ASX APPENDIX 4D
HALF-YEAR FINANCIAL REPORT TO 30 JUNE 2018

1. DETAILS OF REPORTING PERIOD

Name of Entity	Elsight Limited ("the Company")
ABN	98 616 435 753
Reporting Period	30 June 2018
Previous Corresponding Period	30 June 2017

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	30 June 2018 US$	30 June 2017 US$	Increase/ (Decrease) %	Amount change US$
Revenues from ordinary activities	675,241	401,537	68%	273,704
Profit/(Loss) after tax from ordinary activities attributable to members	(2,239,345)	(1,538,842)	46%	(700,503)
Profit/(Loss) after tax attributable to members	(2,239,345)	(1,538,842)	46%	(700,503)

	Amount Per Security	Franked Amount Per Security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Previous Corresponding Period	Nil	Nil
Record Date for Determining Entitlements	Not Applicable	

Commentary on results:

For further information, refer to the review of activities contained in the directors' report, which forms part of the attached Interim Financial Report.

3. NET TANGIBLE ASSETS PER SHARE

	30 June 2018 US$	30 June 2017 US$
Net tangible asset backing per ordinary security	6.52 cents	2.65 cents

4. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD

Control gained over entities

Name of entity (or group of entities)	N/A
Date control gained	N/A
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	N/A
Consolidated profit/(loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	N/A

Loss of control over entities

Name of entity (or group of entities)	N/A
Date control lost	N/A
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	N/A
Consolidated profit/(loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	N/A

5. DIVIDEND DETAILS

No dividend has been paid or recommended to be paid for the half-year ended 30 June 2018.

6. DETAILS OF DIVIDEND REINVESTMENT PLANS

Not Applicable

7 DETAILS OF ASSOCIATE AND JOINT VENTURE ENTITIES

N/A

8. FOREIGN ENTITIES

Not Applicable

9. AUDIT

This report has been based on accounts that have been subject to an audit review. There are no items of dispute with the auditor and the audit review is not subject to qualification.

Nir Gabay
Managing Director

31 August 2018

ELSIGHT LIMITED

ABN 98 616 435 753

INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2018

ELSIGHT LIMITED
ABN 98 616 435 753
INTERIM FINANCIAL REPORT 30 JUNE 2018

CORPORATE DIRECTORY

Directors

Mr Nir Gabay
Major General (ret) Ami Shafran
Mr David Furstenberg
Mr Howard Digby
Mr Raj Logaraj

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Auditor

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ABN 98 616 435 753

INTERIM FINANCIAL REPORT 30 JUNE 2018

DIRECTORS' REPORT

The Directors of Elsight Limited (the **Company**) and controlled entities (the **Group** or **Consolidated Entity**) submit the following report for the half year ended 30 June 2018 (**Financial Period**).

DIRECTORS

The names and the particulars of the Directors of the Company during the half year and to the date of this report are:

Name	Status	Appointed/Resigned
Mr Nir Gabay	Managing Director	Appointed 2 June 2017
Major General (ret) Ami Shafran	Non-Executive Chairman	Appointed 2 June 2017
Mr David Furstenberg	Non-Executive Director	Appointed 2 June 2017
Mr Howard Digby	Non-Executive Director	Appointed 13 December 2016
Mr Raj Logaraj	Non-Executive Director	Appointed 1 August 2018
Dr Anton Uvarov	Non-Executive Director	Appointed 13 December 2016, Resigned 1 August 2018

COMPANY SECRETARY

Mr Stephen Buckley (appointed 13 December 2016)

Mr Peter Webse (appointed Joint Company Secretary 1 February 2017)

REVIEW AND RESULTS OF OPERATIONS

The net loss of the Group after income tax for the half year ended 30 June 2018 amounted to US$2,239,345 (30 June 2017: loss of $1,538,842). The half year ended 30 June 2018 loss included selling, general and administrative expenses of US$1,640,849 and non-cash share based payments of US$967,942.

The net assets of the Group have increased by US$4,935,691, from net assets of US$1,364,823 at 31 December 2017 to net assets of US$6,300,514 at 30 June 2018.

