

APPENDIX 4D – HALF YEAR REPORT

Syntonic Limited
ABN 68 123 867 765

1. Reporting period

Half year ended	Previous corresponding period
31 December 2020	31 December 2019

2. Results for announcement to the market

	31 December 2020 A\$	31 December 2019 A\$	% Change
2.1 Revenue from ordinary activities	112,871	28,076	Up 302%
2.2 Loss from ordinary activities after tax attributable to members	(809,115)	(1,824,432)	Up 44%
2.3 Net loss for the period attributable to members	(809,115)	(1,824,432)	Up 44%

2.4 Dividends - Refer to section 5 below.

2.5 Record date for determining entitlements to the dividend - Refer to section 5 below.

2.6 Brief explanation of any of the figures in 2.1 to 2.4 above necessary to enable figures to be understood:

The net loss after tax for the half year ended 31 December 2020 was \$809,115 (31 December 2019: \$1,824,432).

3. Net tangible assets per share

	31 December 2020 A\$ cents	31 December 2019 A\$ cents
Net tangible asset per share (cents per share)	0.007	0.006

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

On 2 November 2020, Syntonic announced, following receipt of shareholder approval, it had completed the sale of the Company's entire interest in the outstanding issued share capital of its subsidiaries Syntonic Wireless Inc. and Syntonic US Inc. (including Syntonic Brasil Tecnologia LTDA, a wholly owned subsidiary of Syntonic US Inc) (together, the "Syntonic US Companies") to First Orion Corp. ("First Orion"), a US corporation ("Transaction").

5. Dividends

No dividends were paid or declared since the start of the half year ended 31 December 2020 (31 December 2019: 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 2020, 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 2020 is unqualified with an emphasis of matter on material uncertainty related to 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 2020.

A handwritten signature in blue ink, appearing to read "David Wheeler".

David Wheeler

Chairman

26 February 2021



Half Year Report

For the
period ended
31 December 2020

ABN 68 123 867 765

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DIRECTORS:	Mr David Wheeler – Non-Executive Chairman Mr Giuseppe Graziano – Non-Executive Director Mr Tim Slate – Non-Executive Director
JOINT COMPANY SECRETARIES:	Mr Tim Slate Mrs Carla Healy
REGISTERED OFFICE:	Level 26, 140 St Georges Terrace, Perth WA 6000, Australia Tel: +61 8 6558 0886
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:	Westpac Banking Corporation
SOLICITORS:	DLA Piper
AUDITOR:	HLB Mann Judd

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 2020 to 31 December 2020 ("the Group") are noted below. Directors were in office for the entire period unless otherwise stated.

Directors

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

Mr David Wheeler – Non-Executive Chairman

Mr Giuseppe Graziano – Non-Executive Director (appointed 1 November 2020)

Mr Tim Slate – Non-Executive Director (appointed 1 November 2020)

Mr Steven Elfman – Non-Executive Chairman (resigned 1 November 2020)

Dr Gary Greenbaum – Executive Director & Chief Executive Officer (resigned 1 November 2020)

Mr Rahul Agarwal – Executive Director, President & Chief Technology Officer (resigned 1 November 2020)

Highlights during the Half-Year

- Executed a Share Purchase Agreement ("SPA") for the sale of the Company's entire interest in Syntonic Wireless, Inc. and Syntonic US, Inc. to the First Orion Corporation ("First Orion").
- The sale was approved by shareholders at a General Meeting on 26 October 2020 and completed on 2 November 2020.

Operating and Financial Review

On 2 November 2020, Syntonic announced, following receipt of shareholder approval, it had completed the sale of the Company's entire interest in the outstanding issued share capital of its subsidiaries Syntonic Wireless Inc. and Syntonic US Inc. (including Syntonic Brasil Tecnologia LTDA, a wholly owned subsidiary of Syntonic US Inc) (together, the "Syntonic US Companies") to First Orion Corp., a US corporation ("Transaction")

In accordance with the terms of the Transaction, the Company received US\$302,000 from First Orion (following the settlement of liabilities associated with the Syntonic US Companies) and is entitled to receive an additional US\$220,000 payable in four (4) equal monthly instalments of US\$55,000 to begin in January 2021 and on the first day of each month thereafter with the last payment payable on 1 April 2021, subject to certain conditions.

