

ASX Announcement 24 April 2024

MARCH 2024 (Q3 FY24) ACTIVITIES AND CASHFLOW REPORT

Highlights:

- Commenced new strategic focus towards creating a compelling value proposition to SMEs operating in the Australian defence industry supply chain
- Appointment of Strategic Advisor to pursue a range of opportunities
- Quarterly cash receipts **increasing by ~42%** vs Q3 FY23
- Quarterly revenue **increasing by ~57%** to ~\$1,725m vs Q3 FY23
- Net cash used in operating activities **decreasing by ~72% to (\$60k)** vs Q3 FY23

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 March 2024, as it continues to build on its unique technology offering and sovereign IT capability.

For the March quarter, the Company reported cash receipts of \$1,903m, and total revenue of ~\$1,725m (up ~42% and 57% respectively, compared to Q3 FY23). Revenue for the quarter from the Company's core divisions (excluding Miner Hosting) decreased slightly by 2% from the December 2023 quarter, to \$1,447m.

The Company has conducted a comprehensive review of its various operations and has prioritised high growth, high margin sectors to focus its future business development activities. In particular, the development of a comprehensive suite of products and services as part of a compelling value proposition to SMEs operating in the fast growing Australian defence industry supply chain. Over time, we expect this to result in growth in longer term recurring revenues with associated higher margins.

Appointment of Strategic Advisor

On 19 February 2024 the Company announced the appointment of a strategic advisor, Mr Harry Karelis. Mr Karelis will be retained as the Company's Strategic Advisor with a focus on identifying and securing strategic partnerships, assisting with investor relations and general business development activities.

On 15 April 2024 the Company outlined its new strategic direction, with a focus on using the Company's strategic edge in supporting the growing defence industry supply chain.

The Australian Government is investing an additional \$5.7 billion in defence capability over the next four years to 2027-28 and \$50.3 billion over the next decade to 2033-34, above the previous trajectory over that period. This investment will see the Defence budget grow over the next ten years to an estimated \$100 billion by 2033-34, with total funding of \$765 billion over the decade. The Australian Government will invest \$15-\$20 billion in enhanced cyber domain capabilities alone over the decade.¹

¹ Australian Government Integrated Investment Program, April 2024

The Company has recently formed a new advisory board as it looks to expand and focus its unique service offering towards the growing defence industry in Western Australia (ASX: 15 April 2024). Mr Karelis has been appointed Chairman of the advisory board, and will spearhead the expansion of the advisory board with defence industry experienced members.

Adisyn Cyber

The Company continues to explore new partnership opportunities to expand its cybersecurity offering, reducing the need to spend significant funding and time on developing new products in-house. The cybersecurity offering of the Company will remain a key component of the business as it targets the defence industry supply chain sector, with the Company's in-house cybersecurity and AI capability allowing it to build niche AI enabled tools for business' sovereign and personally identifiable data where the necessary tools cannot be supplied through partnerships.

On 17 July 2023, the Company announced that it had completed the successful acquisition of Thomas Cyber. The consideration for the acquisition was for nil cash consideration and included performance rights with various revenue and time-based milestones for the Thomas Cyber management team (ASX: 17 July 2023). On 19 April 2024 the Thomas Cyber management team resigned from the Company, and have agreed to provide services to the Company on a contract basis per customer project where required. All performance rights relating to the acquisition will be forfeited. The Company retains all assets and intellectual property from the acquisition.

The Company expects to be announcing a series of key strategic partnerships to significantly expand the Company's existing suite of cyber capabilities and through these partnerships clearly differentiate Adisyn in the marketplace.

Share placement

As announced on 19 February 2024, the Company completed a share placement to raise \$298,000 to expand the Company's business development in existing and new areas within the business, along with general working capital. The Placement was conducted pursuant to the Company's existing placement capacity. 13,950,000 shares were issued pursuant to ASX Listing Rule 7.1, and 950,000 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

For the December 2023 quarter, total unaudited revenue for the Company's non-core Miner Hosting division was ~\$278k, which was up ~1% from the December 2022 quarter and down ~52% from the March 2023 quarter. As announced on 25 January 2024, the Company has implemented a new pricing structure for the division, with a focus on organic customer acquisition.

The Company continues to explore options for the division, including potential strategic partnerships or divestment.

Cost savings

The completion of the Company's initial round of restructuring initiatives in the December 2023 quarter (ASX: 25 January 2024) has resulted in a further reduction in negative cashflow for the

quarter to \$60k. Pleasingly, this result has decreased by 74% compared to the December 2023 quarter, and decreased by 72% compared to the March 2023 quarter.

The Company continues to maintain a disciplined approach to cost control in order to preserve its cash position, and is currently undergoing an internal review for the divestment of assets which are deemed to be non-core to the Company's new strategic focus (ASX: 15 April 2024).

In accordance with ASX Listing Rule 4.7C.3, payments in the March quarter to related parties of approximately \$46k 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.com.au):

Adisyn (ASX: AI1) is an established provider of managed technology services and solutions targeting the SME market. Focused on becoming the sovereign provider of choice for SMEs in the Australian defence industry supply chain, Adisyn offers a range of solutions tailored to this growing market segment. These solutions leverage both internal capabilities and strategic partnerships with key industry players, particularly in the cybersecurity and AI domains.

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.

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+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 March 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,903	6,215
1.2 Payments for		
(a) research and development	-	(12)
(b) product manufacturing and operating costs	(1,099)	(4,062)
(c) advertising and marketing	(20)	(42)
(d) leased assets	(106)	(362)
(e) staff costs	(543)	(1,946)
(f) administration and corporate costs	(191)	(513)
(g) crypto mining expenditure	-	-
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(4)	(4)
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	(60)	23
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	(66)	(604)
(b) businesses	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(c) property, plant and equipment	(3)	(39)
(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	(69)	(643)
3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	298	698
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	(166)	(464)
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	132	234

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 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	286	675
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(60)	23
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(69)	(643)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	132	234
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	289	289

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	289	286
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)	289	286

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	46
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

**Current quarter
\$A'000**

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	890	840
7.2 Credit standby arrangements	200	-
7.3 Other (Equipment finance)	1,043	1,043
7.4 Total financing facilities	2,133	1,883

7.5 Unused financing facilities available at quarter end 250

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 March 2024 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	857,426

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 \$240,862 and capitalised interest of \$40,361.

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 \$199,172 with an interest rate of 10% p.a. The loan is being repaid in equal monthly instalments until it is fully repaid by 31 December 2025. The loan can be repaid earlier if agreed by the parties. 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.

7.2 Credit Standby arrangements: The Company has an overdraft facility provided by Shift Financial Pty Ltd. The facility has an initial limit of \$200,000 and a term of 5 years (amortised over 208 weeks). The facility has a variable interest rate of currently 14.95% p.a. The facility remained undrawn by 31 March 2024.

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)	(60)
8.2	Cash and cash equivalents at quarter end (item 4.6)	289
8.3	Unused finance facilities available at quarter end (item 7.5)	250
8.4	Total available funding (item 8.2 + item 8.3)	539
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	8.99

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?

N/A

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?

N/A

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

N/A

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: 24 April 2024

Authorised by: The Board of Directors

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.
- 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.
- 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".
- 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.