As at 30 June 2018, the Group's cash and cash equivalents increased from a balance of US$1,093,853 at 31 December 2017 to a balance of US$5,594,395.

As at 30 June 2018 the Group has working capital of US$6,013,176 (2017: working capital of US$1,227,548).

REVIEW OF ACTIVITIES

During the half year ended 30 June 2018 the following activities were undertaken.

The Company continued to develop its business and increase revenues in its core markets in the fields of defence, homeland security, first responders and fleet security and management. In addition, the Company made concrete steps in the Autonomous Driving sector. The Company continued its active participation in the Autonomous Driving technology initiative sponsored by the Israeli Ministry of transport. During this time the Company has continued to develop and adapt its technology for the sector, having completed its integration and begun testing with a number of participants in the project.

Elsight continued to develop its relationship with Hikvision under its special partnership status. This has given Elsignt access to developer resources and protocols providing an advantage when configuring Hikvision equipment into its solutions. Hikvision is one of the world's largest manufacturers of video surveillance equipment. Going beyond this, the two companies are working on longer term opportunities to include Elsight software and solutions with Hikvison products for the "Communications on the Move" market.

The company reported that its cooperation with Alrena, makers of the "Smart Medicase" telemedicine product, has taken longer than first anticipated. This is mainly resting with the other party as it develops its own platform in readiness for market.

In March 2018 the Company completed a share placement, managed by RM Corporate Finance, to raise A$9,005,189 (before expenses of the offer) from wholesale and institutional investors. The Company issued 12,507,208 fully paid ordinary shares, pursuant to the Company's 15% placement capacity, at $0.72 per share (Placement). All recipients of the Placement shares are entitled to one free option for every two shares subscribed for and issued, exercisable at $1.00 each and with an expiry date that is three years from the date of issue. In addition to cash fees for fundraising, the Company also issued, 625,360 options to AFSL holders whose clients participated in the raise, on the same terms and conditions as the options being issued to participants in the Placement. All options issued were approved by shareholders at a subsequent General Meeting.

In 2018 Elsight signed up new channel partners, and received its first orders from systems integrator, Traffilog in April. The first order was for a major tender in the UK. Traffilog has since become an active partner, bringing Elsight into numerous sales opportunities. The Company also began its relationship with Rococo, a leading Japanese systems integrator in Japan, China and Philippines.

In May 2018 the Company appointed Gleneagle Securities (Aust) Pty Ltd ("Gleneagle") as Corporate Adviser to the Company to work in conjunction with existing Corporate Adviser and Lead Manager to the IPO RM Corporate Finance. Based in Sydney, Gleneagle is an Australian registered financial service provider and a leader in the evolution of Australian financial markets.

On 8 June 2018 the Company met its first performance milestone upon achieving aggregate revenues of AU$1,000,000 as defined in section 11.3 of the Prospectus. As outlined in the Prospectus, Class A Performance Options were issued to Elsight Founders, Mr Nir Gabay (CEO) and Mr Roee Kashi (CTO) subject to escrow agreements for 24 months from quotation. The vesting of Options followed an exhaustive review of sales data including an audit of all invoices conducted by BDO Israel. In addition to the escrow agreements, each of the recipients agreed that they will not exercise his Class A Performance Options within a year or before the Company meeting the second milestone, whichever is earlier. The announcement and issue of the Options took place on 13 July 2018.

MATTERS SUBSEQUENT TO THE REPORTING PERIOD

On 13 July 2018 the Company announced its distribution relationships with DiPiO Systems, an Israeli Company of which Elsight founders, Nir Gabay and Roee Kashi have a minority shareholding. It is expected that DiPiO products will complement the Elsight product family in some markets and provide an entry mechanism into some customer sales opportunities.

On 2 August 2018, Non-Executive Director, Dr Anton Uvarov stepped down from the board and was replaced by Mr Raj Logaraj. An experienced lawyer, investment banker and as company director, Mr Logaraj has an extensive business network across the Asia pacific region.

