

ASX Announcement

30 April 2021

March 2021 Quarterly Report & Business Update**Highlights**

- Entered strategic partnership with JS Group to accelerate North American expansion plans
- Elsight Partners Program emphasis shifts from direct to channel sales
- Highly focused on major aim to become a market leader in the drone connectivity space
- Major contributor to 'first of its kind' drone pilot program
- Established two more manufacturing facilities to increase manufacturing capacity
- Continued to expand its existing partnerships
- Cash on hand position remains strong at US\$6.1m

Elsight Limited (ASX: ELS) ('Elsight' or 'the Company') an ASX-listed company that develops advanced communication technologies for real-time data, video, and audio transmission over cellular networks in mission-critical environments, is pleased to provide an operational and financial update for the quarter ended 31 March 2021.

Elsight has continued to build solid distribution channels to capitalise on North American market opportunities

As announced on [2 March 2021](#), Elsight entered a strategic partnership with **JS Group** to amplify expansion efforts in the North American broadband market. The partnership with JS Group accelerates the Company's strategy to move from direct sales to channel sales in the broadband North American rural market. JS Group's extensive channel experience, high-level industry contacts and innovative growth strategies deliver tangible results. Leveraging JS Group's history of building multiple, 5-Star award-winning channel programs for F100 technology companies represents a significant advantage for Elsight's expansion strategy in the North American market.

This strategic initiative is critical to enable the Company to participate in the newly announced (15 April 2021) **President Biden, 'American Jobs Plan'** where **\$2 trillion** has been allocated to overhaul and upgrade the nation's infrastructure that includes a large portion for expanding broadband and wireless broadband to every American. As the COVID-19 crisis has revealed, Americans everywhere need universal, reliable, affordable, and high-speed internet to perform their jobs, participate equally in remote school learning and stay connected. This digital divide needs to be closed everywhere, from lower-income urban schools to rural America, to many older Americans as well as those living on tribal lands.

For Elsight to effectively participate in the many potential bids for this opportunity with Halo, it is critical to establish a strong network of partners – the main aim of our partnership program. This partnership program that is building strategic relationships with very large distributors who are financially strong is also aiming to

rectify the risks of some smaller companies who are running into cash flow challenges in light of COVID-19. According to recent news reports, 22 million Americans are lacking any broadband connectivity.

Microsoft research shows that 150 million Americans have very limited access that does not allow them to utilize broadband services and get internet access.

Partner Program to focus on Channel Sales

Elsight's Partner Program has undertaken an innovative shift by moving away from only direct to channel sales. The Elsight Partner Program's primary objective is to expand its market reach for Elsight's ground-breaking solution through a community of channel partners in North America. The new program offers master agents, distributors and the partner community access to Elsight's connectivity solutions and award-winning support.

Elsight continues its effort to become a market leader in the drone connectivity space

Elsight is continually working diligently with partners to enhance and extend their capabilities. Despite the interim delay that was communicated to the market on 23 April 2021 of the important US Federal Aviation Authority (FAA) TC certification process, the Company received a high level of interest from the industry and is starting to forge new partnerships with drone manufactures from US, Europe and Israel.

In Singapore, we are awaiting a Government RFP to enable, together with our partner, to secure an equivalent certification similar to FAA, to fly in Singapore.

The Company took an active part in a major, first of its kind drone pilot program, which involved testing five drone companies in the same airspace to simulate the future airspace of drone operations. The pilot program is planned to continue in June & July 2021, and this time around, the focus will be for it to take place above urban areas.

Elsight has also continued to expand its exciting cooperation with existing partners such as Airobotics, Gadfin and CopterPix. The expansion includes Gadfin's first in the market CAAI (Civil Aviation Authority of Israel) certificate to do commercial drone delivery in southern Israel.

Operations Update

In anticipation of an increase in sales and deliveries during the second half of 2021, the Company has finished qualifying two more manufacturing facilities to enhance the production flexibility and eliminate single point of failure in the supply chain, and more importantly, to increase manufacturing capacity.

Administration Update

The Company continues to be vigilant in respect to the ongoing implications of the COVID-19 pandemic, and while working in capsules, 88% of the workforce is currently fully vaccinated.

Commercial Position on Kinetx Prime

Originally, the first quarter's revenue was planned to be based on large order from Kinetx Prime (KP). Unfortunately, KP has had its own significant cash flow issues, and as a consequence, the Elsieht Board made a decision not to fulfill the subsequent order given the non-receipt of the initial amount of approx. USD\$600,000.

The Board of Elsieht is aware of a proposal that, if concluded, will result in KP being acquired by a US-based venture. This firm is also aware of the debt owed to Elsieht and has acknowledged that payment will be made should the transaction complete. Timing for completion is in the coming days. The Board will keep the market informed of future developments in relation to this issue.

Investor Presentation

The Company advises that an investor webinar call and company presentation is scheduled for Tuesday 3rd May. The Company will make a further announcement with the details.

Authorised for release by the Board.

For more information, please contact:

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About Elsieht

Elsieht (www.elsieht.com) is a solution provider of ground-breaking hybrid 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. **Elsieht'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. **Elsieht's** customers range from defence and homeland security to industrial security, broadcasting, first responders and healthcare.

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 2021

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	47	47
1.2 Payments for		
(a) research and development	(389)	(389)
(b) product manufacturing and operating costs	(472)	(472)
(c) advertising and marketing	(311)	(311)
(d) leased assets	-	-
(e) staff costs(*)	(356)	(356)
(f) administration and corporate costs	(266)	(266)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,747)	(1,747)

*Includes termination benefit paid to former CEO Mr Nir Gabay of US\$193,000.

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(15)	(15)
(d) investments	(2)	(2)
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
	(f) other non-current assets	-	-
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	(17)	(17)

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	(12)	(12)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(47)	(47)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – principal elements of lease payments	-	-
3.9	Other – proceeds collected from the sale of Non-Eligible Foreign Shareholders' Entitlements in Q4 2020 and distributed to the Non-Eligible Foreign Shareholders in Q1 2021	(34)	(34)
3.10	Net cash from / (used in) financing activities	(93)	(93)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,924	7,924
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,747)	(1,747)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(17)	(17)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(93)	(93)
4.5	Effect of movement in exchange rates on cash held	1	1
4.6	Cash and cash equivalents at end of period	6,068	6,068

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	3,068	7,892
5.2	Call deposits	3,000	-
5.3	Bank overdrafts	-	-
5.4	Other – proceeds held in relation to Non-Eligible Foreign Shareholders' Entitlements	-	32
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,068	7,924

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 – Termination payment to Mr Nir Gabay of US\$193,000 and payment to directors for their salaries and fees of US\$25,000.	218
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 <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>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
7.1 Loan facilities	7	7
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	7	7
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.		
The above facility is a secured short-term bank loan of US\$7,000 at quarter end which bears interest at 2.1%.		

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,747)
8.2 Cash and cash equivalents at quarter end (item 4.6)	6,068
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	6,068
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.5
<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	
<i>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.</i>	

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: 30 April 2021

Authorised by: The Board of Directors

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.