Corporate

Furthermore, the Company undertook a selective capital reduction and cancellation of the following securities:

- 602,528,061 Shares held by Mr Gary Greenbaum (and/or his nominee);
- 602,528,061 Shares held by Mr Rahul Agarwal (and/or his nominee); and
- 3,900,000 Shares held by Mr Steve Elfman (and/or his nominee).

The Company also cancelled all of Messrs Greenbaum and Agarwal's (and/or their nominees) existing Performance Rights and Options in the Company (being an aggregate of 398,789,660 Performance Rights and 50,000,000 Options).

On 2 November 2020, Messrs Gary Greenbaum, Rahul Agarwal, and Steve Elfman resigned from the Board at the completion of the sale of the Company's interest in the Syntonic US Companies. Coinciding with these resignations was the appointment of Messrs Giuseppe Graziano and Tim Slate as non-executive Directors.

On 15 January 2021, Mrs Carla Healy was appointed as Joint Company Secretary. Following her appointment, both Mr Tim Slate and Mrs Carla Healy will act as Joint Company Secretaries.

Review of Operations

During the period ended 31 December 2020, Syntonic reported a net loss after tax attributable to the members of \$809,115 (31 December 2019: net loss of \$1,824,432).

DIRECTORS' REPORT (continued)

Outlook

The Company intends to utilise the funds raised from the sale of its divested assets to explore other project and business acquisition opportunities, which may not be in the technology sector.

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

In accordance with the terms of the Transaction, the Company is entitled to receive US\$220,000 payable in four (4) equal monthly instalments of US\$55,000 beginning 4 January 2021 and on the first day of each month thereafter with the last payment payable on 1 April 2021.

First Orion may withhold and/or deduct from the monthly instalments (detailed above) any amounts owing to First Orion by Syntonic under the share purchase agreement, including by reason of a claim made by First Orion in respect to a "buyer indemnity" (which includes a breach of a representation or warranty under the share purchase agreement by Syntonic), a failure by Syntonic to complete the forgiveness process for the loan amount under the Paycheck Protection Program by 1 March 2021 and/or the deduction of an amount of US\$146,000 advanced to Syntonic prior to settlement date, if certain receivables are not received by the Syntonic US Companies on or before 31 January 2021. Syntonic will recover the withheld amount if the receivables are received on or before 31 March 2021.

At the date of this report, the forgiveness of the Paycheck Protection Program loan has not been completed and the certain receivables by the Syntonic US Companies referred above remain outstanding.

Other than the matters described above, 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.

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.

A handwritten signature in blue ink, appearing to read "David Wheeler".

David Wheeler
Chairman

26 February 2021

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 2020, 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
26 February 2021



D I Buckley
Partner

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME



For the half-year ended 31 December 2020

	Note	Half-Year 31 December 2020 \$	31 December 2019 \$
Continuing operations			
Other income		112,871	28,076
Other operating expenses		(240,943)	(395,760)
Share based payment expense		(69,705)	(185,597)
Finance costs		(644)	(611,057)
Interest expense		-	(45,301)
Foreign exchange loss		(24,736)	-
Change in fair value of convertible note		-	227,381
Loss before income tax expense		(223,157)	(982,258)
Income tax expense		-	-
Net loss after tax from continuing operations		(223,157)	(982,258)
Discontinued operation			
Loss after tax from discontinued operation	3(d)	(585,958)	(842,174)
Net loss for the year		(809,115)	(1,824,432)
Other Comprehensive Income/(loss)			
<i>Items that may be reclassified to profit or loss</i>			
Discontinued operation			
Exchange difference realised on disposal of foreign operations		717,151	(68,398)
Total other comprehensive income/(loss) for the period, net of tax		717,151	(68,398)
Total comprehensive loss for the period		(91,964)	(1,892,830)
Total comprehensive loss is attributable to:			
Owners of Syntonic Limited		(91,964)	(1,892,830)
		(91,964)	(1,892,830)
Loss per share from continuing operations attributable to the ordinary equity holders of Syntonic Limited:			
Basic and diluted loss per share (cents) – continuing and discontinued	4	(0.01)	(0.05)
Basic and diluted loss per share (cents) – continuing	4	(0.00)	(0.03)

