

ASX APPENDIX 4D

HALF-YEAR FINANCIAL REPORT TO 30 JUNE 2021

1. DETAILS OF REPORTING PERIOD

Name of Entity	Elsight Limited ("the Company")
ABN	98 616 435 753
Reporting Period	30 June 2021
Previous Corresponding Period	30 June 2020

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	30 June 2021 US\$	30 June 2020 US\$	Increase/ (Decrease) %	Amount change US\$
Revenues from ordinary activities	248,335	352,288	(103,953)	(30%)
Profit/(Loss) after tax from ordinary activities attributable to members	(3,268,462)	(1,811,052)	1,457,410	80%
Profit/(Loss) after tax attributable to members	(3,268,462)	(1,811,052)	1,457,410	80%

	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 2021 US\$	30 June 2020 US\$
Net tangible asset backing per ordinary security	3.54 cents	1.64 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 2021.

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.
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David Furstenberg
Mr David Furstenberg
Executive Director

27 August 2021



ELSIGHT LIMITED

ABN 98 616 435 753

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2021**

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Directors

Major General (ret) Ami Shafran – Non-Executive Chairman
Mr David Furstenberg – Executive Director
Mr Howard Digby – Non-Executive Director
Mr Peter Marks – Non-Executive Director

Company Secretary

Mr Mark Licciardo

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ASX Code – ELS

The Directors of Elsieht Limited (the **Company**) and controlled entities (the **Group** or **Consolidated Entity**) submit the following report for the half year ended 30 June 2021 (**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	Position	Appointed	Resigned
Major General (ret) Ami Shafran	Non-Executive Chairman	2 June 2017	-
Mr David Furstenberg	Executive Director	2 June 2017	-
Mr Howard Digby	Non-Executive Director	13 December 2016	-
Mr Peter Marks	Non-Executive Director	9 January 2020	-

COMPANY SECRETARY

Mr Mark Licciardo (appointed 15 March 2019)

REVIEW AND RESULTS OF OPERATIONS

Against a backdrop of extremely difficult trading conditions resulting from the persistence of the COVID-19 pandemic contagion, Elsieht recorded a net loss of the Group after income tax for the half year ended 30 June 2021 amounted to US\$3,268,462 (30 June 2020: loss of US\$1,811,052). The half year ended 30 June 2021 loss included selling, general and administrative expenses of US\$2,979,960 and non-cash share based payments of US\$121,107. Whilst the Group continues to pursue collection of overdue trade receivables, total bad debt expense included within selling, administration and general expenses for the half year ended 30 June 2021 was US\$717,372 (30 June 2020: US\$8,607).

The net assets of the Group have decreased by US\$3,179,274 from net assets of US\$8,432,829 at 31 December 2020 to net assets of US\$5,253,555 at 30 June 2021.

As at 30 June 2021, the Group's cash and cash equivalents decreased from a balance of US\$7,924,309 at 31 December 2020 to a balance of US\$4,795,776.

As at 30 June 2021 the Group has working capital of US\$4,810,626 (working capital of US\$8,132,701 at 31 December 2020).

REVIEW OF ACTIVITIES

During the half year, the Group focused on building the necessary infrastructure to execute on the **new strategy** of transition from direct sales to channel sales in the broadband market. Additionally, the Group has continued to increase the brand profile and awareness among the unmanned industry in general and the drone sector in particular.

As announced on 2 March 2021, Elsieht entered into a strategic partnership with **JS Group** to amplify expansion efforts in the North American broadband market. Leveraging JS Group's history of building multiple, 5-Star award-winning channel programs for F100 technology companies represents a significant advantage for Elsieht's expansion strategy in the North American market.

ELSIGHT PARTNER PROGRAM- A GAME CHANGING STRATEGY

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

This strategic initiative is critical to enable the Company to participate in the newly announced (15 April 2021) President *Biden*, 'American Jobs Plan' where \$2 trillion has been allocated to overhaul and upgrade the nation's infrastructure that includes a large portion for expanding broadband and wireless broadband to every American. As the COVID-19 crisis has revealed, Americans need universal, reliable, affordable, and high-speed internet to perform their jobs, participate equally in remote

school learning and stay connected. This digital divide needs to be closed everywhere, from lower-income urban schools to rural America, to many older Americans as well as those living on tribal lands.

