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As at the date of this Notice, the Company currently has one class of quoted Equity Securities on issue, being the Shares (ASX Code: ELS).

If Shareholders approve Resolution 6, the number of Equity Securities the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2.

Resolution 6 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 6 for it to be passed.

## **6.2 Technical information required by ASX Listing Rule 7.1A**

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 6:

### **(a) Minimum Price**

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in Section 6.2(a)(i), the date on which the Equity Securities are issued.

### **(b) Date of Issue**

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid),

### **(10% Placement Capacity Period).**

### **(c) Risk of voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 6 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement

Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the market price of Shares and the number of Equity Securities on issue as at 21 March 2018.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue (Variable 'A' in ASX Listing Rule 7.1A2)	Dilution			
	Issue Price (per Share)	\$0.3275 (50% decrease in Issue Price)	\$0.6550 (Issue Price)	\$0.9825 (50% increase in Issue Price)
Variable A 95,888,599	Shares issued - 10% voting dilution	9,588,859 Shares	9,588,859 Shares	9,588,859 Shares
	Funds raised	\$3,140,351	\$6,280,703	\$9,421,054
(50% Increase is Variable A) 143,832,899	Shares issued - 10% voting dilution	14,383,289 Shares	14,383,289 Shares	14,383,289 Shares
	Funds raised	\$4,710,527	\$9,421,054	\$14,131,582
(100% Increase in Variable A) 191,777,198	Shares issued - 10% voting dilution	19,177,719 Shares	19,177,719 Shares	19,177,719 Shares
	Funds raised	\$6,280,703	\$12,561,406	\$18,842,109

**Notes:**

- (a) The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.
- (b) The table above uses the following assumptions:
- (i) There are currently 95,888,599 Shares on issue.
  - (ii) The issue price set out above is the closing price of the Shares on the ASX on 21 March 2018.
  - (iii) The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
  - (iv) The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
  - (v) The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.

- (vi) The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
- (vii) This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
- (viii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (ix) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) **Purpose of Issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company intends to use funds raised to intensify and aggressively pursue its stated intention to separate the individual business units within the Company according to its six main and autonomous businesses; or
- (ii) as non-cash consideration for the acquisition of additional assets, as yet not identified, that are complimentary to the Company's existing business.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

(e) **Allocation policy under the 10% Placement Capacity**

The recipients of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;

- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the recipients under the 10% Placement Capacity will be vendors of the new resources, assets or investments.

(f) **Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it must give to ASX:

- (i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (ii) the information required by Listing Rule 3.10.5A for release to the market.

### 6.3 Voting Exclusion

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 6.

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## 7. RESOLUTION 7 – RATIFICATION OF PRIOR ISSUE OF SHARES UNDER PLACEMENT

### 7.1 General

On 5 March 2018, the Company announced its intention to issue 12,507,208 Shares at an issue price of \$0.72 per Share to raise \$9,005,189.76 (before expenses of the offer) (**Placement**). This offer was made to wholesale and institutional investors of the Company.

Resolution 7 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1 at the commencement of that 12 month period.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

## 7.2 Technical information required by Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) 12,507,208 Shares were issued on 15 March 2018;
- (b) the issue price was \$0.72 per Share;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to clients of RM Corporate Finance Limited, the Lead Manager of the Placement. None of these subscribers are related parties of the Company; and
- (e) the funds raised from this issue were used to intensify and aggressively pursue its stated intention to separate the individual business units within the Company according to its six main and autonomous businesses.

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## 8. RESOLUTION 8 – APPROVAL TO ISSUE OPTIONS UNDER PLACEMENT

### 8.1 General

Resolution 8 seeks Shareholder approval for the issue up to 6,253,623 Options.

The effect of Resolution 8 will be to allow the Company to issue one free attaching Option to subscribers for every two Shares that they subscribed to and were issued in accordance with Resolution 7 (**Placement**).

A summary of ASX Listing Rule 7.1 is set out in Section 7 above.

### 8.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement:

- (a) the maximum number of Options to be issued is 6,253,623;
- (b) the Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Options will occur on the same date;
- (c) the deemed issue price will be nil cash consideration;
- (d) the Options will be issued to the subscribers of the issue of Shares under the Placement. None of these subscribers are related parties of the Company;
- (e) The Options will be issued on the terms and conditions set out in Schedule 1; and
- (f) no funds will be received as the Options are being issued to participants in the Placement for additional consideration.

