SYNTONIC

ASX ANNOUNCEMENT **28 February 2019**

APPENDIX 4D – HALF YEAR REPORT

Syntonic Limited
ABN 68 123 867 765

1. Reporting period

Half year ended	Previous corresponding period
December 31, 2018	December 31, 2017

2. Results for announcement to the market

	31 December 2018 A$	31 December 2017 A$	% Change
2.1 Revenue from ordinary activities	2,831,120	798,923	Up 254%
2.2 Loss from ordinary activities after tax attributable to members	(3,794,152)	(3,076,942)	Up 23%
2.3 Net loss for the period attributable to members	(3,794,152)	(3,076,942)	Up 23%

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 2018 was $3,794,152 (31 December 2017: $3,076,942). The increase between the half years ended 31 December 2017 and 2018 is mainly attributable to the acquisition of the Brazilian mobile commerce business unit assets in August 2018.

3. Net tangible assets per share

	31 December 2018 A$ cents	31 December 2017 A$ cents
Net tangible asset per share (cents per share)	0.01	0.30

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

During the period, Syntonic Limited acquired 100% of the assets of Brazilian mobile commerce (or "value-added-services") business unit from Zenvia Mobile Servicos Digitais ("Zenvia"), a leading Brazilian Application-to-Person service provider.

The acquisition was accounted for under AASB 3, *Business Combinations*. Refer to Note 6 in the Half Year Financial Report for further details.

5. Dividends

No dividends were paid or declared since the start of the half year ended 31 December 2018 (31 December 2017: 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 2018, the Company had no interests in any jointly controlled operations or farm-in agreements.

8. Foreign entities

The interim financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the interim financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

9. Audit report

The Company's independent auditors review report for the half year ended 31 December 2018 is unqualified with an emphasis of matter on material uncertainty regarding going concern. A copy of the independent auditor's review report is included with the accompanying Half Year Financial Report for the half year ended 31 December 2018.

ASX ANNOUNCEMENT

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SYNTONIC

Unlocking the Value of Mobile Data

Half-year Report

For the period ended 31 December 2018

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Australia:
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West Perth WA 6005

Email: ir@syntonic.com

ABN: 68 123 867 765
ASX Code: SYT

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CORPORATE DIRECTORY

SYNTONIC

DIRECTORS:	Dr Gary Greenbaum – Managing Director and CEO Mr Rahul Agarwal – Executive Director, President and CTO Mr Steven Elfman – Non-Executive Chairman Mr Nigel Hennessy – Non-Executive Director
COMPANY SECRETARY:	Mr Steven Wood – Joint Company Secretary Ms Kate Sainty – Joint Company Secretary
OFFICES:	***United States:*** 119 First Avenue, Suite 100, Seattle WA 98104, USA Tel: +1 206 408 8072 ***Brazil:*** Avenida Paulista, n° 2439, 15º andar, salas 3 e 4, Bela Vista, CEP 01311-300 São Paulo – SP, Brazil ***Australia:*** 945 Wellington Street, West Perth WA 6005, Australia Tel: +61 8 9322 7600
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 ***Brazil*** Miguel Neto Advogados
AUDITOR:	HLB Mann Judd

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DIRECTORS' REPORT

SYNTONIC

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 2018 to 31 December 2018 ("the Group").

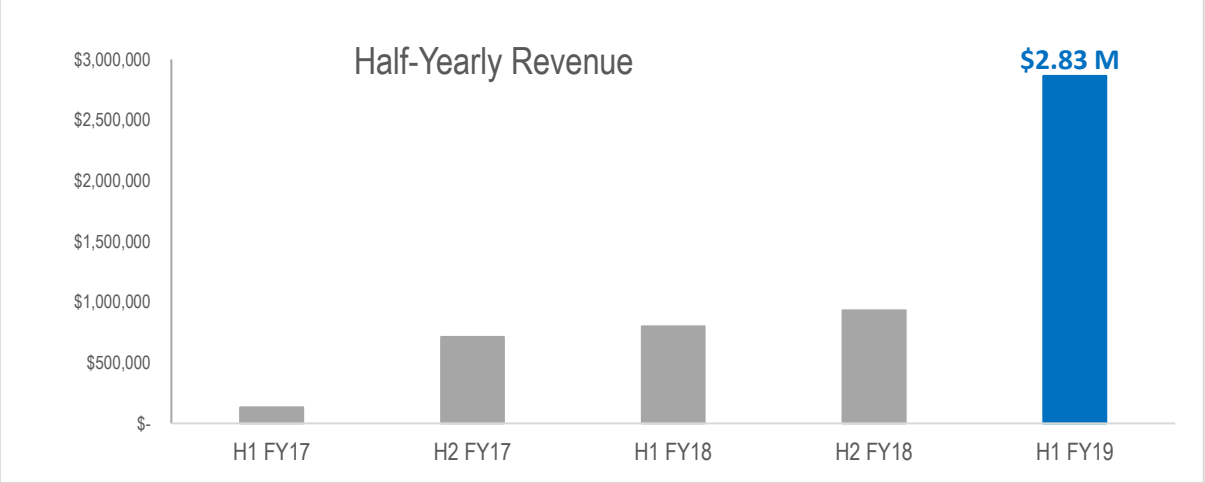
Directors

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 Nigel Hennessy - Non-Executive Director (appointed 30 June 2017)

Mr Christopher Gabriel, appointed 5 October 2016, resigned from his position as Non-Executive Director on 31 December 2018.

