ASX ANNOUNCEMENT 30 August 2019

Unaudited Preliminary Final Results for the year ending 30 June 2019

Highlights:

- Threefold growth in revenue reaching $7.1 million, a 312% increase compared to FY18 revenue of $1.7 million, driven by Brazil business and new carrier deployments
- Cash receipts from customers also grew significantly to $3.3 million in FY19, representing a 91% increase compared to FY18 $1.7 million
- Significant business growth for mobile commerce services in Brazil with premium content providers and continuing strong demand
- New carrier deployments with Vodacom, Opari, Smart Communications and Mobifone
- On-going focus to replicate the success of the mobile commerce business in emerging markets

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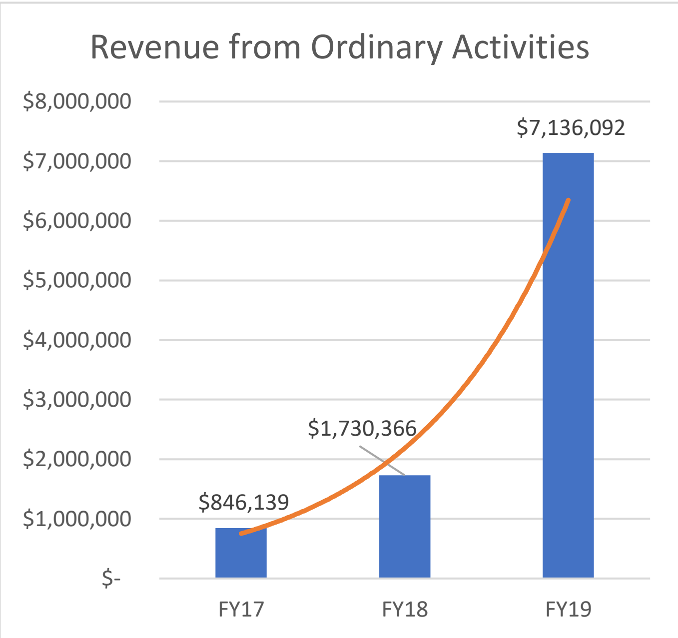
Seattle, United States – Syntonic Limited ("Syntonic" or "Company") (SYT.ASX), a mobile services provider, has today released its unaudited preliminary final report and appendix 4E for the Financial Year ending 30 June 2019 and is pleased to provide an outline of its performance and activities during the year.

Syntonic Limited is a software company that provides easy-to-deploy mobile services to help telecommunication carriers and content providers acquire, engage and monetise mobile consumers.

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

"FY19 represents a step change in Syntonic's business performance, with a fourfold increase in operating revenues compared to the prior financial year. This growth has been driven by our success in Brazil where subscription renewals are now achieving a significant component of the revenue and are improving our margins.

"Syntonic has growing demand to leverage the mobile commerce features of our Revenue Generation Platform™ for content providers that wish to acquire, engage and monetise consumers. Accordingly, we are focusing more



resources on growing our customer base of branded content providers in Brazil and plan to replicate this service in other markets where we have an established presence, such as Vietnam, the Philippines and South Africa."

Financial Performance

Syntonic's revenue from ordinary activities grew strongly to reach $7,136,092 in the financial year. This is a 312% increase compared to the previous financial year, FY18, of $1,730,366.

Revenue growth has been driven by strong business performance in Brazil, due to new content offerings and long-tail subscriptions, plus enhanced efficiencies for demographic targeting using ad agencies, and growth from carrier customers.

Cash receipts from customers also grew significantly to reach $3,312,841 in FY18. This represents a 91% increase on the previous financial year, FY18, of $1,736,384.

The net loss of the Company for the year ended 30 June 2019 was $7,604,555 (2018: $5,386,841). The increase in consolidated net loss is primarily attributable to additional costs associated with Zenvia, including the transfer of employees and one off closing transactional costs.

Operational Overview & Progress

Syntonic's core technology is its proprietary Revenue Generation Platform™ (RGP) which spans mobile advertising, content services and mobile commerce – the three pillars driving the USD $3.3 trillion mobile app economy[1] in 2019. The RGP has been deployed and validated on the world's largest carrier networks and is currently live with customers including Vodacom, MobiFone, Smart Communications and Abril Group.

Syntonic's RGP

Syntonic's RGP is comprised of a Mobile Commerce Platform, acquired during the financial year, which has been integrated with Syntonic's Connected Services Platform™. The integration of the two platforms has enabled the Company to offer a single, unified platform – the Syntonic Revenue Generation Platform. The RGP is a carrier-grade service, designed for high scalability and to support the complete customer journey from acquisition to monetisation.

[1] Source: App Annie, 2017

The RGP offers three core services:

- **Mobile commerce** – providing an easy payment option for consumers to buy with mobile currency.
- **Mobile advertising** – enabling carriers to leverage their channels for branded advertisers to reach, engage and acquire customers.
- **Content services** – managing, provisioning and distributing in-app and web-based content across mobile networks and geographies.

Syntonic's RGP generates revenue via two business models:

1. Direct-to-Carrier: revenue share-based licensing to mobile carriers based on the "app economy" businesses of mobile advertising, content services, and mobile commerce.
2. Direct-to-Consumer: a revenue share with premium content providers and mobile carriers based on mobile content subscriptions transacted through the RGP.

Commercialisation Strategy

Syntonic is focused on growing its customer base in emerging markets including Latin America, Sub-Saharan Africa, India, Middle East and Southeast Asia, which represent over one billion smartphone consumers[2]. In these regions, premium content providers have been underserved due to the marketplace complexity to acquire, engage, and monetise mobile consumers.