Subsequent to the half year end, the Group announced the signing of the first Elite Level Partner Agreement with **Tech Data Corporation (www.techdata.com)**, a leading global IT distributor and solutions aggregator to be a lead distributor for Elsieht sales in North America. Tech Data is a versatile global IT partner at the heart of the technology ecosystem with a dedicated approach to uniting IT solutions that deliver business outcomes today and unlock growth for tomorrow. With reach, capabilities and resources that span the technology continuum from edge-to-cloud, Tech Data delivers insights and optimised solutions channel partners depend on to compete in an evolving market. This agreement is a harbinger and potential game changer of the Company's transition from direct sales to channel sales. For Elsieht to effectively go to the broadband market with its many potential opportunities, with 'Halo', it is critical to establish a strong network of partners – signing the first partner agreement with the world's largest IT distributor was a watershed moment on the path to creating a solid basis for this infrastructure of influential and respected partners.

Tech Data's onboarding process has now ended, and it is expected to conclude the keying in of Halo's catalogue numbers into their own systems, as a key prerequisite step prior to actual sales activities commencing. Relevant revenues should start to appear as early as September 2021, with material revenues derived from this agreement during Q4/2021. Please also note that several additional material Channel Agreements are in progress toward the end of this quarter and Q4/2021. To ensure the Group achieves the expected leverage from the Tech Data relationship, appropriate resourcing has been applied to create the required momentum. This involves Channel sales training, assistance with major bids and working with key resellers to ensure the Company's success.

The Company VP of Sales will relocate to the United States to enable the required focus and interaction with Tech Data directly and with other channel partners. This in addition to JS Group's efforts to expand the channel sales.

Despite the positive progress we are making on multiple fronts with the new Company initiatives underway to generate sales, the Company is taking a cautious approach concerning the collection of the debt from certain longstanding debtors and working on the assumption that the probability for collection is low at this stage despite our continuing best efforts to pursue the debts which are acknowledged as being owed.

DRONE MARKET UPDATE AND OPPORTUNITIES

The Group continues its effort to become a market leader in the drone connectivity space. The NAAMA Initiative (Hebrew acronym for Urban Aerial Transport) - developing agile regulation and supporting ecosystem to enable drones and UAM¹ operations to deliver on the ultimate platform and testbed for large scale parcel drone deliveries.

Elsight has been integrated into the NAAMA Hadera Initiative from its inception, in March 2021. Under the title "The birth of an Industry," and as a World's First, from June 20th to 1st July 2021, five companies participated in this extraordinary demonstration of parcel drone delivery, beyond line of sight and in populated city environments. The event included more than 4,000 package delivery flights and was monitored by most of the world's leading players, with special focus on the USA. All participating BVLOS drone companies elected to equip their drones with Elsieht's Halo on board which is now considered the new industry standard for drone connectivity. As a direct result of Elsieht's involvement in the NAAMA Initiative the Company will be at the forefront of the drone industry, forming relationships with key leading players in this vibrant drone industry, leading to future commercial partnerships. During and immediately following the conclusion of the event, Elsieht's senior management was invited and travelled to the West Coast, USA to meet with the management of some of the largest players in this embryonic industry. The next NAAMA Initiative event is planned to take place in **Tel-Aviv**. For a video on Elsieht's participation in NAAMA Hadera, please [follow this link](#)

In the drone industry due to the long and costly rigid certification process, a successful POC is automatically turned into what the Company refers to as a "Design Win". A Design Win is a phrase adapted from the semiconductor industry to indicate that a company's chip/product has been designed into a fairly large third-party product design that will result in a lot of on-going, volume sales of the chip, subject to the eventual sales volume of that third party product. In our case, a Design Win means an inseparable bonding between the specific drone model and Halo. Once they are certified together it would be next to

¹ Urban Air Mobility (UAM) - New technologies such as electric propulsion and enhanced battery capacity, applied to vertical take-off and landing systems, make this possible.

impossible to replace Halo as a component due to the length of development and certification process and its high financial cost. It is important to recognise that the "TC" certification process is cumbersome, long, and expensive. Companies would not usually embark on this process without being completely sure they won't make any changes to their platforms because at this stage they are forced to freeze configuration and can no longer change subsystems. The implication is that if Elsieght 'Halo' is part of the subsystem at the frozen configuration stage, it would become a mandatory integral part of the eventual drone configuration once it becomes available on the market.

