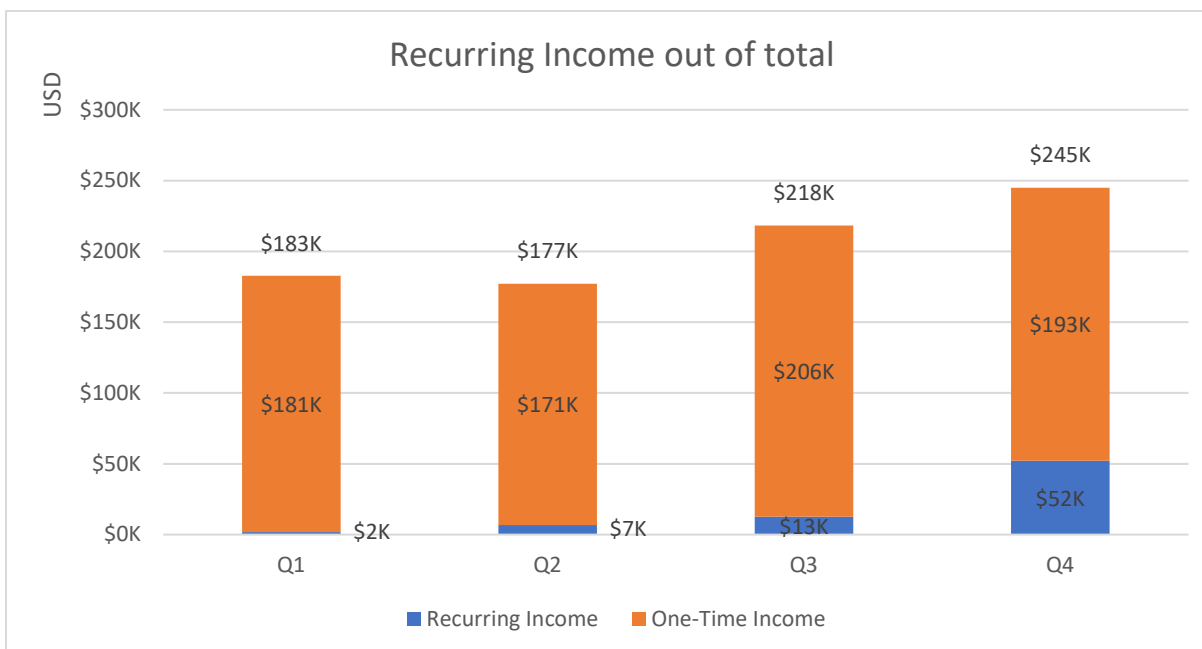
### 'Design Win' Strategy and Business Metrics Update

During the quarter, the Company added 11 new design win partners, bringing the total number to 78 partners. While there is diversity in the opportunities presented by various partners due to the early-stage nature of the drone industry, the Company is pleased to report the beginning of a significant integration toward a Design Win, this quarter, with one of the largest worldwide defense contractors. In addition, 9 partners have placed repeat orders during the period totalling ~US\$196k.

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## Strong growth in recurring revenues

The Company continues to see significant Q over Q growth in recurring revenues. The acceleration is based on Elsieht's proprietary data and cloud services as more Halos are being deployed with new and existing customers. Unaudited recurring income totalled approximately ~US\$52k during the quarter, up from ~US\$13k at September 2022 quarter in a sustainable growth rate.



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

## DroneUp-Walmart drone delivery update

The Company is working closely with DroneUp to continue the deployment of services required for Walmart's staged rollout of drone delivery services to their customers in North America. On 5 January 2023, Walmart announced they now have 36 U.S. stores with drone delivery hubs across seven states and that they successfully completed more than 6,000 drone deliveries in 2022. Walmart has 4,700 stores located within 92% of the U.S. population. This is a slight expansion beyond their original plan [announced](#) on May 24, 2022, targeting 34 stores in 6 states. On August 25, 2022, Tom Walker, DroneUp's CEO, announced to the [media](#) **"Our delivery capacity will be four million homes by the end of this year (2022). Our goal is 30 million by the end of next year"**.

After thousands and thousands of delivery flights, we are starting to accumulate valuable data that will be useful to implement and fine-tune the operation as the service starts to rapidly grow.