During the financial year, Syntonic has been particularly successful with its RGP in Brazil where it is already deployed within the four main Brazilian carriers. In Brazil, Syntonic has growing demand to leverage the mobile commerce features of the RGP for content providers that wish to reach and monetise consumers. Subscription renewals are now achieving a significant component of the revenue. Moreover, margins are improving as recurring subscription revenue requires no addition customer acquisition expense.

The business success in Brazil has prompted the Company to focus more of its resources on growing its customer base of branded content providers in the region and replicating this service in other markets where it has an established presence, such as Vietnam, the Philippines and South Africa.

Key Customers – Content Providers and Carriers

During the financial year 2019, Syntonic diversified its customer base as it deployed its RGP with multiple key customers.

[2] eMarketer April 2019

Vodacom
In August 2018, Syntonic signed a service agreement with Vodacom Group Limited, granting it a license to deploy a white-labelled version of the Syntonic RGP to enhance Vodacom's mobile advertising platform. Following a period of integration, Vodacom deployed data-free versions of the TurnUp Musicweb and mobile application properties using the Syntonic RGP for sponsored data and data reward services.

Opari
Syntonic signed a new partnership agreement with Opari Inc. during the financial year, following the spin-out of the Opari business unit from Tata Communications, Inc. to create a standalone entity. Opari provides an open digital commerce platform, branded *opari*, that connects service providers to the online economy and is powered by Syntonic's RGP.

Smart Communications
In October 2018, Smart Communications, a leading mobile operator in Southeast Asia, updated its *RoamFree* traveler app with a white-labelled version of Syntonic's RGP to provide international roaming services to travelers from the Philippines. Syntonic is continuing its discussions with Smart Communications to integrate additional RGP services in the Smart network, including RGP services such as direct-carrier-billing and Syntonic's captive portal.

MobiFone
In March 2019, Mobifone Telecommunications Corporation, one of the largest mobile networks in Vietnam, launched its *mobifoneGO* service which offers subscription-based content plans with unlimited mobile data to mobile users for a fixed fee. For example, users that adopt the Chat plan gain unlimited and data free access to Whatsapp, SKYPE, VIBER, and Zalo. *mobifoneGO* is built entirely on a white-labelled version of the Syntonic RGP and its launch represents the first deployment of the complete Syntonic's RGP including the mobile commerce service, outside of Brazil.

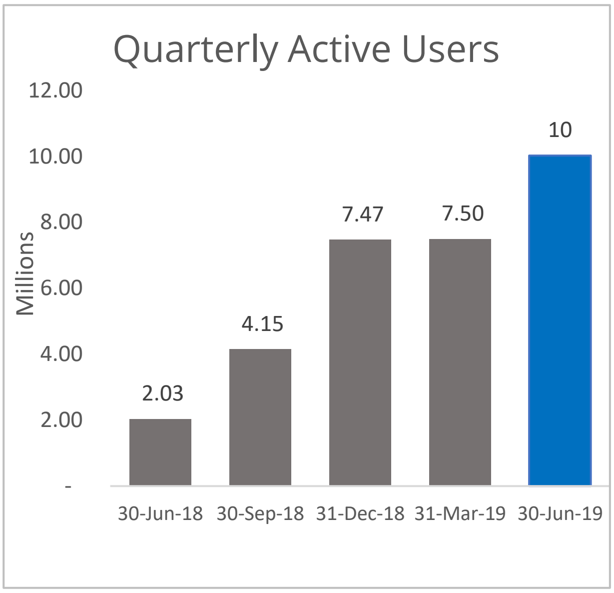
Brazilian Carriers and Content Providers
With Syntonic's August 2018 asset acquisition of Zenvia's mobile commerce business unit, the Company assumed the contractual relationships with content providers, including the Abril Group, one of the largest and most influential content distributors in Latin America; and RGP integrations with all four of the major Brazilian mobile carriers: Vivo, Oi, Claro, and TIM which represent an addressable reach of 235.7 million mobile subscribers.

Reseller Agreements
Syntonic also works with a range of partners in key geographies to promote, market, and resell its technologies. During the financial year 2019, it signed a new agreement with Indonesian solutions integrator PT. Asia Quattro Net (AQN) to enable a data-free consumer application via Southeast Asia's largest mobile carrier, Telkomsel Indonesia. In Vietnam, the Company continues to work with its regional partner, Thang Long Event Limited (TLC) to support the Syntonic solution

with Vietnamese carriers. In October 2018, TLC was spun out of TecaPro Limited, Syntonic's previous Vietnam based partner.

Building Scale in Active Users

A key performance tracking metric is the Quarterly Active Users (QAU) which measures the revenue bearing potential from active and/or activated Syntonic services, i.e. actively used applications, activated SDK's, and deployed white-labelled applications, as well as consumers using the Syntonic RGP for mobile purchases.



Syntonic's Quarterly Active User (QAU) metric grew significantly during the financial year, from 2,032,157 for the three months to 30 June 2018, to reach 10,025,965 for the three months to 30 June 2019. During this period, the growth of the QAU is consistent with the Company's revenue growth.

Corporate Activities

Financings to Continue Growth

In December 2018, Syntonic raised AU$1.1 million (before costs) via a Placement of 201,999,998 new fully paid ordinary shares to new and existing sophisticated investors at a price of 0.55 cents per Share.

In addition, in April 2019 the Company raise a further AU$1.84 million (before costs) through a subsequent Placement of 233,336,450 new fully paid ordinary shares to existing and new sophisticated and professional investors at an issue price of 0.79 cents per Share.

