

APPENDIX 4D – HALF YEAR REPORT

Syntonic Limited
 ABN 68 123 867 765

1. Reporting period

| Half year ended | Previous corresponding period |
|-------------------|-------------------------------|
| December 31, 2017 | December 31, 2016 |

2. Results for announcement to the market

| | 31 December 2017 A\$ | 31 December 2016 A\$ | % Change |
|---|-------------------------|-------------------------|----------|
| 2.1 Revenue from ordinary activities | 798,923 | 132,743 | Up 502% |
| 2.2 Loss from ordinary activities after tax attributable to members | (3,076,942) | (23,707,479) | Down 87% |
| 2.3 Net loss for the period attributable to members | (3,076,942) | (23,707,479) | Down 87% |

2.4 Refer to section 5 below.

2.5 Refer to section 5 below.

2.6 The net loss after tax for the half year ended 31 December 2017 was \$3,076,942 (31 December 2016: \$23,707,479). The decrease between the half years ended 31 December 2016 and 2017 is mainly attributable to the accounting treatment of the acquisition of Syntonic Wireless, Inc. as a reverse acquisition which has resulted in a \$21,587,622 cost of listing expense being included in the result for half year ended 31 December 2016.

3. Net tangible assets per share

| | 31 December 2017 A\$ cents | 31 December 2016 A\$ cents |
|--|-------------------------------|-------------------------------|
| Net tangible asset per share (cents per share) | 0.30 | 0.30 |

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4. Details of entities over which control has been gained or lost during the period

During the prior period, Syntonic Limited completed its acquisition of 100% of the issued capital of Syntonic Wireless, Inc., a Seattle-based software company.

The acquisition of Syntonic Wireless, Inc. on 8 July 2016 has been accounted for a reverse acquisition under AASB 3 *Business Combinations*. Accordingly, the consolidated financial statements for period ended 31 December 2016 and 31 December 2017 are issued under the name of the legal parent (Syntonic Limited) but are presented as a continuation of the financial statements of the legal subsidiary (Syntonic Wireless, Inc.).

5. Dividends

No dividends were paid or declared since the start of the half year ended 31 December 2017 (31 December 2016: nil). No recommendation for payment of dividends has been made.

6. Dividend reinvestment plan

The Company does not have a dividend reinvestment plan.

7. Details of associates and joint venture entities

At 31 December 2017, the Company had no interests in any jointly controlled operations or farm-in agreements.

8. Foreign entities

Not applicable.

9. Audit report

The Company's independent auditor's review report for the half year ended 31 December 2017 is unqualified. A copy of the independent auditor's review report is included with the accompanying Interim Financial Report for the half year ended 31 December 2017.



SYNTONIC LIMITED

Half Year Report

For the
period ending
31 December 2017

ABN 68 123 867 765



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DIRECTORS:

Dr Gary Greenbaum – Managing Director and CEO
Mr Rahul Agarwal – Executive Director, President and CTO
Mr Steven Elfman – Non-Executive Chairman
Mr Christopher Gabriel – Non-Executive Director
Mr Nigel Hennessy – Non-Executive Director

COMPANY SECRETARY:

Mr Steven Wood – Joint Company Secretary
Ms Kate Sainty – Joint Company Secretary

OFFICES:

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STOCK EXCHANGE LISTING:

Australian Securities Exchange (ASX Code: **SYT**)
Level 40, 152-158 St Georges Terrace, Perth WA 6000, Australia

SHARE REGISTER:

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace, Perth WA 6000, Australia
Tel: +61 3 9415 4000

BANKERS:

United States:

Wells Fargo & Company

Australia:

Westpac Banking Corporation

SOLICITORS:

United States:

Wilson Sonsini Goodrich & Rosati

Australia:

DLA Piper

AUDITOR:

HLB Mann Judd

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Your Directors present their half-yearly report on the consolidated entity consisting of Syntonic Limited ("Syntonic" or "the Company") and the entities it controlled at the end of, or during, the period 1 July 2017 to 31 December 2017 ("the Group").

