

## SYNTONIC JUNE 2017 QUARTERLY REVIEW

Highlights during the quarter include:

- **Syntonic customer receipts of A\$593,197 in Q4 FY2017**
- **Launch of Freeway Overpass™, the world-first cross-carrier content subscription service, providing subscribers the flexibility to purchase unlimited content-plans for a specific duration**
- **Freeway Overpass is available to over 140M AT&T and Verizon customers in the US with major marketing campaigns starting in early August**
- **Syntonic successfully renegotiated a 20% reduction in AT&T's wholesale data pricing to reduce its content services' delivery costs**
- **Verizon's first quarter deploying the Freeway SDK into its data-free apps include native installation on its LG K20 V and Motorola Z2 Play smartphones**
- **Prominent appointments to the Board with Steve Elfman, former President of Sprint, elected as Non-Executive Chairman; and Nigel Hennessy, a recognised leader in technology commercialisation, appointed as Non-Executive Director**
- **Robust cash position with reserves of A\$4.91m**

**Seattle, United States – Syntonic Limited (“Syntonic” or “Company”)**, a mobile platform and services provider, is pleased to provide investors an update on the Company's activities for Q4 FY2017 along with the accompanying Appendix 4C.

Gary Greenbaum, CEO and Managing Director of Syntonic, commented:

*“I am pleased to report our fourth quarter results which also marks our first year since listing on the ASX. In the last year, we have progressed to full commercialisation stage, expanding into various geographies, signing agreements with large content providers and licensing our core technologies to tier-one mobile operators.*

*The last quarter was particularly significant with the launch of our OTT content services solution, Freeway Overpass. Overpass is the industry's first cross-carrier solution allowing consumers to purchase mobile ‘content-plans’ with unlimited access to the apps and content they most enjoy. As we push our marketing efforts in the US and beyond, I am confident of Overpass’ consumer adoption and financial success.*

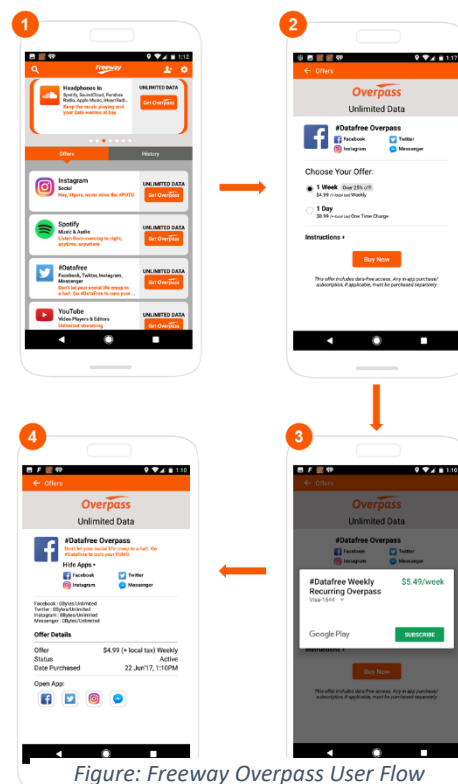
*In addition to Overpass, we see a strong customer pipeline for our solutions---Freeway sponsored data services with app publishers and brands paying for consumer mobile access; Syntonic DataFlex® with enterprises requiring a cost-effective, mobile split billing solution for their employees’ personal smartphones; and Syntonic’s Connected Services Platform™ with mobile operators seeking content-based usage and monetization models for growing ARPU.*

*With our experienced executive team and our accomplished Board, including the latest additions of Steve and Nigel, I have great confidence in the next phase of our growth”.*

Syntonix will also host a live audio Q&A Investor Webinar in early September to address investor queries and discuss its business operations.

### Major events occurred during the Quarter:

- i. Launch of Freeway Overpass --- the first cross-carrier content subscription service that offers unlimited mobile access to the most popular mobile content and applications. This new service reaches over 140M AT&T and Verizon customers in the US. These new ‘content plans’ complement mobile operators’ data-plans with unlimited access to content and apps for a specified duration such as a day, week, or monthly pass. The initial commercial release on the Google Play Store was on 30 June 2017. The iPhone version will be available on the Apple App store in early August, coincident with the Company’s major marketing campaigns promoting the Overpass service. Syntonix also plans to deploy Overpass into additional geographies later this fiscal year. To view the Freeway Overpass experience, the Company has published the following online video, <http://bit.ly/2sdW8Cy>;
- ii. Successful renegotiation completed with AT&T resulting in a 20% reduction in Syntonix’s wholesale data costs;
- iii. Verizon’s first quarter deployment of the Freeway SDK (“software development kit”) in an initial launch of their data-free services. For the first time, the Freeway SDK was natively installed on smartphones---Verizon retail version of the LG K20 V and Motorola Z2 Play.



