

ASX ANNOUNCEMENT

Syntonic June 2018 Quarterly Review

31 July 2018



Unleashing the value of mobile

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Syntonic June 2018 Quarterly Review and Appendix 4C

Highlights:

- Received record quarterly cash receipts of \$658,869, up 11% on last year's corresponding period and 109% over last quarter
- Announced non-dilutive proposed acquisition of the mobile commerce business assets ("value-added services or VAS assets") of Zenvia Mobile Servicos Digitais S.A ("Zenvia") in Brazil, adding mobile commerce to Syntonic's Connected Services Platform ("Syntonic CSP")
- Smart Communications ("SMART"), a leading Philippines wireless provider with 57.7 million mobile subscribers¹, is the first customer planning to deploy the Freeway Roaming Service™
- Commercialisation progress for Syntonic DataFlex® with the first reseller, AKTAY A.S. ("AKTAY"), providing a US\$5 million minimum gross revenue commitment for the calendar year period 2018-2021
- Syntonic enters the 2019 financial year with a robust cash balance of \$5.02 million, with multiple revenue generating partnerships now established to grow the business

Seattle, Washington – Syntonic Limited (“Syntonic” or “Company”) (SYT.ASX), a leading US-based mobile platform and services provider, is pleased to provide its Appendix 4C – Quarterly Cash Flow report for the three months ending 30 June 2018, along with an overview of its business progress during the quarter.

Syntonic CEO and Managing Director, Gary Greenbaum said:

“Syntonic continues to advance the commercialisation of its core technology offerings, Freeway by Syntonic® and Syntonic DataFlex®. Importantly, we have built upon our initial revenue stream to establish multiple partnerships with mobile operators across key geographies, laying a solid foundation for consistent revenue generation for the business in the new financial year.

The quarter proved successful with two key Company ‘firsts’: the first customer for the Freeway Roaming Service and the first revenue agreement for DataFlex.

Of significant note during the quarter, we announced the proposed acquisition of the revenue generating assets of Zenvia’s mobile commerce business unit. This builds on our Freeway service, a cost-efficient customer acquisition and engagement service offering, with a new mobile commerce technology to facilitate customer monetisation. This non-dilutive proposed asset purchase represents an attractive opportunity to further distribute Syntonic technologies from an established position in Brazil, the world’s ninth largest economy².

¹ http://www.pldt.com/docs/default-source/presentations/2018/1q2018-presentation_final_.pdf?sfvrsn=0

² <http://www.imf.org/external/datamapper/NGDPD@WEO/OEMDC/ADVEC/WEOWORLD>

Operational Progress

Freeway by Syntonic® Global Expansion

The Freeway platform is licensed to mobile carriers and strategic partners to enable new revenue streams from mobile advertising. Specifically, the platform provides brands and app publishers a cost-efficient solution for customer acquisition and engagement using sponsored data, data rewards, and unlimited-data ‘content-plans.’ During the quarter, the Company has made significant progress in advancing its services world-wide.

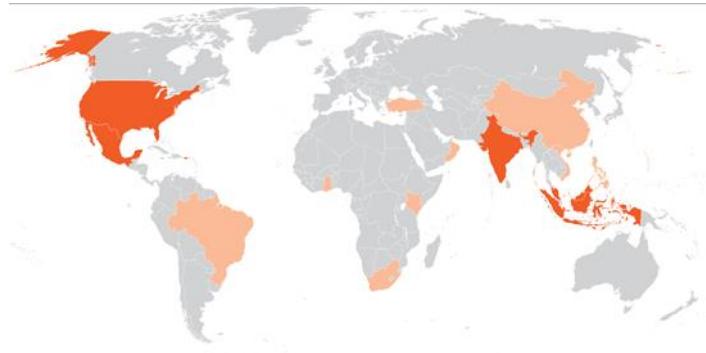


Figure 1: Map of Freeway coverage, dark orange representing existing deployments and light orange indicating upcoming deployments.