In tandem with the April 2019 Placement, Syntonic also entered into a Convertible Note Agreement with Obsidian Global Partners, LLC in which it agreed to issue secured convertible notes to Obsidian to provide up to US$2.5 million (A$3.54 million). To date, Syntonic has issued convertible notes against an initial tranche to raise US$1 million (A$1.42 million) .

The proceeds from the financings will be used to continue the global expansion strategy of Syntonic's RGP services.

Board Changes

In December 2018, Non-Executive Director Chris Gabriel stepped down from his role on the Board of Syntonic Limited to take up a role as CEO of FlyBosnia, based in Bosnia and Herzegovina. The Board is continuing its search for an Australian resident Non-Executive Director for Syntonic.

Syntonic Brazil
Syntonic completed the asset acquisition of Zenvia's mobile commerce business in August 2018. The assets were acquired for a cash consideration of US$700,000 (AU$962,464) with a vendor earn-out of 20% of the first US$21.5 million (AU$28.9 million) of the contribution margin generated by the acquired assets over 3.5 years.

As part of the acquisition, Syntonic established a new operating subsidiary, Syntonic Brasil Technologia Ltda, known as Syntonic Brazil. Eleven operations and business support staff subsequently transferred to Syntonic Brasil from Zenvia and are working from the Company's offices in São Paulo and Porto Alegre, Brazil.

Company Secretary Appointment
Edward Meagher was appointed as Joint Company Secretary in May 2019. He joins Steven Wood in the role of Joint Company Secretary, following the resignation of Kate Sainty.

Outlook

Syntonic has delivered a strong year of growth with record revenue and solid cash receipts. With its expanded strategy to build its customer base of content providers and sell premium content direct to consumers using its carrier integrated RGP, Syntonic plans to strengthen its mobile commerce business in Brazil and replicate this success in other similar markets where it has an established presence.

This is expected to continue to grow revenues, margins, cash receipts and improve the deployment speed of Syntonic's technologies in FY20 and beyond.

About Syntonic

Syntonic Ltd (SYT.ASX) is a Seattle-based software company which provides easy-to-deploy mobile services for telecommunication carriers and content providers to generate more revenue from mobile data and participate in the app economy. Syntonic has created the world's leading unified mobile revenue platform spanning mobile advertising, content monetization and mobile commerce. Syntonic's carrier-grade service has been designed with high availability, scalability and 100% revenue assurance in mind. The Syntonic platform has been deployed and validated on the world's largest networks.

To learn more about Syntonic, visit www.syntonic.com.

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APPENDIX 4E
Unaudited Preliminary Final Report - 30 June 2019

Syntonic Limited
ABN 68 123 867 765

1. Reporting period

Financial Year Ended	**Previous corresponding period**
30 June 2019	30 June 2018

2. Results for announcement to the market

	30 June 2019	**30 June 2018**	**% Change**
2.1 Revenue from ordinary activities	7,136,092	1,730,366	Up 312%
2.2 Loss from ordinary activities after tax attributable to members	(7,604,555)	(5,386,841)	Up 41%
2.3 Net loss for the period attributable to members	(7,604,555)	(5,386,841)	Up 41%

2.4 No dividends were paid during the financial year ended 30 June 2019 (previous corresponding period: Nil). It is not proposed to pay dividends.

2.5 There is no record date for determining entitlements to dividends.

2.6 A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.
The net loss after tax for the year ended 30 June 2019 was $7,604,555 (2018: $5,386,841). The increase in consolidated net loss is primarily attributable to the Zenvia acquisition undertaken during the year (refer to note 6). Included in the net loss figure for 2019 and not applicable to the previous corresponding period is non-cash costs in the form of amortisation expenses ($234,441), finance costs ($365,915) and a discount unwind of contingent consideration ($134,932). These are partly offset by a non-cash revaluation gain on embedded derivative liabilities of $544,548 applicable to the 2019 financial year only.

Other information required under listing rule 4.3A

Net tangible assets per security
2019: (0.04) cents per share 2018: 0.17 cents per share

Details of entities over which control has been gained or lost during the financial year ended 30 June 2019
On 31 July (deemed acquisition date), Syntonic acquired 100% of the assets of the mobile commerce (or "value-added-services") business unit from Zenvia Mobile Servicos Digitais ("Zenvia"), a leading Brazilian Application-to-Person service provider. Refer to Note 6 for details surrounding the acquisition. The contribution of the acquired entity to net loss is outlined at Note 15 as represented by the Brazil segment.

Dividends
There are no individual or total dividends or distributions. There are no dividend or distribution reinvestment plans in operation.