Directors

The persons who were Directors of Syntonic Limited during the half year and up to the date of this report are:

- Mr Steven Elfman** - Non-Executive Chairman (appointed 5 October 2016)
- Dr Gary Greenbaum** - Executive Director & Chief Executive Officer (appointed 8 July 2016)
- Mr Rahul Agarwal** - Executive Director, President & Chief Technology Officer (appointed 8 July 2016)
- Mr Christopher Gabriel** - Non- Executive Director (appointed 5 October 2016)
- Mr Nigel Hennessy** - Non-Executive Director (appointed 30 June 2017)

Operating and Financial Review

Syntonic is a mobile platform and services provider that enables new content-centric revenue models for monetising mobile internet access.

Syntonic supports a Services and Systems business:

- **Syntonic Services Business** includes the direct-to-customer service, Freeway by Syntonic®, and Syntonic DataFlex®, the Company's direct-to-enterprise service.

Freeway by Syntonic® provides consumers with paid unlimited-data subscription access to mobile content and applications and sponsored access paid for by content providers, advertisers and application developers. Sponsors pay for consumer mobile data as a means to increase brand awareness, acquire new users, increase consumer engagement, and monetise content.

Syntonic DataFlex® is a split billing solution that virtually separates personal and business use on employee smartphones. The service can help employers save up to 50% of their Bring Your Own Device ("BYOD") expenses, while also providing critical data analytics to help businesses understand how mobile applications are being used within the enterprise.

For Consumers



Freeway by Syntonic® gives consumers sponsored and paid access to mobile applications and content, providing a new way for content providers, sponsors, and operators to reach, acquire, engage, and monetize customers.

For Business



Syntonic DataFlex® is a mobile split billing solution that works across all mobile operators, and helps companies reduce the costs of BYOD programs, boost productivity, advance business intelligence, and enhance network security.

- **Syntonic Systems Business** licences the Company's platform technologies to mobile carriers and service providers. The licensed technologies include the Syntonic Connected Services Platform™ ("Syntonic CSP"), the Freeway SDK™, and a white-labelled Freeway container application. The platform services enable a wide-range of app and content-centric business models, including sponsored data, zero-rated (unmetered), ad-supported and unlimited-data content plans.

Highlights included during and subsequent to the half-year period:

- Strong year-on-year uplift in revenue – H1 FY18 revenues were \$798,923, an increase of 502% on the same period last year, as the Company aggressively pursued monetisation of its Systems and Services businesses.

- Material growth in cash receipts, taking \$760,034 during the period, a 463% increase on the same period last year.
- In mid-September in the U.S., Syntonic launched Freeway Overpass, a cross-carrier subscription service available on iPhone and Android smartphones.
- At the end of December, Freeway had an installed base of 25.3 million smartphones in the U.S., Southeast Asia and Latin America, with 26.1% quarter-on-quarter growth, exceeding market guidance.
- Freeway technologies were pre-installed on 12 new Android smartphones models released during the period by manufacturers LG, Motorola and Asus.
- Plans advanced to achieve global expansion, with local reseller and distributor partnerships signed to accelerate Syntonic's path to market in China, Vietnam, Turkey, Sub-Saharan Africa and Mexico.
- Syntonic won two industry awards: Best Mobile App Gold Award and Mobile Star Award for "Best Money Saving App"; Freeway by Syntonic nominated for a prestigious 2017 best and most innovative digital solution World Summit Award.

Corporate

In December, Syntonic raised A\$5.0 million (before costs) in an oversubscribed placement of 250 million new shares at 2 cents per share, with strong demand from new and existing shareholders and sophisticated investors seeing the Company increasing its original target.

The Company is using net proceeds to invest in Syntonic's global commercialisation activities, specifically to accelerate the growth of the Freeway installed base in recently-launched countries and expansion into new geographies in 2018.

Results of Operations

Net operating loss after tax for the half year ended 31 December 2017 was \$3,076,942 (31 December 2016: \$23,707,479).

The result at 31 December 2016 is mainly attributable to the treatment of the acquisition of Syntonic Wireless, Inc. as a reverse acquisition which resulted in a \$21,587,622 cost of listing expense being included in the half-year result for the period (refer to Note 6 for further information).

Financial Position

At 31 December 2017, the Group had cash reserves of \$7,183,124 (30 June 2017: \$4,910,375) and no debt placing the Group in a strong position to conduct its current activities and to pursue new business development opportunities.