On 8 August 2018 the Company achieved an important breakthrough after being awarded sole supplier status by a key agency in the Israeli defence establishment. This was especially validating for Elsight as a departure from its original niche as a supplier to Special Forces users and represents a significantly larger opportunity for the Company. The Company intends to replicate this success with similar outfits around the world.

There have been no other matters or circumstances that have arisen since 30 June 2018.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration to the Directors of the Consolidated Entity on page 19 forms part of the Directors' Report for the half year ended 30 June 2018.

This report is signed in accordance with a resolution of the Board of Directors.

Mr Nir Gabay
Managing Director
31 August 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 JUNE 2018

	Note	Half year ended 30 June 2018 US$	Half year ended 30 June 2017 US$
Revenue		675,241	401,537
Cost of sales		(319,493)	(284,588)
Gross profit		**355,748**	**116,949**
Other income		14,954	-
Selling, administration and general expenses		(1,640,849)	(529,778)
Share based payments	5	(967,942)	(107,829)
Transaction costs		-	(135,343)
Loss before financing expenses		**(2,238,089)**	**(656,001)**
Finance expenses		(1,256)	(882,841)
Loss before income tax expense		**(2,239,345)**	**(1,538,842)**
Income tax expense		-	-
Loss for the half year		**(2,239,345)**	**(1,538,842)**
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation, net of tax		(427,918)	(224,390)
Total comprehensive loss for the period net of tax		**(2,667,263)**	**(1,763,232)**
Basic and diluted loss per share (cents)	7	(2.47)	(1.85)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

ELSIGHT LIMITED
ABN 98 616 435 753
INTERIM FINANCIAL REPORT 30 JUNE 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	30 June 2018 US$	31 Dec 2017 US$
CURRENT ASSETS			
Cash and cash equivalents		5,594,395	1,093,853
Trade and other receivables		763,404	568,745
Inventory		244,978	203,485
TOTAL CURRENT ASSETS		**6,602,777**	**1,866,083**
NON-CURRENT ASSETS			
Plant and equipment		356,961	254,736
Intangible assets		44,414	48,829
TOTAL NON-CURRENT ASSETS		**401,375**	**303,565**
TOTAL ASSETS		**7,004,152**	**2,169,648**
CURRENT LIABILITIES			
Trade and other payables		568,697	581,255
Borrowings		20,904	57,280
TOTAL CURRENT LIABILITIES		**589,601**	**638,535**
NON-CURRENT LIABILITIES			
Provision for employees' severance benefits		37,630	39,634
Borrowings		76,407	126,656
TOTAL NON-CURRENT LIABILITIES		**114,037**	**166,290**
TOTAL LIABILITIES		**703,638**	**804,825**
NET ASSETS		**6,300,514**	**1,364,823**
EQUITY			
Issued capital	3	11,708,232	5,091,738
Reserves	4	1,406,197	847,655
Accumulated losses		(6,813,915)	(4,574,570)
TOTAL EQUITY		**6,300,514**	**1,364,823**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 JUNE 2018

	Issued Capital US$	Accumulated Losses US$	Share Based Payment Reserve US$	Foreign Exchange Reserve US$	Predecessor Accounting Reserve US$	Total US$
Balance as at 1 January 2018	5,091,738	(4,574,570)	1,296,456	(152,005)	(296,796)	1,364,823
Total Comprehensive Income						
Loss for the period	-	(2,239,345)	-	-	-	(2,239,345)
Foreign currency translation differences	-	-	-	(427,918)	-	(427,918)
Total comprehensive loss for the period	-	(2,239,345)	-	(427,918)	-	(2,667,263)
Transactions with owners in their capacity as owners:						
Issue of shares	7,059,429	-	-	-	-	7,059,429
Capital raising costs	(442,935)	-	-	-	-	(442,935)
Share based payments	-	-	986,460	-	-	986,460
Balance as at 30 June 2018	**11,708,232**	**(6,813,915)**	**2,282,916**	**(579,923)**	**(296,796)**	**6,300,514**