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 2020

	Note	31 December 2020 \$	30 June 2020 \$
ASSETS			
Current assets			
Cash and cash equivalents		294,341	220,861
Trade and other receivables	3	380,334	15,263
Other assets		30,571	14,546
Assets classified as held for sale	3	-	2,310,635
Total current assets		705,246	2,561,305
TOTAL ASSETS		705,246	2,561,305
LIABILITIES			
Current liabilities			
Trade and other payables		283,544	1,101,029
Liabilities directly associated with assets classified as held for sale	3	-	1,016,315
Total current liabilities		283,544	2,117,344
TOTAL LIABILITIES		283,544	2,117,344
NET ASSETS		421,702	443,961
EQUITY			
Contributed equity	5	44,095,864	44,095,864
Reserves	5	3,394,213	2,607,357
Accumulated losses		(47,068,375)	(46,259,260)
TOTAL EQUITY		421,702	443,961

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



For the half year ended 31 December 2020

	Contributed Equity	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2020	44,095,864	3,324,508	(717,151)	(46,259,260)	443,961
Loss for the period ended 31 December 2020	-	-	-	(809,115)	(809,115)
Other comprehensive income	-	-	717,151	-	717,151
Total comprehensive loss for the period	-	-	717,151	(809,115)	(91,964)
Transactions with owners, recorded directly in equity					
Share based payment	-	69,705	-	-	69,705
Balance at 31 December 2020	44,095,864	3,394,213	-	(47,068,375)	421,702

	Contributed Equity	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2019	40,566,508	3,057,070	(271,680)	(42,898,743)	453,155
Loss for the period ended 31 December 2019	-	-	-	(1,824,432)	(1,824,432)
Other comprehensive loss	-	-	(68,398)	-	(68,398)
Total comprehensive loss for the period	-	-	(68,398)	(1,824,432)	(1,892,830)
Transactions with owners, recorded directly in equity					
Issue of shares, net of transaction costs	3,528,356	-	-	-	3,528,356
Share based payment	-	185,597	-	-	185,597
Balance at 31 December 2019	44,094,864	3,242,667	(340,078)	(44,723,175)	2,274,278

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 2020

	Note	31 December 2020 \$	31 December 2019 \$
Cash flows from operating activities			
Receipts from customers and other debtors		263,560	1,066,372
Royalty income		79,624	-
Payments to suppliers and employees		(882,785)	(3,666,173)
Interest received		-	161
Interest paid		(260)	(45,301)
Net cash outflow from operating activities		(539,861)	(2,644,941)
Cash flows from investing activities			
Proceeds from divestment	3	549,915	-
Cash disposed of	3	(37,081)	-
Net cash inflow/(outflow) from investing activities		512,834	-
Cash flows from financing activities			
Proceeds from borrowings		201,713	750,000
Repayment of borrowings		-	(1,844,891)
Proceeds from issue of shares		-	3,472,033
Payments for share issue costs		-	(233,322)
Net cash inflow from financing activities		201,713	2,143,820
Net increase/(decrease) in cash and cash equivalents		174,686	(501,121)
Effect of movement in exchange rates on cash held		(101,206)	(13,128)
Cash and cash equivalents at beginning of the financial period		220,861	1,399,512
Cash and cash equivalents at end of the period		294,341	885,263

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2020



1. Summary of significant accounting policies

Basis of preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2020 have 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 Group 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 2020 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 2020, other than as detailed in the notes below.