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## 9. RESOLUTION 9 – PLACEMENT OF OPTIONS TO LEAD MANAGER AND CORPORATE ADVISOR

### 9.1 General

Resolution 9 seeks Shareholder approval for the issue of up to 625,360 Options in consideration for services provided (**Lead Manager Placement**).

The effect of Resolution 9 will be to allow the Company to issue the Options pursuant to the Lead Manager Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

The Lead Manager Placement is being issued to RM Corporate Finance in consideration for their services provided as Lead Manager and Corporate Advisor of the Placement.

A summary of ASX Listing Rule 7.1 is set out in Section 7 above.

### 9.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement:

- (a) the maximum number of Options to be issued is 625,360;
- (b) the Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Options will occur on the same date/progressively;
- (c) the deemed issue price will be issued for nil cash consideration in satisfaction of services provided;
- (d) the Options will be issued to RM Corporate Finance, who is not a related party of the Company;
- (e) the Options will be issued on the terms and conditions set out in Schedule 1; and
- (f) no funds will be raised from the Placement as the Options are being issued in consideration for services provided by RM Corporate Finance as Lead Manager and Corporate Advisor.

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## 10. RESOLUTIONS 10 TO 12 – ISSUE OF PERFORMANCE OPTIONS TO DIRECTORS

### 10.1 General

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 460,000 Options (**Related Party Options**) to Maj. Gen. (ret) Ami Shafran, David Furstenberg and Nir Gabay (**Related Parties**) or their nominees, in the proportions and on the terms and conditions set out below.

The Related Party Options are being issued pursuant to the Employee Share Option Plan (**ESOP**). The ESOP is intended to provide an incentive to retain, in the employment or service or directorship of the Company persons of training, experience and provide the ability to attract new employees, directors or consultants whose services are considered valuable.



The Board first resolved to issue these Related Party Options, subject to relevant Shareholder approvals, on 23 October 2017. The Board supported the issue of the Related Party Options to the Related Parties at that time, even though the Share price was trading above the proposed exercise price, due to a number of factors, including the role that these Directors had played in the success of the Company, and increase in the Share price since the listing in June 2017, and the election of Messrs Furstenberg, Gabay and Shafran to forego their Directors' fees owing to them until 30 June 2018, which will save the Company money in terms of reducing outgoings.

The Annual General Meeting is the first opportunity to approve the issue of the Related Party Options. At the date of this Notice of Meeting, the Company's Share price is trading around or below the exercise price of the Related Party Options. Notwithstanding this change in price, the non-interested Directors continue to recommend that Shareholders vote in favour of the Resolutions for the reasons set out in Section 10.4 (n) to (p) below.

The Board also notes that the Related Party Options are less than 1% of the issued capital of the Company. Shareholder dilution will not occur for two years, at which point half of the Related Party Options will vest and become exercisable. The remaining portion of the Related Party Option will vest over the following two years, subject to continuous service. Accordingly, it is the view of the Board that the exercise price of the Options does not have any material effect on the Company's Shareholders.

Resolutions 10 to 12 seek Shareholder approval for the grant of the Related Party Options to the Related Parties (or their nominees).

## **10.2 Chapter 2E of the Corporations Act**

Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of the Related Party Performance Options constitutes giving a financial benefit and David Furstenberg, Nir Gabay and Maj. Gen. (ret) Ami Shafran are related parties of the Company by virtue of being Directors.

## **10.3 ASX Listing Rule 10.14**

ASX Listing Rule 10.14 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

Shareholder approval is also sought for the purpose of section 208 of the Corporations Act for the issue of the Related Party Options to the Directors.

