

18 April 2018

Mr. Dale Allen
Senior Adviser, ASX Listings Compliance
ASX Compliance Pty Ltd
Level 40, Central Park
152-158 St. Georges Terrace
Perth, WA 6000

Dear Mr Allen

Syntonic Limited - ASX Aware Query

We refer to ASX's letter to Syntonic Limited (**Syntonic** or the **Company**) dated 4 April 2018 in relation to the Company's announcement entitled "Syntonic signs first DataFlex Reseller Agreement" (**Aware Letter**), as enclosed with this letter.

An overview of the relevant background and prevailing circumstances, which includes our responses to the various questions in the Aware Letter, are detailed below. Unless otherwise defined, capitalised terms in this letter have the same meaning given to those terms in the Aware Letter.

Background

- 1 Aktay A.S. (**Aktay**) is managed and ultimately owned by Mr Hakan Goren (chief executive officer), Mr Kaan Ketenci (chief operating officer and executive director) and Mr Bulent Ketenci (non-executive chairman) who together have a long and successful history advancing companies in the advertising, media, aviation services, energy and information technology sectors. Refer to Schedule 1 for the curriculum vitae of the ownership / executive team.
- 2 Subject to the receipt of relevant government approvals, which are presently scheduled for the end of April 2018, Aktay will be the only company with the right to resell mobile data from all three Turkish mobile carriers (Turkcell, Turk Telekom and Vodafone Turkey) to support the Company's products and, following receipt of such approvals, Aktay intends to employ a dedicated marketing and sales team of approximately 20 personnel to focus on the sale of the Company's products.
- 3 The following is a chronology of events of the engagement by the Company and Aktay:
 - (a) in May 2017, a representative of Aktay contacted the European Business Development Lead of the Company (**BD Lead**) to express Aktay's interest in exploring potential business opportunities in Turkey in conjunction with the Company;
 - (b) during May and June 2017, the BD Lead had several discussions with the representative of Aktay (via teleconferences) in respect to the Company's product offerings and potential 'high level' opportunities in Turkey;
 - (c) on 2 June 2017, the BD Lead met with the representative of Aktay in Frankfurt, Germany, and commenced the process of validating Aktay's capabilities by engaging in further discussions in respect to the background and experience of the major shareholders and executives of Aktay, their business strengths, ability to operate in Turkey and their network and reach to mobile carriers, municipalities, and other potential customers for the Company's products;

- (d) on 26 July 2017, the BD Lead and the Vice President of Corporate and Business Development of the Company (**VP of BD**) met with representatives of Aktay (including Mr Kaan Ketenci) in Dubai and commenced initial negotiations in respect to a potential business arrangement between the parties (during such negotiations the Aktay representatives were informed that the Company had to validate Aktay's business network to its satisfaction);
- (e) during August and September 2017, the Company and Aktay continued their discussions and negotiations in respect to a potential business arrangement and representatives of Aktay (including Mr Kaan Ketenci) provided Syntonic with frequent progress updates in respect to:
- the repurposing of an existing legal entity (Aktay) for the proposed arrangement with Syntonic; and
 - their progress in organising meetings with potential customers;
- (f) in October 2017:
- the Company was informed that representatives of Aktay (including Mr Kaan Ketenci) had met with the Chairman of Turkcell, the leading mobile phone operator in Turkey, to discuss their interest in the Syntonic DataFlex product; and
 - the Company and Aktay commenced negotiations in respect to a memorandum of understanding to provide for a framework for the parties to negotiate the principles and basis of a business partnership in Turkey and enter into definitive agreements (**MOU**).
- (g) on 17 November 2017 the Company and Aktay executed the MOU;
- (h) during the period September to December 2017, the BD Lead and VP of BD engaged in numerous discussions with Mr Bulent Ketenci and Mr Kaan Ketenci to validate their financial position including, but not limited to, eliciting information in respect to their current assets, prior businesses they have been involved in and their ability to set up and capitalise Aktay, including the establishment of a sales team and other relevant staff hires;
- (i) during the period 19 November to 22 November 2017, the BD Lead, Mr Kaan Ketenci and Mr Bulent Ketenci conducted meetings with representatives from Vodafone Turkey, Turkcell, Turk Telekom and various other potential customers (including banks) in Turkey to discuss Syntonic's product offerings. An executive director of the Company (Mr Rahul Agarwal) and the VP of BD also joined the meeting with Vodafone Turkey (via teleconference) to discuss, amongst other matters, the Syntonic DataFlex product as a potential new product line in Vodafone Turkey's portfolio of products for small and medium business;
- (j) in December 2017, the BD Lead, Mr Bulent Ketenci, Mr Kaan Ketenci and Aktay's marketing representative met with potential customers (including the aforementioned mobile carriers) to follow up on previous meetings, in order to confirm their interest in the Company's products and understand/address any issues or reservations they may have in moving forward with the Company's products (and by extension verify Aktay's ability to deliver on its obligations as a reseller);