### Operational Summary

Syntonix has started to experience steady recurring revenue following its agreements with global tier one customers.

For Q4 FY2017 Syntonix experienced cash receipts of A\$593,197. The Company also maintains a comfortable cash position of A\$4,910,375 and remains debt free.

The Company’s strategy factors four key performance metrics:

#### Revenue Generation

Syntonix has three business units: Syntonix Connected Services Platform (CSP), Freeway, and DataFlex. During this past quarter, revenue was dominated by Syntonix CSP licensing which includes the SDK technologies, proxy hosting, and white-labeled Freeway and DataFlex offerings. Given the scale of Verizon and other interested tier-1 carriers, the Company anticipates that over the next several quarters, the bulk of the revenue will come from its high-margin, recurring revenue CSP licensing business.

The Freeway business includes sponsored data, data rewards, and the Company’s latest release, Overpass. Freeway’s sponsored content continues to see consumer growth in the product’s deployed geographies. The Overpass service was “soft-launched” in the US on 30 June with major marketing

campaigns commencing in early August. As a consequence, Syntonic doesn't anticipate Overpass revenues having a noticeable impact to the Company's overall revenue until later in the calendar year.

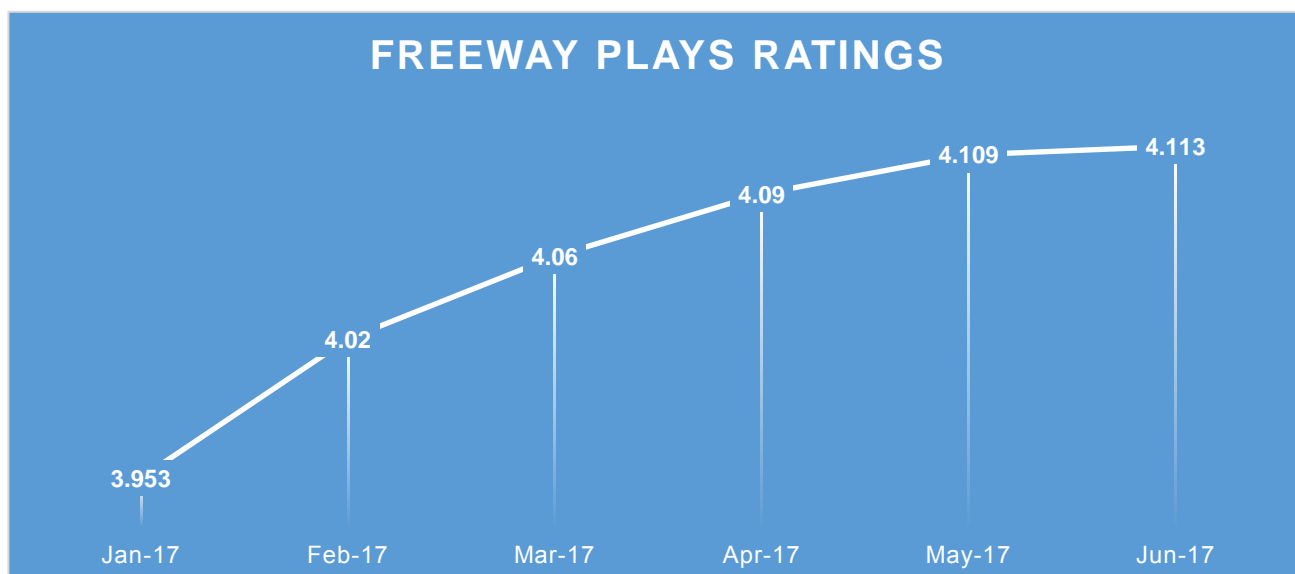
Syntonic has decided to temporarily focus all of its resources on the CSP and Freeway services, rather than on DataFlex despite significant inbound enterprise interest. The Company made this decision based on competitive pressures to quickly capture opportunities with its CSP and Freeway services. The Dataflex service continues to improve based on on-going platform and client enhancements made to the other services. The Company's goal is to start DataFlex commercial deployment and re-seller relationships in early 2018.

