

ACTIVITY REPORT

Elsight Limited (ASX: ELS), a provider of ground-breaking hybrid video and data transmission services (on-the-move or fixed) for large Safe-City projects, sensitive facilities management, and surveillance and protective activities offers this report on its activities for the quarter ended 31 December 2018.

Revenues

This is the second consecutive quarter marked by a material increase in revenues over the previous one as well as over the same quarter in 2017. Unaudited revenue for Q4 2018 was USD \$621K, a 98% increase on Q4 2017 and a 57% increase on Q3 2018.

Cash Inflows

Cash collections have been a focus for the Company over the past year. Q4 collections have increased by 88% compared to Q3.

Cash Outflows.

Investments continued in the area of R&D, sales and business development as outlined in the 4C. The Company is focused and heavily invested on its new platform that is going to be officially launched at the world's largest cellular trade show, the "MOBILE WORLD CONGRESS 2019" in Barcelona (Feb. 25-29, 2019).

Business operations

Product and Technology

Q4 saw investment by the Company towards the completion of its breakthrough flagship platform with the Use of Funds outlined in the Prospectus (to be deployed during Q2/2019). This development is intended to open up large lucrative addressable market opportunities in a number of verticals including drones, autonomous drones/automotive/agritech/robotics and Original Equipment Manufacturers (OEM)s. This new platform is designed to dramatically lower size, weight and costs (boosting margins) while adding new capabilities, functionalities as well as new business model flexibility. Working capital was also deployed in manufacturing and sourcing to supply customer orders and for use in proof of concept (POC) projects with various strategic customers. The impact on our revenues should become more noticeable toward the end of Q3/2019.

Sales and Customer success

In Q4 the Company continued to increase its sales and business development activities. Highlights included receiving the first significant order from Alrena for the "Smart Medicaase" partnership and a substantial repeat order from FMS integrator, Traffilog for a major public security agency in the UK. As indicated in the previous quarter, the Company began to execute its planned sales and marketing activities in the US market and has been working on number of POCs in the field with HLS and defence organisations. Elsieht has also been working on multiple POCs in the Unmanned Vehicles Segment.

Strategic focus

The Company's strategic shift to increase its focus on the US Market in addition to existing opportunities that have become available in the Asia Pacific region and the UK was reported in the previous quarter. This has gathered momentum in Q4.

As a result, of direct business development activities in the US, and despite the longer sale cycle associated with this geography, the Company is working on developing its pipeline with a number of parties in the US to further drive commercial success in H2/2019. These parties include Tier-one defence integrators, manufacturers of ruggedized mobile tablets for Police and Fire departments, crisis managers, airport and transport operators, providers of international unmanned aerial systems and centric security missions, and autonomous tractors for the agriculture market. The Company will inform the market as material contracts are signed.

The Company also believes that delivery of its new products, due for release during Q2/2019 will have positive implications for its future success.

Outlook

As previously indicated, the increased focus on the Americas as well as on bringing the new products to market have resulted in some delays to revenue bookings accepted by the Company in time for the end of Calendar 2018. Nonetheless, the Company believes that the US market has the potential to deliver significant growth in the near future, especially as we have not been able to identify competent or viable alternatives to the Company's technology available in the market. Furthermore, the planned release of our new Next Generation Platform will coincide with the Company's planned revenue growth in the second half of 2019, 2020 and beyond.

ENDS-

For more information, please contact:

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About Elsight

Elsight (www.elsight.com) is a solution provider of ground-breaking video and data transport services (on-the-move or fixed) for large Safe-City projects, sensitive facilities management, and surveillance and protective activities. The platform supports video capturing, recording, and highly secured transmission against video interception and hacking. Elsight's platform was designed to address the most demanding requirements of Special Forces across enemy lines and sophisticated intelligence organizations. These systems underwent the most rigorous testing in combat situations as well as extensive testing by the most demanding laboratories. As a result, they present an unmatched level of reliability, lowest latency, and highest adaptive bandwidth over cellular networks that enables HD and 4K tv transmission quality, with "never-fail" redundancy and much more. For the first time they offer strict military requirements for civil usage. Elsight's customers range from defence and homeland security, industrial security, broadcasting, first responders and healthcare.

Elsight Limited ACN 616 435 753

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

ELSIGHT LIMITED

ABN

98 616 435 753

Quarter ended ("current quarter")

31 December 2018

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (12 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	534	1,381
1.2 Payments for		
(a) research and development	(256)	(918)
(b) product manufacturing and operating costs	(330)	(982)
(c) advertising and marketing	(32)	(91)
(d) leased assets	(43)	(163)
(e) staff costs	(309)	(1,126)
(f) administration and corporate costs	(263)	(1,398)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	22	59
1.5 Interest and other costs of finance paid	(1)	(7)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other – transaction costs	-	-
1.9 Net cash from / (used in) operating activities	(678)	(3,245)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(3)	(173)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
	(d) intellectual property	-	-
	(e) other non-current assets (intangibles)	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	44
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – cash on reverse acquisition	-	-
2.6	Net cash from / (used in) investing activities	(3)	(129)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	7,059
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(22)	(465)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(3)	(89)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(25)	6,505

4	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	4,490	1,094
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(678)	(3,245)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	(129)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(25)	6,505

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
4.5	Effect of movement in exchange rates on cash held	(151)	(592)
4.6	Cash and cash equivalents at end of quarter	3,633	3,633

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	988	1,964
5.2	Call deposits	2,645	2,526
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,633	4,490

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter
\$US'000

88

-

Item 1.2 includes payments to directors for their salaries and fees of US\$88,000

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter
\$US'000

-

-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
8.1 Loan facilities	85	85
8.2 Credit standby arrangements	53	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Facilities included above comprise a bank overdraft facility, short term bank loans and long term bank loans.

Loan facility 1 – secured long term bank loan of US\$23,000 at quarter end, bearing interest at 2.10%.

Loan facility 2 - secured long term bank loan of \$US62,000 at quarter end, bearing interest at 2.2%.

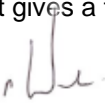
Credit standby arrangements - secured bank overdraft facility.

9. Estimated cash outflows for next quarter	\$US'000
9.1 Research and development	360
9.2 Product manufacturing and operating costs	400
9.3 Advertising and marketing	33
9.4 Leased assets	42
9.5 Staff costs	458
9.6 Administration and corporate costs	305
9.7 Other	-
9.8 Total estimated cash outflows	1,598

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

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.

Sign here: 
(Director/Company secretary)

Date: 31 January 2019

Print name: Peter Webse

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.