Operating and Financial Review



Syntonic is a Seattle-based software company that licenses the Syntonic Revenue Generation Platform™ to telecommunication carriers for acquiring new income streams from the emerging 'app economy'. This platform provides carriers with a consumer solution (Freeway) for mobile advertising, content monetisation, and mobile commerce, and a business solution (DataFlex) for enterprise mobile expense management. The platform supports solutions for carriers wishing to increase their average revenue per user through:

- **Mobile Advertising** - Using ad-subsidised mobile data, brands have a cost-effective solution for allocating their online marketing spend to acquire, engage, and retain mobile customers.
- **Content Monetisation** - Enables carriers to augment their traditional data plan business with subscriptions based on content offerings. Offerings may include content bundles, syndicated subscription services, micro tariff and content plans.
- **Syntonic Mobile Commerce Suite (MCS) -** A set of online transaction services including direct-carrier-billing and an integrated wallet that enables flexible payment models such as subscription & single-item transactions and in-app purchases. The Syntonic MCS reduces merchant risk, consumer fraud, and enables operators and content providers to engage and sell to consumers easily through their smartphones.
- **Syntonic DataFlex -** A cloud-based service that enables businesses to manage split billing expenses for employees who use their personal mobile phones for work. This enterprise offering reduces the corporate costs of deploying, managing, and operating their workforce mobile connectivity program.

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Highlights during the Half Year

- Record revenue reported from ordinary activities to reach $2,831,120 for the half year, representing a 254% increase compared to the previous corresponding period of $798,923.
- Cash receipts from customers and other debtors also grew strongly, with Syntonic reporting $1,714,203 for the half year, representing a 126% increase on the previous half year period (HY18 $760,034).
- Improved revenue predictability through diversified revenue sources, with regular income being generated from tier-1 mobile providers including Tata Communications, Mobifone, and others.
- Quarterly Active Users (QAUs) grew strongly throughout the half year, reaching 7,473,579 QAUs for the three months to 31 December 2018, a 268% increase compared to 30 June 2018 (2,032,157 QAUs) driven by new carrier deployments and Syntonic Brazil.
- Enhanced platform services to include direct-carrier-billing, through the acquisition of the mobile commerce platform and operational assets from Zenvia Mobile Servicos Digitais S.A ("Zenvia").

Figure 1: Syntonic active mobile carrier engagements

Global Commercialisation

Syntonic is focused on commercialising its Revenue Generation Services globally with mobile telecommunication carriers and partnerships in strategic geographies. The Company's global commercial progress during the half year is summarised below:

Asia

In October 2018, Syntonic's customer Smart Communications (PSE:TEL, NTSE:PHI), a leading wireless provider in the Philippines, deployed an updated version of its existing *RoamFree by Smart* app which is now powered by Syntonic's International Roaming Service. This marks the first carrier licensee for the service and the commencement of a new revenue stream for the Company.

The Company announced its advancing relationship with the Bridge Alliance - a mobile operator consortium representing 34 premier operators, including Singtel Optus Pty Limited that has a collective reach of 800 million subscribers[1]. The Alliance is seeking to be a reseller for the Syntonic International Roaming Service to its carrier members. The proposed arrangement remains subject to the completion of negotiations and the execution of formal documentation.

1 https://www.bridgealliance.com

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Following the close of the half year period, Syntonic executed a reseller agreement with its Vietnamese partner, Thang Long Event Limited ("TLC"). TLC has agreed to sublicense the Syntonic Revenue Generation Platform to Mobifone Telecommunications Corporation ("Mobifone"), a major Vietnamese carrier with over 50 million subscribers, enabling Mobifone to launch a white-labelled Freeway Overpass™ service that will be branded *mobifoneGo* and deployed in early Q4 FY19. The parties are actively engaged in expanding the scope of the sublicense agreement to include additional Vietnamese carriers and additional services offered by Syntonic's Revenue Generation Platform.

Syntonic has been working with a local partner in Indonesia, to enable several of the local tier-1 carriers to deploy the Freeway sponsored data and international roaming service. The Company is presently in negotiations in respect to an agreement with Telkomsel Indonesia (NYSE:TLK), the largest telecommunications company in Indonesia, to deploy sponsored web services in the Telkomsel ROLi application that currently provides its 193.6 million subscribers promotional access to leading content and services[2]. The proposed arrangement remains subject to the completion of negotiations and the execution of formal documentation.

Africa & Middle East

In August 2018, Syntonic signed a service agreement with Vodacom Group Limited (JSE: VOD), for a white-labelled version of the Syntonic Revenue Generation Platform to enhance Vodacom's mobile advertising business. Subsequent to the end of the half-year, Vodacom and Syntonic signed an addendum to the service agreement that extends the initial engagement phase to 1 August 2019.

During the half year, the Company's partner ZroNet Limited progressed its preparations to commercially launch a white-labelled Freeway service, branded *ZroNet*, on the three largest mobile carriers in Ghana: MTN Ghana, Vodafone Ghana and AirtelTigo to provide customers with sponsored data offers and unlimited mobile access to content for a fixed subscription fee.