Significant Change in State of Affairs

There were no significant changes in the state of affairs of the Company during the period.

Matters Subsequent to Reporting Date

| | |
|---------------------------|---|
| <p>11 Jan 2018</p> | <p>Syntonics installed base growth surges beyond 25M smartphones</p> <p>Syntonics growth accelerates with an 8.4% December month-on-month increase in the Freeway global installed base to 25.3 million unique smartphones. The Company exceeded its near-term growth target having achieved an installed base quarter-over-quarter growth of 26.1%.</p> |
| <p>23 Jan 2018</p> | <p>Syntonics outlines its 2018 business objectives</p> <p>Syntonics highlights 3 pillars for business growth in 2018: 1) aggressive focus on enhancing the Company's Systems' business, licensing its white-labelled platform service to mobile operators, 2) determined global expansion of the Freeway service, and 3) commercialisation of Syntonics DataFlex.</p> |
| <p>13 Feb 2018</p> | <p>Syntonics carrier progress and company performance</p> <p>Syntonics has reached the final integration stage of acceptance testing of the Syntonics Connected Services Platform with mobile operators in Vietnam, Ghana, and Kenya and is in active engagement with leading operators in Turkey, Mexico, South Africa and China.</p> <p>The Company has significantly exceeded Performance Milestone 2 requirements with its globally deployed Freeway service, attaining a validated addressable audience of over 200 million users capable of accessing the Freeway service.</p> |
| <p>15 Feb 2018</p> | <p>Syntonics broadens license agreement with Tata Communications</p> <p>Syntonics extends license grant to Tata Communications to include additional technologies that enhance Tata's Sponsored Data Exchange with global carriers, brands and app publishers.</p> |
| <p>19 Feb 2018</p> | <p>Syntonics installed base growth and MWC 2018 activities</p> <p>Syntonics achieves 7.9% month-on-month growth in the Freeway global installed base in January, growing to 27.3 million smartphones.</p> <p>Syntonics' CEO will provide a keynote at Mobile World Congress 2018 and will participate on a panel discussion with leading mobile industry experts from Veon, Tata Communications, and App Annie.</p> |

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group or the results of those operations of the Group in future financial years.

Auditor's Independence Declaration

The Auditor's Independence Declaration under section 307C of the Corporation Act 2001 is included within this financial report.

This report is signed in accordance with a resolution of the Board of Directors.



Gary Greenbaum
 Managing Director & CEO

27 February 2018

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Syntonic Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.



**Perth, Western Australia
27 February 2018**

**D I Buckley
Partner**

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2017



| | Note | Half-Year 2017 \$ | 2016 \$ |
|---|------|-------------------------|---------------------|
| Continuing operations | | | |
| Sales revenue | | 570,393 | 106,020 |
| Service revenue | | 228,530 | 26,723 |
| Revenue from continuing operations | | 798,923 | 132,743 |
| Cost of sales | | (388,168) | (72,357) |
| Gross profit | | 410,755 | 60,386 |
| Other income | | 24,499 | 32,350 |
| Marketing expenses | | (492,336) | (309,980) |
| Research and development expenses | | (682,430) | (575,621) |
| Staff expenses | | (1,198,192) | (582,954) |
| Other operating expenses | | (770,188) | (581,466) |
| Interest expense | | (1,455) | (4,536) |
| Share based payment expense | | (367,595) | (158,036) |
| Cost of listing on reverse acquisition | 6 | - | (21,587,622) |
| Loss before income tax expense | | (3,076,942) | (23,707,479) |
| Income tax expense | | - | - |
| Loss after income tax for the period | | (3,076,942) | (23,707,479) |
| Other Comprehensive Income | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| Change in fair value of available-for-sale financial assets | | 71,565 | - |
| Exchange difference on translation of foreign operations | | 8,319 | 19,134 |
| Other comprehensive loss for the period, net of tax | | 79,884 | 19,134 |
| Total comprehensive loss for the period | | (2,997,058) | (23,688,345) |
| Total comprehensive loss is attributable to: | | | |
| Owners of Syntonic Limited | | (2,997,058) | (23,688,345) |
| | | (2,997,058) | (23,688,345) |
| Loss per share from continuing operations attributable to the ordinary equity holders of Syntonic Limited: | | | |
| Basic and diluted loss per share (cents) | | (0.13) | (1.18) |