Details of associates and joint venture entities.
Not applicable

Audit Status
The report is based on accounts which are in the process of being audited. The independent audit report is likely to contain an unmodified opinion with an emphasis of matter on going concern. The emphasis of matter is likely to highlight the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and that the ability of the Group to continue as a going concern is dependent on securing additional funding through capital raising activities and securing of material revenue generating contracts to continue its operational and marketing activities.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Note	2019 $	2018 $
Continuing operations			
Revenue from ordinary activities	2	7,136,092	1,730,366
Other income		46,242	38,158
Revenue from continuing operations		**7,182,334**	**1,768,524**
Cost of sales		(4,876,257)	(679,751)
Gross Profit		**2,306,077**	**1,088,773**
Marketing expenses		(1,981,687)	(691,721)
Research and development expenses		(1,510,068)	(1,452,648)
Staff expenses		(2,552,147)	(2,223,206)
Other operating expenses	3	(2,888,103)	(1,665,644)
Share based payment expense	13	(746,913)	(523,813)
Depreciation		(1,927)	-
Amortisation	14	(234,441)	-
Finance Costs	10(b)	(365,915)	-
Discount unwind of contingent consideration	6	(134,932)	-
Change in fair value of embedded derivative liabilities	10(c)	544,548	-
Unrealised foreign exchange gain/(loss)		(39,047)	-
Gain/(Loss) on disposal of available-for-sale investment		-	81,418
Loss before income tax expense		**(7,604,555)**	**(5,386,841)**
Income tax expense		**-**	**-**
Net loss for the year		**(7,604,555)**	**(5,386,841)**
Other Comprehensive Income			
Items that may be reclassified to profit or loss			
Change in fair value of available-for-sale financial assets		-	(161,558)
Exchange difference on translation of foreign operations		25,298	(4,035)
Total other comprehensive income/(loss), net of tax		**25,298**	**(165,593)**
Total comprehensive loss for the year, net of tax		**(7,579,257)**	**(5,552,434)**
Total comprehensive loss attributable to members of the Company		(7,579,257)	(5,552,434)
Loss per share from continuing operations attributable to the ordinary equity holders of Syntonic Limited:			
Basic and diluted loss per share (cents)	11	(0.26)	(0.22)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents		1,399,512	4,947,217
Trade and other receivables	4	814,102	188,635
Other assets	5	344,302	141,438
Total current assets		**2,557,916**	**5,277,290**
Non-current assets			
Other financial assets	5	10,792	9,958
Property, plant and equipment		16,947	-
Intangible assets	14	2,090,471	-
Total non-current assets		**2,118,210**	**9,958**
TOTAL ASSETS		**4,676,126**	**5,287,248**
LIABILITIES			
Current liabilities			
Trade and other payables	7	1,350,744	785,080
Borrowings	10	993,095	-
Total current liabilities		**2,343,839**	**785,080**
Non-Current liabilities			
Contingent Consideration	6(b)	1,367,851	-
Deferred tax liabilities		313,571	-
Total non-Current liabilities		**1,681,422**	**-**
TOTAL LIABILITIES		**4,025,261**	**785,080**
NET ASSETS		**650,865**	**4,502,168**
EQUITY			
Contributed equity	8	40,566,508	37,546,468
Reserves	9	2,790,094	2,056,882
Accumulated losses		(42,705,737)	(35,101,182)
TOTAL EQUITY		**650,865**	**4,502,168**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Contributed Equity	Fair Value Reserve	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	$	$	$	$	$	$
Balance at 1 July 2018	37,546,468	-	2,349,156	(292,274)	(35,101,182)	**4,502,168**
Net loss for the year	-	-	-	-	(7,604,555)	**(7,604,555)**
Other comprehensive income, net of tax	-	-	-	25,298	-	**25,298**
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**25,298**	**(7,604,555)**	**(7,579,257)**
Transactions with owners, recorded directly in equity						
Issue of shares, net of transaction costs	3,020,040	-	-	-	-	**3,020,040**
Share based payment		-	707,914	-	-	**707,914**
Balance at 30 June 2019	**40,566,508**	**-**	**3,057,070**	**(266,976)**	**(42,705,737)**	**650,865**

	Contributed Equity	Fair Value Reserve	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	$	$	$	$	$	$
Balance at 1 July 2017	34,114,578	161,558	554,604	(288,239)	(29,714,341)	**4,828,160**
Net loss for the year	-	-	-	-	(5,386,841)	**(5,386,841)**
Other comprehensive income, net of tax	-	(161,558)	-	(4,035)	-	**(165,593)**
Total comprehensive income/(loss) for the year	**-**	**(161,558)**	**-**	**(4,035)**	**(5,386,841)**	**(5,552,434)**
Transactions with owners, recorded directly in equity						
Issue of shares, net of transaction costs	3,330,490	-	-	-	-	**3,330,490**
Share based payment	101,400		1,794,552	-	-	**1,895,952**
Balance at 30 June 2018	**37,546,468**	**-**	**2,349,156**	**(292,274)**	**(35,101,182)**	**4,502,168**

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers and other debtors		3,312,841	1,736,384
Payments to suppliers and employees		(10,064,540)	(6,593,413)
Interest paid		-	38,158
Interest received		9,049	(1,462)
Net cash outflow from operating activities		**(6,742,650)**	**(4,820,333)**
Cash flows from investing activities			
Net cash paid for acquisition of business	6	(962,464)	-
Payments for fixed assets		(22,089)	-
Reclassification of term deposit to cash and cash equivalents		67,649	-
Proceeds on sale of investment		-	300,000
Loan provided to third party		-	(128,469)
Net cash (outflow)/inflow from investing activities		**(916,904)**	**171,531**
Cash flows from financing activities			
Proceeds from issue of shares		2,954,358	5,000,000
Payments for share issue costs		(172,877)	(298,667)
Proceeds from issue of convertible notes		1,395,027	-
Payments for Convertible note issue costs		(91,873)	-
Net cash inflow from financing activities		**4,084,635**	**4,701,333**
Net (decrease)/increase in cash and cash equivalents		(3,574,919)	52,531
Effect of movement in exchange rates on cash held		27,214	(15,689)
Cash and cash equivalents at beginning of year		4,947,217	4,910,375
Cash and cash equivalents at end of year		**1,399,512**	**4,947,217**

NOTES TO THE PRELIMINARY FINAL REPORT

For the year ended 30 June 2019

1. Statement of Significant Accounting Policies

a. Basis of preparation

The Preliminary Final Report has been prepared in accordance with ASX listing rule 4.3A and the disclosure requirements of ASX Appendix 4E.

The financial report has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*.

The financial report has been prepared on a historical cost basis except for certain financial instruments which are carried at fair value, as stated in the accounting policy. The financial report is presented in Australian dollars, unless otherwise stated. For the purposes of preparing the Preliminary Final Report, the Company is a for profit entity.