#### 10.4 Technical information required by Chapter 2E of the Corporations Act and ASX Listing Rule 10.14

- (a) the related parties are David Furstenberg, Nir Gabay and Maj. Gen. (ret) Ami Shafran and they are related parties by virtue of being Directors;
- (b) the maximum number of Options to be issued to the Eligible Participants (or their nominees) is:
- (i) 100,000 Options to Maj. Gen. (ret) Ami Shafran (or his nominee);
  - (ii) 250,000 Options to David Furstenberg (or his nominee); and
  - (iii) 110,000 Options to Nir Gabay (or his nominee);
- (c) the amount payable upon exercise of each Option will be \$0.60 (**Exercise Price**);
- (d) the Related Parties have waived their right to Directors' fees until 30 June 2018, although Mr Gabay will still be entitled to his salary. As such, the Board believes that the Exercise Price, despite being lower than the prevailing Share price, is appropriate. The Related Party Options are being issued in order to compensate the Related Parties for the services that they have provided as Directors;
- (e) the Related Party Options will be issued to the Related Parties no later than 12 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Related Party Options will be issued on one date;
- (f) no loan is being issued to the Related Parties under the terms of the ESOP;
- (g) the Related Party Options will be granted for nil cash consideration; accordingly, no funds will be raised;
- (h) the terms and conditions of the Related Party Options are set out in Schedule 2;
- (i) the value of the Related Party Options and the pricing methodology is set out in Schedule 3;
- (j) the relevant interests of the Related Parties in securities of the Company as at the date of this Notice are set out below:

Related Party	Shares	Options
Maj. Gen. (ret) Ami Shafran	Nil	Nil
David Furstenberg	Nil	Nil
Nir Gabay	26,052,974	29,595,000

- (k) the remuneration and emoluments from the Company to Related Parties for the previous financial year and the proposed remuneration and emoluments for the upcoming financial year are as follows:

Related Party	2017	2018 (Proposed)
Maj. Gen. (ret) Ami Shafran	\$2,349	\$50,000
David Furstenberg	\$2,349	\$50,000
Nir Gabay	\$55,309	\$212,000 <sup>1</sup>

**Note:**

1. As set out in the Company's Prospectus, the Non-Executive Directors are entitled to Directors' fees in the amount of \$50,000 per annum each.
2. Nir Gaby's proposed 2018 remuneration comprises of a \$50,000 directors fee as well as a \$162,000 fee that will be awarded to him under a services agreement.

- (l) if the Related Party Options granted to the Related Parties are exercised, a total of 460,000 Shares would be issued. This will increase the number of Shares on issue from 95,888,599 to 96,348,599 (assuming that no other Options are exercised and no other Shares are issued with the effect that the shareholding of existing Shareholders would be diluted by 0.48%.

The market price for Shares during the term of the Related Party Options would normally determine whether or not the Related Party Options are exercised. If, at any time any of the Related Party Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Related Party Options, there may be a perceived cost to the Company.

- (m) the trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

	Price	Date
Highest	177.5 cents	27 November 2017
Lowest	13.5 cents	25 and 26 July 2017
Last	65.5 cents	21 March 2018

- (n) the Board acknowledges the grant of Related Party Options to the Related Parties is contrary to Recommendation 8.3 of The Corporate Governance Principles and Recommendations with 2010 Amendments (2<sup>nd</sup> Edition) as published by The ASX Corporate Governance Council. However, the Board considers the grant of Related Party Options to the Related Parties reasonable in the circumstances for the reason set out in Section 10.1 above;

- (o) Maj. Gen. Ami Shafran declines to make a recommendation to Shareholders in relation to Resolution 10 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Party Options in the Company should Resolution 10 be passed. However, in respect of Resolutions 11 and 12, Maj. Gen. Ami Shafran recommends that Shareholders vote in favour of those Resolutions for the following reasons:

- (i) the grant of Related Party Options to the Related Parties will align the interests of the Related Parties with those of Shareholders;

- (ii) the grant of the Related Party Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Parties;
  - (iii) the issue of the Related Party Options will save the Company's cash through the waiver of the Directors' fees payable to the Related Parties, and should all the Related Party Options be exercised, result in the Company receiving additional cash inflows of up to \$216,000 from the exercise of those Related Party Options; and
  - (iv) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the Related Party Options upon the terms proposed;
- (p) David Furstenberg declines to make a recommendation to Shareholders in relation to Resolution 11 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Party Options in the Company should Resolution 11 be passed. However, in respect of Resolutions 10 and 12, David Furstenberg recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (n);
  - (q) Nir Gabay declines to make a recommendation to Shareholders in relation to Resolution 12 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Party Options in the Company should Resolution 12 be passed. However, in respect of Resolutions 10 and 11, Nir Gabay recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (n);
  - (r) with the exception of the Related Parties, no other Director has a personal interest in the outcome of Resolutions 10 to 12;
  - (s) Howard Digby and Anton Uvarov recommend that Shareholders vote in favour of Resolutions 10 to 12 for the reasons set out in paragraph (n);
  - (t) in forming their recommendations, each Director considered the experience of each other Related Party, the existing and proposed contribution of each Related Party to the Company, the waiving of fees until 30 June 2018 by the two non-executive Directors (namely Maj. Gen. (ret) Shafran and Mr Furstenberg), and the current market practices when determining the provision of the Loan upon the terms proposed; and
  - (u) the terms and conditions of the Related Party Options are set out in Schedule 2;
  - (v) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 10 to 12; and
  - (w) all of the Directors, being Anton Uvarov, Howard Digby, Nir Gabay, David Furstenberg and Ami Shafran are entitled to participate in the ESOP, however none has previously received Options under the ESOP since the Company was listed in June 2017.