Europe

During the quarter, Syntonic signed its first DataFlex reseller agreement with AKTAY, a value-added telecommunications service provider in Turkey. The agreement includes a minimum revenue commitment, subject to a sales commission, of US\$5,000,000 between the calendar years 2018 and 2021. The contract with AKTAY follows the re-commencement of commercialisation efforts for DataFlex from April 2018, after a strategic 14 month planned hiatus to focus on the international deployment of the Freeway service.

The agreement with AKTAY is progressing as planned, with AKTAY integrating DataFlex and Freeway with the Turkey mobile carriers —Türk Telekom, Turkcell and Vodafone Turkey; and securing local municipal government agencies to participate in the service.

Asia

Commercialisation progress was also made in Asia in the quarter where the Freeway Roaming Service secured its first revenue generating customer, Smart Communications, the fourth-largest mobile carrier in Southeast Asia with 57.7 million subscribers³. SMART will deploy a white-labelled Freeway Roaming Service in Q2 FY2019, branded as RoamFree, that provides international travellers with sponsored data access to essential and popular travel services such as Agoda, AirBnB, Grab, Uber, Klook, TripAdvisor, ATM Finder, Google Maps, and Groupon.

The Freeway Roaming Service’s rapid commercialisation demonstrates the strong demand and wide-spread appeal of the service from carriers seeking to grow international data roaming revenue and for consumers looking to avoid high international roaming costs.

During the quarter, Viettel Telecom in Vietnam completed its final acceptance testing with a proof of concept launch of Freeway, supported by Syntonic’s regional partner, TecaPro Limited, expected later this year.

Africa & Middle East

Sub-Saharan Africa is a key area of interest for Syntonic with several deployments anticipated in Q1 FY2019.

In Ghana, Syntonic has completed the integration of the Syntonic CSP into the production environments of MTN Ghana, AirtelTigo and Vodafone Ghana. In Kenya, the Company has also completed integration of its white-labelled services with Safaricom.

³ http://www.pldt.com/docs/default-source/presentations/2018/1q2018-presentation_final_.pdf?sfvrsn=0

Syntonic is working with Nazara Technologies, a leading mobile games company, and the Ooredoo Group, a leading communications company with 164 million customers and operations in Qatar, Kuwait, Oman, Algeria, Tunisia, Iraq, Palestine, the Maldives, Myanmar and Indonesia⁴, to deploy the Nazara Games Club subscription service with the inclusion of unlimited data access for Ooredoo subscribers. The initial release is anticipated in Q2 FY2019, initially for the Oman market.

United States

The Company's partnership with Verizon continued to be the primary driver of growth in the Freeway Global Installed Base during the quarter, with the Freeway SDK being preinstalled on select Verizon Android smartphones. Verizon service activations continued to grow during the quarter, however at a lesser rate than the growth in the Installed Base.

Global

Syntonic continues to engage with Tata Communications ("Tata"), the flagship telecom arm of the Tata Group with a market capitalisation of ~US\$196 billion, which renewed their licence of the white-labelled Syntonic CSP in February 2018. Tata has branded its sponsored data exchange service as *Opari Digital Commerce* which includes the Syntonic CSP to support its sponsored data and data rewards services.

