

## ASX APPENDIX 4D HALF-YEAR FINANCIAL REPORT TO 30 JUNE 2019

### 1. DETAILS OF REPORTING PERIOD

Name of Entity	Elsight Limited (“the Company”)
ABN	98 616 435 753
Reporting Period	30 June 2019
Previous Corresponding Period	30 June 2018

### 2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	30 June 2019 US\$	30 June 2018 US\$	Increase/ (Decrease) %	Amount change US\$
Revenues from ordinary activities	863,655	675,241	28%	188,414
Profit/(Loss) after tax from ordinary activities attributable to members	(1,601,109)	(2,239,345)	(29%)	(638,236)
Profit/(Loss) after tax attributable to members	(1,601,109)	(2,239,345)	(29%)	(638,236)

	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 2019 US\$	30 June 2018 US\$
Net tangible asset backing per ordinary security	3.22 cents	6.52 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 2019.

#### 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

29 August 2019



# **ELSIGHT LIMITED**

**ABN 98 616 435 753**

**INTERIM FINANCIAL REPORT  
FOR THE HALF YEAR ENDED 30 JUNE 2019**

## CORPORATE DIRECTORY

### Directors

Major General (ret) Ami Shafran – Non-Executive Chairman  
Mr Nir Gabay – Managing Director  
Mr David Furstenberg – Non-Executive Director  
Mr Howard Digby – Non-Executive Director  
Mr Raj Logaraj – Non-Executive Director

### Company Secretary

Mr Mark Licciardo

### Registered Office

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Melbourne VIC 3000  
AUSTRALIA

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Email: [info@el-sight.com](mailto:info@el-sight.com)  
Web: [www.el-sight.com](http://www.el-sight.com)

### Auditor

BDO Audit (WA) Pty Ltd  
38 Station Street  
PO Box 700  
Subiaco WA 6008  
AUSTRALIA

### Legal Advisor

Afik & Co  
Level 2  
103 Ha'hashmona'im Street  
P.O.B. 20144  
Tel Aviv 6120101  
ISRAEL

### Share Registry

Automatic Registry Services  
Level 2, 267 St Georges Terrace  
Perth WA 6000  
AUSTRALIA

Phone: 1300 288 664 (within Australia) +61 2 9698 5414 (outside Australia)  
Fax: +61 8 9321 2337  
Email: [hello@automic.com.au](mailto:hello@automic.com.au)  
Web: [www.automic.com.au](http://www.automic.com.au)

### Securities Exchange Listing

ASX Limited  
Level 40, Central Park  
152-158 St Georges Terrace  
Perth WA 6000

### ASX Code – ELS

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## 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 2019 (**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 Nir Gabay	Managing Director	2 June 2017	-
Mr David Furstenberg	Non-Executive Director	2 June 2017	-
Mr Howard Digby	Non-Executive Director	13 December 2016	-
Mr Raj Logaraj	Non-Executive Director	1 August 2018	-
Mick Keelty AO APM	Deputy Chairman	12 December 2018	24 April 2019

## COMPANY SECRETARY

Mr Mark Licciardo (appointed 15 March 2019)

Mr Peter Webse (resigned 15 March 2019)

## REVIEW AND RESULTS OF OPERATIONS

The net loss of the Group after income tax for the half year ended 30 June 2019 amounted to US\$1,601,109 (30 June 2018: loss of US\$2,239,345). The half year ended 30 June 2019 loss included selling, general and administrative expenses of US\$1,844,963 and non-cash share based payments of US\$204,544.

The net assets of the Group have decreased by US\$1,332,283 from net assets of US\$4,500,060 at 31 December 2018 to net assets of US\$3,167,777 at 30 June 2019.

As at 30 June 2019, the Group's cash and cash equivalents decreased from a balance of US\$3,632,926 at 31 December 2018 to a balance of US\$2,212,642.

As at 30 June 2019 the Group has working capital of US\$2,759,842 (2018: working capital of US\$4,288,342).

## REVIEW OF ACTIVITIES

During the half year ended 30 June 2019 the following activities were undertaken:

The Group unveiled its new Halo communication platform at the world's largest mobile technology conference and exhibition in February 2019. Halo's breakthrough technology integrates Elsight's high bandwidth totally secured data transmission technology while introducing a dramatically reduced form factor, weight, power consumption and heat index. The platform is offered in two main configurations: a highly compact standalone external device, or a lightweight internal board. The Halo 2000/4000 features multiple cellular modules, built in WiFi, and an optional video encoder and an internal battery. Halo is highly adaptable and able to integrate with any platform or device, making it ideal for future-forward OEMs, drones or other application that requires light weight, hi-bandwidth, highly secured and always-on solution.