In Oman, Syntonic is continuing to work with its partner Nazara Technologies to deploy a trial launch of the Nazara Games Club subscription service leveraging Freeway on the Ooredoo mobile network to enable unlimited data access for game subscribers.

North & South America

Syntonic significantly expanded its offering to encompass mobile commerce via the acquisition of the mobile commerce business unit assets from Brazilian telecom provider Zenvia in August 2018. The new mobile commerce business enables direct-carrier-billing for mobile customers to make online purchases. The acquisition is aligned with the Company's global expansion strategy, giving it reach into Brazil and other Latin American countries. It is estimated that total global carrier billing revenue will be worth more than US$24 billion by 2019, with US$1.2 billion coming from Latin America[3]. The Company has focused on the transfer of the assets, including associated customer contracts to its newly formed subsidiary company, Syntonic Brazil, which is based in São Paulo, Brazil.

As advised, Verizon Wireless has strategically shifted away from content services to focus on its 5G services. Accordingly, the relative revenue contribution from Verizon decreased throughout the half year, as new revenue streams commenced from recent carrier deployments.

Europe

Throughout the half year, Syntonic has continued to work with its Turkish reseller partner AKTAY A.S. to integrate and test the Syntonic Revenue Generation Platform with carriers in Turkey. Together with AKTAY A.S., Syntonic plans to enable white-labelled Freeway and DataFlex services for the three largest operators in Turkey, Türk Telekom, Turkcell and Vodafone Turkey.

2 Telekomsel's March 2018 Quarterly Report.
3 Ovum Research, "Carrier Billing Global Market Trends and Forecast", 2015

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Global

In October 2018, global telecommunications provider, Tata Communications commercially launched its digital commerce platform called *opari*, which is powered by a white-labelled version of the Syntonic Revenue Generation Platform. *opari* connects apps and marketers to a global ecosystem of mobile operators and service providers to enhance mobile customer acquisition, engagement and monetisation. The commercial launch marked the commencement of a new source of customer revenue for Syntonic during the half year.

Corporate

In August 2018, Syntonic acquired 100% of the assets of the mobile commerce business unit of Zenvia, for a cash consideration of US$700,000 (A$962,000) and a seller earn-out of 20% of the first US$21.5 million of contribution margin[4] over 3.5 years. The Company established Syntonic Brazil to run the mobile commerce business from São Paulo, Brazil.

In December 2018, Syntonic completed a capital placement of 201,999,998 shares at $0.0055 each to raise $1.1 million (before costs). The funds raised will be deployed to continue to grow the Company's global customer footprint through new deployments and agreements aligned with its global growth strategy.

Syntonic Non-Executive Director, Mr Chris Gabriel, stepped down from his role on the Board of Syntonic Limited effective 31 December 2018 to relocate overseas. Accordingly, the Board has commenced the process of searching for an Australian resident Non-Executive Director to replace Mr Gabriel.

Following the close of the half year, Syntonic appointed Mr Gavin Dunhill to its Corporate Advisory Board to assist the Company with the development of its growth strategy and communications.

Financial

Syntonic was pleased to report record revenue generation from its ordinary activities of $2,831,120 for the first half of FY19. This represents a 254% increase compared to the previous corresponding period (H1 FY18 $798,923).

Services and product revenues were received from the Company's customers including Tata Communications, Mobifone, and the Company's newly formed Syntonic Brazil subsidiary. The Company expects to continue receiving minimal income from Verizon throughout the early part of H2 FY19.

The Company's cash receipts from customers & other debtors also grew strongly during the period, with Syntonic reporting $1,714,203 for the half year. This represents a 126% increase on the previous half year period (H1 FY18 $760,034).

Total payments outside of financing activities for the half year came to $5,309,032 (H1 FY18 $3,218,346), including $1,405,087 of one-time acquisition and investment costs incurred for the acquisition of the mobile commerce business unit assets from Zenvia. At 31 December 2018, the Group had cash reserves of $2,417,685 (H1 FY18: $7,183,124) and no outstanding debt.

As advised in January 2019, Syntonic Executive Directors, Dr Gary Greenbaum, CEO and Mr Rahul Agarwal, CTO have voluntarily undertaken to forego any bonus relating to calendar year 2018 to demonstrate their commitment to prudent cost management.

As at 31 December 2018, the Company had net assets of $2,277,114 (FY18: $4,502,168).

4 "Contribution margin" being the net revenue derived from the mobile commerce platform minus media marketing expenses as provided for in the Asset Purchase Agreement

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Outlook

The first half of FY19 marked the shift to robust and diversified revenue generation for Syntonic from multiple customer sources, including Tata Communications, Mobifone and a contribution from Syntonic Brazil.

In the second half of FY19, the Company anticipates additional revenue streams from leading carriers across Southeast Asia, Africa/Middle East, and Latin America. The Company's management team remains focused on continuing its revenue progress and operational momentum in H2 FY19 and beyond while continuing to manage costs and working capital to achieve these results.

Results of Operations

Net operating loss after tax for the half year ended 31 December 2018 was $3,794,152 (31 December 2017: $3,076,942).

Financial Position

At 31 December 2018, the Group had cash reserves of $2,417,685 (30 June 2018: $4,947,217) and no debt.

