

ASX Announcement
31 July 2024

JUNE 2024 (Q4 FY24) ACTIVITIES AND CASHFLOW REPORT

Highlights:

- Completion of strategic review with outcomes focused on divestment of non-core assets, streamline business with focus on AI and cybersecurity, and targeting business development opportunities in the defence industry supply chain.
- Divestment of VMware cloud assets to Zettagrid to generate up to \$1.4m in cash, with \$850k received to date.
- Expansion of Adisyn's Industry Advisory Board with three key appointments, bringing valuable experience in cybersecurity, defence and national security.
- Strategic partnership with Canberra-based group, Phase, strengthening Adisyn's defence industry capability.

Post Quarter Highlights

- As announced on 29 July 2024, the Company received firm commitments to raise ~\$1.5m via a share placement of 46 million shares at \$0.033c per share

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 30 June 2024, as it continues to build on its unique technology offering and new strategic focus.

For the quarter, the Company reported cash receipts of \$1,538,000, following the disposal of its VMware Cloud Platform to Zettagrid Pty Ltd on 1 May 2024. Underlying total revenue for the quarter was \$1,138,000, when excluding April 2024 revenue from the VMware Cloud business sold.

During the quarter, the Company focused its attention on new strategic partnerships, expanding its technological capability, and reviewing non-core assets for potential disposal to streamline the business moving forward and provide the Company with the balance sheet strength required to execute on its business development activities.

The Company remains focused on prioritising high growth, high margin sectors to further advance its AI enablement and cybersecurity capabilities, including its collaboration with leading semiconductor IP business, 2D Generation Ltd, which aims to generate transformational opportunities in the AI space, leveraging Adisyn's expertise in data centre management, managed IT services, and cybersecurity, alongside 2D Generation's industry-leading capabilities in developing next-generation AI semiconductor solutions (ASX: 15 July 2024).

Outcomes of a strategic review

During the quarter the Company continued with the strategic review of its operations (ASX: 28 February 2024) and announced the outcomes of the strategic review process on 9 July 2024. A number of changes were made to Adisyn's board and management structure, including:

- Justin Thomas transitioned from his executive role effective 9 July 2024 remaining on the board in a non-executive director capacity;
- Liam Gale resigning from his position as Chief Information Officer effective 31 July 2024; and
- Jesper Sentow being appointed as the Company's permanent part-time Chief Financial Officer, from his current role of interim Chief Financial Officer.

In addition to implementing board and management enhancements, the Company's Strategic Review identified four primary objectives:

1. Continue to divest non-core assets
2. Streamline business with focus on AI and Cybersecurity
3. Target business development activity towards SME market in the defence industry supply chain
4. Optimise the Company Structure

In alignment with our Investor Presentation released on the ASX platform on April 15, 2024, the Company is actively reviewing its non-core activities. Our aim is to diversify or divest these activities when they do not align with our vision, redirecting resources to areas that offer to deliver shareholder value.

To enable and enhance this strategic shift, it is essential to optimise the Company's structure and rationalise the costs base including reducing debt, removing unproductive expenses and realigning performance of senior management.

The Company continues to explore options for its non-core Miner Hosting Australia division (ASX: 24 April 2024), and is focused on divesting the division to further streamline the existing operations within the Company and realise further shareholder value for the division. All negotiations for the divestment of the Miner Hosting Australia division are currently early-stage discussions with a number of parties interested in the division, however no offer has been received to date.

Separately, the Company has identified a number of non-revenue generating assets at its Bibra Lake data centre site and intends to launch a sale campaign for these assets. The Company is currently reviewing options for the Bibra Lake data centre site, including a potential surrender of lease to further reduce and simplify the Company's cost base. Discussions with the landlord remain ongoing, and the Company will provide an update to the market once a decision has been made for the Bibra Lake site.

Strategic Partnership and Industry Advisory Board Expansion

On 6 May 2024, the Company announced it has entered into a strategic partnership with Canberra-based group Phase (www.phase.au).

Phase is a strategic Australian Defence and National Security partner providing insights to Australian businesses to enhance their security, resilience and capacity to meaningfully contribute to the

capability of Australia and its allies. Phase achieves this through deep operational experience, a security cleared workforce and strategic connections across government, industry and academia.

Under the terms of the agreement, Phase will become the Company's preferred provider for defence advisory services, including for the provision of services for SMEs seeking to obtain defence certifications such as the Defence Industry Security Program (DISP) membership. In addition, Adisyn will become Phase's preferred provider of managed IT services for its client base.

Through its strategic partnership with Phase, Adisyn will commence the process of obtaining its own DISP accreditation for the Company. DISP membership is mandatory for entities who:

- Work on classified information or assets (i.e. PROTECTED and above);
- Supply, maintain, store or transport weapons or explosive ordnance;
- Provide security services for Defence bases or facilities;
- Need to hold DISP membership as a condition of a Defence contract.

To further strengthen capabilities in the Defence Industry Supply Chain sector, Adisyn will also commence the process for joining the Australian Signals Directorate (ASD) Cyber Security Partnership Program. The ASD Cyber Security Partnership Program enables Australian organisations and individuals to engage with the ASD's Australian Cyber Security Centre and fellow partners, drawing on collective understanding, experience, skills and capability to lift cyber resilience across the Australian economy.

On 16 May 2024, the Company announced the expansion of the Industry Advisory Board (IAB), which is chaired by Mr Harry Karelis (ASX: 19 February 2024). Three new appointments were made to the IAB; Mr Oscar Leslie, Mr Jesse Gane and Dr Craig Valli.