### Product Distribution

The Freeway app distribution grew by over 21.5% last quarter with the largest growth in the Mexican market which saw a 101.6% increase in Freeway app downloads over the prior quarter. The Company continues to see steady interest and growth in Indonesia, Malaysia, and India. In the upcoming fiscal year, Syntonic will continue to expand its efforts in Latin America and Southeast Asia and anticipates conversion of current efforts into revenue generating deployments in CIS, Africa and the Middle East ---geographies where consumers are eager for affordable mobile access.

App downloads, however, provide only a partial lens into Freeway's consumer distribution. Verizon commenced deployment of the Freeway SDK in various data-free apps including those natively installed on Verizon-retailed LG K20 V and Motorola Z2 Play smartphones. Given the scale of Verizon's subscriber base, Syntonic anticipates the Freeway SDK will exceed the App distribution in the upcoming quarter.

### Customer Satisfaction

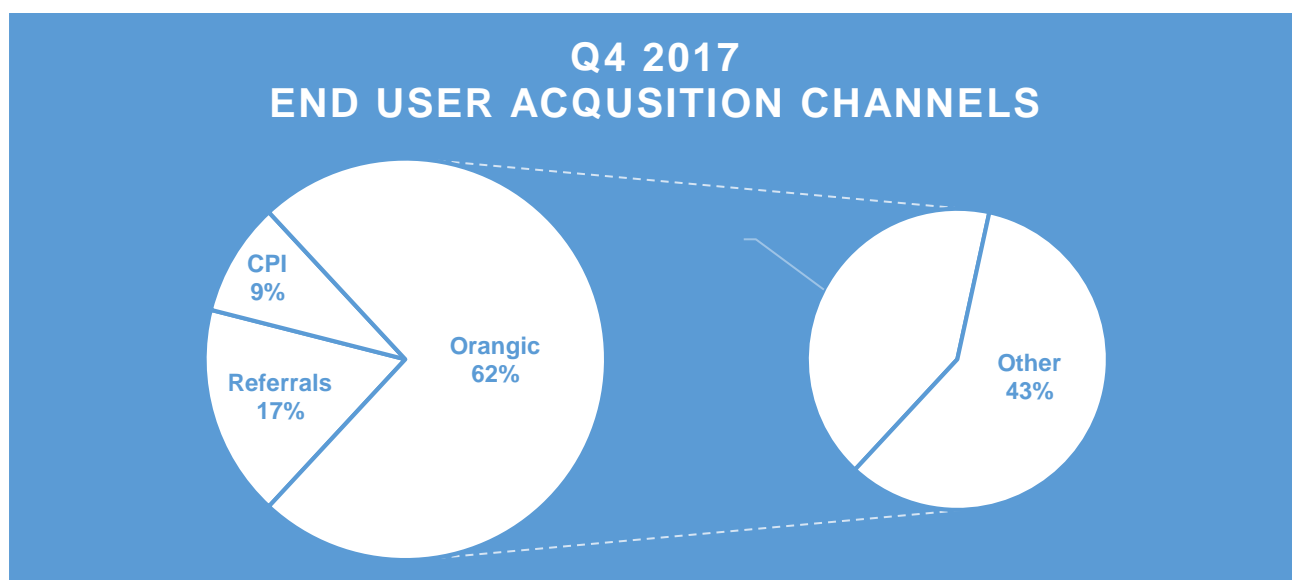


Syntonic is dedicated to continuously improving customer satisfaction as a means to increase customer loyalty and referrals. The Company is proud to announce that the Freeway cumulative ratings as reported by the Google Play Store have been increasing for 9 straight months to a new high of 4.113 (out of 5.0). As a reference, only 20% of apps with distribution over 50,000 installs have a Google Play Store rating between 4.0 and 5.0, positioning Freeway solidly in the top 20% of highest approval ratings for applications.

The Company issued 4 product updates during the Quarter meant either to enhance functionality or eliminate potential product compromises. Syntonic has taken the measure to suspend the limited number of Freeway users demonstrating suspicious activity. This has resulted in a slight increase in negative reviews and decreased ratings. However, Syntonic believes this action protects the financial interests of the Company and maintains a high-quality user base for its products.