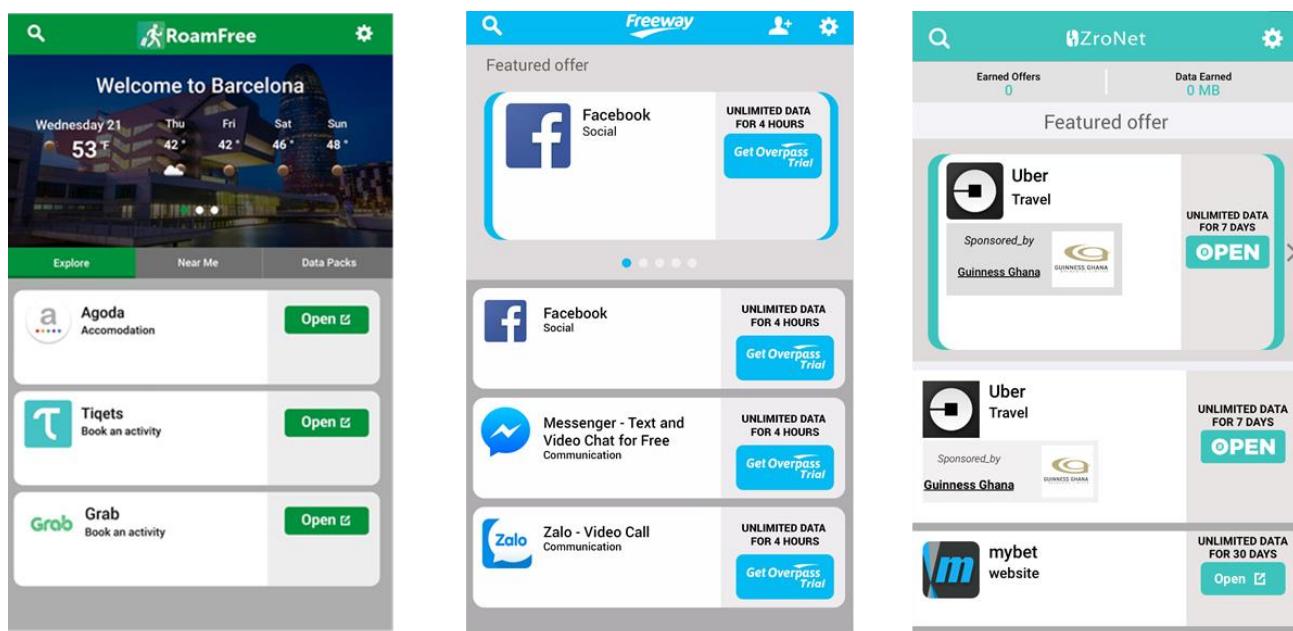


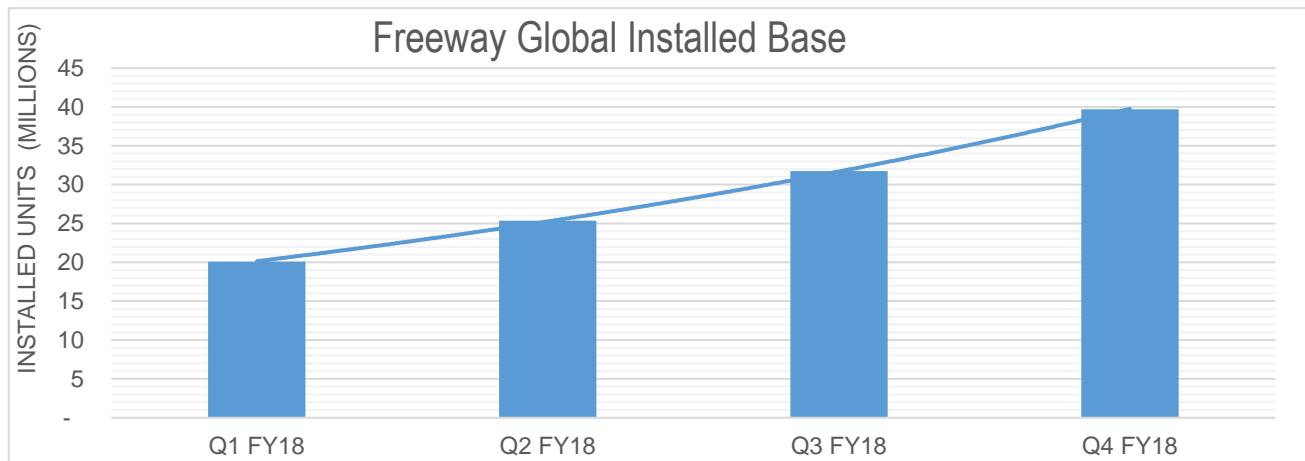
Figure 1: Example screen views of white-labelled Freeway applications in the Philippines, Vietnam, and Ghana.

⁴ http://ooredoo.com/en/investors/financial_information/facts-figures/

Freeway Global Installed Base Growth

The Freeway Global Installed Base grew at an accelerated pace in all three months of the quarter, achieving a 25.2% quarter-on-quarter increase to 39.7 million smartphones. The majority of this growth was driven by the Freeway SDK preinstalled on select Verizon Android smartphones.