During the half year, the Group announced the launch of their globally available **Halo Value Investment Program (Halo VIP)** to accelerate drone company expansion into beyond the visual line of sight (**BVLOS**) operations. As part of the program, Elsieght provides the critical communication capabilities to help companies accelerate and achieve certification, grow and scale their commercial drone operations and enhance their profitability.

With the increasing frequency of investment in the drone market, and the continuing growth in BVLOS commercial capabilities and operations, Elsieght recognised the need to provide a program that facilitates the evolution of visual line of sight drone companies to BVLOS. The program not only provides investment from Elsieght in the form of the Halo solution, but also a SMART Start Program to help those companies strategically plan, manage implementation, align operations, obtain training, and monetise profitably.

The Halo VIP is available globally to UAV/Drone Manufacturers, service providers, enabling technology companies, and strategic partners. Since the Program launch, the Company is experiencing great interest from worldwide prospects interested in qualifying to the program.

On the regulation front, not surprisingly, Elsieght's visibility into the FAA's certification process release date plan is limited. The best way to monitor the FAA's plans are through actual steps that are taking on the ground. In that respect the Company reported the following progress that may help assess the certification process status through Elsieght's R&D and certification partner, Airobotics' activities:

1. After a long delay and, since the conclusion of the G1 public hearing process conducted by the FAA toward the end of 2020, the FAA added only one additional level test to the engines of the drones.
2. During the month of June, Airobotics, has gone through this additional noise test and thereby concluded all the required tests to grant the Type Certification.

During the month of August, Airobotics, did not complete their planned IPO on the Tel Aviv Stock Exchange (TASE) and replaced it with a private funding initiative. Airobotics is in the process of moving to substitute the IPO with a private capital raise. The Board was informed that Airobotics existing investors have committed to raise these funds outside the public arena. This reflects the strong commitment by Airobotics and its key backers to conclude their FAA certification process which is currently in the last stages of completion.

Additionally, Elsieght completed **Verizon Airborne LTE Operations (ALO) certification** – the Company has recently completed one of the first ALO certifications on the North American cellular provider Verizon to its flagship product – the Halo. The certificate will enable the Company's customers to work on the Verizon network with their drone operations and thus expand the Company reach.

MATTERS SUBSEQUENT TO THE REPORTING PERIOD

On 13 July 2021 Elsieght, in conjunction with JS Group, announced the continuing rollout of their Channel Program, with the signing of an 'Elite Level' Distribution Agreement, with an initial target of US\$1M with Tech Data. JS Group will receive a small commission based on the target achieved.

On 23 August 2021 Elsieght announced that Airobotics, a R&D and certification partner, did not complete their planned IPO on the Tel Aviv Stock Exchange and replaced it with a private funding initiative. This will have minimal, if any, impact to Elsieght, its growth plans and directions. Airobotics have successfully completed the last round of tests arising from the public consultation phase of the G1 process.

Other than what has already been stated within this Report, there have been no other matters or circumstances that have arisen since the end of the period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of the Group in subsequent financial periods.

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration to the Directors of the Consolidated Entity on page 17 forms part of the Directors' Report for the half year ended 30 June 2021.

