

ASX Announcement

31 October 2024

SEPTEMBER 2024 (Q1 FY25) ACTIVITIES AND CASHFLOW REPORT

Highlights:

- Collaboration Agreement with 2D Generation Ltd, with Adisyn entering into formal negotiations to acquire 100% of 2D Generation post quarter end.
- Surrender of lease for Bibra Lake site, resulting in ~\$350k annual savings from 18 October 2024.
- Implementation of a number of board and management changes, including executive leadership expansion with the appointment of experienced defence industry executive, Mr Jesse Gane.

Post Quarter Highlights

- Proposed acquisition of leading semiconductor IP business, 2D Generation Ltd, subject to satisfaction of conditions precedent.
- Firm commitments received to raise \$3m (before costs), subject to execution of Share Purchase Agreement.

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

For the quarter, the Company reported cash receipts of \$1,116,000, and is the first full quarter without cash receipts from the Company's VMware Cloud Platform which was sold to ZettaGrid Pty Ltd on 1 May 2024. Total revenue for the quarter was \$978,298.

Strategic collaboration with 2D Generation and acquisition post quarter end

As announced on 15 July 2024, Adisyn entered into a Collaboration Agreement with 2D Generation Ltd ("2DG") (together the "companies"), a semiconductor IP business. During the quarter the companies commenced working together and identified significant opportunities to leverage 2D Generation's semiconductor solutions and industry relationships to enhance AI1's offering in its target markets, as well as leverage each other's business partners to improve market penetration.

On 23 October 2024, Adisyn announced that the Company and 2DG reached indicative terms for the Company to acquire 100% of the issued share capital of 2DG ("Proposed Acquisition"). The indicative terms of the Proposed Acquisition are included in the announcement dated 23 October 2024, and

the Company will provide an update to the market as to the progress of the Proposed Acquisition in the coming days.

The Proposed Acquisition is a critical move forward for Adisyn's services businesses for data centres, managed IT, cybersecurity, and generative AI. The Acquisition will allow Adisyn and 2DG to focus on developing capital-light semiconductor IP solutions for the data centre, cybersecurity, and managed IT business segments rather than competing in the high-capital expenditure (capex) infrastructure space.

2DG is a partner in the European Union's Joint Undertaking, ConnectingChips, which has been specifically formed and funded to fast-track the next generation of semiconductor chips to cope with generative AI's ever-expanding processing requirements, need for speed, and lower power consumption. 2D Generation's solution has the potential to substantially improve the efficiency of data centres and generative AI solutions, as well a range of other real-world technological applications.

Strategic review implementation

On 9 July 2024, the Company announced the outcomes of a strategic review. The strategic review outcomes focused on implementing board and management enhancements, and 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

During the quarter a number of changes were made to Adisyn's board and management structure, including:

- Appointment of Mr Jesse Gane as Chief Technology Officer, who is responsible for developing and delivering technology solutions for both existing and new clients.
- 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.

On 4 September, the Company announced it had successfully negotiated a surrender of its Bibra Lake lease, resulting in approximately \$350k in savings per year, net of costs for the lease of the Company's new corporate office. On 18 October 2024, the Company successfully exited the Bibra Lake lease and

has relocated to a new office in Henderson, Western Australia. The new office is located in the Australian Marine Complex, and nearby the newly announced Commonwealth-owned Defence Precinct (defence.gov.au, October 2024).

As a condition of the surrender of lease, the lessor of the Bibra Lake premises has agreed to indemnify Adisyn against any potential exposure to damages for the Cannontech Technologies Ltd (“Cannontech”) legal matter in the event that Cannontech are successful in their proceedings. Further details can be found in the announced on 4 September 2024.

Miner Hosting Australia

The Company continues to explore options for its non-core Miner Hosting Australia division (ASX: 24 April 2024, 31 July 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 still remain early-stage discussions and no offer has been received to date.

A Bitcoin halving event occurred in April 2024, resulting in the rewards for Bitcoin mining halving as a result. Following this global event, a number of customers with the Company’s Miner Hosting division decided to not continue their hosting services with the Company as their bitcoin mining operations became unprofitable. During the quarter the Miner Hosting division turned to a loss making position, and experienced a loss of approximately \$50k for the quarter. The Company has modified its pricing structure for the division in order to improve the cash burn moving forward, however the priority of the Company remains the divestment of the Miner Hosting assets.

The Miner Hosting division along with a number of non-revenue generating assets from the Bibra Lake data centre site are the last remaining non-core assets which the Company intends to divest. While there is no guarantee that the sale of these assets will be successful, Adisyn intends to continue with its divestment campaign and will update the market as necessary with the progress of the campaign for the potential sale of these assets.

Cashflow and post quarter capital raising

During the quarter the Company’s net cash used in operating activities increased to \$812k, as the Company continued to implement the outcomes of its strategic review and incurred a number of one-off costs during the quarter. Included in this result is ~\$130k in one-off costs which the Company incurred in relation to the Bibra Lake surrender of lease, decommissioning of the Bibra Lake data centre and other costs associated with the outcomes of the strategic review. This result was further impacted from the Company’s Miner Hosting division moving into a loss making position of ~\$50k during the quarter.