	Issued Capital US$	Accumulated Losses US$	Share Based Payment Reserve US$	Foreign Exchange Reserve US$	Predecessor Accounting Reserve US$	Total US$
Balance as at 1 January 2017	5,000	(1,455,000)	-	32,000	-	(1,418,000)
Total Comprehensive Income						
Loss for the period	-	(1,538,842)	-	-	-	(1,538,842)
Foreign currency translation differences	-	-	-	(224,390)	-	(224,390)
Total comprehensive loss for the period	-	(1,538,842)	-	(224,390)	-	(1,763,232)
Transactions with owners in their capacity as owners:						
Issue of shares	5,842,132	-	-	-	-	5,842,132
Capital raising costs	(755,393)				-	(755,393)
Share based payments	-	-	597,395	-	-	597,395
Transactions under common control	-	-	-	-	(296,796)	(296,796)
Balance as at 30 June 2017	**5,091,738**	**(2,993,842)**	**597,395**	**(192,390)**	**(296,796)**	**2,206,106**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE HALF YEAR ENDED 30 JUNE 2018

	Half year ended 30 June 2018 US$	Half year ended 30 June 2017 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	562,153	419,904
Interest received	11,817	-
Interest paid	(3,778)	(31,541)
Payments to suppliers and employees	(2,119,099)	(1,135,105)
Net cash used for operating activities	**(1,548,907)**	**(746,742)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(153,103)	(65,488)
Proceeds from investments	44,612	-
Loan proceeds received from the Company prior to acquisition date	-	366,178
Cash held by the Company at acquisition date	-	18,993
Net cash (used for)/provided by investing activities	**(108,491)**	**319,683**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from the issue of shares	6,593,671	3,556,279
Proceeds from bank loans	-	92,085
Repayment of convertible loans	-	(400,000)
Repayment of borrowings	(80,348)	(131,838)
Repayment of related party borrowings	-	(12,037)
Net cash provided by financing activities	**6,513,323**	**3,104,489**
Net increase in cash and cash equivalents held	**4,855,925**	**2,677,430**
Cash and cash equivalents at the beginning of period	1,093,853	7,000
Impact of movement in foreign exchange rates	(355,383)	(49,510)
Cash and cash equivalents at the end of period	**5,594,395**	**2,634,920**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2018

NOTE 1: REPORTING ENTITY

The interim financial report (**Report**) of Elsight Limited (the **Company**) and it's controlled entities (the **Group**) (**Consolidated Entity**) for the half year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 31 August 2018.

Elsight Limited is a listed public company, trading on the Australia Securities Exchange, limited by shares, incorporated and domiciled in Australia.

The Group's registered office and principal place of business is Level 2, 46-50 Kings Park Road, West Perth Western Australia 6005 Australia.

NOTE 2: BASIS OF PREPARATION

a) Statement of compliance

This interim financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report. It is recommended that this interim financial report be read in conjunction with any public announcements made by Elsight Limited up to the date of this report in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

b) Basis of measurement and reporting conventions including capital reorganisation

This interim financial report has been prepared on an accruals basis and is based on historical cost. The interim financial report is presented in United States dollars and all values are rounded to the nearest dollar unless otherwise stated.

On 2 June 2017 Elsight Limited ('ELS') completed a transaction with the shareholders of El-Sight Ltd to acquire 100% of the share capital of El-Sight Ltd in exchange for 35,381,386 shares. In accordance with Australian Accounting Standards, the acquisition does not meet the definition of a business combination as ELS was established for the sole purpose of facilitating the listing process and to acquire El-Sight Ltd by way of an equity swap. The shareholders of El-Sight Ltd receive the same proportion of equity instruments in ELS.

Consequently, the comparatives in this interim report present:

- the results of El-Sight Ltd for the period from 1 January 2017 to 2 June 2017; and
- the results of the consolidated Group for the period from 2 June 2017 to 30 June 2017.

The accounting policies adopted are consistent with the accounting policies adopted in El-Sight Ltd's last annual financial statements for the year ended 31 December 2017.

c) Adoption of new and amended accounting standards

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of the adoption of the following standards:

- AASB 9 *Financial Instruments*; and
- AASB 15 *Revenue from Contracts with Customers*.