The Preliminary Final Report has been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

b. New or revised standards and interpretations that are first effective in the current reporting period

The Preliminary Final Report has been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2018, except for the impact of the new and amended standards and interpretations issued by the AASB. The adoption of the new and amended standards and interpretations, other than AASB 15 and AASB 9, did not result in any significant changes to the Group's accounting policies.

AASB 9 Financial Instruments

AASB 9 was adopted 1 July 2018 and the related amendments to other accounting standards introduced three significant areas of change from AASB 139 Financial Instruments: Classification and Measurement:

- A new model for classification and measurement of financial assets and liabilities
- A new expected loss impairment model for determining impairment allowances; and
- A redesigned approach to hedge accounting.

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

Trade receivables (without a significant financing component) are initial recognised at their transaction price and all other receivables are initially measured at fair value. Receivables are measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- It is held within a business model with the objective to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For the purposes of the assessment of whether contractual cash flows are solely payments of principal and interest, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest'

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is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial assets contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

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

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

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

AASB 15 Revenue from contracts with Customers

AASB 15 replaces AASB 118 - Revenue and was adopted by the Group on 1 July 2018. AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

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

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

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

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

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

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

Licensing of Technologies

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

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

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

Maintenance/Service revenue

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

Contract balances

Contract Assets:

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

Trade receivables:

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

Contract liabilities:

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

c. Principles of Consolidation

The Preliminary Final Report incorporates the assets and liabilities of all subsidiaries of the Company as at 30 June 2019 and the results of all subsidiaries for the year then ended.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. Intercompany transactions and balances, income and expenses and profits and losses between Group companies, are eliminated.

Non-controlling interests are allocated their share of net profit after tax in the consolidated statement of profit or loss and other comprehensive income and are presented within equity in the consolidated statement of financial position separately from the equity owners of the parent. Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

d. Foreign Currencies

The Preliminary Final Report incorporates the assets and liabilities of all subsidiaries of the Company as at 30 June 2019 and the results of all subsidiaries for the year then ended.

<u>Function and presentation currency</u>

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The Preliminary Final Report is presented in Australian dollars which is the Company's functional and presentation currency.

<u>Transactions and balances</u>

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the consolidated statement of profit or loss and other comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognized.

<u>Group companies</u>

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and

- items of equity are translated at the historical exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

e. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

f. Parent entity financial information

The financial information for the parent entity, Syntonic Limited, disclosed in Note 12 has been prepared on the same basis as the Preliminary Final Report.

g. Intangible assets

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

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

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

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

The group amortises intangible assets with a limited useful life using the straight line method over the following periods:

- Intellectual property: 5 - 10 years
- Customer contracts: Length of contracts

h. Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 30 days. Payables are presented as current liabilities unless payment is not due within 12 months.

i. Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

j. Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose on goodwill or in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against tax liabilities and the deferred tax liabilities relate to the same taxable entity and the same taxation authority.

k. Employee Entitlements

A provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits.

l. Earnings per Share

Basic earnings per share ("EPS") is calculated by dividing the net profit/loss attributable to members of the Company for the reporting period, after excluding any costs of servicing equity, by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential Ordinary Shares and the effect on revenues and expenses of conversion to Ordinary Shares associated with dilutive potential Ordinary Shares, by the weighted average number of Ordinary Shares and dilutive Ordinary Shares adjusted for any bonus issue.

m. Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST & other related taxes, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

n. Use and Revision of Accounting Estimates

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 13 – Shared based payments
- Note 10 – Convertible Notes – embedded derivative liability
- Note 6 – Contingent consideration

o. Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. The chief operating decision maker has been identified as the Board of Directors, taken as a whole. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the Board of Directors.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services,
- Nature of the production processes,
- Type or class of customer for the products and services,
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

p. Impairment of Non-Financial Assets

Goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows ('cash generating units'). Accordingly, most assets are tested for impairment at the cash generating unit level. Because it does not generate cash flows independently of other assets or groups of assets, goodwill is allocated to the cash generating unit or units that are expected to benefit from the synergies arising from the business combination that gave rise to the goodwill.

Assets other than goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use.

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is carried at a revalued amount such as property, plant and equipment, in which case the impairment loss is treated as a revaluation decrease in accordance. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

q. Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and equity securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

r. Issued Capital

Ordinary Shares and Performance Shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

s. Share Based Payments

Equity-settled share-based payments are provided to officers, employees, consultants and other advisors. These share-based payments are measured at the fair value of the equity instrument at the grant date. Fair value is determined using the Black Scholes option pricing model. Further details on how the fair value of equity-settled share based payments has been determined can be found in Note 13.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the option reserve.

Equity-settled share-based payments may also be provided as consideration for the acquisition of assets. Where ordinary shares are issued, the transaction is recorded at fair value based on the quoted price of the ordinary shares at the date of issue. The acquisition is then recorded as an asset or expensed in accordance with accounting standards.

t. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

The fair value of the host liability portion of convertible notes is determined as being the difference between the proceeds and the fair value of any identifiable derivative liabilities contained within the note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the notes. Refer to Note 10 for details surrounding the valuation of embedded derivative liabilities contained in convertible notes issued during the year.

Derivative liabilities are carried at fair value through profit or loss ("FVTPL"). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

u. Goodwill

Goodwill is measured as described in note 1(w), being the excess of: the consideration transferred; amount of any non-controlling interest in the acquired entity; and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 15).

v. Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation.

The carrying amount of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that carrying value may not be recoverable. If any such indication exists and where the carrying amount exceeds the estimated recoverable amount, the assets are written down to their recoverable amounts.