With the Company exiting the Bibra Lake lease from 18 October 2024, there is expected to be approximately \$350k in savings per year from this initiative alone moving forward. Furthermore, with the appointment of Mr Jesse Gane on 19 August 2024, the Company has considerably increased its business development activities over the past 2 months with a strong focus on targeting businesses in the defence industry supply chain.

Capital Raise

On 29 July 2024, the Company announced that it 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 (“Placement Shares”) at an issue price of \$0.033 per share. The Placement Shares were 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 issued pursuant to Listing Rule 7.1A. Allotment of the Placement Shares occurred on 2 August and ranked pari passu with existing A1 shares on issue.

Post quarter on 23 October 2024, the Company announced that it has received binding commitments from new and existing sophisticated investors to raise \$3 million via an equity capital placement, subject to the Company entering into a formal share purchase agreement for the Acquisition. The capital placement will raise \$3,000,000 (before costs) through the issue of 60 million new fully paid ordinary shares in the Company (“New Shares”) at an issue price of \$0.05 per share together with 1 free attaching option (exercisable at \$0.075 within 3 years of issue) for every 4 shares subscribed for and issued, representing 15,000,000 Placement Options. The New Shares will be issued utilising the Company's existing placement capacity, with 36,351,000 shares issued pursuant to ASX Listing Rule 7.1 and 23,649,000 shares issued pursuant to Listing Rule 7.1A. The 15,000,000 Placement Options will be issued subject to shareholder approval.

Allotment of the New Shares is expected to occur on or about 3 days after the Company has successfully executed a binding share purchase agreement with 2D Generation.

The Company intends to apply its existing cash reserves and funds raised from the capital placement to advancing its existing core businesses, development of the 2D Generation business, costs of the Acquisition and capital raise and working capital.

In accordance with ASX Listing Rule 4.7C.3, payments in the June quarter to related parties of approximately \$67k 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.

About 2D Generation

2D Generation is an high-tech company specialising in graphene-based solutions for the semiconductor industry. Founded by experienced entrepreneurs and scientists, the company is dedicated to overcoming current technological limitations by developing faster, stronger, and more energy-efficient computer processing solutions. These advancements will support the next generation of AI, data storage, telecommunications, cybersecurity, mobile devices, and more.

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 September 2024

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	1,116	1,116
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(969)	(969)
(c) advertising and marketing	(17)	(17)
(d) leased assets	(93)	(93)
(e) staff costs	(525)	(525)
(f) administration and corporate costs	(287)	(287)
(g) crypto mining expenditure	-	-
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(37)	(37)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(812)	(812)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(c) property, plant and equipment	(9)	(9)
(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)	(15)	(15)
2.6 Net cash from / (used in) investing activities	(24)	(24)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	1,518	1,518
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	(124)	(124)
3.5 Proceeds from borrowings	100	100
3.6 Repayment of borrowings	(497)	(497)
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	997	997

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 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	299	299
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(812)	(812)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(24)	(24)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	997	997
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	460	460

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	460	299
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)	460	299

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

- | | Current quarter
\$A'000 |
|---|----------------------------|
| 6.1 Aggregate amount of payments to related parties and their associates included in item 1 | 67 |
| 6.2 Aggregate amount of payments to related parties and their associates included in item 2 | - |

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	559	509
7.2 Credit standby arrangements	200	5
7.3 Other (Equipment finance)	560	560
7.4 Total financing facilities	1,318	1,074

7.5 Unused financing facilities available at quarter end 245

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. Included in this amount is a \$60,000 loan from Mr Shane Wee which he elected to convert into shares in the Company, and which was approved at the shareholder meeting held on 9 October 2024.

b) Director loan of \$147,588 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 a 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 September 2024, the facility was drawn to \$5,486, leaving an undrawn amount of \$194,514.

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 6.39%.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(812)
8.2 Cash and cash equivalents at quarter end (item 4.6)	460
8.3 Unused finance facilities available at quarter end (item 7.5)	245
8.4 Total available funding (item 8.2 + item 8.3)	705
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.87

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. The Company continues to work on optimising its structure by removing unproductive expenses, as announced on 9 July 2024. The Company is expected to receive net cost savings of ~\$350k per annum from 18 October 2024 from the surrender of its lease of the Bibra Lake premises, as announced on 4 September 2024. Furthermore, the Company is actively targeting new clients in the defence industry supply chain to increase revenue in future quarters. These initiatives are expected to improve 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 23 October 2024 the Company has successfully received firm commitment letters from sophisticated investors to raise \$3m, subject to the Company entering into a formal share purchase agreement for the proposed acquisition of 2D Generation Ltd. Further details can be found in the announcement on 23 October 2024. 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 October 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.