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 2d below. The impact of these standards, and the other new and amended standards adopted by the Group, has not had a material impact on the amounts presented in the Group's financial statements.

NOTE 2: BASIS OF PREPARATION (CONTINUED)

d) Changes in accounting policies

This note explains the impact of the adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* on the group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

AASB 9 *Financial Instruments* – Impact of Adoption

Impairment of financial assets

The Group's financial assets subject to AASB 9's new expected credit loss model are cash and trade receivables, which arise from the provision of services and sale of goods.

The impact of the impairment requirements of AASB 9 on cash and cash equivalents has not resulted in a material impact to the financial statements.

Under AASB 9, the Group was required to revise the impairment methodology used in the calculation of its provision for doubtful debts to the expected credit loss model. This change in methodology has not had a material impact on the financial statements. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure or a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

AASB 9 *Financial Instruments* – Accounting Policies Applied from 1 January 2018

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on how the Group manages the financial assets and the contractual terms of the cash flows. At half year end, all of the Group's financial assets have been classified as those to be measured at amortised cost.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Impairment

From 1 January 2018, the Group assesses expected credit losses associated on a forward looking basis. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

AASB 15 Revenue from Contracts with Customers – Impact of Adoption

The Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 January 2018 which resulted in changes to accounting policies but no adjustments to the amounts recognised in the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2018

NOTE 2: BASIS OF PREPARATION (CONTINUED)

d) Changes in accounting policies (continued)

AASB 15 Revenue from Contracts with Customers – Accounting policies

Group revenues consist of the following elements:

- physical products which are sent to the customer, where revenue is recognised upon shipment or arrival of goods, dependent on the terms that have been agreed with the customer;
- IT services, where revenue is recognised in the accounting period in which the services are rendered;
- installation fees, which are recognised upon the completion of product installation; and
- other revenue including cloud services fees which are recognised over the service period; software license fees which are recognised over the license period; maintenance fees for which contracts are generally one year with revenue recognised over the contract period; and service level agreements which are recognised over the agreement period.

In relation to IT services, cloud services, software licence, maintenance fees and service level agreements, the Group recognises a contract liability where payments received exceed the services rendered.

The Group has no material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

e) Critical accounting judgments and estimates

The preparation of financial statements requires the use of certain critical accounting judgements and estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. There are no areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements except for the following:

Key estimate: Share-based payments

The Group initially measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them, as well as an assessment of the probability of achieving non-market based vesting conditions.

The probability of achieving non-market based vesting conditions of performance options is assessed at each reporting period.

The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2018

NOTE 3: ISSUED CAPITAL	**30 June 2018 US$**	**31 Dec 2017 US$**
(a) Share Capital		
95,888,599 (31 December 2017: 83,381,391) fully paid ordinary shares	11,708,232	5,091,738

	Date	**No.**	**Unit Price US$**	**Total US$**
(b) Movement in Ordinary Capital				
Opening balance at 1 January 2017	-	83,381,391	-	5,091,738
Issue of institutional placement shares	15-Mar-18	12,507,208	0.56	7,059,429
Costs of capital raising	-	-	-	(442,935)
Closing balance at 30 June 2018		**95,888,599**	**-**	**11,708,232**

NOTE 4: RESERVES	**30 June 2018 US$**	**31 Dec 2017 US$**
(a) Share Based Payment Reserve		
47,031,360 (31 December 2017: 45,819,000) options on issue	2,282,916	1,296,456

	No.	**$**
(b) Movement in Share Based Payment Reserve		
Opening balance at 1 January 2018	45,819,000	1,296,456
Pro-rata expense of 8,608,000 ESOP options issued 2-Jun-17	-	184,060
Pro-rata expense of 30,000,000 ESOP performance options issued 2-Jun-17	-	725,960
Pro-rata expense of 203,000 ESOP performance options issued 2-Jun-17	-	35,708
Issue of ESOP options	25,000	13,498
Issue of ESOP options	68,000	3,277
Issue of ESOP options	42,000	862
Issue of options to lead manager	625,360	18,518
Grant of director options	460,000	4,577
Cancellation of ESOP options on termination of employment	(8,000)	-
Closing balance at 30 June 2018	**47,031,360**	**2,282,916**

	US$	**US$**
(c) Foreign exchange reserve	(579,923)	(152,005)

The foreign currency translation reserve records exchange differences arising on translation from functional currency to presentation currency.