### User Acquisition Costs

The Company reduced acquisition costs by 89% compared to Q3 2017 with an overall increase of 21.5% app downloads. The bulk of the user adds were through non-paid channels such as the Freeway in-app referral program which rewards users for recommending Freeway to their friends and organic growth where users find out about the app through other means such as direct search, social marketing, and other media. As a result, the marginal cost for user acquisition in Q4 dropped by nearly 500%. Syntonic is encouraged by the cost efficiencies developed last quarter and will leverage the same tools and developed know-how for Freeway Overpass' user acquisition in the coming quarters.



### **Corporate**

Syntonic continues to attract top industry expertise to its Board with the election of Mr. Steve Elfman as the Non-Executive Chairman and Mr. Nigel Hennessy joining the Board as Non-Executive Director. Mr. Elfman replaces Mr. Ian Middlemas who stepped down from the Board as part of a planned succession.

Mr. Elfman has over 20 years' experience in the wireless industry and brings unparalleled knowledge in wireless infrastructure and mobile applications, holding the former position of President of Network Operations and Wholesale at US telecommunications company Sprint.

Mr. Hennessy is a recognised leader in technology commercialisation, having worked with numerous companies as a Commercialisation and Investment Adviser in Australia, the US, China, Hong Kong and the UK. He has held numerous executive and board roles in large and small companies, including BAE Systems plc, CCN/Cabcharge Ltd, Simoco Pacific Networks Pty Ltd, Adacel Technologies Ltd, AquaSpy, Inc. and EASAMS Ltd. Since 2009, he has covered the position of Commercialisation Adviser to the Federal Government of Australia.



During the quarter, the Company also appointed Mr. Steven Wood and Ms. Kate Sainty from Grange Consulting as joint Company Secretaries of Syntonic, replacing Mr. Gregory Swan who stepped down as part of a planned transition.

In accordance with ASX Listing Rule 6.1 confirmation previously given to the Company, Syntonic provides the following disclosure for the June 2017 quarter:

- i. There are 166,666,666 Performance Shares on issue that shall 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 within a period of 18 months from 8 July 2016; and
- ii. There are 166,666,668 Performance Shares on issue that shall 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 within a period of 24 months from 8 July 2016,

It is noted that 166,666,666 Performance Shares converted to ordinary shares during the March 2017 quarter upon achievement by the Company of its first milestone as disclosed in the Prospectus dated 13 May 2016. No further milestones were achieved during the June 2017 quarter and therefore no Performance Shares were converted to ordinary shares. The remaining Performance Shares will lapse if the milestones are not achieved within two years, being 8 July 2018.

### **About Syntonic**

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

To learn more about Syntonic, visit [www.syntonic.com](http://www.syntonic.com).

For further enquiries, please contact:

**Gary Greenbaum**  
**CEO and Managing Director, Syntonic**  
E: [ir@syntonic.com](mailto:ir@syntonic.com)

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

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

**Name of entity**

Syntonic Limited

**ABN**

68 123 867 765

**Quarter ended ("current quarter")**

30 June 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	593	750
1.2 Payments for		
(a) research and development	(424)	(1,335)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(208)	(907)
(d) leased assets	-	-
(e) staff costs	(616)	(1,825)
(f) administration and corporate costs	(161)	(744)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	27	78
1.5 Interest and other costs of finance paid	(18)	(20)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(807)</b>	<b>(4,003)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.2 Proceeds from disposal of:</b>		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>	-	-
<b>2.4 Dividends received (see note 3)</b>	-	-
<b>2.5 Other (provide details if material):</b>		
(a) cash acquired on reverse acquisition	-	3,779
(b) transaction costs of reverse acquisition	-	(80)
<b>2.6 Net cash from / (used in) investing activities</b>	<b>-</b>	<b>3,699</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	5,440
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(13)	(197)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	(135)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(13)</b>	<b>5,108</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	5,727	115
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(807)	(4,003)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	3,699

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(13)	5,108
4.5	Effect of movement in exchange rates on cash held	3	(9)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>4,910</b>	<b>4,910</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	4,910	5,727
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,910</b>	<b>5,727</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
\$A'000**

628

-

Payments include executive directors' wages, non-executive directors' fees, superannuation, and provision of software engineering services.

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter  
\$A'000**

-

-

Not applicable.



8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

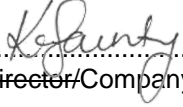
Not applicable.

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	(400)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(300)
9.4 Leased assets	-
9.5 Staff costs	(450)
9.6 Administration and corporate costs	(200)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(1,350)</b>

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

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  ..... Date: 19 July 2017  
(Director/Company secretary)

Print name: Kate Sainty

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.