In March 2019, the Group announced the receipt of repeat orders from key partners Traffilog and Alrena, key to the Company in endorsing satisfaction and demand and important for the Company's goal of driving strong revenue growth in 2019.

During the half year, the Company focused on the development of its Halo technology towards commercialisation, involving a ramp up in the final testing, logistics, marketing and sales activities during the half year intended to secure and successfully deliver paid proof-of-concept (POC) ahead of aggressive sales starting 4Q 2019.



**MATTERS SUBSEQUENT TO THE REPORTING PERIOD**

On 1 August 2019 the Company issued 100,000 Ordinary Shares on the exercise of 100,000, A\$0.30 unlisted options expiring 2 June 2020.

On 12 August 2019 the Company issued 215,000 unlisted options exercisable at A\$0.35 on or before 23 June 2024, subject to the terms of the Company's 2017 Employee Share Option Plan. The options will vest if the holder continues to provide services to the Company, its subsidiaries or affiliates with 50% vesting on 24 June 2021 and an additional 6.25% at the end of each quarter of continuous services thereafter.

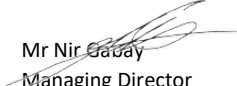
On 27 August 2019 the Company announced that it has entered into a voluntary escrow agreement with existing shareholders of the Company with respect to a total of 44,002,974 Ordinary Shares held by those shareholders (Escrowed Shares), representing 45.85% of the Company's total Shares on issue of 95,988,599. The restrictions on disposal of the Escrowed Shares under the Agreement give the Company a relevant interest in the Shares under section 608(1)(c) of the *Corporations Act 2001*. The Company has no right to acquire the Escrowed Shares or to control the voting rights attached to the Escrowed Shares. The escrow period for 26,052,974 of the Escrowed Shares is from 8 August 2019 to 30 September 2020. The escrow period for the remaining 17,950,000 Escrowed Shares is from 8 August 2019 to 31 March 2020.

There have been no other matters or circumstances that have arisen since 30 June 2019.

**AUDITOR'S INDEPENDENCE DECLARATION**

The Auditor's Independence Declaration to the Directors of the Consolidated Entity on page 18 forms part of the Directors' Report for the half year ended 30 June 2019.

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

  
Mr Nir Gabay  
Managing Director  
29 August 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
 AND OTHER COMPREHENSIVE INCOME  
 FOR THE HALF YEAR ENDED 30 JUNE 2019

	Note	Half year ended 30 June 2019 US\$	Half year ended 30 June 2018 US\$
Revenue		863,655	675,241
Cost of sales		(416,322)	(319,493)
<b>Gross profit</b>		<b>447,333</b>	<b>355,748</b>
Other income		25,368	14,954
Selling, administration and general expenses		(1,844,963)	(1,640,849)
Share based payments	4	(204,544)	(967,942)
<b>Loss before financing expenses</b>		<b>(1,576,806)</b>	<b>(2,238,089)</b>
Finance expenses		(24,303)	(1,256)
<b>Loss before income tax expense</b>		<b>(1,601,109)</b>	<b>(2,239,345)</b>
Income tax expense		-	-
<b>Loss for the half year</b>		<b>(1,601,109)</b>	<b>(2,239,345)</b>
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation, net of tax		70,285	(427,918)
<b>Total comprehensive loss for the period net of tax</b>		<b>(1,530,824)</b>	<b>(2,667,263)</b>
Basic and diluted loss per share (cents)	6	(1.67)	(2.47)