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.

New and amended standards adopted by the Group

In the period ended 31 December 2020, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and have determined there is no material impact on the Group and therefore no change is necessary to Group accounting policies.

Impact of standards issued but not yet applied by the Group

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the period ended 31 December 2020. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no changes is necessary to Group accounting policies.

Statement of Compliance

The interim financial statements were authorised for issue on 26 February 2021

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 judgements, 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 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2020



1. Summary of significant accounting policies continued

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 interim report for the half year ended 31 December 2020, the Group recorded a loss of \$809,115 and had net cash outflows from operating activities of \$539,861 for the period ended 31 December 2020.

The Directors believe that it is reasonably foreseeable that the Company and the Group will continue as going concerns and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- The ability to issue additional shares under the *Corporation Act 2001* to raise further working capital; and
- The Group has the ability to scale down its operations in order to curtail expenditure, in the event capital raisings are delayed or insufficient cash is available to meet projected expenditure.

The directors have reviewed the Group's financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will be able to secure funds to meet its commitments.

There are a number of inherent uncertainties relating to the Group's future plans including but not limited to:

- whether the Company will be able to raise equity in this current market; and
- whether the Group would be able to secure any other sources of funding.

Accordingly, there is a material uncertainty that may cast significant doubt whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

2. Segment Information

Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker.

The Chief Operating Decision Marker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Syntonic Limited.

The Group had two material geographic segments in which it provided software services (Brazil and United States) and a third which provided corporate services to the group (Australia).

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the periods ending 31 December 2020 and 31 December 2019.

31 December 2020	Brazil \$	United States \$	Australia/Un allocated \$	Total \$
Segment income from continuing operations				
Other income	-	-	112,871	112,871
Total income	-	-	112,871	112,871

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2020



	Brazil \$	United States \$	Australia/Un allocated \$	Total \$
Segment income from discontinued operations				
Revenue from contracts with customers	1,323,294	45,372	-	1,368,666
Other income	-	309,021	-	309,021
Total income	1,323,294	354,393	-	1,677,687

Segment expenses from continuing operations				
Operating expenses	-	-	(266,323)	(266,323)
Share based payment expenses	-	-	(69,705)	(69,705)
Loss before depreciation and amortisation	-	-	(223,157)	(223,157)
Depreciation and amortisation	-	-	-	-
Loss after depreciation and amortisation	-	-	(223,157)	(223,157)

Segment expenses from discontinued operations				
Cost of sales	(1,173,732)	(23,568)	-	(1,197,300)
Operating expenses	(330,039)	(390,191)	-	(720,230)
Loss on disposal	-	-	(501,516)	(501,516)
Loss before income tax	(180,477)	(59,366)	(501,516)	(741,359)
Tax benefit	155,401	-	-	155,401
Loss after income tax	(25,076)	(59,366)	(501,516)	(585,958)

Segment assets and liabilities				
Total assets	-	-	705,246	705,246
Total liabilities	-	-	(283,544)	(283,544)
Net assets (liabilities)	-	-	421,702	421,702

31 December 2019

Segment income from continuing operations				
Other income	-	-	28,076	28,076
Total income	-	-	28,076	28,076

Segment income from discontinued operations				
Revenue from contracts with customers	3,861,770	146,731	-	4,008,501
Other income	-	51	-	51
Total income	3,861,770	146,782	-	4,008,552

Segment expenses from continuing operations				
Operating expenses	-	-	(824,737)	(824,737)
Share based payment expenses	-	-	(185,597)	(185,597)
Loss before depreciation and amortisation	-	-	(982,258)	(982,258)
Amortisation and depreciation	-	-	-	-
Loss before income tax	-	-	(982,258)	(982,258)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2020