Ongoing Installed Base growth is expected to come outside of the United States, particularly in the announced geographies in Asia, Middle East, and Sub-Saharan Africa.



Financial Highlights

Syntonic continues to execute on its commercial pipeline, realising record quarterly cash receipts of A\$658,869, up 11% on last year's corresponding period and a 109% increase from the March 2018 quarter. This significant quarter-on-quarter increase was partially due to the timing of customer receipts at quarter end.

Syntonic's Q4 FY18 (unaudited) revenue was A\$399,665, up 24% from last year's corresponding period; however, revenue recognized in Q4 FY 2018 didn't track with the installed base growth due to a reduction of Verizon data-free service activations during the quarter. With a new Verizon CEO appointed during the quarter, the company's content strategy is undergoing review which has slowed service activations and dampened Syntonic's Verizon-based revenue during the quarter.

In FY19, Syntonic's revenue streams will be significantly diversified and growing with contributions coming from new carrier deployments, principally in Asia, Middle East, and Sub-Saharan Africa. In addition, new revenue opportunities in South America are expected to result from the proposed acquisition of the Zenvia mobile commerce business assets.

Syntonic's operating expenses declined by 3% quarter-on-quarter despite the Company's rapid global business expansion. Syntonic has achieved reduction in operation expenses through ongoing efficiencies in customer acquisition and assignment of operational costs to the Company's regional partners. Moreover, the Company is resourced with existing infrastructure and staffing to operate and support to cost-efficiently scale with new carrier customers.

Corporate Highlights

Syntonic Brazil

During the quarter, Syntonic announced the proposed purchase of the mobile commerce business unit assets, also referred to as value-added services ("VAS"), of Zenvia Mobile Servicos Digitais S.A. ("Zenvia") for a cash consideration of US\$700,000 (A\$940,000) with a vendor earn-out of 20% of the first US\$21.5 million (A\$28.9 million) of the contribution margin⁵ generated by the acquired assets over 3.5 years.



The proposed asset purchase includes the transfer of all technical and operational assets, assignment of all carrier and content contracts, and transfer of approximately 11 operations and business support staff to a planned new Syntonic subsidiary, Syntonic Brazil, which will be based in São Paulo, Brazil.

The Company plans to integrate Zenvia's mobile commerce/VAS core technical asset, its Mobile Commerce Platform, with the Syntonic Connected Services Platform to provide content providers with the complete tools for customer acquisition and engagement, using Freeway's sponsored data and data rewards services, and customer monetisation using the cross-carrier Mobile Commerce Platform. This integrated solution will also provide mobile carriers additional revenue streams generated from mobile commerce and mobile advertising.

The Zenvia mobile commerce business unit assets (VAS) are already integrated into all four of Brazil's major mobile providers and accessible to over 235.7 million subscribers⁶. The business unit generated CY2017 (unaudited) gross revenue of A\$13.95 million and CY2017 (unaudited) EBITDA of A\$0.890 million.

Syntonic advises that the proposed acquisition is progressing and expects to be able to provide an update to its shareholders in Q1 FY19.

Performance Milestone progress

In accordance with ASX Listing Rule 6.1 confirmation previously given to the Company, Syntonic provides the following disclosure for the June 2018 quarter:

- As announced in the March 2018 quarter, there are 166,666,666 Performance Shares on issue that have vested following achievement of Milestone 2; and
- There are 166,666,668 Performance Shares on issue that shall convert upon the Company entering into revenue generating agreements with respect to Syntonic DataFlex® (including the white-label versions of the product sold by partners) with 50 businesses within a period of 24 months from 8 July 2016 (Milestone 3).

The performance shares will lapse if the milestones are not achieved nor converted to ordinary shares prior to 8 July 2018.

The Company confirms that post 30 June 2018, 166,666,666 vested performance shares were converted to ordinary shares in the capital of the Company in accordance with their terms and conditions. On 8 July 2018, 166,666,668 Performance Shares expired as Milestone 3 was not achieved prior to their expiry date. Refer to ASX announcements dated 6 & 9 July 2018.