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

David Furstenberg
Mr David Furstenberg
Executive Director
27 August 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2021

	Note	Half year ended 30 June 2021 US\$	Half year ended 30 June 2020 US\$
Revenue		248,335	352,288
Cost of sales		(396,603)	(334,595)
Gross (loss)/profit		(148,268)	17,693
Other income		29	2,821
Selling, administration and general expenses		(2,979,960)	(1,644,467)
Share based payments	8	(121,107)	(148,566)
Loss before financing expenses		(3,249,306)	(1,772,519)
Finance expenses		(19,156)	(38,533)
Loss before income tax expense		(3,268,462)	(1,811,052)
Income tax expense		-	-
Loss for the half year		(3,268,462)	(1,811,052)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation, net of tax		(18,842)	(60,821)
Total comprehensive loss for the period net of tax		(3,287,304)	(1,871,873)
Basic and diluted loss per share (cents)	10	(2.45)	(1.73)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	30 June 2021 US\$	31 Dec 2020 US\$
CURRENT ASSETS			
Cash and cash equivalents		4,795,776	7,924,309
Trade and other receivables	3	220,597	1,048,565
Inventory	4	673,104	396,272
TOTAL CURRENT ASSETS		5,689,477	9,369,146
NON-CURRENT ASSETS			
Plant and equipment		204,662	255,207
Intangible assets		124,582	163,142
Right of use assets	5	412,242	-
TOTAL NON-CURRENT ASSETS		741,486	418,349
TOTAL ASSETS		6,430,963	9,787,495
CURRENT LIABILITIES			
Trade and other payables		680,793	1,227,674
Lease liabilities	6	198,058	-
Borrowings		-	8,771
TOTAL CURRENT LIABILITIES		878,851	1,236,445
NON-CURRENT LIABILITIES			
Provision for employees' severance benefits		81,746	768
Lease liabilities	6	216,811	-
Borrowings		-	117,453
TOTAL NON-CURRENT LIABILITIES		298,557	118,221
TOTAL LIABILITIES		1,177,408	1,354,666
NET ASSETS		5,253,555	8,432,829
EQUITY			
Issued capital		21,348,779	21,361,856
Reserves	7	2,330,762	2,247,015
Accumulated losses		(18,425,986)	(15,176,042)
TOTAL EQUITY		5,253,555	8,432,829

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

FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 JUNE 2021

	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 2020	11,739,495	(11,955,220)	2,609,474	(681,691)	(296,796)	1,415,262
<i>Total Comprehensive Income</i>						
Loss for the period	-	(1,811,052)	-	-	-	(1,811,052)
Foreign currency translation differences	-	-	-	(60,821)	-	(60,821)
Total comprehensive loss for the period	-	(1,811,052)	-	(60,821)	-	(1,871,873)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of shares	2,337,451	-	-	-	-	2,337,451
Capital raising costs	(11,422)	-	-	-	-	(11,422)
Exercise/cancellation of options	-	464,808	(464,808)	-	-	-
Share based payments	-	-	148,566	-	-	148,566
Balance as at 30 June 2020	14,065,524	(13,301,464)	2,293,232	(742,512)	(296,796)	2,017,984
	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 2021	21,361,856	(15,176,042)	3,190,227	(646,416)	(296,796)	8,432,829
<i>Total Comprehensive Income</i>						
Loss for the period	-	(3,268,462)	-	-	-	(3,268,462)
Foreign currency translation differences	-	-	-	(18,842)	-	(18,842)
Total comprehensive loss for the period	-	(3,268,462)	-	(18,842)	-	(3,287,304)
<i>Transactions with owners in their capacity as owners:</i>						
Capital raising costs	(13,077)	-	-	-	-	(13,077)
Expiry of options	-	18,518	(18,518)	-	-	-
Share based payments	-	-	121,107	-	-	121,107
Balance as at 30 June 2021	21,348,779	(18,425,986)	3,292,816	(665,258)	(296,796)	5,253,555

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 2021

	Half year ended 30 June 2021 US\$	Half year ended 30 June 2020 US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	299,085	595,417
Interest received	29	2,821
Interest paid	(4,200)	(3,771)
Payments to suppliers and employees	(3,379,177)	(1,834,520)
Net cash used for operating activities	(3,084,263)	(1,240,053)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(28,318)	(2,599)
Proceeds from disposal of fixed assets	40,194	-
Conversion of short-term deposit to cash	108,524	-
Payment for intangible assets	-	(47,636)
Net cash provided by/(used for) investing activities	120,400	(50,235)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from the issue of shares	(11,585)	2,325,657
Repayment of borrowings	(54,681)	(10,236)
Principal elements of lease payments	(52,149)	(85,503)
Shareholder refunds	(33,935)	-
Net cash (used for)/provided by financing activities	(152,350)	2,229,918
Net (decrease)/increase in cash and cash equivalents held	(3,116,213)	939,630
Cash and cash equivalents at the beginning of period	7,924,309	933,517
Impact of movement in foreign exchange rates	(12,320)	(86,338)
Cash and cash equivalents at the end of period	4,795,776	1,786,809