	US$	**US$**
(d) Predecessor Accounting Reserve	(296,796)	(296,796)

The reserve arises from the capital reorganisation and records the net liabilities of Elsight Limited as at the acquisition date of 2 June 2017.

NOTE 5: SHARE BASED PAYMENTS

Summary of Options Issued in Prior Periods

Options issued in prior periods that impact the half year ended 30 June 2018 are as follows:

- On 2 June 2017 the Company issued 8,608,000 Employee Share Plan Options exercisable at A$0.20, on or before 2 June 2022 to Mr Roee Kashi, exercisable after the satisfaction of the following vesting condition, 50% on the second anniversary of the Vesting Commencement Date and additional 6.25% at the end of each quarter of continuous service. The pro-rata expense of these options has been recorded at 30 June 2018.

- On 2 June 2017, the Company issued 30,000,000 Employee Share Plan Performance Options in three tranches exercisable at $0.20 on or before 2 June 2022 to Mr Nir Gabay and Mr Roee Kashi, exercisable after the satisfaction of the following vesting milestones:

  - one third of the Performance Options will vest and become exercisable upon the Company achieving aggregate revenue of A$1,000,000 from the sale of products based on the Technology in a Year for broadcast to consumers or to manufacturers of consumer or safety products or any business in the distribution chain of consumer or safety products (**Class A Performance Options**);

  - one third of the Performance Options will vest and become exercisable upon the Company achieving aggregate revenue of A$4,000,000 from total sales of products based on the Technology in a Year (**Class B Performance Options**); and

  - one third of the Performance Options will vest and become exercisable upon the Company achieving aggregate revenue of A$10,000,000 from total sale of products based on the Technology in a Year (**Class C Performance Options**).

  The term “Year” shall mean one of: (a) the time period commencing 1 January 2017 and ending on the 12 month anniversary of the completion of the IPO; (b) the 12 month period immediately after the end of the first Year; and (c) the 12 month period immediately after the end of the second Year.

  Class A Performance Options vested on 7 June 2018 upon achievement of the vesting milestone. The total expense of the options of US$1,037,544 has been recorded pro-rata over the expected vesting period, which has been determined as 8 June 2017 – 7 June 2018 in accordance with the definition of Year set out above. The options have been expensed in full by 30 June 2018; the pro-rata expense recognised at half year end is US$597,157.

  Class B and C Performance Options remain unvested at 30 June 2018.

  Management have assessed the likelihood of achieving the performance milestone for Class B Performance Options as 50% at 30 June 2018. The total expense of the options of US$1,037,544 is recorded pro-rata over the expected vesting period, which has been determined as 8 June 2017 – 7 June 2019 in accordance with the definition of Year set out above. Pro-rata expense recognised at half year end is US$128,803.

  The implied value of Class C Performance Options is US$1,037,544 however the probability was determined to be nil at 30 June 2018 due to the uncertainty of meeting the performance milestone.

- On 29 December 2017 the Company issued 211,000 Employee Share Plan Options exercisable at $A.60 on or before 9 October 2022 to employees of the Group, exercisable after the satisfaction of the following vesting condition, 50% on the second anniversary of the grant date and an additional 6.25% at the end of each quarter of continuous service. 8,000 of these options were cancelled during the half year following termination of an employee’s employment with the Group. The pro-rata expense of the remaining 203,000 options has been recorded at 30 June 2018.