⁵ Contribution margin is defined as net revenue minus media marketing expenses

⁶ http://www.teleco.com.br/en/en_ncel.asp



As of the date of this report, there are nil performance shares on issue.

Outlook

During the quarter and consistent with FY2018, Syntonic remained focused on successfully fostering carrier relationships, securing regional partnerships, and integrating its platform with mobile operators. In the coming quarters of FY2019, these efforts will result in revenue generating, commercial deployments in South America, Asia, Middle East, and Sub-Saharan Africa.

With the announced engagements in Vietnam, Turkey, Ghana, Kenya, Africa, Oman, and Philippines, an additional 162.1m smartphones are added to the Syntonic addressable audience for potential monetisation. Moreover, the Company's sales pipeline and the Brazilian asset acquisition represent additional business growth.

Through the Company's global build-out, it anticipates more diversified revenue sources, resulting in more revenue predictability, consistency and growth in FY2019.

About Syntonic

Syntonic Limited (SYT.ASX) is a Seattle based software company which has developed two technology services: Freeway by Syntonic®, which allows consumers sponsored and subscription mobile access to content and applications; and Syntonic DataFlex®, which enables businesses to manage split billing expenses for employees when using their personal mobile phones for work. Founded in 2013, Syntonic has developed worldwide strategic partnerships with leaders in the mobile ecosystem.

To learn more about Syntonic, visit our new website at www.syntonic.com

For further enquiries, please contact:

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+Rule 4.7B

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Syntonic Limited

ABN

68 123 867 765

Quarter ended (“current quarter”)

30 June 2018

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	659	1,736
1.2	Payments for		
	(a) research and development ⁽¹⁾	(568)	(1,372)
	(b) product manufacturing and operating costs	(101)	(645)
	(c) advertising and marketing ⁽²⁾	(13)	(617)
	(d) leased assets	-	-
	(e) staff costs	(794)	(2,849)
	(f) administration and corporate costs	(234)	(926)
1.3	Dividends received	-	-
1.4	Interest received	6	36
1.5	Interest and other costs of finance paid	-	(1)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (employee related)	(54)	(188)
1.9	Net cash from / (used in) operating activities	(1,099)	(4,826)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	240	300
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	(128)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material):		
	(a) cash acquired on reverse acquisition	-	-
	(b) transaction costs of reverse acquisition	-	-
2.6	Net cash from / (used in) investing activities	240	172

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	5,000
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(299)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	4,701

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	5,858	4,910
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,099)	(4,826)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	240	172

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	4,701
4.5 Effect of movement in exchange rates on cash held	16	58
4.6 Cash and cash equivalents at end of quarter	5,015	5,015

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	4,947	5,793
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (AmEx deposit)	68	65
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,015	5,858

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	789
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Payments include executive directors' wages, associated payroll expenses, and provision of software engineering services.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Nil.

8. 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
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
Not applicable.			

9. Estimated cash outflows for next quarter		\$A'000
9.1	Research and development	(420)
9.2	Product manufacturing and operating costs	(100)
9.3	Advertising and marketing	(40)
9.4	Leased assets	-
9.5	Staff costs	(960)
9.6	Administration and corporate costs	(240)
9.7	Other (detail if material)	-
9.8	Total estimated cash outflows ⁽¹⁾	(1,760)

(1) Total estimated cash outflows for the next quarter above does not include any estimated cash outflows (including acquisition costs and post-operational expenses) in respect to the proposed acquisition of the mobile commerce business unit of Zenvia Mobile Servicos Digitais S.A. ("Zenvia"). As announced on 18 June 2018, subject to the parties agreeing and executing formal binding agreements, it is proposed that Zenvia will transfer all technical assets, including employees and business agreements associated with the mobile commerce platform ("MCP") to Syntonic for a cash consideration of US\$700,000 and cash earnout of up to 20% of the first US\$21.5 million of contribution margin (net revenue minus media marketing expenses) generated by the MCP over a period of 3.5 years (refer to the ASX announcement dated 18 June 2018 for further details).

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)		Acquisitions	Disposals
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

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.

[lodged electronically without signature]

Sign here: Date: 31 July 2018
(Director/Company secretary)

Print name: Kate Sainty

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.