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use. The useful lives for each class of depreciable assets are:

- Plant and Equipment: 5 Years

w. Business combinations

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

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

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

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The excess of: the consideration transferred; amount of any non-controlling interest in the acquired entity; and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If this amount is less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

2. Revenue from contracts with customers

The Group derives its revenue from the sale of goods and the provision of services at a point in time and over time in the following major categories and geographical regions. This is consistent with the revenue information that is disclosed for each reportable segment under AASB 8 (see note 15).

	Brazil		United States		Total	
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $
Revenue – Consumed as delivered						
Other – Service revenue	-	-	48,910	-	**48,910**	**-**
	-	**-**	**48,910**	**-**	**48,910**	**-**
Revenue – Over time						
Licensing - Software	-	-	599,110	1,235,189	**599,110**	**1,235,189**
Subscriptions – Software	-	-	548	3,374	**548**	**3,374**
Subscriptions – Digital Content (Full Service)	5,418,488	-	-	-	**5,418,488**	**-**
Subscriptions – Digital Content (Content Integration)	677,756	-	-	-	**677,756**	**-**
Hosting – service revenue	-	-	167,691	217,210	**167,691**	**217,210**
Maintenance and support – service revenue	-	-	223,589	274,593	**223,589**	**274,593**
	6,096,244	**-**	**990,938**	**1,730,366**	**7,087,182**	**1,730,366**
Total Revenue	**6,096,244**	**-**	**1,039,848**	**1,730,366**	**7,136,092**	**1,730,366**

The Group had two major individual contracts from which the revenue exceeded 10% of total Group revenue. These two contracts generated revenues of approximately $4.189m and $0.894m respectively, representing approximately 68% and 13% of Group revenue.

3. Other Expenses

	2019 $	2018 $
Other operating expenses		
Accounting, legal and other professional fees	1,996,664	1,064,388
Rent & utilities	217,093	110,653
Travel & entertainment	313,768	270,651
General administration costs	351,019	218,490
Interest	9,559	1,462
	2,888,103	**1,665,644**

4. Trade and other receivables

	2019 $	2018 $
Trade debtors (i)	767,870	108,240
GST receivable	46,232	12,745
Cash deposit (AMEX credit card)	-	67,650
	814,102	**188,635**

(i) Trade debtors are non-interest bearing. All amounts are short term and the carrying value is considered a reasonable approximation of fair value. There were no past due debtors at balance date that are considered impaired.

5. Other Assets

	2019 $	2018 $
Non-Current		
Lease Deposit	10,792	9,958
	10,792	**9,958**
Current		
Prepaid expenses	201,710	12,969
Loan Receivable (i)	142,592	128,469
	344,302	**141,438**

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

6. Business combination

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

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

a. Details of consideration paid to vendors

	$
Cash deposit paid (US$700,000)	962,464
Contingent consideration	1,186,190
Total purchase consideration	**2,148,654**

b. Contingent consideration

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

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

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

As at 30 June 2019, the contingent consideration has increased to $1,367,851 which includes an unwinding of the discount rate, recognised in the Statement of Profit or Loss and Other Comprehensive Income of $134,932, and foreign exchange impact of $46,729.

c. Assets and liabilities acquired

The fair values of the identifiable assets and liabilities of Zenvia as at the date of acquisition were:

	$
Accounts Receivable	707,383
Accounts Payable	(513,248)
Intangible asset – intellectual property	1,005,087
Intangible asset – commercial contracts	488,107
Deferred tax liability	(313,571)
Total fair value of assets and liabilities acquired	**1,373,758**
Goodwill arising on acquisition	**774,896**
Total Consideration	**2,148,654**

7. Trade and other payables

	2019 $	2018 $
Trade creditors (i)	921,194	632,453
Accrued expenses	147,768	44,048
Employee liabilities	281,782	108,579
	1,350,744	**785,080**

(i) All amounts are short term and the net carrying value of trade payables is considered a reasonable approximation of fair value. Trade payables are non-interest bearing.

8. Contributed equity

a. Issued Capital

	2019 $	2019 No.	2018 $	2018 No.
Ordinary Shares	40,566,508	3,288,287,588	32,521,689	2,609,543,546
Performance Shares (i)	-	-	5,024,779	333,333,334
	40,566,508	**3,288,287,588**	**37,546,468**	**2,942,876,880**

(i) During the year, the performance shares expired in line with their terms and conditions.

b. Movement in issued capital during the year

Date	Details	Number of Ordinary Shares	Number of Performance Shares	$
30-Jun-18	**Opening Balance**	**2,609,543,546**	**333,333,334**	**37,546,468**
6-Jul-18	Conversion of performance shares	166,666,666	(166,666,666)	-
6-Jul-18	Expiration of performance shares	-	(166,666,668)	-
14-Nov-18	Issue of shares to Directors in lieu of director fees as approved at the AGM on 1 November 2018	3,900,000	-	39,000
24-Dec-18	Issue of Placement Shares at $0.0055 each (net of transaction costs)	201,999,998	-	1,111,000
9-Apr-19	Convertible Note Committee Fee (payable in shares)	3,737,500	-	29,526
9-Apr-19	Issue of Placement Shares at $0.0079 each (net of transaction costs)	233,336,450	-	1,843,358
24-Apr-19	Conversion of 50,000 convertible notes	12,706,367	-	80,050
10-May-19	Conversion of 50,000 convertible notes	26,756,157	-	81,874
13-Jun-19	Conversion of 50,000 convertible notes	29,640,904	-	82,698
	Share issue costs	-	-	(247,466)
30-Jun-19	**Closing Balance**	**3,288,287,588**	**-**	**40,566,508**

9. Reserves

	2019 $	2018 $
Share based payment reserve	3,057,070	2,349,156
Foreign currency translation reserve	(266,976)	(292,274)
	2,790,094	**2,056,882**

a. Nature and purpose of reserves

(i) Fair Value Reserve

Changes in the fair value and exchange differences arising on translation of investments previously classified as available-for-sale financial assets under AASB 139 are taken to the fair value reserve.