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION



As at 31 December 2017

| | Note | 31 December 2017 \$ | 30 June 2017 \$ |
|----------------------------------|------|---------------------------|--------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 7,183,124 | 4,910,375 |
| Trade and other receivables | | 376,635 | 118,751 |
| Other assets | | 128,469 | 19,080 |
| Total current assets | | 7,688,228 | 5,048,206 |
| Non-current assets | | | |
| Other financial assets | 3 | 458,128 | 386,654 |
| Total non-current assets | | 458,128 | 386,654 |
| TOTAL ASSETS | | 8,146,356 | 5,434,860 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | | 1,245,030 | 606,700 |
| Total current liabilities | | 1,245,030 | 606,700 |
| TOTAL LIABILITIES | | 1,245,030 | 606,700 |
| NET ASSETS | | 6,901,326 | 4,828,160 |
| EQUITY | | | |
| Contributed equity | 4(a) | 37,546,468 | 34,114,578 |
| Reserves | 5 | 2,146,141 | 427,923 |
| Accumulated losses | | (32,791,283) | (29,714,341) |
| TOTAL EQUITY | | 6,901,326 | 4,828,160 |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2017



| | Contributed Equity | Investments Available for Sale Reserve | Share Based Payment Reserve | Foreign Currency Translation Reserve | Accumulated Losses | Total |
|--|-----------------------|--|--------------------------------------|---|-----------------------|--------------------|
| | \$ | | | \$ | \$ | \$ |
| Balance at 1 July 2017 | 34,114,578 | 161,558 | 554,604 | (288,239) | (29,714,341) | 4,828,160 |
| Total comprehensive income for the period | | | | | | |
| Loss for the period ended 31 December 2017 | - | - | - | - | (3,076,942) | (3,076,942) |
| Other comprehensive income | - | 71,565 | - | 8,319 | - | 79,884 |
| Total comprehensive loss for the period | - | 71,565 | - | 8,319 | (3,076,942) | (2,997,058) |
| Transactions with owners, recorded directly in equity | | | | | | |
| Issue of shares, net of transaction costs | 3,330,490 | - | - | - | - | 3,330,490 |
| Share based payment | 101,400 | - | 1,638,334 | - | - | 1,739,734 |
| Balance at 31 December 2017 | 37,546,468 | 233,123 | 2,192,938 | (279,920) | (32,791,283) | 6,901,326 |

| | Contributed Equity | Investments Available for Sale Reserve | Share Based Payment Reserve | Foreign Currency Translation Reserve | Accumulated Losses | Total |
|---|-----------------------|--|--------------------------------------|---|-----------------------|---------------------|
| | \$ | | | \$ | \$ | \$ |
| Balance at 1 July 2016 | 4,285 | - | 3,591 | (324,702) | (3,951,411) | (4,268,237) |
| Total comprehensive income for the period | | | | | | |
| Loss for the period ended 31 December 2016 | - | - | - | - | (23,707,479) | (23,707,479) |
| Other comprehensive income | - | - | - | 19,134 | - | 19,134 |
| Total comprehensive loss for the period | - | - | - | 19,134 | (23,707,479) | (23,688,345) |
| Transactions with owners, recorded directly in equity | | | | | | |
| Consideration shares issued on reverse acquisition | 25,626,375 | - | - | - | - | 25,626,375 |
| Conversion of convertible notes and loans into consideration shares | 3,283,647 | - | - | - | - | 3,283,647 |
| Cancellation of incentive stock options for consideration | 3,591 | - | (3,591) | - | - | - |
| Share placement | 5,440,000 | - | - | - | - | 5,440,000 |
| Share issue costs | (696,886) | - | - | - | - | (696,886) |
| Share based payment | 466,540 | - | 332,896 | - | - | 799,436 |
| Balance at 31 December 2016 | 34,127,552 | - | 332,896 | (305,568) | (27,658,890) | 6,495,990 |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2017