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 2019

	Notes	30 June 2019 US\$	31 Dec 2018 US\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		2,212,642	3,632,926
Trade and other receivables		1,077,062	1,152,211
Inventory		252,622	314,277
Other current assets		76,877	93,272
<b>TOTAL CURRENT ASSETS</b>		<b>3,619,203</b>	<b>5,192,686</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment, net		316,592	326,701
Intangible assets		76,075	45,140
Right of use assets	2d	246,694	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>639,361</b>	<b>371,841</b>
<b>TOTAL ASSETS</b>		<b>4,258,564</b>	<b>5,564,527</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		657,057	883,882
Borrowings		21,507	20,462
Lease liabilities	2d	180,797	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>859,361</b>	<b>904,344</b>
<b>NON-CURRENT LIABILITIES</b>			
Provision for employees' severance benefits		100,003	64,976
Borrowings		58,737	95,147
Lease liabilities	2d	72,686	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>231,426</b>	<b>160,123</b>
<b>TOTAL LIABILITIES</b>		<b>1,090,787</b>	<b>1,064,467</b>
<b>NET ASSETS</b>		<b>3,167,777</b>	<b>4,500,060</b>
<b>EQUITY</b>			
Issued capital		11,667,737	11,667,737
Reserves	3	1,888,694	1,613,865
Accumulated losses		(10,388,654)	(8,781,542)
<b>TOTAL EQUITY</b>		<b>3,167,777</b>	<b>4,500,060</b>

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 2019

	Issued Capital US\$	Accumulated Losses US\$	Share Based Payment Reserve US\$	Foreign Exchange Reserve US\$	Predecessor Accounting Reserve US\$	Total US\$
Balance as at 31 December 2018	11,667,737	(8,781,542)	2,677,670	(767,009)	(296,796)	4,500,060
Change in accounting policy (Note 2d)	-	(6,003)	-	-	-	(6,003)
<b>Restated total equity at 1 January 2019</b>	<b>11,667,737</b>	<b>(8,787,545)</b>	<b>2,677,670</b>	<b>(767,009)</b>	<b>(296,796)</b>	<b>4,494,057</b>
<i>Total Comprehensive Income</i>						
Loss for the period	-	(1,601,109)	-	-	-	(1,601,109)
Foreign currency translation differences	-	-	-	70,285	-	70,285
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(1,601,109)</b>	<b>-</b>	<b>70,285</b>	<b>-</b>	<b>(1,530,824)</b>
<i>Transactions with owners in their capacity as owners:</i>						
Share based payments (Note 4)	-	-	204,544	-	-	204,544
<b>Balance as at 30 June 2019</b>	<b>11,667,737</b>	<b>(10,388,654)</b>	<b>2,882,214</b>	<b>(696,724)</b>	<b>(296,796)</b>	<b>3,167,777</b>

	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
<i>Total Comprehensive Income</i>						
Loss for the period	-	(2,239,345)	-	-	-	(2,239,345)
Foreign currency translation differences	-	-	-	(427,918)	-	(427,918)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(2,239,345)</b>	<b>-</b>	<b>(427,918)</b>	<b>-</b>	<b>(2,667,263)</b>
<i>Transactions with owners in their capacity as owners:</i>						
Issue of shares	7,059,429	-	-	-	-	7,059,429
Capital raising costs	(442,935)	-	-	-	-	(442,935)
Share based payments	-	-	986,460	-	-	986,460
<b>Balance as at 30 June 2018</b>	<b>11,708,232</b>	<b>(6,813,915)</b>	<b>2,282,916</b>	<b>(579,923)</b>	<b>(296,796)</b>	<b>6,300,514</b>

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 2019

	Half year ended 30 June 2019 US\$	Half year ended 30 June 2018 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	966,707	562,153
Interest received	26,257	11,817
Interest paid	(17,157)	(3,778)
Payments to suppliers and employees	(2,284,406)	(2,119,099)
<b>Net cash used for operating activities</b>	<b>(1,308,599)</b>	<b>(1,548,907)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(7,246)	(153,103)
Payment for intangible assets	(33,183)	-
Proceeds from investments	-	44,612
<b>Net cash (used for)/provided by investing activities</b>	<b>(40,429)</b>	<b>(108,491)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from the issue of shares	-	6,593,671
Repayment of borrowings	(9,414)	(80,348)
Principal elements of lease payments	(86,732)	-
<b>Net cash (used for)/provided by financing activities</b>	<b>(96,146)</b>	<b>6,513,323</b>
<b>Net (decrease)/increase in cash and cash equivalents held</b>	<b>(1,445,174)</b>	<b>4,855,925</b>
Cash and cash equivalents at the beginning of period	3,632,926	1,093,853
Impact of movement in foreign exchange rates	24,890	(355,383)
<b>Cash and cash equivalents at the end of period</b>	<b>2,212,642</b>	<b>5,594,395</b>

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 2019

**NOTE 1: REPORTING ENTITY**

The interim financial report (**Report**) of Elsight Limited (the **Company**) and its controlled entities (the **Group**) (**Consolidated Entity**) for the half year ended 30 June 2019 was authorised for issue in accordance with a resolution of the Directors on 29 August 2019.

