

ASX Announcement 25 January 2024

DECEMBER 2023 (Q2 FY24) ACTIVITIES AND CASHFLOW REPORT

Highlights:

- Continued growth in quarterly cash receipts, **increasing by ~68%** vs Q2 FY23
- Continued growth in quarterly revenue **increasing by 60%** to ~\$1,765m vs Q2 FY23
- Completed successful placement of \$400k to expand newly formed cybersecurity division
- Restructuring initiatives completed with ~\$112k in one-off costs incurred during the quarter, resulting in **annual savings of more than \$750k**
- Restructure of ~\$736k of deferred consideration to unrelated parties from acquisition of Attained Group Pty Ltd

Adisyn Ltd (**ASX: AI1**) ("**Adisyn**" or the "**Company**") is pleased to provide its quarterly report and Appendix 4C cash flow statement for the period ended 31 December 2023. The Company has completed a number of restructuring initiatives and continued to build its unique technology offering into the broader cloud microservices sector powered by AI.

This strategy has delivered another strong quarter outlined by the following quarterly results compared to Q2 FY23:

- Cash receipts for the quarter of \$1,977m, **increasing by ~68%**
- Total revenue for the quarter of ~\$1,757m, **up by 60%**

Pleasingly, revenue for the quarter from the Company's core divisions (excluding Miner Hosting) **increased ~3%** from the September 2023 quarter, to \$1,481m. During the quarter the Company continued to execute its plan to cross-sell services between its existing business units to drive further organic growth.

Generative AI offering

The Company continues to work on leveraging its existing assets with a focus on offering generative AI driven solutions. These solutions are being developed as individual AI powered microservices, eventually leading to the Company selling a suite of different AI powered solutions. The Company plans to initially use these solutions internally to further drive operational efficiencies, and then offer them to its existing customer base and the broader market as a new product offering.

The Company is continuing to develop its first AI microservice, a de-identification tool for Personally Identifiable Information (PII), to remove or anonymise PII data before sending sensitive information to any AI Large Language Model (LLM) (ASX: 26 Oct 2023).

The PII microservice being developed and tested by the Company will allow PII data to be found and either masked, redacted, encrypted or replaced to ensure data that is sent to the LLM is private and secure. Once developed, the PII microservice will be the first AI powered microservice offered by the Company to existing and new clients. It will also provide the Company with the initial toolset to develop further AI products and services.

Adisyn Cyber

Following the change of Company name to Adisyn Ltd (ASX: 24 October 2023), the Company has rebranded the new cybersecurity division as Adisyn Cyber. During the quarter the Company expanded the services offered under the new cybersecurity division through a new reseller agreement with Entrust Corporation (Entrust). Entrust is a global leader in cybersecurity for identities, payments, and data security solutions, with operations in 150 countries. The reseller agreement allows Adisyn Cyber to offer Entrust's full suite of products directly to clients, with the Company planning to market the products from Q3 FY24 onwards.

The Company is continuing to develop a number of new cybersecurity services which are focused on assisting businesses to manage their obligations for the handling of personal data under the new Privacy Legislation Amendment (Enforcement and Other Measures) Act 2022. These services include threat intelligence and contextual security operations, and an AI powered Personally Identifiable Information (PII) de-identification tool (ASX: 24 November 2023).

During the quarter, Adisyn Cyber entered into a Memorandum of Understanding (MOU) with Al Nasr Technical Trading Agencies (ATTA Group) to explore the supply of IT and Cybersecurity systems in UAE, Saudi Arabia and Oman (ASX: 24 Nov 2023). ATTA Group is a UAE based corporation in the Oil & Gas industry, specialising in the provision of trading services. The Company is working towards executing a commercial agency agreement to provide ATTA Group with its full suite of cybersecurity and Managed IT services.

Share placement

As announced on 24 November 2023, the Company completed a share placement to raise \$400,000 to expand the Company's newly formed cybersecurity division. The Placement was conducted pursuant to the Company's existing placement capacity, with strong support from new sophisticated investors, as well as existing shareholders and employees. 6,500,000 shares were issued pursuant to ASX Listing Rule 7.1, and 13,500,000 shares were issued pursuant to ASX Listing Rule 7.1A. All shares were issued at an issue price of \$0.02.

Update on the Miner Hosting business

As announced on 12 October 2023, the Company has terminated the sale agreement for the modular assets with DComm Infrastructure ("DComm"), and has worked to streamline the operations of the DC Modular business to create a separate operational division within the Company under the banner 'Miner Hosting Australia'.

For the December 2023 quarter, total unaudited revenue for the division was ~\$276k, which was down ~45% from the September 2023 quarter and down ~54% from the December 2022 quarter. A majority of this decline was related to a number of customers who decided not to extend their agreements with the Company during the September 2023 quarter.