| | 31 December 2017 \$ | 31 December 2016 \$ |
|--|---------------------------|---------------------------|
| Cash flows from operating activities | | |
| Payments to suppliers and employees | (3,088,422) | (2,271,257) |
| Receipts from customers and other debtors | 760,034 | 134,905 |
| Interest received | 24,499 | 20,151 |
| Interest paid | (1,455) | (4,536) |
| Net cash outflow from operating activities | (2,305,344) | (2,120,737) |
| Cash flows from investing activities | | |
| Cash arising on acquisition of controlled entity | - | 3,778,729 |
| Loan provided to third party | (128,469) | - |
| Net cash inflow/(outflow) from investing activities | (128,469) | 3,778,729 |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | 5,000,000 | 5,440,000 |
| Payments for share issue costs | (298,667) | (55,786) |
| Repayment of borrowings | - | (136,500) |
| Net cash inflow from financing activities | 4,701,333 | 5,247,714 |
| Net increase in cash and cash equivalents | 2,267,520 | 6,905,706 |
| Effect of movement in exchange rates on cash held | 5,229 | 23,274 |
| Cash and cash equivalents at beginning of the financial period | 4,910,375 | 114,811 |
| Cash and cash equivalents at end of the period | 7,183,124 | 7,043,791 |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the half year ended 31 December 2017

1. Summary of significant accounting policies

Basis of preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2017 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report to be read in conjunction with the annual financial report for the year ended 30 June 2017 and any public announcements made by Syntonic Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The interim consolidated financial statements have been prepared on the basis of historical cost, with all amounts presented in Australian dollars.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's annual financial report for the year ended 30 June 2017, other than as detailed in the notes below.

New and amended standards adopted by the entity

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There may be some immaterial changes to the disclosures in the 30 June 2018 annual report as a consequence of these amendments.

Impact of standards issued but not yet applied by the entity

There were no new standards issued since 30 June 2017 that have been applied by the Company. The 30 June 2017 annual report disclosed that the Company anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2017.

Reverse acquisition accounting

On 8 July 2016, Syntonic Limited completed its acquisition of 100% of the issued shares of Syntonic Wireless, Inc.

The acquisition has been accounted for as a reverse acquisition under AASB 3 *Business Combinations* because, as a result of the acquisition, the former owners of the legal subsidiary (Syntonic Wireless, Inc.) obtained control of the legal parent (Syntonic Limited). Whilst the acquisition does not meet the definition of a business combination in accordance with AASB 3 *Business Combinations* (as Syntonic Limited is deemed for accounting purposes not to be a business), the acquisition has been accounted for as a share-based payment transaction using the principles of AASB 3 *Business Combinations* and AASB 2 *Share-Based Payment*.

Accordingly, the consolidated financial statements for the half-year ended 31 December 2016 and 2017 are issued under the name of the legal parent (Syntonic Limited) but are presented as a continuation of the financial statements of the legal subsidiary (Syntonic Wireless, Inc.), with the assets and liabilities of the legal subsidiary being recognised and measured at their pre-combination carrying amounts rather than their fair values.

As the functional currency of Syntonic Wireless, Inc. is US dollars, results and balances have been translated in accordance with the requirements of AASB 121 *The Effects of Changes in Foreign Exchange Rates* to present the consolidated financial statements in Australian dollars.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2017



2. Segment Information

Operating Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

During the half year, the Group operated in one operating segment, being software services.

Information regarding the results of each reportable segment is included below.

| 31 December 2017 | Mobile Technology Services \$ | Corporate \$ | Total \$ |
|------------------------------------|--|-------------------------|---------------------|
| Segment performance | | | |
| Revenue from continuing operations | 798,923 | - | 798,923 |
| Profit/ (Loss) before income tax | (2,458,123) | (618,819) | (3,076,942) |
| Total segment assets | 573,276 | 7,573,080 | 8,146,356 |
| Total segment liabilities | 1,183,212 | 61,818 | 1,245,030 |
| | | | |
| 31 December 2016 | Exploration Australia \$ | Corporate \$ | Total \$ |
| Segment performance | | | |
| Revenue from continuing operations | 132,743 | - | 132,743 |
| Profit/ (Loss) before income tax | (1,703,407) | (22,004,072) | (23,707,479) |
| | | | |
| 30 June 2017 | | | |
| Total segment assets | 514,855 | 4,920,005 | 5,434,860 |
| Total segment liabilities | (539,908) | (66,792) | (606,700) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2017