Significant Change in State of Affairs

There have been no significant changes in the state of affairs of the Group that occurred during the financial period not otherwise disclosed in this report or the financial statements.

Matters Subsequent to Reporting Date

2 Jan 2019	**Board Change** The Company advised that Mr Christopher Gabriel stepped down from his role as Non-Executive Director on 31 December 2018.
11 Jan 2019	**Freeway Service to be Deployed in Vietnam** The Company announced the execution of a Freeway Reseller Agreement with Thang Long Event Limited ("TLC"), a spin-out company of TecaPro Limited, a leading information technology provider in Vietnam. This agreement allows TLC to sublicense the Freeway platform to Mobifone Telecommunications Corporation ("Mobifone") as a white-labelled Freeway service that will be branded *mobifone Go*.
24 Jan 2019	**Advisor Options** 5,000,000 unlisted options exercisable at $0.02 and 10,000,000 unlisted options exercisable at $0.04 have been issued to Mr Gavin Dunhill on his appointment to the Company's Corporate Advisory Board. The unlisted options expire 24 January 2024 and are subject to vesting conditions.

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

28 February 2019

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HLB MANN JUDD
ADVISORY AND ACCOUNTING

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 2018, 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
28 February 2019

D I Buckley
Partner

hlb.com.au

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 31 December 2018

SYNTONIC

	Note	Half-Year 2018 $	2017 $
Continuing operations			
Revenue from continuing operations	3	2,831,120	798,923
Other income		27,079	24,499
Revenue from continuing operations		**2,858,199**	**823,422**
Cost of sales		(1,804,229)	(388,168)
Gross profit		**1,053,970**	**435,254**
Marketing expenses		(490,331)	(492,336)
Research and development expenses		(869,056)	(682,430)
Staff expenses		(1,166,573)	(1,198,192)
Other operating expenses		(1,544,081)	(770,188)
Interest expense		(2,256)	(1,455)
Share based payment expense		(525,659)	(367,595)
Depreciation		(262)	-
Amortisation	5	(100,146)	-
Finance costs	6	(162,973)	-
Unrealised gain/loss on foreign exchange		13,215	-
Loss before income tax expense		**(3,794,152)**	**(3,076,942)**
Income tax expense		-	-
Loss after income tax for the period		**(3,794,152)**	**(3,076,942)**
Other Comprehensive Income			
Items that may be reclassified to profit or loss			
Change in fair value of available-for-sale financial assets		-	71,565
Exchange difference on translation of foreign operations		(14,312)	8,319
Other comprehensive loss for the period, net of tax		**(14,312)**	**79,884**
Total comprehensive loss for the period		**(3,808,464)**	**(2,997,058)**
Total comprehensive loss is attributable to:			
Owners of Syntonic Limited		(3,808,464)	(2,997,058)
		(3,808,464)	**(2,997,058)**
Loss per share from continuing operations attributable to the ordinary equity holders of Syntonic Limited:			
Basic and diluted loss per share (cents)		(0.14)	(0.13)

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

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

SYNTONIC

	Note	31 December 2018 $	30 June 2018 $
ASSETS			
Current assets			
Cash and cash equivalents		2,417,685	4,947,217
Trade and other receivables		734,795	188,635
Other assets	4	326,781	141,438
Total current assets		**3,479,261**	**5,277,290**
Non-current assets			
Property, plant & equipment		7,879	-
Intangible assets	5	1,357,293	-
Goodwill	5	617,057	-
Other financial assets		10,428	9,958
Total non-current assets		**1,992,657**	**9,958**
TOTAL ASSETS		**5,471,918**	**5,287,248**
LIABILITIES			
Current liabilities			
Trade and other payables		1,768,245	785,080
Total current liabilities		**1,768,245**	**785,080**
Non-current liabilities			
Contingent consideration	6	1,426,559	**-**
Total non-current liabilities		**1,426,559**	**-**
TOTAL LIABILITIES		**3,194,804**	**785,080**
NET ASSETS		**2,277,114**	**4,502,168**
EQUITY			
Contributed equity	7	38,643,218	37,546,468
Reserves	8	2,529,230	2,056,882
Accumulated losses		(38,895,334)	(35,101,182)
TOTAL EQUITY		**2,277,114**	**4,502,168**

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 2018

SYNTONIC

	Contributed Equity	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	$		$	$	$
Balance at 1 July 2018	37,546,468	2,349,156	(292,274)	(35,101,182)	4,502,168
Total comprehensive income for the period					
Loss for the period ended 31 December 2018	-	-	-	(3,794,152)	(3,794,152)
Other comprehensive income	-	-	(14,312)	-	(14,312)
Total comprehensive loss for the period	**-**	**-**	**(14,312)**	**(3,794,152)**	**(3,808,464)**
Transactions with owners, recorded directly in equity					
Issue of shares, net of transaction costs	1,096,750	-	-	-	1,096,750
Share based payment	-	486,660	-	-	486,660
Balance at 31 December 2018	**38,643,218**	**2,835,816**	**(306,586)**	**(38,895,334)**	**2,277,114**