(ii) Shared Based Payment Reserve

The share based payment reserve is used to record the fair value of options issued by the Group.

(iii) Foreign Currency Translation Reserve

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 1(d). The reserve is recognised in profit or loss when the net investment is disposed of.

b. Movements in the share based payments reserve

Date	Details	Number of Incentive Options	$
1-Jul-18	**Opening Balance**	**219,333,333**	**2,349,156**
6-Jul-18	Incentive option issue	17,286,763	78,307
16-Oct-18	Incentive option issue	43,638,984	241,435
14-Nov-18	Incentive option issue	97,167,357	142,582
24-Jan-19	Consultant option issue	15,000,000	9,158
	Cancellation or forfeiture of options	(27,000,000)	(74,556)
	Vesting of options on issue at 1 July 2018	-	310,988
30-Jun-19	**Closing Balance**	**365,426,437**	**3,057,070**
1-Jul-17	**Opening Balance**	**79,000,000**	**554,604**
22-Sep-17	Incentive option issue	7,000,000	77,372
18-Dec-17	Broker options issued following Placement	133,333,333	1,372,140
	Further vesting of options on issue	-	345,040
30-Jun-18	**Closing Balance**	**219,333,333**	**2,349,156**

c. Movements in the foreign currency translation reserve

	2019 $	2018 $
Opening Balance	**(292,274)**	**(288,239)**
Exchange difference on translation of foreign operations	25,298	(4,035)
Closing Balance	**(266,976)**	**(292,274)**

10. Borrowings

	2019 $	2018 $
Convertible Notes – Host debt liability	783,484	-
Convertible Notes – Embedded derivative liability at fair value	209,611	-
	993,095	**-**

On 10th April 2019 the Group issued 1,000,000 initial convertible notes priced at USD $1 per note with a face value of USD $1.15 per note. The notes were issued to a single lender, being Obsidian Global Partners, LLC ("Obsidian").

The initial notes had a maturity of 90 days (unless converted earlier) and were subsequently replaced by the issue of replacement notes after being approved by shareholders on 7 June 2019. The replacement notes then have a maturity of 12 months from the date of purchase of the initial notes.

Conversion price of the notes is the lessor of:

a) 90% of the lowest daily VWAP during the 5 trading days prior to the conversion notice; and
b) A$0.015

Refer to the initial prospectus announced on 9 April 2019 and subsequent prospectus announced 14 June 2019 for additional terms associated with the convertible notes.

a. Classification of convertible notes

In classifying the components of the convertible notes issued during the year as debt and/or equity, the Group has considered the terms of the note agreements and has determined that, as the convertible notes can be converted to share capital at the option of the holder, and the number of shares to be issued is not fixed (i.e. is determined by reference to a VWAP and denominated in a foreign currency), each contains an embedded derivative liability and host debt contract. The embedded derivative liability is calculated (at fair value) first and the residual value is assigned to the host debt contract. The embedded derivative liability is subsequently measured at fair value and movements in fair value are reflected in the statement of profit or loss and other comprehensive income.

In assessing the fair value of the embedded derivative liability, the Group engaged an independent valuation expert who applied a Monte Carlo simulation methodology, based on a variety of significant unobservable inputs. As a result, the valuation of the derivative liabilities represent a level 2 measurement within the fair value hierarchy. The key inputs to the valuation model were as follows:

Share Price	Share price on issue date: A$0.009 Share price at 30 June 2019: $0.002
Implied Volatility	100%
Time to maturity	12 months from date of initial purchase
Risk free rate	1.0%
Dividend Yield	Nil
Conversion price	The lesser of: a. 90% of the lowest daily VWAP during the 5 trading days prior to the conversion notice; and b. A$0.015

Modelling	i) 5 years of historical daily data was used to calibrate the model; ii) 1000 price iterations were run for each trading day; iii) It was assumed that the Notes would run to maturity for valuation purposes; iv) 30 June valuation assumes 283 calendar days to expiry (203 trading days with maturity on 10 April 2020, 12 months post issuance of the Initial Notes.

b. Reconciliation of movement in value of host debt liability

Date	Details	Number of Convertible Notes	$
1-Jul-18	**Opening Balance**	**-**	**-**
10-Apr-19	Convertible Notes issued	1,000,000	655,484
24-Apr-19	First Conversion by noteholder	(50,000)	(80,050)
10-May-19	Second Conversion by noteholder	(50,000)	(81,874)
13-Jun-19	Third Conversion by noteholder	(50,000)	(82,698)
30-Jun-19	Unwind of effective interest rate	-	365,915
	Impact of foreign currency fluctuation	-	6,707
30-Jun-19	**Closing Balance**	**850,000**	**783,484**

c. Reconciliation of movement in value of embedded derivative liability at fair value

Date	Details	$
1-Jul-18	**Opening Balance**	**-**
10-Apr-19	Convertible Notes issued	754,158
30-Jun-19	Revaluation of embedded derivative to fair value	(544,547)
30-Jun-19	**Closing Balance**	**209,611**

11. Earnings per Share

	2019 cents	2018 cents
(a) Basic and Diluted Profit/(Loss) per Share		
From continuing operations	(0.26)	(0.22)
Total basic and diluted loss per share	**(0.26)**	**(0.22)**

	$	$
The following reflects the income and share data used in the calculations of basic earnings per share:		
Net loss attributable to members of the Company	(7,604,555)	(5,386,841)
Earnings used in calculating basic and diluted earnings per share from continuing operations	**(7,604,555)**	**(5,386,841)**

	Number of Ordinary Shares	Number of Ordinary Shares
Weighted average number of Ordinary Shares used in calculating basic and diluted earnings per share	**2,943,436,751**	**2,491,483,546**

a. Non-Dilutive Securities

As at balance date, there were no dilutive earnings per share (2018: nil)

b. Conversions, Calls, Subscriptions or Issues after 30 June 2019

On 9 July 2019, the Group issued 54,481,713 ordinary shares on conversion of 60,000 convertible notes.