3. Other Financial Assets

| Non-Current | 31 December 2017 | 30 June 2017 |
|---|---------------------|----------------|
| Available for sale financial assets (i) | 451,705 | 380,140 |
| Lease deposit | 6,423 | 6,514 |
| | 458,128 | 386,654 |

- (i) The available for sale financial asset investment relates to 903,408 (30 June 2017: 75,284) shares in Jayride Group Limited (formerly Jayride Technology). Jayride, a company that owns proprietary technology for an e-commerce platform to book passenger transport successfully listed on the ASX on 29 January 2018 (ASX: JAY). The movement in shares held relates to a share capital adjustment as part of its listing requirements. As a result of Jayride's successful listing, this asset has been reclassified from a level 3 financial instrument to level 1 financial instrument. The fair market has been determined at the initial public offering price.

4. Contributed Equity

(a) Issued Capital

| | 31 December 2017 | | 30 June 2017 | |
|------------------------|-------------------|----------------------|-------------------|----------------------|
| | \$ | No. | \$ | No. |
| Ordinary shares | 32,521,689 | 2,609,543,546 | 29,089,799 | 2,355,643,546 |
| Performance shares (i) | 5,024,779 | 333,333,334 | 5,024,779 | 333,333,334 |
| | 37,546,468 | 2,942,876,880 | 34,114,578 | 2,688,976,880 |

- (i) As part of the consideration for the Acquisition on 8 July 2016 (refer to Note 6) the Company issued 500,000,000 performance shares which each convert into one ordinary share upon satisfaction of certain performance milestones on or before 8 July 2018, as follows:
- 166,666,666 performance shares convert upon Freeway by Syntonic (including the white-label version of the product sold by partners) having an Addressable Audience of 100,000,000 mobile subscribers;
 - 166,666,666 performance shares convert upon Freeway by Syntonic (including the white-label version of the product sold by partners) having an Addressable Audience of 150,000,000 mobile subscribers; and
 - 166,666,668 performance shares convert upon the Company entering into revenue generating agreements in respect of Syntonic DataFlex (including the white-label version of the product sold by partners) with 50 businesses.

Milestone (a) was achieved in the second half of financial year 2017, with 166,666,666 performance shares being converted to ordinary shares on 5 January 2017.

Milestone (b) was achieved prior to its closing date (8 January 2018) with an independent verification report received in February 2018. The 166,666,666 performance shares are expected to be converted to ordinary shares shortly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2017



(b) Movement reconciliation

Ordinary Shares

| | No. of Ordinary Shares | No. of Performance Shares | \$ |
|---|------------------------|---------------------------|-------------------|
| Opening balance at 1 July 2017 | 2,355,643,546 | 333,333,334 | 34,114,578 |
| Issue of shares to Directors in lieu of director fees as approved at the AGM on 1 November 2017 | 3,900,000 | - | 101,400 |
| Issue of 250,000,000 Placement Shares at \$0.02 each on 18 December 2017 (net of transaction costs) | 250,000,000 | - | 3,330,490 |
| Closing Balance at 31 December 2017 | 2,609,543,546 | 333,333,334 | 37,546,468 |

5. Reserves

| | 31 December 2017 | 30 June 2017 |
|--|------------------|----------------|
| | \$ | \$ |
| Share based payment reserve (i) | 2,192,938 | 554,604 |
| Foreign currency translation reserve | (279,920) | (288,239) |
| Investments available-for-sale reserve | 233,123 | 161,558 |
| | 2,146,141 | 427,923 |

(i) Share based payment reserve

| | 31 December 2017 | 30 June 2017 | 31 December 2017 | 30 June 2017 |
|--|--------------------|-------------------|------------------|----------------|
| | No. | No. | \$ | \$ |
| Balance at beginning of the period | 79,000,000 | 177,500 | 554,604 | 3,591 |
| Elimination of legal acquire incentive stock options on reverse acquisition (8-Jul-16) | - | (177,500) | - | - |
| Cancellation of incentive stock options for consideration shares (8-Jul-16) | - | - | - | (3,591) |
| Recognition of legal acquirer \$0.02 broker options on reverse acquisition (8-Jul-16) | - | 25,000,000 | - | - |
| Incentive option issue (30-Sep-16) | - | 4,000,000 | 36,470 | 53,104 |
| Issue of \$0.06 broker options to brokers in lieu of cash fees (24-Nov-16) | - | 15,000,000 | - | 315,000 |
| Incentive option issue (7-Apr-17) | - | 35,000,000 | 202,190 | 186,500 |
| Incentive option issue (22-Sep-17) | 7,000,000 | - | 27,535 | - |
| Broker options issued following Placement (18-Dec-17) | 133,333,333 | - | 1,372,139 | - |
| | 219,333,333 | 79,000,000 | 2,192,938 | 554,604 |