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## GLOSSARY

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**\$** means Australian dollars.

**10% Placement Capacity** has the meaning given in Section 7.

**Annual General Meeting** or **Meeting** means the meeting convened by the Notice.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

**ASX Listing Rules** means the Listing Rules of ASX.

**BDO** means BDO Audit (WA) Pty Ltd (ACN 112 284 787).

**Board** means the current board of directors of the Company.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**Chair** means the chair of the Meeting.

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

**Company** means Elsight Limited (ACN 616 435 753).

**Constitution** means the Company's constitution.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Directors** means the current directors of the Company.

**Eligible Entity** means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

**Equity Securities** includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**Key Management Personnel** has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

**Notice** or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

**Option** means an option to acquire a Share.

**Optionholder** means a holder of an Option.

**Ordinary Securities** has the meaning set out in the ASX Listing Rules.

**Proxy Form** means the proxy form accompanying the Notice.

**Remuneration Report** means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 2018.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**RM Corporate Finance** means RM Corporate Finance (AFSL – 315 235).

**Section** means a section of the Explanatory Statement.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a registered holder of a Share.

**Variable A** means "A" as set out in the formula in ASX Listing Rule 7.1A(2).

**WST** means Western Standard Time as observed in Perth, Western Australia.

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**ANNEXURE A – NOMINATION OF AUDITOR LETTER**

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26 March 2018

Mr Peter Webse  
Company Secretary  
Elsight Limited  
Level 2, 46-50 Kings Park Road  
West Perth, WA 6005

**Nomination of BDO Audit (WA) Pty Ltd as Company Auditor**

I, Anton Uvarov, being a member of Elsight Limited (Company), nominate BDO Audit (WA) Pty Ltd in accordance with section 328B(1) of the Corporations Act 2001 (Cth) (Act) to fill the office of auditor of the Company.

Please distribute copies of this notice of this nomination as required by section 328B(3) of the Act.

Yours sincerely,



Anton Uvarov

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## SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS

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(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Option will be \$1.00 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) three years from the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable the date which is three years from the date of issue of the Options (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being



ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(k) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(l) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

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## SCHEDULE 2 – TERMS AND CONDITIONS OF RELATED PARTY OPTIONS

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(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Option will be \$0.60 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on that date which is five (5) years from the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Vesting schedule**

The Related Party Options shall be vested to the Related Parties under the following schedule:

- (i) 50% of the Related Party Options shall be vested to the Related Party two years from the date of issue; and
- (ii) an additional 6.25% of the Related Party Options shall be vested to the Related Party at the end of each quarter of continuous services thereafter.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(k) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(l) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

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**SCHEDULE 3 – VALUATION OF RELATED PARTY OPTIONS**

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The Related Party Options to be issued to the Related Parties pursuant to Resolutions 10 to 12 have been independently valued.

Using the Black & Scholes option model and based on the assumptions set out below, the Related Party Options were ascribed the following value:

<b>Assumptions:</b>	
Valuation date	<i>17 April 2018</i>
Market price of Shares	56 cents
Exercise price	60 cents
Expiry date (length of time from issue)	<i>16 April 2023</i>
Risk free interest rate	2.46%
Volatility (discount)	91.14%
<b>Indicative value per Related Party Option</b>	39.20 cents
<b>Total Value of Related Party Options</b>	\$180,333.70
- <i>Ami Shafran</i>	\$39,202.98
- <i>David Furstenberg</i>	\$98,007.45
- <i>Nir Gabay</i>	\$43,123.27

Note: The valuation noted above is not necessarily the market price that the Related Party Options could be traded at and is not automatically the market price for taxation purposes.