

ACTIVITY REPORT

Elsight Limited (ASX: ELS), a 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 offers this report on its activities for the quarter ended 30 September 2018. This period was dominated in Israel by major Jewish holidays with Rosh Hashana (New Year), Yom Kippur and Sukkot all falling within the same calendar quarter. The company still managed to progress its plans strongly as outlined below.

Revenues

Unaudited revenue for Q3 2018 was USD \$396K, a 91% increase on Q3 2017. The board believes that orders received but not delivered during the holidays will also be processed in Q4. This is already happening with cumulative unaudited revenues passing US\$1.6m as at YTD 28 October 2018.

Cash Inflows

Cash collections have been a focus for the company over the past year. In Q3, collections of \$283k were lower due to the timing of major Israeli holidays, with only about 30 working days in the quarter. However, this has picked up significantly since the end of holidays, after the reporting period. This mirrors the effect of revenue bookings, either received from overseas during office closures in Israel, or deferred into Q4.

Cash Outflows

Section 1.2 has been amended to reflect R&D expenditures (comprised of staff costs and contractors) in the quarter and in the past nine months. Investments continued in the area of sales and business development as outlined below.

Business operations

Product and Technology

The completion of its major product development program was a major focus of the company in Q3. This expenditure, in line with the Use of Funds outlined in the Prospectus, represents a valuable investment in product development to deliver the ability to embed Elsight technology in many third-party devices. This is intended to open up large addressable market opportunities in many verticals including automotive, drones and further applications in defence and security industries, while lowering costs and driving up margins. In addition, Elsight produced and delivered small quantities of its new Omnisight product for use in Proof of Concept (POC) trials with various customers in the automotive segment.

Sales and Customer success

In Q3 the company continued to grow its sales and business development activities. Orders continued to come in from the Israeli security tender contracts and the company received orders for its multichannel product from customers in various countries. The company continued to drive and support the POCs initiated in Q2 and before, with customers and integrators around the world. This was spread around many segments, all of which have featured in the company's previous announcements.

Strategic focus

After numerous visits, customer meetings, trials, POCs and nascent joint integration projects across multiple segments, the company has decided on a strategic shift to focus on the U.S. Market in addition to existing opportunities that have become available in the Asia Pacific region and the UK.

As an example, Senior Management of the Company have made several trips to the U.S. to attend meetings of the International Association of Commissioners of Police (**IACP 2018**) in Orlando, Florida, Army USA (**AUSA 2018**) in Washington DC, as well as meetings in New York City and elsewhere in the United States. At these meetings the Company's applications were demonstrated for the benefit of delegates attending the meetings.

As a direct result, the Company has commenced dialogues with 14 different parties in the U.S. and is confident that they will present viable opportunities for commercial success in the near future. These parties have included Tier-one defence integrators, manufactures of ruggedized mobile tablets for Police and Fire departments, crisis managers, airport and transport operators, providers of international unmanned aerial systems centric security missions, and autonomous tractors for the agriculture market. The company plans to inform the market as material contracts are signed.

The company also believes the delivery of its new products under development will have profound implications for its future success.

Implementing this strategic shift comes at a cost as this has required the company to redeploy substantial resources, that have been previously working on securing deals in the EU, to focus on the U.S. market.

Outlook

While our year-to-year revenue growth will be significant over 2017, the recent shift in focus to the Americas as well as on bringing the new products to market may result in some delays to revenue bookings accepted by the Company in time for the end of Calendar 2018. Nonetheless the Company believes that the U.S. market will deliver significant growth in the near future especially as we have not been able to identify competent or viable alternatives to the Company's technology available in the market.

Quarterly Investor Call

CEO Nir Gabay will be conducting an investor briefing conference call on Thursday 8 Nov at 4pm AEDT, the details of which will be provided via the ASX platform.

-ENDS-

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, industrial security, broadcasting, first responders and healthcare.

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

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

Name of entity

ELSIGHT LIMITED

ABN

98 616 435 753

Quarter ended ("current quarter")

30 September 2018

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	283	847
1.2 Payments for		
(a) research and development	(252)	(662)
(b) product manufacturing and operating costs	(279)	(652)
(c) advertising and marketing	(26)	(59)
(d) leased assets	(49)	(120)
(e) staff costs (excluded R&D staff costs)	(313)	(817)
(f) administration and corporate costs	(389)	(1,135)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	25	37
1.5 Interest and other costs of finance paid	(2)	(6)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other – transaction costs	-	-
1.9 Net cash from / (used in) operating activities	(1,002)	(2,567)

Note: All staff costs associated with Research and Development that were originally classified in 1.2(e) above have now been moved to 1.2(a).

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(12)	(170)
(b) businesses (see item 10)	-	-
(c) investments	-	-

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Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$US'000
(d) intellectual property	-	-
(e) other non-current assets (intangibles)	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	44
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other – cash on reverse acquisition	-	-
2.6 Net cash from / (used in) investing activities	(12)	(126)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	7,059
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(443)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(5)	(86)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	(5)	6,530

4 Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	5,594	1,094
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,002)	(2,567)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(12)	(126)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(5)	6,530

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Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
4.5	Effect of movement in exchange rates on cash held	(85)	(441)
4.6	Cash and cash equivalents at end of quarter	4,490	4,490

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	1,964	1,893
5.2	Call deposits	2,526	3,701
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,490	5,594

6. Payments to directors of the entity and their associates

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

Current quarter \$US'000
70
-

Item 1.2 includes payments to directors for their salaries and fees of US\$70,135

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

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

Current quarter \$US'000
-
-

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
8.1 Loan facilities	94	94
8.2 Credit standby arrangements	55	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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

Loan facility 1 – secured long term bank loan of US\$26,000 at quarter end, bearing interest at 2.10%.

Loan facility 2 - secured long term bank loan of \$US68,000 at quarter end, bearing interest at 2.2%.

Credit standby arrangements - secured bank overdraft facility.

9. Estimated cash outflows for next quarter	\$US'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	630
9.3 Advertising and marketing	37
9.4 Leased assets	35
9.5 Staff costs	659
9.6 Administration and corporate costs	374
9.7 Other	-
9.8 Total estimated cash outflows	1,735

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

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Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  Date: 31/10/18

(Director/Company secretary)

Print name: Stephen Buckley

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

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