6. Reverse Acquisition Accounting

On 8 July 2016, Syntonic Limited completed its acquisition of 100% of the issued shares of Syntonic Wireless, Inc. after issuing 1,200,000,000 ordinary shares and 500,000,000 performance shares to the vendors, following shareholder approval received at the Company's general meeting held on 23 May 2016.

The acquisition was accounted for as a reverse acquisition under the principles of AASB 3 *Business Combinations*. Refer to Note 1 for further explanation regarding the basis of accounting.

As a result of the acquisition, in the prior year the Group has recognised an expense of \$21,587,622 in its statement of profit or loss and other comprehensive income, effectively representing the cost of listing.

The cost is calculated as the difference in the fair value of the equity instruments that Syntonic Wireless, Inc. is deemed to have issued to acquire Syntonic Limited and the fair value of Syntonic Limited's identifiable net assets, as follows:

| | Fair Value \$ |
|---|-------------------|
| Fair value of consideration: | |
| Equity | 25,626,375 |
| Fair value of consideration | 25,626,375 |
| Fair value of net assets acquired: | |
| Cash and cash equivalents | 3,778,729 |
| Trade and other receivables | 95,564 |
| Other financial assets | 468,582 |
| Trade and other payables | (304,122) |
| Fair value of net assets acquired | 4,038,753 |
| Cost of listing | 21,587,622 |

7. Share Based Payments

From time to time, the Group provides Incentive Options to officers, employees, consultants and other key advisors as part of remuneration and incentive arrangements. The number of options granted, and the terms of the options granted are determined by the Board. Shareholder approval is sought where required.

(a) Option Issue 31 December 2017

A summary of the options issued during the half-year is below:

| Option | Recipient | Number of Options | Issue Date | Vesting Date | Expiry Date | Exercise Price | Total Fair Value |
|--------|-----------|-------------------|------------|------------------------|-------------|----------------|------------------|
| A | Employee | 7,000,000 | 22/09/2017 | Various ^{1,2} | 22/09/2027 | \$0.026 | \$185,220 |
| B | Broker | 133,333,333 | 18/12/2017 | 18/12/2017 | 31/12/2020 | \$0.030 | \$1,372,140 |

- 1,750,000 options subject to 12 months continuous engagement
- 5,250,000 options subject to further 36 months continuous engagement

All options issued during the period were valued using Black-Scholes option pricing models with the following inputs:

| Option | Recipient | Dividend Yield | Expected Volatility | Risk Free Rate | Expected Life of Options | Exercise Price | Share Price at Grant Date | FV per option |
|--------|-----------|----------------|---------------------|----------------|--------------------------|----------------|---------------------------|---------------|
| A | Employee | - | 77.16% ¹ | 2.70% | 10.01 years | \$0.026 | \$0.032 | \$0.027 |
| B | Broker | - | 77.16% ¹ | 2.02% | 3.04 years | \$0.030 | \$0.023 | \$0.010 |

- The expected volatility is based on historic volatility (based on remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

8. Dividends

No dividends have been paid or declared since the start of the financial period, and none are recommended.

9. Financial instruments

(i) Fair value measurement

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The Group's financial assets and liabilities comprises of cash and cash equivalents, trade and other receivables and trade and other payables. At 31 December 2017 and 30 June 2017, the carrying value of the Group's financial assets and liabilities approximate their fair value.