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

NOTE 1: REPORTING ENTITY

The interim financial report (**Report**) of Elsieht Limited (the **Company**) and its controlled entities (the **Group**) (**Consolidated Entity**) for the half year ended 30 June 2021 was authorised for issue in accordance with a resolution of the Directors on 27 August 2021.

Elsieht 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 7, 330 Collins Street, Melbourne VIC 3000 Australia.

NOTE 2: BASIS OF PREPARATION**a) Statement of compliance**

This interim financial report has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

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 Group as in the full financial report. It is recommended that this interim financial report be read in conjunction with any public announcements made by Elsieht 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.

The accounting policies adopted are consistent with the accounting policies adopted in the Group's annual financial statements for the year ended 31 December 2020.

c) Going Concern Basis

The financial statements are prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. For the half-year ended 30 June 2021, the Group recorded a loss of US\$3,268,462, net cash outflows from operating activities of US\$3,084,263 and had net working capital of US\$4,810,626.

The Directors have approved a detailed cash flow forecast, which indicates that the entity will have sufficient cash to meet the entity's working capital requirements for the next 12 months from the date of this report and to fund the proposed level of business activities.

COVID-19 – Current Period Impact

The COVID-19 outbreak was declared a pandemic by the 'World health Organization' in March 2020. The outbreak and the response of Governments in dealing with the pandemic is impacting the general activity levels within the community, the economy and to an extent the operations of Elsieht's business. For the period to (and at) 30 June 2021 there has been no significant impact on operations, cash flow and financial condition. The Group's operations continue to run well.

Future Impact and Going Concern

It is not possible to precisely estimate the impact of the outbreak's near-term and longer effects on the Group or of Governments' varying efforts to combat the outbreak and support businesses globally. The Directors have taken the following matters into consideration in forming a view that the Group is a going concern, amongst other matters:

- the Group has cash on hand of US\$4,795,776 at 30 June 2021;
- the Directors have the ability to manage the quantum and timing of operating expenditures and related cash flows should the need arise; and
- The Group's significant efforts to secure a large set of key certifications (FCC SDoC, full FCC, CE, US carriers certifications, and privatization certifications, which are especially important to the medical community such as: HIPPA, GDPR, and CCPA). Some have already been concluded and others are in process. Importantly, this will enable the Group to secure extensive sales of Halo in the United States, Europe and other markets in the Far East.

NOTE 2: BASIS OF PREPARATION (CONTINUED)

d) Adoption of new and amended accounting standards

The Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2021. It has been determined by the Group that there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and therefore no change is necessary to Group accounting policies. No retrospective change in accounting policy of material reclassification has occurred during the half year.

e) Critical accounting judgements and estimates

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

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic. At 30 June 2021 the Group has reassessed all significant judgements and estimates included in the 30 June 2021 financial result and position, including but not limited to, provisions against debtors, net realisable value of inventory, liability to future claims, impairment of non-current assets, and other provisions and estimates.

Key estimate: Trade receivables

Management assess impairment of the Group's trade receivables based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs for the expected credit loss model under AASB 9 and impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

Assumptions made regarding the collectability of the Group's receivables are disclosed at Note 3.

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.

The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 8.

	30 June 2021	31 Dec 2020
	US\$	US\$
NOTE 3: TRADE AND OTHER RECEIVABLES		
Trade and other receivables	776,647	885,732
Loss allowance	(725,655)	(12,611)
Short term deposits	-	110,225
Prepaid expenses	169,605	65,219
	<u>220,597</u>	<u>1,048,565</u>

The Group's loss allowance relates primarily to aged receivables that remain outstanding as at the date of this report. Whilst the Group continues to pursue collection of the overdue amounts, total bad debt expense included within selling, administration and general expenses for the half year ended 30 June 2021 was US\$717,372 (30 June 2020: US\$8,607).