	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**

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

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2018

SYNTONIC

	31 December 2018 $	31 December 2017 $
Cash flows from operating activities		
Payments to suppliers and employees	(4,334,048)	(3,088,422)
Receipts from customers and other debtors	1,714,203	760,034
Interest received	6,769	24,499
Interest paid	(2,256)	(1,455)
Net cash outflow from operating activities	(2,615,332)	(2,305,344)
Cash flows from investing activities		
Purchase of property, plant & equipment	(10,264)	-
Net cash paid for acquisition of business unit	(962,464)	-
Loan provided to third party	-	(128,469)
Net cash outflow from investing activities	(972,728)	(128,469)
Cash flows from financing activities		
Proceeds from issue of shares	1,111,000	5,000,000
Payments for share issue costs	(15,510)	(298,667)
Net cash inflow from financing activities	1,095,490	4,701,333
Net increase/(decrease) in cash and cash equivalents	(2,492,570)	2,267,520
Effect of movement in exchange rates on cash held	(36,962)	5,229
Cash and cash equivalents at beginning of the financial period	4,947,217	4,910,375
Cash and cash equivalents at end of the period	**2,417,685**	**7,183,124**

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

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1. Summary of significant accounting policies

Basis of preparation
These general purpose interim financial statements for the half-year reporting period ended 31 December 2018 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 2018 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 2018, other than as detailed in the notes below.

New and amended standards adopted by the entity
These consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2018, except for the impact of the new and amended standards and interpretations issued by the AASB. The adoption of the new and amended standards and interpretations, other than AASB 15, did not result in any significant changes to the Group's accounting policies.

AASB 9 Financial Instruments
AASB 9 was adopted 1 January 2018 and the related amendments to other accounting standards introduced three significant areas of change from AASB 139 *Financial Instruments: Classification and Measurement:*
- A new model for classification and measurement of financial assets and liabilities
- A new expected loss impairment model for determining impairment allowances; and
- A redesigned approach to hedge accounting.

No change to the classification or measurement of financial assets and liabilities have been required. Based on historical losses, the expected loss impairment model has an immaterial impact on the Group. In addition, the Group does not have hedging transactions. The Group's changes to accounting policy for trade and other receivables is detailed below:

Trade receivables (without a significant financing component) are initial recognised at their transaction price and all other receivables are initially measured at fair value. Receivables are measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:
- It is held within a business model with the objective to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For the purposes of the assessment of whether contractual cash flows are solely payments of principal and interest, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial assets contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:
- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

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1. Summary of significant accounting policies (continued)

For all other receivables measured at amortised cost, the Group recognised lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. If on the other hand the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to expected credit losses within the next 12 months.

Expected credit losses are a probability-weighted estimated of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset.

The Group considers an event of default has occurred when a financial asset is more than 90 days past due or external sources indicate that the debtor is unlikely to pay its credits, including the Group. A financial asset is credit impaired when there is evidence that the counterparty is in significant financial difficult or a breach of contract, such as a default or past due event has occurred. The Group writes off a financial asset when there is information indicating the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

AASB 15 Revenue from contracts with Customers
AASB 15 was adopted by the Group on 1 July 2018. AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group has considered AASB 15 in detail and determined that the impact on the Group's sales revenue from contracts under AASB 15 is not material for the current interim period.

The Group's new revenue accounting policy is detailed below:

The principal activities of the Group is the commercialisation of its technologies with mobile telecommunication carriers.

<u>Licensing of Technologies</u>
The nature of an entity's promise in granting a license is a promise to provide a right to access the entity's intellectual property if all of the following criteria are met:

a) The contract requires, or the customer reasonably expects, that the entity will undertake activities that significantly affect the intellectual property to which the customer has rights;
b) The rights granted by the licence directly expose the customer to any positive or negative effects of the entity's activities identified in in paragraph (a) above; and
c) Those activities do not result in the transfer of a good or a service to the customer as those activities occur.

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1. Summary of significant accounting policies (continued)

The Group's assessment during the reporting period concludes that all of the above criteria have been met in instances where revenue has been received for licensing fees. Accordingly, as a right of access has been granted, revenue has been recognised over time. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the licensing of technology, the Group considers the effect of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Maintenance/Service revenue
Maintenance/service revenue is recognised over the life of the service contract as the Group's service obligations under the contract are satisfied.

Contract balances
Contract Assets:
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets under AASB 9: Financial Instruments above.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the

Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Standards and Interpretations in use not yet adopted
The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the half year ended 31 December 2018.

As a result of this review the Directors have determined that AASB 16 Leases may have a material effect on the application in future periods.

AASB 16 replaces AASB 117 Leases and related interpretations.

AASB 16 removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. Most leases will be capitalised on the statement of financial position by recognising a lease liability for the present value obligation and a 'right of use' asset. The right of use asset is calculated based on the lease liability plus initial direct costs, prepaid lease payments and estimated restoration costs less lease incentives received. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in the expense recognition with interest and depreciation replacing operating lease expense. There are exemptions for short-term leases and leases of low-value items.

Lessor accounting remains similar to current practice, i.e. lessors continue to classify leases as finance and operating leases.

This Standard will primarily affect the accounting for the Group's operating lease commitments predominately relating to the leased office premises in the United States and Brazil. The Group is considering available options to account for this transition which may result in an increase in reported earnings before interest, tax and depreciation and amortisation (EBITDA) and increase in lease assets and liabilities recognition. The Standard may also have an impact on deferred tax balances. This will however be dependent on the lease arrangements in place when the new Standard is effective, The Group has commences the process of evaluating the impact of the new Standard.