During the quarter, the Company developed a new pricing structure to offset the decline in revenue for the division. In addition to this, since the end of Q1 FY24 the price of Bitcoin has increased ~40% in AUD terms. With the Miner Hosting division focused on providing hosting services for bitcoin and other digital currency mining machines, this has resulted in a number of new clients being onboarded

since December 2023 and the Company expects revenue for the division to begin increasing from Q3 FY24.

Cost savings and deferred consideration restructure

As announced on 26 October 2023, the Company restructured ~\$736k of deferred consideration to unrelated parties from acquisition of Attained. As part of the agreement, the Company agreed to issue up to 8,831,950 shares at a deemed issue price of \$0.02 per share (Consideration Shares) to Esidium Group and Aviso IT to offset \$176,639 of cash consideration, with the remaining cash consideration deemed a loan payable over twelve to twenty four months.

As a result of the agreement, Paul Arch (the Company's COO) and Liam Gale (the Company's CIO) converted a considerable portion of their deferred consideration to equity in the Company, highlighting their commitment to the Company's strategy.

During the quarter the Company reported a negative Net cash from / (used in) operating activities of \$233k. This result includes ~\$112k in expenses paid during the quarter as part of the ongoing restructuring efforts being undertaken by the Company, along with several one-off costs paid for the change of company name from DC Two to Adisyn.

The Company's restructuring initiatives are now complete and as announced on 26 October 2023, the Company is expecting to achieve annual cost savings of more than \$750,000 from H2 FY24. This is a direct result of the synergies achieved from the acquisitions of Attained (ASX: 4 April 2023) and Thomas Cyber (ASX: 17 July 2023) and is in addition to the more than \$500,000 in annual cost savings implemented in FY23.

The Company will continue to assess value accretive M&A transactions to acquire technology and talented individuals, expands its capabilities, and enhance its market position, driving further organic growth and cost synergies.

In accordance with ASX Listing Rule 4.7C.3, payments in the December quarter to related parties of approximately \$125k included at item 6 in the attached Appendix 4C comprised salaries and fees paid to executive and non-executive directors and their related entities.

-ENDS-

This announcement has been approved for release by the Board of Adisyn Ltd.

Further Information:

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About Adisyn:

Adisyn is a technology and data sciences company that provides a suite of vertically integrated solutions driven by cutting-edge AI powered microservices. With divisions focused on cybersecurity, development, infrastructure, and managed services, Adisyn gives businesses the necessary tools to enhance control, flexibility, and automation. The Company is actively working to create proprietary solutions built on generative AI models which are focused on contextual data that is unique to each business.

Forward-looking statements:

Statements contained in this release, particularly those regarding possible or assumed future performance, revenue, costs, dividends, production levels or rates, prices, or potential growth of Adisyn Ltd are, or may be, forward-looking statements. Such statements relate to future events and expectations and as such, involve known and unknown risks and uncertainties. These forward-looking statements are not guarantees or predictions of future performance and involve known and unknown risks, uncertainties, and other factors, many of which are beyond the Company's control, and which may cause actual results to differ materially from those expressed in the statements contained in this release.

The Company cautions shareholders and prospective shareholders not to put undue reliance on forward-looking statements, which reflect the Company's expectations only as of the date of this announcement. The Company disclaims any obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

795

+Rule 4.7B

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

Adisyn Ltd

ABN

30 155 473 304

Quarter ended ("current quarter")

31 December 2023

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 1,977 | 4,312 |
| 1.2 Payments for | | |
| (a) research and development | - | (12) |
| (b) product manufacturing and operating costs | (1,124) | (2,963) |
| (c) advertising and marketing | (15) | (22) |
| (d) leased assets | (120) | (256) |
| (e) staff costs | (790) | (1,403) |
| (f) administration and corporate costs | (161) | (322) |
| (g) crypto mining expenditure | - | - |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | - | - |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | 749 |
| 1.8 Other | - | - |
| 1.9 Net cash from / (used in) operating activities | (233) | 83 |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) entities | (161) | (538) |
| (b) businesses | - | - |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| (c) property, plant and equipment | (34) | (36) |
| (d) investments | - | - |
| (e) intellectual property | - | - |
| (f) other non-current assets | - | - |
| 2.2 Proceeds from disposal of: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | - | - |
| (d) investments | - | - |
| (e) intellectual property | - | - |
| (f) other non-current assets | - | - |
| 2.3 Cash flows from loans to other entities | - | - |
| 2.4 Dividends received (see note 3) | - | - |
| 2.5 Other (provide details if material) | - | - |
| 2.6 Net cash from / (used in) investing activities | (195) | (574) |