	30 June 2021	31 Dec 2020
	US\$	US\$
NOTE 4: INVENTORY		
Inventory at cost	673,104	396,272
	<u>673,104</u>	<u>396,272</u>

In 2020/2021 there has been a global chip shortage primarily due to COVID 19. The Group has increased inventory levels to ensure it has an adequate supply on hand in the event of longer than expected lead times and in preparation for an anticipated increase in sales towards the end of 2021 and into 2022.

	30 June 2021	31 Dec 2020
	US\$	US\$
NOTE 5: RIGHT OF USE ASSETS		
Office space	245,445	-
Motor vehicles	166,797	-
	<u>412,242</u>	<u>-</u>

The right of use assets recognised at 30 June 2021 relate to new office and motor vehicle leases entered into during the half year.

	30 June 2021	31 Dec 2020
	US\$	US\$
NOTE 6: LEASE LIABILITIES		
Current	198,058	-
Non-current	216,811	-
	<u>414,869</u>	<u>-</u>

The lease liabilities recognised at 30 June 2021 relate to office lease and motor vehicle leases entered into during the half year. Lease liabilities have been measured at the present value of the lease payments, discounted using the Group's incremental borrowing rate in effect on lease execution date. Incremental borrowing rates applied range from 3.15% – 3.23%.

	30 June 2021	31 Dec 2020
	US\$	US\$
NOTE 7: RESERVES		
Total reserves	2,330,762	2,247,015

(a) Share Based Payment Reserve

43,578,653 (31 December 2020: 43,885,013) options on issue	3,292,816	3,190,227
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	No.	\$
(b) Movement in Share Based Payment Reserve		
Opening balance at 1 January 2021	43,885,013	3,190,227
Pro-rata expense of options issued in prior periods	-	142,944
Issue of ESOP options on 8 February 2021 (Note 8)	210,000	8,529
Issue of ESOP options on 12 March 2021 (Note 8)	180,000	6,051
Issue of ESOP options on 20 April 2021 (Note 8)	100,000	2,311
Expiry of options on 18 June 2021	(625,360)	(18,518)
Options cancelled on termination of employment	(171,000)	(38,728)
Closing balance at 30 June 2021	43,578,653	3,292,816

NOTE 7: RESERVES (CONTINUED)

	30 June 2021 US\$	30 June 2020 US\$
(c) Foreign exchange reserve	(665,258)	(646,416)

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 Elsieht Limited as at the acquisition date of 2 June 2017.

NOTE 8: SHARE BASED PAYMENTS

Summary of Share Based Payments Issued During the Half Year

During the half year ended 30 June 2021 the Group recorded the following share based payments:

- The issue of 210,000 Employee Share Plan Options exercisable at A\$0.43, on or before 1 February 2026 to employees of the Group, exercisable after the satisfaction of the following vesting condition, 50% on 2 February 2023 and an additional 6.25% at the end of each quarter of continuous services thereafter, resulting in an expense of US\$8,529 recorded at 30 June 2021.
- The issue of 180,000 Employee Share Plan Options exercisable at A\$0.52, on or before 9 March 2026 to an employee of the Group, exercisable after the satisfaction of the following vesting condition, 50% on 10 March 2023 and an additional 6.25% at the end of each quarter of continuous services thereafter, resulting in an expense of US\$6,051 recorded at 30 June 2021.
- The issue of 100,000 Employee Share Plan Options exercisable at A\$0.50, on or before 13 April 2026 to an employee of the Group, exercisable after the satisfaction of the following vesting condition, 50% on 14 April 2023 and an additional 6.25% at the end of each quarter of continuous services thereafter, resulting in an expense of US\$2,311 recorded at 30 June 2021.