- (k) on 25 and 26 January 2018, the BD Lead, the VP of BD and Mr Kaan Ketenci met in Munich, Germany engaging in further discussions and negotiations in respect to, amongst other things:
- the terms of a potential reseller arrangement (and Aktay's ability to satisfy its obligations under any such arrangement);
 - geographic markets;
 - a potential exclusivity arrangement; and
 - sales strategy; and
- (l) on 13 and 14 February 2018, the BD Lead and representatives of Aktay, including Mr. Kaan Ketenci, Mr. Bulent Ketenci, and Mr. Hakan Goren engaged in further meetings with the aforementioned mobile carriers in Turkey to discuss, amongst other matters, any operational and technical concerns that the mobile carriers may have;
- (m) on 26 and 27 February 2018, the entire senior executive team of the Company (including executive directors) met with Mr Kaan Ketenci in Barcelona, Spain at Mobile World Congress 2018 and discussed, amongst other things, the Turkey market opportunity and Aktay's ability to execute on that opportunity;
- (n) on 27 February 2018, the Company and Aktay executed a partner program agreement pursuant to which Aktay became an authorised partner of Syntonic and agreed to perform such services to be detailed in future addendums (which at that time remained subject to negotiations);
- (o) on 1 March 2018:
- an executive director of the Company (Mr Rahul Agarwal) met with the executives of Aktay (Mr Bulent Ketenci and Mr Kaan Ketenci) at its office in Istanbul, Turkey to discuss, amongst other matters, the terms of a potential reseller arrangement; and
 - Mr Rahul Agarwal, Mr Bulent Ketenci and Mr Kaan Ketenci met with the senior leadership team from Turkcell's core network planning team to discuss, amongst other matters, technical integration of the Syntonic products;
- (p) on 22 March 2018, the BD Lead, Mr Bulent Ketenci, Mr Kaan Ketenci and Mr Hakan Goren met with the senior leadership team from Turk Telekom's core network planning team with a Syntonic executive director (Mr. Rahul Agarwal) joining via telephone to discuss, amongst other matters, the technical integration of the Company's products; and
- (q) on 29 March 2018, Syntonic and Aktay executed the DataFlex reseller agreement as an appendix to the partner program agreement.

Question 1: Did the Entity make any due diligence enquiries on the capacity of AKTAY A.S. to meet their obligations under the AKTAY Reseller Agreement, particularly with respect to the AKTAY A.S. Revenue Guarantee?

4 Yes.

Question 2: What enquiries were made and what was the result of those enquiries?

- 5 Executives of the Company (including directors), engaged in extensive discussions and negotiations with Aktay's executives from May 2017 to March 2018 (with a total of eight "face to face" meetings and numerous teleconferences). Refer to paragraph 3 for further details.
- 6 During the course of the various meetings and discussions and externally from such engagements, the Company investigated, made enquiries in respect to, and sought confirmation of:
 - (a) the reputation, credibility, experience and financial position and capabilities of the Aktay shareholders/senior executives;
 - (b) Aktay's validation as a legal entity, validly incorporated in Turkey;
 - (c) the commercial and roll-out strategy for the Syntonic DataFlex product, including:
 - potential sales targets, marketing strategies, branding and approach; and
 - costings and likely returns on investment;
 - (d) the network and reach of Aktay via the major shareholders and executives of Aktay (Mr Kaan Ketenci and Mr Bulent Ketenci), which include strong established relationships with significant members of Turkcell, Turk Telekom and Vodafone Turkey based on past business dealings (refer to Schedule 1);
 - (e) the devotion of resources by Aktay to the Aktay Reseller Agreement, including Aktay's intention to hire a dedicated marketing and sales team to focus on the sale of the Syntonic DataFlex product; and
 - (f) responses, and feedback from, potential customers, including major telecommunications providers in Turkey (as referred to above).
- 7 As a result of the above enquiries and the extensive engagement between the parties (over a ten-month period), the Company was satisfied Aktay could fulfil its obligations under the Aktay Reseller Agreement (including in respect to the Revenue Guarantee).

Question 3: Does the Entity consider that the level and outcome of the due diligence enquiries undertaken into the capacity of AKTAY A.S. to meet their obligations under the AKTAY Reseller Agreement, particularly with respect to the AKTAY A.S. Revenue Guarantee prior to the release of the Announcement to be information that a reasonable person would expect to have a material effect on the price of value of its securities? Please advise the basis for that view.

