

16 August 2019

Ms. Penelope Reid
Adviser, ASX Listings Compliance
ASX Compliance Pty Ltd
Level 40, Central Park
152-158 St. Georges Terrace
Perth, WA 6000

By email: listingscomplianceperth@asx.com.au

Dear Ms Reid

Response to ASX Query Letter

Syntonic Limited (**SYT**), refers to your letter dated 12 August 2019 in relation to SYT's Appendix 4C quarterly report for the period ended 30 June 2019.

SYT provides the following responses to your queries.

- 1 Yes, SYT expects that it will continue to have negative operating cash flows in the short term, however, negative net operating cash flow is expected to reduce in the coming quarters.
- 2 Yes, SYT is taking steps to ensure that, when required, it will have access to sufficient funding to continue to fund its operations. SYT is in discussions with potential investors, including its existing convertible note holder Obsidian, in relation to various funding opportunities via the issue of debt or equity or a combination of both (which may include funding by way of its existing convertible note facility announced on 3 April 2019). SYT anticipates an announcement with respect to additional funding will be made during the current quarter.
- 3 Yes, SYT expects to be able to continue its operations and to meet its business objectives based on the responses detailed above.
- 4 Adroit Business Solutions Inc (**Adroit**) works closely with the SYT team to provide software development services. For this quarter, and the three previous quarters, this has included design, development, testing of the Syntonic Revenue Generation Platform software that comprises backend development (API Servers, Proxy Servers, Analytics and Reporting Servers), Front-ends (Campaign Manager Portals, SDK Portals, Admin Portals), as well as mobile SDKs and Revenue Generation application development on iOS and Android and white-labelling for many SYT partners like ZroNet, Mobifone and Vodacom, among others. Adroit also assists with development operations support and partner support. Payments to Adroit will fluctuate between quarters based on the volume of work undertaken, as well as timing of invoicing and payment.
- 5 SYT confirms that it is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
- 6 SYT confirms that this letter and the responses above have been authorised and approved by the Board.

Yours sincerely



Mr Edward Meagher
Joint Company Secretary
Syntonic Limited



12 August 2019

Reference: ODIN05021

Mr Steven Wood and Mr Edward Meagher
Company Secretaries
Syntonic Limited
945 Wellington Street
WEST PERTH WA 6005

By email: sw@grangeconsulting.com.au and edm@grangeconsulting.com.au

Dear Mr Wood and Mr Edward Meagher

Syntonic Limited ('SYT'): Appendix 4C Query

ASX refers to SYT's Appendix 4C quarterly report for the period ended 30 June 2019 lodged with the ASX Market Announcements Platform and released on 29 July 2019 (the 'Appendix 4C').

ASX notes that SYT has reported:

- negative net operating cash flows for the quarter of \$2,265,000;
- cash at the end of the quarter of \$1,399,000; and
- estimated cash outflows for the next quarter of \$2,470,000.

It is possible to conclude, based on the information in the Appendix 4C, that if SYT were to continue to expend cash at the rate indicated by the Appendix 4C, SYT may not have sufficient cash to continue funding its operations.

Request for Information

In view of that, ASX asks SYT to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. Does SYT expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has SYT taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does SYT expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Noting the payments made to Adroit Business Solutions Inc, a company associated with director Mr Agarwal, please provide details of the services provided for this quarter and the previous three quarters (quarters ended 31 March 2019, 31 December 2018 and 30 September 2018).
5. Please confirm that SYT is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
6. Please confirm that SYT'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 SYT with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that SYT considers may be relevant to ASX forming an opinion on whether SYT is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9 AM AWST Friday, 16 August 2019**.

If we do not have your response by then, ASX will have no choice but to consider suspending trading in SYT's securities under Listing Rule 17.3. 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.

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 ListingsCompliancePerth@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 Rule 3.1 and 3.1A

Listing Rule 3.1 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 entity's securities. Exceptions to this requirement are set out in Listing Rule 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.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in SYT's securities under Listing Rule 17.1. 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 may 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*.

Enquiries

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

Yours sincerely

Penelope Reid

Adviser, Listings Compliance (Perth)