Fair Value

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
Number of options	210,000	180,000	100,000
Grant date	2-Feb-21	10-Mar-21	14-Apr-21
Issue date	8-Feb-21	12-Mar-21	20-Apr-21
Exercise price	A\$0.43	A\$0.52	A\$0.50
Expected volatility	100%	100%	100%
Implied option life	4.98 years	4.99 years	4.98 years
Expected dividend yield	nil	nil	nil
Risk free rate	1.00%	1.00%	1.00%
Valuation per option A\$	\$0.32	\$0.35	\$0.35
Exchange rate	\$0.75	\$0.75	\$0.75
Valuation per option US\$	\$0.24	\$0.26	\$0.26
Total valuation US\$	\$50,400	\$46,800	\$26,000

NOTE 8: SHARE BASED PAYMENTS (CONTINUED)

Share Based Payments Expense

Share based payment expense at 30 June 2021 is comprised as follows:

	30 June 2021 US\$	30 June 2020 US\$
Net expense of options issued in comparative and prior periods	104,216	148,566
Issue of 490,000 ESOP options	16,891	-
Total share based payments expense	121,107	148,566

NOTE 9: DIVIDENDS

The Group did not pay or propose any dividends in the half year to 30 June 2021.

NOTE 10: LOSS PER SHARE

	30 June 2021 US\$	30 June 2020 US\$
Basic and diluted loss per share (cents)	2.45	1.73

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

Total loss for the period	3,268,462	1,811,052
	No.	No.
Weighted average number of ordinary shares in calculating basic and diluted loss per share	133,341,582	104,960,356

NOTE 11: COMMITMENTS

There have been no changes to the Group's commitments since 31 December 2020.

NOTE 12: SEGMENT INFORMATION

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

NOTE 13: CONTINGENT ASSET AND LIABILITIES

The directors are not aware of any contingent liabilities or assets as at 30 June 2021 or subsequent to period end.

NOTE 14: RELATED PARTY TRANSACTIONS

Directors and their related parties continued to receive salaries and fees during the period consistent with 30 June 2021.

At 31 December 2020 there was an amount owing to former Managing Director Mr Nir Gabay of ILS 147,888 (US\$46,000) in relation to Group bank borrowings paid by Mr Gabay. The amount was repaid to Mr Gabay in January 2021. No interest was recorded or incurred in respect of the transaction.

At 31 December 2020 there was an amount owing to Mr Gabay of ILS 631,359 (US\$183,407) in relation to his termination payment. The amount owing was paid during Q1 2021.

On termination Mr Gabay purchased the vehicle that had been provided as part of his remuneration package. Mr Gabay paid the Group ILS 131,250 (US\$40,194) for the vehicle which had a carrying value of ILS 168,722 (US\$51,670).

NOTE 15: EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 13 July 2021 Elsieht, in conjunction with JS Group, announced the continuing rollout of their Channel Program, with the signing of an 'Elite Level' Distribution Agreement, with an initial target of US\$1M with Tech Data. JS Group will receive a small commission based on the target achieved.

On 23 August 2021 Elsieht announced that Airobotics, a R&D and certification partner, did not complete their planned IPO on the Tel Aviv Stock Exchange and replaced it with a private funding initiative. This will have minimal, if any, impact to Elsieht, its growth plans and directions. Airobotics have successfully completed the last round of tests arising from the public consultation phase of the G1 process.

Other than what has already been stated within this Report, there have been no other matters or circumstances that have arisen since the end of the period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of the Group in subsequent financial periods.

DIRECTORS' DECLARATION

The Directors of Elsight Limited declare that:

1. The financial statements and notes, as set out on pages 7 to 16 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 2021 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.

David Furstenberg
Mr David Furstenberg

Executive Director

27 August 2021

DECLARATION OF INDEPENDENCE BY ASHLEIGH WOODLEY TO THE DIRECTORS OF ELSIGHT LIMITED

As lead auditor for the review of Elsieht Limited for the half-year ended 30 June 2021, 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 Elsieht Limited and the entity it controlled during the period.



Ashleigh Woodley
Director

BDO Audit (WA) Pty Ltd
Perth, 27 August 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Elsie Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Elsie Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 30 June 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink. The signature appears to be 'Ashleigh Woodley' written in a cursive, flowing style. Above the signature, the letters 'BDO' are handwritten in a simple, blocky font.

Ashleigh Woodley

Director

Perth, 27 August 2021