	Brazil \$	United States \$	Australia/Un allocated \$	Total \$
Segment expenses from discontinued operations				
Cost of sales	(3,126,568)	(129,424)	-	(3,255,992)
Operating expenses	155,801	(1,640,548)	-	(1,484,747)
Loss before depreciation and amortisation	891,003	(1,623,190)	-	(732,187)
Amortisation and depreciation	(131,854)	(58,442)	-	(190,296)
Loss before income tax	759,149	(1,681,632)	-	(922,483)
Tax benefit	80,309	-	-	80,309
Loss after income tax	839,458	(1,681,632)	-	(842,174)

30 June 2020

Segment assets and liabilities				
Total assets	2,201,544	311,360	48,401	2,561,305
Total liabilities	(731,317)	(1,212,942)	(173,085)	(2,117,344)
Reclassification to assets held for sale (net)	(1,362,957)	68,637	1,294,320	-
Net assets (liabilities)	107,270	(832,945)	1,169,636	443,961

3. Disposal of subsidiaries

Discontinued operation

On 25 September 2020, the Company signed a Share Purchase Agreement ("SPA") with First Orion Corp ("First Orion") for the sale of all issued and outstanding share capital of Syntonic Wireless, Inc. and Syntonic US, Inc. ("the Syntonic US Companies") ("Divestment"). The sale also included Syntonic Brasil Tecnologia LTDA, a wholly owned subsidiary of Syntonic US Inc.

The purchase price outlined in the SPA was US\$1,220,000 payable as follows:

- US\$1,000,000 in cash on completion of the Proposed Transaction; and
- US\$220,000 payable in four (4) equal monthly instalments of US\$55,000 beginning 1 January 2021 and on the first day of each month thereafter with the last payment payable on 1 April 2021, subject to certain conditions.

The divestment was approved by shareholders on 26 October 2020 and the Company announced that the sale was complete on 2 November 2020.

In accordance with the SPA, of the purchase price noted above \$US603,000 (\$AUD875,714) was retained by First Orion for settlement of group creditors. In addition, First Orion may withhold and/or deduct from the monthly instalments (detailed above) any amounts owing to First Orion by Syntonic under the SPA, including by reason of a claim made by First Orion in respect to a "buyer indemnity" (which includes a breach of a representation or warranty under the share purchase agreement by Syntonic), a failure by Syntonic to complete the forgiveness process for the loan amount under the Paycheck Protection Program by 1 March 2021 and/or the deduction of an amount of US\$146,000 advanced to Syntonic prior to settlement date, if certain receivables are not received by the Syntonic US Companies on or before 31 January 2021. Syntonic will recover the withheld amount if these receivables are received on or before 31 March 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2020



a) Loss on disposal

	31 December 2020 \$
Cash consideration (inc. of \$875,714 retained for creditor settlement)	1,425,629
Present value of deferred sales proceeds (trade and other receivables)	314,286
Total disposal consideration	1,739,915
Less: Transaction costs on disposal	(140,940)
Less: Net assets disposed of (see note 3(b))	(1,317,985)
Less: Loss on deconsolidation – foreign exchange	(782,506)
Loss on disposal before income tax	(501,516)
Income tax expense	-
Loss on disposal after income tax (see note 3(d))	(501,516)

b) Net assets at date of sale

The carrying amount of assets and liabilities as at the date of sale were:

	31 December 2020 \$
<i>Assets</i>	
Cash and cash equivalents	37,081
Trade and other receivables	667,222
Other financial assets	131,871
Right of use assets	132,852
Property, plant and equipment	13,448
Intangible assets	1,321,751
<i>Total assets</i>	2,304,225
<i>Liabilities</i>	
Trade and other payables	746,487
Lease liability	106,053
Borrowings	133,700
<i>Total liabilities</i>	986,240
<i>Net assets</i>	1,317,985

c) Net cash inflow on disposal

The cash inflow on disposal is as follows:

	31 December 2020 \$
Cash and cash equivalents consideration received or receivable	864,200
Net cash and cash equivalents disposed of	(37,081)
Net cash inflow on disposal	827,119

As at balance cash of \$549,915 had been received by Syntonic, \$314,286 remains in trade and other receivables.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2020



d) Financial performance from discontinued operation

The financial performance from the discontinued operation is as follows:

	6 months to 31 December 2020 \$	6 months to 31 December 2019 \$
Revenue	1,677,687	4,008,552
Expenses	(1,917,530)	(4,931,035)
Loss before income tax	(239,843)	(922,483)
Tax benefit	155,401	80,309
Loss after income tax	(84,442)	(842,174)
Loss on disposal after income tax (see note 3 (a))	(501,516)	-
Loss from discontinued operations	(585,958)	(842,174)

4. Earnings per share

	6 months to 31 December 2020 Cents	6 months to 31 December 2019 Cents
Basic and Diluted Profit/(Loss) per Share		
From continuing and discontinued operations		
- Basic loss per share	(0.01)	(0.05)
- Diluted loss per share	(0.01)	(0.05)
From continuing operations		
- Basic earnings/(loss) per share	(0.00)	(0.03)
- Diluted earnings/(loss) per share	(0.00)	(0.03)

The following reflects the income and share data used in the calculations of basic loss per share:	\$	\$
- Net loss from continued and discontinued operations	(809,115)	(1,824,432)
- Net gain/(loss) from continuing operations	(223,157)	(842,174)

	2020 Number of ordinary shares	2019 Number of ordinary shares
Weighted average number of Ordinary Shares used in calculating basic and diluted loss per share	6,713,344,396	3,707,712,611

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2020



5. Contributed Equity

a) Issued Capital

	31 December 2020		30 June 2020	
	\$	No.	\$	No.
Ordinary shares issued and fully paid	44,095,864	5,735,609,390	44,095,864	6,944,565,512
	44,095,864	5,735,609,390	44,095,864	6,944,565,512

b) Movement reconciliation

Date	Ordinary Shares	No. of Ordinary Shares	6 months to 31 December 2020 \$
1-Jul-20	Opening balance	6,944,565,512	44,095,864
26-Nov-20	Share cancellation	(1,208,956,122)	-
31-Dec-20	Closing Balance at 31 December 2020	5,735,609,390	44,095,864

c) Reserves

	31 December 2020 \$	30 June 2020 \$
Share based payment reserve	3,394,213	3,324,508
Foreign currency translation reserve	-	(717,151)
	3,394,213	2,607,357

6. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2020



Options in existence during the period

Options vest on their respective vesting dates with the following conditions.

	Class of Options	Issue Date	Exercise Price	Expiry Date	Vesting Date	Disposal Restriction
A	15,000,000 employee options	7 Apr 2017	\$0.030	28 Feb 2027	Multiple	None
B	133,333,333 broker options	18 Dec 2017	\$0.030	31 Dec 2020	Immediately on issue	None
C	16,386,763 employee options	6 Jul 2018	\$0.014	6 Jul 2028	Multiple ¹	None
D	900,000 employee options	6 Jul 2018	\$0.014	6 Jul 2028	Multiple ²	None
E	43,638,984 consultant options	16 Oct 2018	\$0.012	16 Oct 2023	Multiple ³	None
F	97,167,357 employee options	14 Nov 2018	\$0.009	14 Nov 2028	Multiple ⁴	None
G	5,000,000 consultant options	24 Jan 2019	\$0.02	24 Jan 2024	24 Jan 2020	None
H	10,000,000 consultant options	24 Jan 2019	\$0.04	24 Jan 2024	24 Jan 2021	None
I	1,685,516,378 listed options	22 Dec 2019	\$0.002	31 Dec 2022	Immediately on issue	None

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.