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 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 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.

The accounting policies adopted are consistent with the accounting policies adopted in the Company's last annual financial statements for the year ended 31 December 2018 except for the adoption of new and amended accounting standards as set out below.

**c) Adoption of new and amended accounting standards**

The Group had to change its accounting policies as a result of the adoption of AASB 16 *Leases* from 1 January 2019. The impact of the adoption of this standard has had a material impact on the amounts presented in the Group's financial statements as disclosed below.

**d) Changes in accounting policies**

This note explains the impact of the adoption of AASB 16 *Leases* on the group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The Group has applied the Modified Retrospective Approach in its adoption of AASB 16. Comparative information has not been restated as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the adoption of AASB 16 are recognised in the opening balance sheet at 1 January 2019, with the cumulative effect of initial application recognised as an adjustment to the opening retained earnings balance at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE HALF YEAR ENDED 30 JUNE 2019

NOTE 2: BASIS OF PREPARATION (CONTINUED)

d) Changes in accounting policies (continued)

**AASB 16 Leases – Impact of Adoption**

*Lease liabilities*

On adoption of AASB 16 the group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.58%.

Lease liabilities recognised at 1 January 2019 are as follows:

	2019 US\$
Operating lease commitments disclosed as at 31 December 2018	361,902
Less: Discount applied	(36,970)
Operating lease commitments discounted using the lessee's incremental borrowing rate at the date of initial application	324,932
Add: finance lease liabilities recognised as at 31 December 2018	-
Less: short-term leases recognised on a straight-line basis as expense	-
<b>Lease liability recognised as at 1 January 2019</b>	<b>324,932</b>

Of which are:

	30 June 2019 US\$	1 January 2019 US\$
Current lease liabilities	180,797	189,618
Non-current lease liabilities	72,686	135,314
<b>Total lease liability</b>	<b>253,483</b>	<b>324,932</b>

*Right of use assets*

The associated right of use assets for property and vehicle leases were measured on a retrospective basis as if the new rules had always been applied. There were no other right of use assets and no onerous lease contracts that would have required an adjustment to the right of use assets at the date of initial application.

The recognised right of use assets relate to the following types of assets:

	30 June 2019 US\$	1 January 2019 US\$
Office space	197,194	250,155
Motor vehicles	49,500	68,774
<b>Total right of use assets</b>	<b>246,694</b>	<b>318,929</b>

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right of use assets – increase by US\$318,929; and
- Lease liabilities – increase by US\$324,932.

The net impact on accumulated losses on 1 January 2019 was an increase of US\$6,003.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2019

NOTE 2: BASIS OF PREPARATION (CONTINUED)

*d) Changes in accounting policies (continued)*

*Impact on segment disclosures and earnings per share*

The adoption of AASB 16 had no impact on the group's segment disclosures.

There was no impact on earnings per share for the six months to 30 June 2019 as a result of the adoption of AASB 16.

*Practical expedients applied*

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease, at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

**AASB 16 Leases – Accounting Policies Applied from 1 January 2019**

The group leases office space and vehicles. Rental contracts are typically made for a fixed period of 3 years, with extension options available on the office lease. Lease terms are negotiated on an individual basis and contain a range of terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases were classified as either finance or operating leases. Payments made under the group's operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed lease payments (including in-substance fixed payments), less any lease incentive receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right of use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value may assets comprise IT-equipment and small items of office furniture.

*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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE HALF YEAR ENDED 30 JUNE 2019

NOTE 2: BASIS OF PREPARATION (CONTINUED)

e) *Critical accounting judgements and estimates (continued)*

**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 4.

NOTE 3: RESERVES	30 June 2019 US\$	31 Dec 2018 US\$
<b>(a) Share Based Payment Reserve</b>		
47,278,360 (31 December 2018: 47,269,360) options on issue	2,882,214	2,677,670
	<b>No.</b>	<b>\$</b>
<b>(b) Movement in Share Based Payment Reserve</b>		
Opening balance at 1 January 2019	47,269,360	2,677,670
Pro-rata expense of options issued in prior periods	-	213,667
Issue of ESOP options (Note 4)	50,000	6,845
Cancellation of ESOP options on termination of employment	(41,000)	(15,968)
<b>Closing balance at 30 June 2019</b>	<b>47,278,360</b>	<b>2,882,214</b>
	<b>US\$</b>	<b>US\$</b>
<b>(c) Foreign exchange reserve</b>	(696,724)	(767,009)
The foreign currency translation reserve records exchange differences arising on translation from functional currency to presentation currency.		
	<b>US\$</b>	<b>US\$</b>
<b>(d) Predecessor Accounting Reserve</b>	(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.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE HALF YEAR ENDED 30 JUNE 2019

