



ASX Company Announcement

ACTIVITY REPORT & APPENDIX 4C

30 October 2017

The Company continues its progress in generating a sustainable revenue stream since listing on the Australian Securities Exchange (ASX) in June 2017. At this early stage, the Board does not expect revenue to be consistent from quarter to quarter, because of seasonality and allowing for an adjustment period as the Company absorbs new people, adds new products and verticals and adapts to its routine after an IPO but maintains its positive outlook for calendar Q4 and beyond. This optimism is based on three complimentary facts:

- New hiring of key and savvy executives in Elsight's sales organisation post IPO;
- Typical sales cycle in some key opportunities is expected to be 6-12 months and as such is expected to materialise shortly; and
- Healthy and growing sales funnel in Q4 and beyond.

This is also due to healthy expected revenue streams flowing from two major deals announced during the quarter and a host of new business generated by the nascent and growing sales and marketing resources now in place.

Costs for the quarter indicate the continued deployment of funds as outlined in the prospectus issued earlier in 2017. Funds are being deployed in three major areas:

- Sales and marketing; pre-and-post sale support; business development; all requiring an increase in headcount.
- Product manufacturing – to fulfil increased customer orders as the business ramps up.
- R&D: In addition to ongoing engineering, new products and market segments are at the heart of R&D activities. During this past quarter there were six main pillars to this activity:
1) Autonomous cars: Research toward the unique needs of the nascent Autonomous Vehicle market;
2) Tactical Drones: Adaptation and tuning of the Multichannel platform to address this attractive market segment; **3) Broadcasting:** Hiring of two industry experts to improve and add differentiating features to our DSNG (Digital Satellite News Gathering – typically a broadcast Van) replacement news gathering solution; **4) Telemedicine:** Final tweaking of the product as the Company gets ready to launch sales of our new “**SmartMedicase**” product into the ever-growing Telemedicine market; **5) Cost reduction and miniaturisation:** Shrinking the Multichannel technology for integration into OEM equipment and developing required new capabilities in an effort to win tenders on performance and features rather than pricing. This highly strategic process is aimed to dramatically reduce the Bill of Materials (BOM) of the Multichannel to further improve our Gross Profit while potentially opening new, price sensitive applications for the Company beginning in the second half of 2018; **6) Continue engineering:** Continuous support of sales activities, bug fixing, customer need for new features, and new version releases.

In August, the Company won two major deals: an agreement with French telemedicine company Alrena and our selection as the exclusive supplier for multichannel communications to the Israeli Police (covering Israeli Prison Authority and National Fire & Rescue Authority) and first responders. This nationwide Police tender win is expected to start generating revenues from the end of Q4 and into 2018 and coincide with Elsight's drone strategy.

The customer intends to equip thousands of police stations with new tactical drones (each equipped with Elsight multichannel). These drones will provide ranking officers with a Birdseye view of major events requiring police intervention (such as terrorist attacks, accidents, large demonstrations etc.).

The Company was also awarded “Strategic partner” status for the world’s largest supplier of surveillance cameras, Hikvision Limited. For the most part, Q3 was a transition quarter in terms of deal types and size, soft introduction of new products and improvement and expansion of our sales force, while preparing the Company for the anticipated expansion in deals and deliveries during 2018.

Since the reporting period, in October, the Company was selected along with a handful of industry leaders to be part of a strategic autonomous car initiative by the Israeli Government. The Company will begin planning its part in this futuristic project over the next quarter and forge relationships with the other players involved for the purpose of working together during the initiative and beyond.

The Company has begun recruiting new engineers expected to start during the next quarter and has started expanding and documenting its technical and post-sales support as sales increase into new territories and vertical markets. The Board is confident to support these developments on the back of successful tender wins and a healthy business pipeline going forward.

Elsight has an historically high win rate for bids in which it participates and this was validated during the quarter. It is also a factor that works in the Company’s favour in negotiations to sign up new channel partners for which there have been no shortage of interested parties. Over the next quarter the Company will refine its channel strategy and its internal business organisation in order to optimise the targeting and generation of profitable business.

The Board remains confident as indicated in the last quarterly that revenue should significantly increase into the second half of the calendar year.

-ENDS-

For more information, please contact:

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Media and Business Enquiries

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About Elsight

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

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 2017

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	156	576
1.2 Payments for		
(a) research and development	(20)	(23)
(b) product manufacturing and operating costs	(100)	(226)
(c) advertising and marketing	(30)	(42)
(d) leased assets	(18)	(44)
(e) staff costs	(338)	(610)
(f) administration and corporate costs	(298)	(791)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(9)	(41)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other – transaction costs	12	(191)
1.9 Net cash from / (used in) operating activities	(643)	(1,390)

*On 2 June 2017, ElSight Limited (ELS) completed the acquisition of 100% of the issued capital of Israeli company El-Sight Ltd. In accordance with the Accounting Standards the acquisition of El-Sight Ltd has been accounted for as a capital reorganisation. As a result the year to date consolidated statement of cash flows comprises the cash transactions of El-Sight Ltd for the period 1 January – 30 September 2017 and the cash transactions of ELS for the period 2 June – 30 September 2017.

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000*
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(24)	(89)
	(b) businesses (see item 10)	-	-
	(c) investments	(4)	(4)
	(d) intellectual property	-	-
	(e) other non-current assets (intangibles)	(49)	(49)
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	366
2.4	Dividends received (see note 3)	-	-
2.5	Other – cash on reverse acquisition	-	19
2.6	Net cash from / (used in) investing activities	(77)	243

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	3,843
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	-	(286)
3.5	Proceeds from borrowings	-	92
3.6	Repayment of borrowings	(79)	(623)
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	(79)	3,026

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000*
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	2,635	7
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(643)	(1,390)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(77)	243
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(79)	3,026
4.5	Effect of movement in exchange rates on cash held	45	(5)
4.6	Cash and cash equivalents at end of quarter	1,881	1,881

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	1,881	2,635
5.2	Call deposits	-	-
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)	1,881	2,635

6. Payments to directors of the entity and their associates

		Current quarter \$US'000
6.1	Aggregate amount of payments to these parties included in item 1.2	84
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	

Item 1.2 includes payments to directors for their salaries and fees of US\$84,000.

7. Payments to related entities of the entity and their associates	Current quarter \$US'000
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	

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	204	204
8.2 Credit standby arrangements	57	-
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\$34,000 at quarter end, bearing interest at 2.10%.		
Loan facility 2 – secured short term bank loan of US\$16,000 at quarter end, bearing interest at 6.00%.		
Loan facility 3 – secured long term bank loan of US\$73,000 at quarter end, bearing interest at 4.60%.		
Loan facility 4 - secured long term bank loan of \$US81,000 at quarter end, bearing interest at 2.20%.		
Credit standby arrangements - secured bank overdraft facility.		

9. Estimated cash outflows for next quarter	\$US'000
9.1 Research and development	80
9.2 Product manufacturing and operating costs	400
9.3 Advertising and marketing	32
9.4 Leased assets	17
9.5 Staff costs	370
9.6 Administration and corporate costs	323
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	1,222

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

Compliance statement

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

Sign here: 
 (Director/Company secretary)

Date: 30 October 2017

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.