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1. Summary of significant accounting policies (continued)

AASB 16 is effective from annual reporting periods beginning on or after 1 January 2019. A lessee can choose to apply the Standard using a full retrospective or modified retrospective approach.

Other than the above, there is no material impact of the new and revised Standards and Interpretations on the Company and therefore, no material change is necessary to Group accounting policies.

Statement of Compliance
The interim financial statements were authorised for issue on 28 February 2019.

The interim financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the interim financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

Significant Accounting Estimates and Judgements
The preparation of the interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2018, except for the impact of the new Standards and Interpretations effective 1 July 2018 as disclosed above.

Going Concern
The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

As disclosed in the review report for the half year ended 31 December 2018 the Group recorded a loss of $3,794,152 and had net cash outflows from operating activities of $2,615,332 for the period ended 31 December 2018. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

The ability of the entity to continue as a going concern is dependent on securing additional funding through capital raising activities and securing of material revenue generating contracts to continue its operational and marketing activities.

The directors are satisfied they will be able to raise additional working capital as required and thus it is appropriate to prepare the financial statements on a going concern basis. In arriving at this position, the Directors have considered the following:

- The completion of a placement to professional and sophisticated investors in December 2018 to raise $1.11m (before costs);
- Continued growth of revenue products; and
- Prudent cost management.

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1. Summary of significant accounting policies (continued)

Syntonic intends to continue to actively grow its global business by capturing the demand for its Revenue Generation Platform from carrier customers primarily in Asia, Sub-Saharan Africa, and Latin America.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

The half year financial report has been prepared on the basis of historical cost, except where stated. For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

Business Combinations
Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Intangible Assets
Expenditure on the research phase of projects to develop new customised software is recognised as an expense as incurred. Costs that are directly attributable to a project's development phase are recognised as intangible assets provided they meet the following recognition requirements:

- Development costs can be reliably measured;
- The project is technically and commercially feasible;
- The group intends to and has sufficient resources to complete the project; and
- The group has the ability to use or sell the software.

The fair value of identifiable intangible assets are also recognised in accordance with AASB 3 for any business combinations entered into by the Group.

Following initial recognition, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when the intangible is complete and the asset is available for use, or the date of acquisition. It is amortised over the period of expected future benefit. Amortisation is recorded in the Statement of Profit or Loss and Other Comprehensive Income.

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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 2018	Mobile Technology Services $	Corporate $	Total $
Segment performance			
Revenue from continuing operations	2,831,120	-	2,831,120
Profit/ (Loss) before income tax	(2,985,260)	(808,892)	(3,794,152)
Total segment assets	**3,897,301**	**1,574,617**	**5,471,918**
Total segment liabilities	**3,059,901**	**134,903**	**3,194,804**

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**

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3. Revenue

The Group derives its revenue from the sale of goods and the provision of services at a point in time and over time in the following major categories. This is consistent with the revenue information that is disclosed for each reportable segment under AASB 8 (see note 2).

	Six months to 31 December 2018
At a point in time	
Other – service revenue	27,598
	27,598
Over time	
Licensing – software	413,964
Subscriptions - software	2,085,984
Hosting – service revenue	124,189
Maintenance and support – service revenue	179,385
	2,803,522
Total Revenue	**2,831,120**

No impairment was recorded against receivables or contract assets from contracts with customers in the six months to 31 December 2018.

Total segment revenue, being revenue generated from external customers, equals total revenue from contracts with customers for the six months to 31 December 2018. The Group confirms no adjustments and eliminations to revenue were recognised in the period.

4. Other Assets

Current	**31 December 2018**	**30 June 2018**
Prepaid expenses	185,098	12,969
Loan receivable (i)	141,683	128,469
	326,781	**141,438**

(i) Loan receivable refers to a US$100,000 loan advanced to Rimoto Ltd ("Loan") in accordance with a Loan Agreement between Rimoto Ltd and the Company dated 23 October 2017. A subsequent Freeway Reseller Appendix was executed detailing that the Loan is now repayable by way of the Company receiving all of the Partner's share of Eligible Gross Margin as defined in the Freeway Reseller Appendix, and all interest is waiver thereunder. Until such time that the Loan is repaid in full, the Loan Agreement and accompanying Security Pledge, dated 23 October 2017 shall remain in force.

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5. Intangibles

	31 December 2018	30 June 2018
Intellectual Property at cost (i)	979,605	-
Less: Accumulated amortisation and impairment	(58,310)	-
Customer Contracts at cost (ii)	481,414	-
Less: Accumulated amortisation and impairment	(45,416)	-
Goodwill	617,057	
	1,974,350	**-**

(i) Intellectual property includes $965,805 (US$702,430) acquired as part of the Brazilian mobile commerce business unit acquisition (refer to Note 6 for further detail). As at 31 December 2018, the remaining amortisation period for this intellectual property is 79 months.