NOTE 4: SHARE BASED PAYMENTS

Summary of Options Issued in Prior Periods

Options issued in prior periods that impact the half year ended 30 June 2019 are as follows:

Description	Grant date	Exercise Price	Expiry Date	Options Granted	Options vested <sup>(i)</sup>	Options lapsed	Options forfeited on termination of employment <sup>(ii)</sup>	Options that may vest at 30 June 2019	Vesting condition	Net pro-rata income/(expense) recorded at 30 June 2019
		A\$		No.	No.	No.	No.	No.		US\$
ESOP Performance Options	2-Jun-17	\$0.20	2-June-22	30,000,000	(10,000,000)	-	-	20,000,000	(iii),(iv)	50,065
ESOP Options	2-Jun-17	\$0.20	2-June-22	8,608,000	-	-	-	8,608,000	(v)	(184,059)
ESOP Options	10-Dec-17	\$0.60	9-Oct-22	211,000	-	-	(86,000)	125,000	(v)	(12,291)
ESOP Options	9-Jan-18	\$1.08	14-Nov-22	25,000	-	-	-	25,000	(vi)	(1,306)
ESOP Options	5-Feb-18	\$0.80	4-Feb-23	68,000	-	-	(32,000)	36,000	(v)	(3,068)
ESOP Options	26-Apr-18	\$0.745	4-Mar-23	42,000	-	-	(30,000)	12,000	(vii)	(685)
Director Options	28-May-18	\$0.60	9-Oct-22	460,000	-	-	-	460,000	(viii)	(25,117)
ESOP Options	1-Aug-18	\$0.675	31-Jul-23	194,000	-	-	(57,000)	137,000	(v)	(7,106)
ESOP Options	1-Aug-18	\$0.60	31-Jul-23	200,000	-	-	-	200,000	(ix)	(14,132)
<b>Total</b>				<b>39,808,000</b>	<b>(10,000,000)</b>	<b>-</b>	<b>(205,000)</b>	<b>29,603,000</b>		<b>(197,699)</b>

- (i) 10,000,000 Class A Performance Options vested on 7 June 2018 upon achievement of the vesting milestone.
- (ii) 164,000 options were forfeited as of 31 December 2018; an additional 41,000 options were forfeited during the half year to 30 June 2019.
- (iii) 10,000,000 Class B Performance options vest and become exercisable upon the Company achieving aggregate revenue of A\$4,000,000 from total sale of products based on the Technology in a Year. The vesting probability for these options was determined to be 50% at 30 June 2019.
- (iv) 10,000,000 Class C 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. The implied value of Class C Performance Options is US\$1,037,544 however the probability was determined to be nil at 30 June 2019 due to the uncertainty of meeting the performance milestone by 7 June 2020.
- (v) 50% on the second anniversary of the grant date and an additional 6.25% at the end of each quarter of continuous service thereafter.
- (vi) 50% on 15 November 2017 and an additional 3.125% at the end of each quarter of continuous service thereafter.
- (vii) 50% on 5 March 2020 and an additional 6.25% at the end of each quarter of continuous service thereafter.
- (viii) 50% on 10 October 2020 and an additional 6.25% at the end of each quarter of continuous service thereafter.
- (ix) 50% vested immediately and 50% on 1 August 2019.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE HALF YEAR ENDED 30 JUNE 2019

**NOTE 4: SHARE BASED PAYMENTS (CONTINUED)**

**Summary of Share Based Payments Issued During the Half Year**

During the half year ended 30 June 2019 the Company recorded the following share based payments:

- The issue of 50,000 Employee Share Plan Options exercisable at A\$0.60, on or before 1 December 2023 to employees of the Group, exercisable after the satisfaction of the following vesting condition, 50% on 1 Decemebr 2019 and an additional 12.25% at the end of each quarter of continuous services thereafter, resulting in an expense of US\$6,845 recorded at 30 June 2019.