Adisyn's advisory board serves to expand the Company's profile, networks and service capabilities in a cost-effective manner. Each IAB member is required to provide their guidance and recommendations to the Company's management and board of directors for the activities of the Company which are relevant to the IAB members domain expertise. These appointments also provide the Company with personnel holding national security clearances, potentially opening new opportunities and further differentiating Adisyn from other managed IT services companies in the marketplace.

Material Sale of VMware Cloud Platform

On 1 May 2024, the Company announced it has signed a binding agreement with ZettaGrid Pty Ltd ("ZettaGrid") to dispose of the VMware cloud platform for a total consideration of up to \$1.4 million in cash ("Agreement"). Under the terms of the Agreement, Adisyn transferred to ZettaGrid all customer agreements and contracts ("VMware Customers") relating to the VMware Cloud Assets which contributed ~\$1.018m of revenue for the December 2023 half year period. The Company and ZettaGrid also agreed to novate across all supplier agreements and equipment leases which are required for the operation of the VMware Cloud Assets.

Consideration for the disposal was split into two tranches. The first tranche of \$850,000 was paid on 1 May 2024 (ASX: 2 May 2024). The second tranche will be payable 9 months from the Settlement Date (“Completion Date”) and is subject to various adjustments determined by the annualised revenue of the VMware Customers at the Completion Date. Further details for the conditions of the second tranche payment are included in the sale announcement dated 1 May 2024.

Cashflow and post quarter capital raising

During the quarter the Company’s net cash used in operating activities increased to \$588k, as the Company divested it’s VMware Cloud Platform and incurred a number of one-off costs during the quarter. This result is expected to improve in the coming quarters as the Company rationalises it's costs base including disposing of non-core assets, removing unproductive expenses and increasing its business development activities with key appointments.

On 29 July 2024, the Company announced that it has received binding firm commitments from new and existing sophisticated investors to raise \$1.518 million through the issue of 46 million new fully paid ordinary shares in the Company (“New Shares”) at an issue price of \$0.033 per share. The New Shares will be issued utilising the Company's existing placement capacity, with 27,500,000 shares issued pursuant to ASX Listing Rule 7.1 and 18,500,000 shares issues pursuant to Listing Rule 7.1A.

Funds raised will be used towards the development and delivery of solutions for AI1's managed technology and cybersecurity businesses, along with general working capital. In addition, funding will support new technology partnerships including the Collaboration Agreement with 2D Generation (ASX: 15 July 2024), a prominent semiconductor IP business, with the aim of generating next generation solutions.

Allotment of the New Shares is expected to occur on or about 2 August and will rank pari passu with existing AI1 shares on issue.

In accordance with ASX Listing Rule 4.7C.3, payments in the June quarter to related parties of approximately \$86k 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:

Blake Burton

Managing Director, Adisyn

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About Adisyn (adisyn.com.au):

Adisyn (ASX: AI1) is a provider of managed technology services and solutions, primarily targeting the SME market. The company aims to be the preferred sovereign provider for SMEs in the Australian defence industry supply chain. Adisyn's offerings include a range of solutions tailored to this growing market segment, leveraging internal capabilities and strategic partnerships, particularly in cybersecurity and AI.

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")

30 June 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,538	7,753
1.2 Payments for		
(a) research and development	-	(12)
(b) product manufacturing and operating costs	(1,202)	(5,264)
(c) advertising and marketing	(8)	(50)
(d) leased assets	(83)	(445)
(e) staff costs	(654)	(2,600)
(f) administration and corporate costs	(327)	(840)
(g) crypto mining expenditure	-	-
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(7)	(11)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	155	904
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(588)	(565)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	(98)	(702)
(b) businesses	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(c) property, plant and equipment	(12)	(51)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	852	852
(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	742	99

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	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	199	199
3.6 Repayment of borrowings	(343)	(807)
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	(144)	90

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 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	289	675
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(588)	(565)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	742	99
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(144)	90
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	299	299

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	299	289
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	299	289

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**

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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	585	535
7.2 Credit standby arrangements	200	191
7.3 Other (Equipment finance)	655	655
7.4 Total financing facilities	1,440	1,381

7.5 Unused financing facilities available at quarter end 59

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. 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 \$173,696 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. As of 30 June 2024, the facility was drawn to \$190,526, leaving an undrawn amount of \$9,474.

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)	(588)
8.2 Cash and cash equivalents at quarter end (item 4.6)	299
8.3 Unused finance facilities available at quarter end (item 7.5)	59
8.4 Total available funding (item 8.2 + item 8.3)	358
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.61

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

- 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. As announced on 9 July 2024 the Company intends to optimise the Company structure by removing unproductive expenses and realign the performance of senior management which is expected to reduce net operating cash flows in future periods.

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. As announced on 29 July 2024 the Company has successfully received firm commitment letters from sophisticated investors to raise \$1.518m. Furthermore, the Company is continuing its program for divestment of non-core assets as announced on 9 July 2024. In February 2025 the Company will receive the second and final instalment from the sale of VMWare Cloud Platform (announced 1 May 2024). This payment, which is subject to revenue based earn-out criteria is expected to be ~\$550k.

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 items outlined in 8.6.1 and 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

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

Date: 31 July 2024

Authorised by: The Board of Directors

Notes

1. 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.
2. 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.