| | | |
|---|------------|------------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of equity securities (excluding convertible debt securities) | 400 | 400 |
| 3.2 Proceeds from issue of convertible debt securities | - | - |
| 3.3 Proceeds from exercise of options | - | - |
| 3.4 Transaction costs related to issues of equity securities or convertible debt securities | - | - |
| 3.5 Proceeds from borrowings | - | - |
| 3.6 Repayment of borrowings | (139) | (298) |
| 3.7 Transaction costs related to loans and borrowings | - | - |
| 3.8 Dividends paid | - | - |
| 3.9 Other: | - | - |
| 3.10 Net cash from / (used in) financing activities | 261 | 102 |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 4. Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 Cash and cash equivalents at beginning of period | 454 | 675 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (233) | 83 |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | (195) | (574) |
| 4.4 Net cash from / (used in) financing activities (item 3.10 above) | 261 | 102 |
| 4.5 Effect of movement in exchange rates on cash held | - | - |
| 4.6 Cash and cash equivalents at end of period | 287 | 286 |

| 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 \$A'000 | Previous quarter \$A'000 |
|---|----------------------------|-----------------------------|
| 5.1 Bank balances | 287 | 453 |
| 5.2 Call deposits | - | - |
| 5.3 Bank overdrafts | - | - |
| 5.4 Other – Attained bank balance | - | - |
| 5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 287 | 453 |

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

125

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Related to director fees, salary and wages plus superannuation of all related parties.

| 7. Financing facilities available <i>Add notes as necessary for an understanding of the position</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|--|---|
| 7.1 Loan facilities | 853 | 803 |
| 7.2 Credit standby arrangements | - | - |
| 7.3 Other (Equipment finance) | 1,370 | 1,370 |
| 7.4 Total financing facilities | 2,223 | 2,173 |

173

7.5 Unused financing facilities available at quarter end 50

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

7.1 Loan Facilities: Included under loan facilities are:

1. Convertible Notes

On 2 May 2022 the company raised \$502,500 via the issue of convertible notes. The notes must be converted within 2 years from date of issue. Interest accrues at the rate of 12% per annum on the principal amount. On conversion of the convertible notes, the noteholders will receive 1 unquoted option for every 2 shares issued on conversion, with an exercise price of \$0.11 expiring 2 years after the date of issue.

As at 31 December 2023 the maximum number of Convertible Note Options and interest shares which may be issued on or before the date of maturity in accordance with the terms of tranche 1 Convertible Notes are as follows:

| Security | Maximum Number |
|--------------------------|----------------|
| Convertible Note Options | 2,462,500 |
| Interest Shares | 945,894 |

To date \$256,250 notes have converted with no conversions taking place this quarter. The remaining convertible notes will convert into fully paid ordinary shares in Adisyn Ltd at the higher of \$0.05 or a 20% discount to the 20-day VWAP immediately prior to conversion, subject to a maximum price of \$0.15. The current carrying amount of convertible notes comprises principal of \$217,925 and capitalised interest of \$37,417.

2. Director Loans

a) Director loans of \$361,000 which are interest free and repayable on 1 March 2025. The directors may also elect to convert the loans to share capital subject to shareholder approval.

b) Director loan of \$213,942 with an interest rate of 10% p.a., repayable on 31 December 2025 or earlier if agreed by the Company. The loan has an additional stand-by facility of \$50,000 which can be drawn on call. The loan and capitalised interest may be converted into fully paid ordinary shares with shareholder approval.

7.3 Other: Included under Other is the carrying amount of equipment finance leases with a variety of financiers with varying maturity dates and a weighted average interest rate of 7.44%.

| 8. Estimated cash available for future operating activities | \$A'000 |
|---|----------------|
| 8.1 Net cash from / (used in) operating activities (item 1.9) | (233) |
| 8.2 Cash and cash equivalents at quarter end (item 4.6) | 287 |
| 8.3 Unused finance facilities available at quarter end (item 7.5) | 50 |
| 8.4 Total available funding (item 8.2 + item 8.3) | 337 |
| 8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1) | 1.45 |

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

No. During the quarter the Company paid ~\$112k in costs related to restructuring and rebranding which it will not incur in the future, with the cost savings achieved from the restructuring to be achieved from Q3 FY24. In addition to this the Company expects revenue to grow. The combination of these initiatives resulting in a reduced Net cash used in operating activities.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Yes, the Company is in the process of preparing and lodging its FY23 R&D claim, and is in the process of seeking a sale of non-core assets at its Bibra Lake data centre facility. The Company may raise additional capital to support its corporate initiatives where required and expects to be successful in the event of doing so.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes – on the basis of the current cash position, the future expected operating cash flows, and items outlined in 8.6 2. the Company expects to be able to continue its operations and meet its business obligations

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

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

Date: 25 January 2024

Authorised by: The Board of Directors

(Name of body or officer authorising release – see note 4)

Notes

- This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.