8 No. The Company considers that it was implicit that the Company was satisfied with the level and outcome of its due diligence enquiries by executing the Aktay Reseller Agreement and releasing the Announcement and does not consider such information to be information that a reasonable person would expect to have a material effect on the price of value of its securities.

Question 4: When in 2017 was AKTAY A.S. founded?

9 Aktay was incorporated on 17 April 2013 and repurposed from a dormant entity into an operational entity in October 2017.

Question 5: As a 'telecommunications services provider' does AKTAY A.S. have a website? If so, please provide details.

10 No, Aktay's website is presently under development (<http://www.aktaybilisim.com/>).

Question 6: Please confirm that the Entity's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Entity with delegated authority from the board to respond to ASX on disclosure matters.

11 Yes, the Company's responses to the questions above have been authorized and approved by an officer with delegated authority from the board to respond to the ASX on disclosure matters.

Question 7: Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

12 Yes, the Company is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

Yours sincerely

Ms Kate Sainty
Joint Company Secretary
Syntonic Limited

Schedule 1 - Curriculum Vitae of the Executive Team

As a result of the engagements and discussions detailed in paragraph 3, the Company understands that:

1. Mr Bulent Ketenci is a majority shareholder of Aktay, via the Ketenci family investment fund, and has invested in, and founded, numerous companies in the power generation, display advertising and airport services sectors, including:

(a) Pera Acikhava Reklam (**Pera**):

- A leading outdoor advertising company in the Beyoglu region of Istanbul with exclusive outdoor advertising display rights and more than 200 high-traffic advertising sites (comprised of 60 billboards, 12 walls and 177 step boards).
- Pera had an annual revenue of over \$16 million euros and its customers include, amongst others, Coca Cola, Proctor and Gamble, Unilever, Turkcell, Vodafone Turkey, Turk Telekom and major banks in Turkey such Ziraat bankası, iş bankası, ING bank, Denizbankası and Akbank.
- Pera was sold to Actera Group, the largest private equity firm dedicated to investments in Turkey, in 2009. Refer to Actera Group's website, <http://acteragroup.com/about>, and https://en.wikipedia.org/wiki/Actera_Group for further details on the Actera Group.

(b) Cyprus Solar Energy (**Cyprus Solar**):

- A joint investment with the North Cyprus government with an interest in the largest solar power plant in North Cyprus (in which Mr Bulent Ketenci has a minority interest).
- The solar power plant generates two gigawatt hours of energy and can power over 600,000 homes in North Cyprus and certain regions in Turkey.
- In addition, Mr Bulent Ketenci is also the distributor of solar panels sold to Cyprus Solar.

(c) Rhiener GmbH (**IBS**):

- A company founded by Mr Bulent Ketenci and Mr Hakan Goren.
- IBS provides business class lounge services at four airports in Frankfurt, Dusseldorf, Zurich, and Berlin and its customers include KLM Royal Dutch Airlines, Air France and TAV Airports Holding.
- IBS employs more than 100 employees during the peak travel season and has an annual revenue of over \$9 million euros.

(d) Other business interests include Limonata Media (a company established to assist with the marketing, branding, and communications of local political parties in North Cyprus), Pera Marcom (a display advertising company focused on local Turkish brands) and Limonata Energy (an early stage solar panel business).

2. Mr Kaan Ketenci is the chief operating officer and executive director of Aktay and is also a representative of the Ketenci family investment fund.

3. Mr Hakan Goren is a minority shareholder of Aktay and has experience in the energy, airport services, media and advertising sectors, including as:
 - (a) a founder of IBS (refer to the above);
 - (b) chairman of the Association of Turkish Advertisers (RVD); and
 - (c) chairman of IAA International Advertising Association.



4 April 2018

Mr Steven Wood & Ms Kate Sainty
Company Secretary
Syntonic Limited

By email: sw@grangeconsulting.com.au & kes@grangeconsulting.com.au

Dear Mr Wood & Ms Sainty

SYNTONIC LIMITED (“ENTITY”): ASX AWARE QUERY

ASX Limited (“ASX”) refers to the following:

1. The Entity’s announcement titled “Syntonic signs first DataFlex Reseller Agreement” (“Announcement”) lodged with MAP and released at 08:57 am (AEST) on 3 April 2018 which stated the following:
 - 1.1. *“Syntonic has secured value-added provider AKTAY A.S. as a non-exclusive reseller of Syntonic DataFlex, the Company’s B2B mobile split billing and business analytics service.” (“AKTAY Reseller Agreement”).*
 - 1.2. *“Under the terms of the agreement, AKTAY A.S. agrees to meet or exceed an aggregate minimum gross revenue, subject to a sales commission, of US\$5,000,000 between calendar year 2018 to the calendar year 2021.”*
 - 1.3. *“AKTAY agrees to meet or exceed US\$5,000,000 of Eligible Gross Revenue for the term of the Reseller Agreement, with minimum amounts per year as follows:

to date through December 31 2019: US\$1.25 million;

calendar year 2020: US\$1.5 million; and

calendar year 2021: US\$2.25 million;

in the event that the Eligible Gross Revenue for a given year is below the applicable minimum amount detailed above, AKTAY shall pay to Syntonic 100% of the Eligible Gross Revenue for that year and forego rights to any sales commission it would have otherwise received starting January 1 of the following year until Syntonic has received the amounts it would have received under the applicable minimum amount for the prior year.” (“AKTAY A.S. Revenue Guarantee”).*
 - 1.4. *“Aktaym A.S. is a value-added telecommunications services provider, majority owned by a family fund that has an established track record of growing international companies, resulting in successful acquisitions. Founded in 2017 and headquartered in Istanbul, Turkey, Atkay is led*



by an executive team that has over 45 years of combined experience in advertising, media, aviation services, and information technology.”

2. ASX’s policy position on the concept of “the contents of announcements under Listing Rule 3.1” which is detailed in section 4.15 of Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B “Guidelines on the contents of announcements under Listing Rule 3.1”. In particular, the Guidance Note states as follows.
 - 2.1. *“Wherever possible, an announcement under Listing Rule 3.1 should contain sufficient detail for investors or their professional advisers to understand its ramifications and to assess its impact on the price or value of the entity’s securities.*
 - 2.2. *It is open to an entity which signs a market sensitive agreement to lodge a copy of the agreement on the ASX Market Announcements Platform, if it wishes to do so. This will help to reduce the amount of material about the agreement that needs to be included in its announcement and also avoid any issues about whether any material terms of the agreement have been properly disclosed. However, ASX recognises that there are cases where an entity will not wish to lodge a copy of an agreement on the ASX Market Announcements Platform. In those cases, the announcement about the agreement should contain a fair and balanced summary of the material terms of the agreement and include any other material information that could affect an investor’s assessment of its impact on the price of value of the entity’s securities.*
 - 2.3. *An announcement under Listing Rule 3.1 must be accurate, complete and not misleading. To meet this last requirement, opinions expressed in an announcement should be honestly held and balanced and should be clearly identified as a statement of opinion rather than a statement of fact. Any forward looking statements in an announcement, such as earnings guidance or exploration targets or production targets, must also have a reasonable basis in fact or else by law they will be deemed to be misleading. Entities should note ASIC’s guidance that any material assumptions or qualifications that underpin forward looking statements in an announcement under Listing Rule 3.1 should be stated in the announcement. ASX also encourages the inclusion of material assumptions and qualifications as it provides context and will help the market to understand the basis for forward looking statements”.*
3. ASX [Compliance Update 7/16](#) released on 25 July 2016 regarding naming counterparties to material transactions, which states the following.
 - 3.1. *“Where there is little or no information regarding the other party or parties in the public domain (for example, because they are private companies), the announcement should also include a summary of the due diligence undertaken by the listed entity on their financial and other capacity to perform their obligations in relation to the transaction.”*
4. Listing rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the Company’s securities.



Having regard to the above, we ask that you answer the following questions in a format suitable for release to the market in accordance with Listing Rule 18.7A:

1. Did the Entity make any due diligence enquiries on the capacity of AKTAY A.S. to meet their obligations under the AKTAY Reseller Agreement, particularly with respect to the AKTAY A.S. Revenue Guarantee?
2. What enquiries were made and what was the result of those enquiries?
3. Does the Entity consider that the level and outcome of the due diligence enquiries undertaken into the capacity of AKTAY A.S. to meet their obligations under the AKTAY Reseller Agreement, particularly with respect to the AKTAY A.S. Revenue Guarantee prior to the release of the Announcement to be information that a reasonable person would expect to have a material effect on the price of value of its securities? Please advise the basis for that view.
4. When in 2017 was AKTAY A.S. founded?
5. As a *'telecommunications services provider'* does ATKAY A.S. have a website? If so, please provide details.
6. Please confirm that the Entity's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Entity with delegated authority from the board to respond to ASX on disclosure matters.
7. Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than **4 pm (WST), Thursday, 5 April 2018**.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, SYT's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph and may require SYT to request a trading halt immediately.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;



- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at tradinghaltspert@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to SYT's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that SYT's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Suspension

If you are unable to respond to this letter by the time specified above ASX will likely suspend trading in SYT's securities under Listing Rule 17.3.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

[sent electronically without signature]

Dale Allen

Senior Adviser, ASX Listings Compliance