NOTE 5: SHARE BASED PAYMENTS (CONTINUED)

Summary of Share Based Payments Issued During the Half Year

During the half year ended 30 June 2018 the Company recorded the following share based payments:

- The issue of 25,000 Employee Share Plan Options exercisable at A$1.08, on or before 14 November 2022 to employees of the Group, exercisable after the satisfaction of the following vesting condition, 50% on 15 November 2017 and an additional 3.125% at the end of each quarter of continuous services thereafter; and
- The issue of 68,000 Employee Share Plan Options exercisable at A$0.80, on or before 4 February 2023 to employees of the Group, exercisable after the satisfaction of the following vesting condition, 50% on 5 February 2020 and an additional 6.25% at the end of each quarter of continuous services thereafter; and
- The issue of 42,000 Employee Share Plan Options exercisable at A$0.745, on or before 4 March 2023 to employees of the Group, exercisable after the satisfaction of the following vesting condition, 50% on 5 March 2020 and an additional 6.25% at the end of each quarter of continuous services thereafter; and
- The issue of 625,360 ASX listed Options exercisable at $A1.00 on or before 18 June 2021 to the lead manager; and
- The grant of 460,000 director options exercisable at A$0.60 on or before 5 years from the date of issue. These options were granted to the directors at the Company's Annual General Meeting on 28 May 2018 but have not been issued to the directors as at the date of this report.

Fair Value

The fair value of ASX listed options has been determined with reference to market price on the date of commencement of trade.

The Black Scholes option pricing model was used to determine the fair value of the unlisted options issued. The Black Scholes inputs and valuations were as follows:

Options	ESOP Options	ESOP Options	ESOP Options	Director Options
Number of options	25,000	68,000	42,000	460,000
Grant date	9-Jan-18	5-Feb-18	26-Apr-18	28-May-18
Issue date	9-Jan-18	7-May-18	7-May-18	-
Exercise price	A$1.08	$0.80	$0.745	$0.60
Expected volatility	91.14%	91.14%	91.14%	91.14%
Implied option life	4.85	4.75	4.83	5.00
Expected dividend yield	nil	nil	Nil	Nil
Risk free rate	2.46%	2.46%	2.46%	2.46%
Valuation per option A$	$1.029	$0.5583	$0.3512	$0.3582
Exchange rate	$0.7403	$0.7403	$0.7403	$0.7403
Valuation per option US$	$0.7618	$0.4133	$0.2600	$0.2652
Total valuation US$	$19,044	$28,105	$10,920	$121,981

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2018

NOTE 5: SHARE BASED PAYMENTS (CONTINUED)

Share Based Payments Expense

Share based payment expense at 30 June 2018 is comprised as follows:

	30 June 2018 US$	30 June 2017 US$
Pro-rata expense of 8,608,000 ESOP options	184,060	29,464
Pro-rata expense of 30,000,000 ESOP performance options	725,960	78,365
Pro-rata expense of 203,000 ESOP options	35,708	-
Issue of 25,000 ESOP options	13,498	-
Issue of 68,000 ESOP options	3,277	-
Issue of 42,000 ESOP options	861	-
Grant of 460,000 director options	4,577	-
Total expense recognised in profit or loss	967,942	107,829
Issue of 7,000,000 options to lead manager and seed investor, deemed capital raising cost	-	489,566
Issue of 625,360 options to lead manager, deemed capital raising costs	18,518	-
Total expense recognised in equity	18,518	489,566
Total share based payments expense	**986,460**	**597,395**

NOTE 6: DIVIDENDS

The Company did not pay or propose any dividends in the half year to 30 June 2018.

NOTE 7: LOSS PER SHARE

The following reflects income and share data used in the calculation of basic and diluted loss per share.

	30 June 2018 US$	30 June 2017 US$
Total loss for the period	(2,239,345)	(1,538,842)
	No.	**No.**
Weighted average number of ordinary shares in calculating basic and diluted loss per share	90,844,255	83,381,391

The weighted average number of ordinary shares outstanding (the denominator of the EPS Calculation) for the half year ended 30 June 2017 has been adjusted to reflect the capital reorganisation. The weighted average number of shares outstanding for the half year ended 30 June 2018 is based on the weighted average number of shares of Elsight Limited outstanding in the period following the acquisition. .

NOTE 8: COMMITMENTS

There have been no other changes to the Company's commitments since 31 December 2017.

NOTE 9: SEGMENT INFORMATION

The Company has identified its operating segment based on internal reports that are reviewed by the Board and management. The company has one operating segment.