(ii) Commercial contracts acquired include $474,632 (US$345,200) as part of the Brazilian mobile commerce business unit acquisition (refer to Note 6 for further detail). As at 31 December 2018, the remaining amortisation period for these customer contracts is 48 months.

a) Reconciliation of movements in intangible assets

	$
Intangible Assets	
Balance at 1 July 2017	-
Balance at 30 June 2018	**-**
Additions (i)	2,052,247
Impairment expense	-
Amortisation expense	(100,146)
Foreign exchange conversion at period end	22,249
Balance at 31 December 2018	**1,974,350**

(i) Refer to Note 6: Business Combinations for additional detail on intangible assets acquired as part of business combination.

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6. Business Combination

On 20 August 2018, Syntonic announced it had acquired 100% of the assets of the mobile commerce (or "value-added-services") business unit from Zenvia Mobile Servicos Digitais ("Zenvia"), a leading Brazilian Application-to-Person service provider. Acquisition date was determined to be 31 July 2018, with Syntonic acquiring:

- Zenvia's Mobile Commerce Platform which enables direct-carrier-billing for mobile customers to make online purchases
- Assignment of all active mobile carrier and content provider agreements
- The transfer of key employees to support the business operations

a) Details of the consideration paid to Vendors:

	$
Cash deposit paid (US$700,000)	962,464
Contingent consideration	1,283,918
Total purchase consideration	**2,246,382**

b) Contingent consideration

The contingent consideration comprised of a seller earn-out agreement where Zenvia will be entitled to an earn-out of 20% of the first US$21.5 million of contribution margin generated by the acquired assets over 3.5 years.

For the purposes of the Agreement, contribution margin was defined as the net revenue derived from the mobile commerce platform minus media marketing expenses as provided for in the Asset Purchase Agreement.

The value of the contingent consideration has been assessed based on the Board's best estimate of the contingent consideration at acquisition date. The estimated value of yearly contingent consideration was then discounted to determine the net present value of the contingent consideration.

As at 31 December 2018, the contingent consideration has increased to $1,426,559 which includes an unwinding of the discount rate, recognised in the Statement of Profit or Loss and Other Comprehensive Income of $162,973, and foreign exchange movement of $20,332.

c) Assets and liabilities acquired

The Group has provisionally recognised the fair values of the identifiable assets and liabilities acquired based upon the best information available as of the reporting date:

Provisional business combination accounting is as follows:

Fair Value at Acquisition Date	**$**
Accounts Receivable	707,383
Accounts Payable	(513,248)
Intangible asset – intellectual property	965,805
Intangible asset – commercial contracts	474,632
Provisional fair value of identifiable net assets	**1,634,572**
Goodwill arising on acquisition	**611,810**
Total Consideration	**2,246,382**

The initial accounting for the acquisition of mobile commerce business unit assets has only been provisionally determined at the end of the reporting period. At the end of the period, the final valuation report in respect to the valuation of the intangibles acquired had not yet been received. As a result, the necessary market valuations and other calculations had not been finalised and the fair value of the intangibles, associated tax implications and goodwill above have therefore only been provisionally determined based on the Directors' best estimate of the likely fair value of intangibles.

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7. Contributed Equity

(a) Issued Capital

	31 December 2018		30 June 2018	
	$	No.	$	No.
Ordinary shares	38,643,218	2,982,110,210	32,521,689	2,609,543,546
Performance shares (i)	-	-	5,024,779	333,333,334
	38,643,218	**2,982,110,210**	**37,546,468**	**2,942,876,880**

(i) As part of the consideration for the acquisition of Syntonic Wireless on 8 July 2016 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:

a. 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;

b. 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

c. 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 on 8 January 2018 with 166,666,666 performance shares being converted to ordinary shares on 6 July 2018.

On 9 July 2018, the Company announced that performance shares associated with Milestone (c) had expired in accordance with their terms and conditions.

(b) Movement reconciliation

Ordinary Shares	No. of Ordinary Shares	No. of Performance Shares	$
Opening balance at 1 July 2018	2,609,543,546	333,333,334	37,546,468
Conversion of performance shares	166,666,666	(166,666,666)	-
Expiration of performance shares	-	(166,666,668)	-
Issue of shares to Directors in lieu of director fees as approved at the AGM on 1 November 2018	3,900,000	-	39,000
Issue of 201,999,998 Placement Shares at $0.0055 each on 24 December 2018 (net of transaction costs)	201,999,998	-	1,057,750
Closing Balance at 31 December 2018	**2,982,110,210**	**-**	**38,643,218**

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8. Reserves

	31 December 2018 $	30 June 2018 $
Share based payment reserve (i)	2,835,816	2,349,156
Foreign currency translation reserve	(306,586)	(292,274)
	2,529,230	**2,056,882**

(i) Share based payment reserve

	31 December 2018 No.	30 June 2018 No.	31 December 2018 $	30 June 2018 $
Balance at beginning of the period	219,333,333	79,000,000	2,349,156	554,604
Incentive option issue (22-Sep-17)	-	7,000,000	-	77,372
Broker options issued following Placement (18-Dec-17)	-	133,333,333	-	1,372,140
Incentive option issue (6-Jul-18)	17,286,763	-	78,307	-
Incentive option issue (16-Oct-18)	43,638,984	-	241,435	-
Incentive option issue (14-Nov-18)	97,167,357	-	142,582	-
Cancellation or forfeiture of options	(20,000,000)	-	(74,556)	-
Further vesting of options on issue	-	-	98,892	345,040
	357,426,437	**219,333,333**	**2,835,816**	**2,349,156**