On 11 September 2020, 10,000,000 unlisted options exercisable at \$0.04 were cancelled as vesting conditions were not met. On 3 November 2020, the Company announced the cancellation of 50,000,000 listed options. 133,333,333 broker options expired on 31 December 2020.

No options were issued during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2020



Performance Rights

On 16 December 2019, the Company issued the following Performance Rights to Directors of the Company, following shareholder approval obtained at the Annual General Meeting held on 18 November 2019:

	Number	Grant date	Expiry date	Issue price at grant date	Fair value at grant date	Conversion milestones
Class A	199,300,830	19 November 2019	31 December 2020	\$0.0010	\$0.0010	Converted into shares subject to the Company achieving an EBITDA positive quarter prior to 31 December 2020
Class B	199,300,830	12 November 2019	31 December 2022	\$0.0010	\$0.0010	Converted into shares subject to the Company achieving a \$1.5 million or more EBITDA in any calendar quarter prior to 31 December 2022

On 3 November 2020, the Company announced the cancellation of the above performance rights, following approval at the General Meeting on 26 October 2020.

7. Dividends

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

8. Financial instruments

Fair value measurement

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy.

The three levels are defined based on the observability of significant inputs to the measurement as follows:

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

Valuation techniques used to determine fair values

The Group did not have any financial instruments that are recognised in the financial statements where their carrying value differed from the fair value. The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The carrying amounts of cash and short-term trade and other receivables, trade payables and other current liabilities approximate their fair values largely due to the short-term maturities of these payments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2020



9. Commitments

There are no new commitments, other than the commitments that existed as at 30 June 2020 that the Group has entered into during the period under review.

10. Contingent Assets and Liabilities

In accordance with the terms of the Transaction, the Company is entitled to receive US\$220,000 (included within trade and other receivables at balance date) payable in four (4) equal monthly instalments of US\$55,000 beginning 4 January 2021 and on the first day of each month thereafter with the last payment payable on 1 April 2021, subject to certain conditions.

First Orion may withhold and/or deduct from the monthly instalments (detailed above) any amounts owing to First Orion by Syntonic under the share purchase agreement, including by reason of a claim made by First Orion in respect to a "buyer indemnity" (which includes a breach of a representation or warranty under the share purchase agreement by Syntonic), a failure by Syntonic to complete the forgiveness process for the loan amount under the Paycheck Protection Program by 1 March 2021 and/or the deduction of an amount of US\$146,000 advanced to Syntonic, if certain receivables are not received by the Syntonic US Companies on or before 31 January 2021. Syntonic will recover the withheld amount if these receivables are received on or before 31 March 2021.

At the date of this report, the forgiveness of the Paycheck Protection Program loan has not been completed and the certain receivables by the Syntonic US Companies referred above remain outstanding.

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

11. Events subsequent to reporting date

Other than the matters described above in Note 10, 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.

12. Interest in Subsidiaries

Subsidiaries of Syntonic Limited

Name	Country of Incorporation	% Equity Interest	
		31 December 2020	30 June 2020
Syntonic Wireless, Inc.	United States	-	100%
Syntonic US, Inc.	United States	-	100%
Syntonic Brasil Tecnologia Ltda	Brazil	-	100%

On 2 November 2020 the Group disposed of its 100% equity interest in its subsidiaries Syntonic Wireless, Inc. and Syntonic US, Inc. (which includes Syntonic Brasil Tecnologia Ltda). The subsidiaries were classified as held for sale in the 30 June 2020 annual financial report. Refer to note 3 for additional details.

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 Group's financial position as at 31 December 2020 and its performance for the half year ended 31 December 2020.
- (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 blue ink, appearing to read "D. Wheeler", is written over a light blue horizontal line.

David Wheeler
Chairman

26 February 2021

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 2020, 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 information, and the directors' declaration, for the Group 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 does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

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

Responsibility of the directors for the 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.

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 31 December 2020 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*.

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

Perth, Western Australia
26 February 2021



D I Buckley
Partner