NOTE 10: CONTINGENT ASSET AND LIABILITIES

The directors are not aware of any contingent liabilities or assets as at 30 June 2018 or subsequent to period end.

NOTE 11*:* RELATED PARTY TRANSACTIONS

During the half year, directors Major General (ret) Ami Shafran, Nir Gabay, and David Furstenberg agreed to forfeit cash payment of their director fees for the period 8 June 2017 – 7 June 2018 in lieu of the receipt of, in aggregate, 460,000 options. The 460,000 options exercisable at A$0.60 on or before 5 years from the date of issue were granted to the directors at the Company's Annual General Meeting on 28 May 2018 but have not been issued to the directors as at the date of this report.

Entity / Key management personnel	Nature of transactions	Transaction value $US	Payable balance US$
Major General (ret) Ami Shafran	Grant of 100,000 director options	26,520	-
Susanna Gabay/Nir Gabay	Grant of 25,000 director options	6,630	-
Nir Gabay	Grant of 85,000 director options	22,531	-
David Furstenberg	Grant of 250,000 director options	66,300	-

NOTE 12: EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 8 June 2018 the Company met its first performance milestone upon achieving aggregate revenues of AU$1,000,000 as defined in section 11.3 of the Prospectus. As outlined in the Prospectus, Class A Performance Options were issued to Elsight Founders, Mr Nir Gabay (CEO) and Mr Roee Kashi (CTO) subject to escrow agreements for 24 months from quotation. The vesting of Options followed an exhaustive review of sales data including an audit of all invoices conducted by BDO Israel. In addition to the escrow agreements, each of the recipients agreed that they will not exercise his Class A Performance Options within a year or before the Company meeting the second milestone, whichever is earlier. The announcement and issue of the Options took place on 13 July 2018.

On 13 July 2018 the Company announced its distribution relationships with DiPiO Systems, an Israeli Company of which Elsight founders, Nir Gabay and Roee Kashi have a minority shareholding. It is expected that DiPiO products will complement the Elsight product family in some markets and provide an entry mechanism into some customer sales opportunities.

On 2 August 2018, Non-Executive Director, Dr Anton Uvarov stepped down from the board and was replaced by Mr Raj Logaraj. An experienced lawyer, investment banker and as company director, Mr Logaraj has an extensive business network across the Asia pacific region.

On 8 August 2018 the Company achieved an important breakthrough after being awarded sole supplier status by a key agency in the Israeli defence establishment. This was especially validating for Elsight as a departure from its original niche as a supplier to Special Forces users and represents a significantly larger opportunity for the Company. The Company intends to replicate this success with similar outfits around the world.

There have been no other matters or circumstances that have arisen since 30 June 2018.

DIRECTORS' DECLARATION

The Directors of Elsight Limited declare that:

1. The financial statements and notes, as set out on pages 6 to 17 are in accordance with the Corporations Act 2001 and:
   a) comply with Accounting Standard AASB 134: Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   b) give a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its performance for the period ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Mr Nir Gabay
Managing Director
31 August 2018

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DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF ELSIGHT LIMITED

As lead auditor for the review of Elsight Limited for the half-year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Elsight Limited and the entity it controlled during the period.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 31 August 2018

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INDEPENDENT ASSURANCE PRACTITIONER'S REVIEW REPORT

To the members of Elsight Limited

Report on the Financial Statements

We have reviewed the accompanying financial statements of Elsight Limited, which comprise the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information of the consolidated entity comprising the company and the entity it controlled at the year's end or from time to time during the financial year.

Directors Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Assurance Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements. We conducted our review in accordance with Standard on Review Engagements ASRE 2400, *Review of a Financial Report Performed by an Assurance Practitioner Who is not the Auditor of the Entity*. ASRE 2400 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ASRE 2400 is a limited assurance engagement. The assurance practitioner performs procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with Australian Auditing Standards. Accordingly, we do not express an audit opinion on these financial statements.

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation *other than for the acts or omissions of financial services licensees*

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, the financial position of Elsight Limited as at 30 June 2018, and its financial performance and cash flows for the year then ended, in accordance with the Australian Accounting Standards.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 31 August 2018