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9. 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 2018

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	16,386,763	06/07/2018	Various[1]	06/07/2028	$0.014	$158,287
B	Employee	900,000	06/07/2018	Various[2]	06/07/2028	$0.014	$8,693
C	Consultant	43,638,984	16/10/2018	Various[3]	16/10/2023	$0.012	$241,435
D	Employee	97,167,357	14/11/2018	Various[4]	14/11/2028	$0.009	$621,897

1. One-third of the Unlisted Options will vest upon the successful deployment of the white labelled version of the Freeway data roaming services by Smart Communications with the two remaining thirds vesting on the 24 and 36 month anniversaries from 21 May 2018, subject to continuous engagement.
2. 25% of the Unlisted Options vested on 11 December 2018 with the remaining 75% vesting in equal monthly instalments over the next 48 months subject to continuous engagement
3. 50% of the Unlisted Options vest upon the successful deployment of Syntonic technology commonly known as "Freeway" by Smart Communications; the remaining 50% vest 12 months following execution of the Services Agreement and conditioned upon Syntonic technology licensing agreements with numerous parties.
4. 13,881,051 of the Unlisted Options vested immediately, 13,881,051 will vest on 1 May 2019 and 1 October 2019 respectively, and the remaining 55,524,204 of the Unlisted Options will vest in equal monthly instalments over the next 24 months subject to 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	-	87.01%[1]	2.62%	10.01 years	$0.014	$0.016	$0.010[2]
B	Employee	-	87.01%[1]	2.62%	10.01 years	$0.014	$0.016	$0.010[2]
C	Consultant	-	95.57%[1]	2.26%	5.00 years	$0.012	$0.011	$0.006[2]
D	Employee	-	102.78%[1]	2.73%	10.01 years	$0.009	$0.010	$0.006[2]

1. The expected volatility is based on historic volatility (based on remaining life of the options), adjusted for any expected chances to future volatility due to publicly available information.
2. A 30% discount has been applied to fair value for lack of marketability

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10. Dividends

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

11. 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 following tables shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis as at 31 December 2018 and 30 June 2018:

	Six months to 31 December 2018 Fair Value $	Year to 30 June 2018 Fair Value $	Fair Value Hierarchy	Valuation Technique
31 December 2018				
US-Dollar loans	141,683	128,469	Level 2	Observable exchange rates
Contingent consideration in a business combination (i)	1,426,559	-	Level 3	Discounted cash flow

(i) Contingent consideration in a business combination:

Significant observable inputs	Range (weighted average)	Sensitivity of the input to fair value
Discount rate	23.4% - 24.2% with a mid-point of 23.8%	A 10% increase in the discount rate while holding all other variables constant would decrease the carrying amount of the contingent consideration by $43,075. Similarly, a 10.0% decrease in the discount rate while holding all other variables constant would increase the carrying amount of the contingent consideration by $45,640.

There have been no transfers between the levels of the fair value hierarchy during the six months to 31 December 2018 and year ended 30 June 2018.

The Group has a number of financial instruments which are not measured at fair value in the statement of financial position. The Directors consider that the carrying amounts of cash, current receivables and current payables are considered to be a reasonable approximation of their fair values.

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12. Commitments

There are no new commitments, other than the commitments that existed as at 30 June 2018 that the Group has entered into during the period under review.

13. Contingent Assets and Liabilities

As part of the consideration payable under the Asset Purchase Agreement to acquire the Brazilian mobile commerce business unit assets (refer to Note 6 for further detail in regards to the acquisition), the Seller, being Zenvia is entitled to an earn-out of 20% of the first US$21.5 million of contribution margin generated by the acquired assets over 3.5 years.

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

14. Events Subsequent to Reporting Date

2 Jan 2019	**Board Change** The Company advised that Mr Christopher Gabriel stepped down from his role as Non-Executive Director on 31 December 2018.
11 Jan 2019	**Freeway Service to be Deployed in Vietnam** The Company announced the execution of a Freeway Reseller Agreement with Thang Long Event Limited ("TLC"), a spin-out company of TecaPro Limited, a leading information technology provider in Vietnam. This agreement allows TLC to sublicense the Freeway platform to Mobifone Telecommunications Corporation ("Mobifone") as a white-labelled Freeway service that will be branded *mobifone Go*.
24 Jan 2019	**Advisor Options** 5,000,000 unlisted options exercisable at $0.02 and 10,000,000 unlisted options exercisable at $0.04 have been issued to Mr Gavin Dunhill on his appointment to the Company's Corporate Advisory Board. The unlisted options expire 24 January 2024 and are subject to vesting conditions.

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.

DIRECTOR'S DECLARATION

SYNTONIC

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 2018 and the performance for the half year ended 31 December 2018.

(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:

Gary Greenbaum
Managing Director & CEO

28 February 2019

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HLB MANN JUDD
ADVISORY AND ACCOUNTING

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Syntonic Limited

Report on the Condensed Half-Year 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 2018, 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 2018 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*.

Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 1 in the half year report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year 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 2018 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.

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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*.

HLB Mann Judd
Chartered Accountants

D I Buckley
Partner

Perth, Western Australia
28 February 2019

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