(ii) Reconciliation of Level 1 Fair Value Movements

| | Available-for-sale financial assets (quoted equity shares) | |
|--|---|--------------|
| | 31 December 2017 | 30 June 2017 |
| | \$ | \$ |
| Balance at beginning of the period | - | - |
| Available-for-sale investment reclassified to Level 1 financial instrument | 380,140 | - |
| Re-measurement recognised in other comprehensive income | 71,565 | - |
| Balance at end of the period | 451,705 | - |

Reconciliation of Level 3 Fair Value Movements

| | Available-for-sale financial assets (unquoted equity shares) | |
|--|---|----------------|
| | 31 December 2017 | 30 June 2017 |
| | \$ | \$ |
| Balance at beginning of the period | 380,140 | - |
| Available-for-sale investment reclassified to Level 1 financial instrument | (380,140) | 218,582 |
| Re-measurement recognised in other comprehensive income | - | 161,558 |
| Balance at end of the period | - | 380,140 |

10. Commitments

There are no new commitments, other than the commitments that existed as at 30 June 2017 that the Group has entered into during the period under review.

11. Contingent Assets and Liabilities

There have been no material changes in contingent liabilities or contingent assets since the last annual reporting date.

12. Events Subsequent to Reporting Date

| | |
|---------------------------|--|
| <p>11 Jan 2018</p> | <p>Syntonic installed base growth surges beyond 25M smartphones</p> <p>Syntonic growth accelerates with an 8.4% December month-on-month increase in the Freeway global installed base to 25.3 million unique smartphones. The Company exceeded its near-term growth target having achieved an installed base quarter-over-quarter growth of 26.1%.</p> |
| <p>23 Jan 2018</p> | <p>Syntonic outlines its 2018 business objectives</p> <p>Syntonic highlights 3 pillars for Syntonic business growth in 2018: 1) aggressive focus on enhancing the Company's Systems' business, licensing its white-labelled platform service to mobile operators, 2) determined global expansion of the Freeway service, and 3) commercialisation of Syntonic DataFlex.</p> |
| <p>13 Feb 2018</p> | <p>Syntonic carrier progress and company performance</p> <p>Syntonic has reached the final integration stage of acceptance testing of the Syntonic Connected Services Platform with mobile operators in Vietnam, Ghana, and Kenya and active engagement with leading operators in Turkey, Mexico, South Africa and China.</p> <p>The Company has significantly exceeded Performance Milestone 2 requirements with its globally deployed Freeway service, attaining a validated addressable audience of over 200 million users capable of accessing the Freeway service.</p> |
| <p>15 Feb 2018</p> | <p>Syntonic broadens license agreement with Tata Communications</p> <p>Syntonic extends license grant to Tata Communications to include additional technologies that enhance Tata's Sponsored Data Exchange with global carriers, brands and app publishers.</p> |
| <p>19 Feb 2018</p> | <p>Syntonic installed base growth and MWC 2018 activities</p> <p>Syntonic achieves 7.9% month-on-month growth in the Freeway global installed base in January, growing to 27.3 million smartphones.</p> <p>Syntonic's CEO will provide a keynote at Mobile World Congress 2018 and will participate on a panel discussion with leading mobile industry experts from Veon, Tata Communications, and App Annie.</p> |

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

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DIRECTOR'S DECLARATION



The directors of the company declare that:

- (a) The financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with the Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory professional reporting requirements.
 - (ii) giving a true and fair view of the financial position as at 31 December 2017 and the performance for the half year ended 31 December 2017.
- (b) At the date of this statement there are reasonable grounds to believe that Syntonic Limited will be able to pay its debts when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed on behalf of the Directors by:

A handwritten signature in black ink, appearing to read "Gary Greenbaum".

Gary Greenbaum
Managing Director & CEO

27 February 2018

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Syntonic Limited

Report on the Condensed Interim Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Syntonic Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Syntonic Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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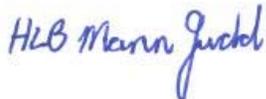
Email: mailbox@hlbwa.com.au | Website: www.hlb.com.au

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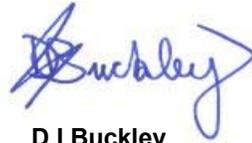
A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

A handwritten signature in blue ink that reads 'HLB Mann Judd'.

HLB Mann Judd
Chartered Accountants

A handwritten signature in blue ink that reads 'D I Buckley'.

D I Buckley
Partner

Perth, Western Australia
27 February 2018

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