

ASX Announcement
26 October 2023

SEPTEMBER 2023 (Q1 FY24) ACTIVITIES AND CASHFLOW REPORT

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 September 2023.

Highlights:

- Operational cashflow positive for the quarter
- Commenced development of first AI microservice
- Continued growth in quarterly cash receipts, **increasing by ~77%** vs Q1 FY23
- Continued growth in quarterly revenue **increasing by 77%** to ~\$1,933m vs Q1 FY23
- Change of company name to Adisyn Ltd (ASX: AI1)
- Acquisition of cyber security expert Thomas Cyber completed

The Company has continued its transition to the next stage of growth (ASX: 31 October 2022), building 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 Q1 FY23:

- Cash receipts for the quarter of \$2,335m, **increasing by ~77%**
- Total revenue for the quarter of ~\$1,933m, **up by 77%**

Pleasingly, revenue for the quarter from the Company's core divisions (excluding DC Modular) **increased ~9%** from the June 2023 quarter, to \$1,431m. During the quarter the Company continued to execute its plan to cross-sell services between its existing business units to drive further organic growth, including the recently acquired Thomas Cyber business. The Company continues to maintain focus on these efforts moving into Q2 FY24.

Generative AI offering restructure

As announced on 11 September 2023, the Company has begun a full restructure of its offering from being a provider of solely data centre and cloud services, to leveraging its existing assets with a focus on offering generative AI driven solutions. These solutions are being developed as standalone microservices, with the aim of providing the Company with a suite of services to offer businesses.

The Company is currently in development of its first AI microservice which can be used as 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).

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. This creates an environment where users can gain all the advantages of generative AI but ensure personal data still is private. For example, the PII microservice will be able to be used in

conjunction with generative AI tools such as OpenAI's ChatGPT to protect businesses from sending personal identifiable information to offshore organisations.

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.

New Cybersecurity Division

During July 2023, the Company announced the acquisition (ASX: 10 July 2023) and completion (ASX: 17 July 2023) of the business and assets of Shimazaki Management Group Pty Ltd trading as Thomas Cyber ("Thomas Cyber"). Upon completion of the acquisition, a new cyber division was created within the Company, with the Thomas Cyber management team leading the new division.

Following the change of Company name to Adisyn Ltd (ASX: 24 October 2023), the Company has rebranded the new cybersecurity division as Adisyn Cyber. Looking forward, the Company plans to focus on expanding the services offered under the new cybersecurity division through new partnership agreements. Separately, the Company plans to begin development of new cybersecurity focused AI powered microservices. An update focused on the success of the newly formed division will be provided to shareholders in the coming months.

Update on the DC Modular business

As announced on 12 October 2023, the Company has terminated the sale agreement for the modular assets with DComm Infrastructure ("DComm"). DComm and the Company have agreed to continue discussions for the potential of a new sale agreement if a reasonable timeframe can be met with satisfactory terms as the modular assets remain a large part of their portfolio strategy.

Over the course of Q1 FY24 the Company 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'. This ensures that any potential future sale of the Modular Assets, or potential third-party investment into the division, can be achieved in a straightforward and timely manner.

For the September 2023 quarter, total unaudited revenue for the division was ~\$501k, which was down ~12% from the September 2022 quarter and ~37% from the June 2023 quarter. A number of customers decided not to extend their agreements with the Company, resulting in a quarter on quarter fall in revenue. As part of the streamlining of operations for the division, the Company has developed a new pricing structure to offset the decline in revenue for the division.

Continued focus on reducing costs

During the quarter the Company reported a positive Net cash from / (used in) operating activities of \$316k, predominantly due to receipt of the research & development (R&D) tax incentive refund of ~\$749k (ASX: 9 August 2023). As part of the ongoing restructuring efforts being undertaken by the Company, several one-off restructuring costs were incurred during the quarter.

As announced on 26 October 2023, the Company has remained focused on cost reduction and streamlining operations. The Company is expecting to achieve annual cost savings of more than \$750,000 upon completion of various restructuring initiatives being implemented by the end of H1 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.

In accordance with ASX Listing Rule 4.7C.3, payments in the September quarter to related parties of approximately \$60k 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.

+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 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,335	2,335
1.2 Payments for		
(a) research and development	(12)	(12)
(b) product manufacturing and operating costs	(1,839)	(1,839)
(c) advertising and marketing	(7)	(7)
(d) leased assets	(136)	(136)
(e) staff costs	(613)	(613)
(f) administration and corporate costs	(161)	(161)
(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	749
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	316	316

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	(377)	(377)
(b) businesses	-	-
(c) property, plant and equipment	(2)	(2)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(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	(379)	(379)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	(159)	(159)
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	(159)	(159)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	676	676
4.2	Net cash from / (used in) operating activities (item 1.9 above)	316	316

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(379)	(379)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(159)	(159)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	454	454

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	454	648
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other – Attained bank balance	-	27
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	454	676

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

60

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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

Add notes as necessary for an understanding of the position

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	795	795
7.2 Credit standby arrangements	-	-
7.3 Other (Equipment finance)	1,449	1,256
7.4 Total financing facilities	2,244	2,051

7.5 Unused financing facilities available at quarter end

193

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 30 September 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	1,185,238

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 DC Two 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 \$182,738 and capitalised interest of \$41,936.

2. Director Loans

- a) Director loans of \$361,000 which are interest free and repayable on 1 October 2024. The directors may also elect to convert the loans to share capital subject to shareholder approval.
- b) Director loan of \$209,672 with an interest rate of 8% p.a., repayable on 31 December 2023 or on sale of the modular business or earlier if agreed by the company. 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%. There is \$193,245 available on this facility.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	316
8.2	Cash and cash equivalents at quarter end (item 4.6)	454
8.3	Unused finance facilities available at quarter end (item 7.5)	193
8.4	Total available funding (item 8.2 + item 8.3)	647
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	N/A

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?

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?

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

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: 26 October 2023

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.
- 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.