The Company expects continuous up front as well as recurrent revenue growth with DroneUp as Walmart's expansion of this new service continues to gain traction.

On November 18, 2022, our partner DroneUp [announced](#) that it has been named to Fast Company's second annual "Next Big Things in Tech" list, honouring technology breakthroughs that promise to shape the future of industries—from agriculture and environment to productivity and artificial intelligence.

DroneUp is great validation for the Design Win strategy and how the product and the business models translate into a high growth opportunity.

#### **Israel Innovation Authority grant**

During the quarter, the Company was selected for a grant of US\$450k by the Israel Innovation Authority, for the second phase of NAAMA Initiative pilot project to examine use cases and integration of large drones designed to carry passengers and heavy cargo in National airspace.

Following the successful initial pilot phase where all pre-defined metrics were met, Elsieht has been selected as one of 10 companies to participate in the second phase pilot project commencing January 2023.

The grant for this two-year pilot project will assist in supporting the financing of the expansion of the Halo BVLOS connectivity system roadmap.

#### **Corporate**

As communicated in the September 2022 quarterly report, the Company was considering several funding alternatives in order to maintain the robust growth trajectory being achieved under the 'Design Win' strategy and provide the balance sheet strength and flexibility required to capitalise on market opportunities. On 4 November 2022, the Company received commitments to raise \$8 million through an offer of secured convertible notes to a range of well-recognised Australian institutions and sophisticated investors.

During 2022, Elsight established several multi-year engagements with various partners and the Company is expecting multiple repeat orders to be received under these engagements. Funds raised will enable Elsight to continue to execute its growth strategy as the unmanned market continues with mainstream commercial adaptation.

Cash at bank at 31 December 2022 totalled US\$5,195k. Payments to related parties and their associates during the quarter totalled US\$55k comprising Directors' fees.

**Elsight Webinar Presentation on 1 February at 5.30 pm AEDT.**

Elsight plans to hold its Q4/2022 webinar presentation on 1 February at 5.30 pm AEDT, to provide a business update and go through the December 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-**

**For more information, please contact:**

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**About Elsight**

**Elsight (ASX:ELS)** ([www.elsight.com](http://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.

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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")**

31 December 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$US'000</b>	<b>Year to date (12 months) \$US'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	154	965
1.2 Payments for		
(a) research and development	(341)	(1,695)
(b) product manufacturing and operating costs	(120)	(452)
(c) advertising and marketing	(199)	(896)
(d) leased assets	-	-
(e) staff costs	(204)	(875)
(f) administration and corporate costs	(111)	(706)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(3)	(14)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(822)</b>	<b>(3,671)</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	(3)	(4)
(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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(3)</b>	<b>(4)</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	4,811	4,811
3.3	Proceeds from exercise of options	-	2,480
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)
3.8	Dividends paid	-	-
3.9	Other – principal elements of lease payments	(73)	(224)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>4,738</b>	<b>6,963</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,215	1,990
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(822)	(3,671)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	(4)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,738	6,963

**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	67	(83)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>5,195</b>	<b>5,195</b>

<b>5.</b>	<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	5,156	1,176
5.2	Call deposits	39	39
5.3	Bank overdrafts	-	-
5.4	Other – proceeds held in relation to Non-Eligible Foreign Shareholders' Entitlements	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>5,195</b>	<b>1,215</b>

<b>6.</b>	<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.	55
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>		

<b>7.</b>	<b>Financing facilities</b> <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>	<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	4,856	4,856
7.4	<b>Total financing facilities</b>	4,856	4,856
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>At December 2022 the Group has issued 25,149,500 Convertible Notes with a face value of A\$0.30 to Gleneagle Securities Nominees Pty Ltd. The Convertible Notes issued have a total face value of US\$4,856,000 at quarter end.</p> <p>The Convertible Notes bear interest at a rate of 8% per annum (capitalised), are secured over all assets of the Borrower and its subsidiaries and mature on 30 December 2024.</p> <p>The Group expects to issue a further 1,517,166 Convertible Notes upon completion of the Convertible Notes capital raise.</p>			

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$US'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(822)
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,195
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	5,195
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	6.3
<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: 25 January 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.