**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
Number of options	50,000
Grant date	1-Dec-18
Issue date	7-Feb-19
Exercise price	A\$0.60
Expected volatility	100.00%
Implied option life	5 years
Expected dividend yield	nil
Risk free rate	2.46%
Valuation per option A\$	\$0.4164
Exchange rate	\$0.7015
Valuation per option US\$	\$0.2921
Total valuation US\$	\$14,605

**Share Based Payments Expense**

Share based payment expense at 30 June 2019 is comprised as follows:

	30 June 2019	30 June 2018
	US\$	US\$
Expense of options issued in comparative and prior periods	197,699	967,942
Issue of 50,000 ESOP options	6,845	-
Total expense recognised in profit or loss	204,544	967,942
Total expense recognised in equity	-	18,518
<b>Total share based payments expense</b>	<b>204,544</b>	<b>986,460</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2019

**NOTE 5: DIVIDENDS**

The Company did not pay or propose any dividends in the half year to 30 June 2019.

**NOTE 6: LOSS PER SHARE**

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

	30 June 2019 US\$	30 June 2018 US\$
Total loss for the period	(1,601,109)	(2,239,345)
	No.	No.
Weighted average number of ordinary shares in calculating basic and diluted loss per share	95,888,599	90,844,255

**NOTE 7: COMMITMENTS**

Apart from the impact of the adoption of AASB 16 *Leases* as disclosed at Note 2d there have been no changes to the Company's commitments since 31 December 2018.

**NOTE 8: 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 9: CONTINGENT ASSET AND LIABILITIES**

The directors are not aware of any contingent liabilities or assets as at 30 June 2019 or subsequent to period end.

**NOTE 10: RELATED PARTY TRANSACTIONS**

Directors and their related parties continued to receive salaries and consulting fees during the period consistent with 31 December 2018.

**NOTE 11: EVENTS OCCURRING AFTER THE REPORTING PERIOD**

On 1 August 2019 the Company issued 100,000 Ordinary Shares on the exercise of 100,000, A\$0.30 unlisted options expiring 2 June 2020.

On 12 August 2019 the Company issued 215,000 unlisted options exercisable at A\$0.35 on or before 23 June 2024, subject to the terms of the Company's 2017 Employee Share Option Plan. The options will vest if the holder continues to provide services to the Company, its subsidiaries or affiliates with 50% vesting on 24 June 2021 and an additional 6.25% at the end of each quarter of continuous services thereafter.

On 27 August 2019 the Company announced that it has entered into a voluntary escrow agreement with existing shareholders of the Company with respect to a total of 44,002,974 Ordinary Shares held by those shareholders (Escrowed Shares), representing 45.85% of the Company's total Shares on issue of 95,988,599. The restrictions on disposal of the Escrowed Shares under the Agreement give the Company a relevant interest in the Shares under section 608(1)(c) of the *Corporations Act 2001*. The Company has no right to acquire the Escrowed Shares or to control the voting rights attached to the Escrowed Shares. The escrow period for 26,052,974 of the Escrowed Shares is from 8 August 2019 to 30 September 2020. The escrow period for the remaining 17,950,000 Escrowed Shares is from 8 August 2019 to 31 March 2020.

There have been no other matters or circumstances that have arisen since 30 June 2019.


**ELSIGHT LIMITED**  
**ABN 98 616 435 753**  
**INTERIM FINANCIAL REPORT 30 JUNE 2019**

**DIRECTORS' DECLARATION**

The Directors of Elsight Limited declare that:

1. The financial statements and notes, as set out on pages 6 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 2019 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  
29 August 2019

DECLARATION OF INDEPENDENCE BY NAME OF ENGAGEMENT PARTNER TO THE DIRECTORS OF  
COMPANY NAME

As lead auditor for the review of Elsight Limited for the half-year ended 30 June 2019, 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 entities it controlled during the period.



Phillip Murdoch

Partner

BDO Audit (WA) Pty Ltd

Perth, 29 August 2019

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## 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 subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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 then ended, and notes comprising a statement of 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 half-year financial report of the Group is not in accordance with the Corporations Act 2001 including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2019 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.

#### Directors' responsibility for the Half-Year 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

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, 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 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

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Independence

In conducting review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations our Act 2001, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO  
A handwritten signature in black ink, appearing to read 'P. Murdoch', is written over a horizontal line. The signature is written in a cursive style.

Phillip Murdoch

Director

Perth, 29 August 2019

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