On 19 August 2019, the Group issued 53,822,619 ordinary shares on conversion of 60,000 convertible notes.

12. Parent entity disclosure

	2019 $	2018 $
(a) Financial Position		
Assets		
Current Assets	1,096,683	4,854,233
Non-Current Assets	-	-
Total Assets	**1,096,683**	**4,854,233**
Liabilities		
Current Liabilities	1,083,315	50,786
Total Liabilities	**1,083,315**	**50,786**
Equity		
Contributed Equity	81,222,175	78,202,136
Accumulated Losses	(84,615,877)	(76,097,843)
Reserves	3,407,070	2,699,156
Total Equity	**13,368**	**4,803,447**
(b) Financial Performance		
Loss for the year	(8,518,034)	(1,003,096)
Other comprehensive income	-	(161,558)
Total comprehensive loss	**(8,518,034)**	**(1,164,654)**

13. 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.

Share based payments made during the financial year ended 30 June 2019 are summarised as follows:

a. Recognised share based payment expense

	2019 $	2018 $
Expense arising from equity settled share-based payment transactions	746,913	523,813

b. Options issued and in existence during the year

The Company issued Tranches H, I, J, K, L and M of options during the financial year ended 30 June 2019 as per below. Options vest on their respective vesting dates with the following conditions:

	Class of Options	Issue Date	Exercise Price	Expiry Date	Vesting Date	Disposal Restriction	Current year vesting Expense
A	25,000,000 broker options	8 Jul 2016	$0.020	8 Jul 2019	Immediately on issue	None	-
B	15,000,000 broker options	24 Nov 2016	$0.060	24 Nov 2019	Immediately on issue	None	-
C	2,000,000 employee options	7 Apr 2017	$0.040	30 Sep 2019	5 Oct 2017	None	-
D	2,000,000 employee options	7 Apr 2017	$0.080	30 Sep 2019	5 Oct 2018	None	$8,446
E	35,000,000 employee options	7 Apr 2017	$0.030	28 Feb 2027	Multiple	None	$4,358
F	7,000,000 employee options	22 Sep 2017	$0.026	22 Sep 2027	Multiple	None	$24,757
G	133,333,333 broker options	18 Dec 2017	$0.030	31 Dec 2020	Immediately on issue	None	-
H	16,386,763 employee options	6 Jul 2018	$0.014	6 Jul 2028	Multiple[1]	None	$98,454
I	900,000 employee options	6 Jul 2018	$0.014	6 Jul 2028	Multiple[2]	None	$3,498
J	43,638,984 consultant options	16 Oct 2018	$0.012	16 Oct 2023	Multiple[3]	None	$241,435
K	97,167,357 employee options	14 Nov 2018	$0.009	14 Nov 2028	Multiple[4]	None	$317,807
L	5,000,000 consultant options	24 Jan 2019	$0.02	24 Jan 2024	24 Jan 2020	None	$5,799
M	10,000,000 consultant options	24 Jan 2019	$0.04	24 Jan 2024	24 Jan 2021	None	$3,360
							$707,914

Notes:

1. One-third of the Unlisted Options will vest upon the successful deployment of the white labelled version of the Freeway data roaming services by Smart Communications with the two remaining thirds vesting on the 24 and 36 month anniversaries from 21 May 2018, subject to continuous engagement.

2. 25% of the Unlisted Options vested on 11 December 2018 with the remaining 75% vesting in equal monthly instalments over the next 48 months subject to continuous engagement.

3. 50% of the Unlisted Options vest upon the successful deployment of Syntonic technology commonly known as "Freeway" by Smart Communications; the remaining 50% vest 12 months following execution of the Services Agreement and conditioned upon Syntonic technology licensing agreements with numerous parties.

4. 13,881,051 of the Unlisted Options vested immediately, 13,881,051 will vest on 1 May 2019 and 1 October 2019 respectively, and the remaining 55,524,204 of the Unlisted Options will vest in equal monthly instalments over the next 24 months subject to continuous engagement.

All options issued during the period were valued using Black-Scholes option pricing models with the following inputs:

Option	Recipient	Dividend Yield	Expected Volatility[1]	Risk Free Rate	Expected Life of Options	Exercise Price	Share Price at Grant Date	FV per option
H	Employee	-	87.01%	2.62%	10.01 years	$0.014	$0.016	$0.010[2]
I	Employee	-	87.01%	2.62%	10.01 years	$0.014	$0.016	$0.010[2]
J	Consultant	-	95.57%	2.26%	5.00 years	$0.012	$0.011	$0.006[2]
K	Employee	-	102.78%	2.73%	10.01 years	$0.009	$0.010	$0.006[2]
L	Consultant	-	100.00%	1.14%	5.00 years	$0.020	$0.004	$0.003
M	Consultant	-	100.00%	1.14%	5.00 years	$0.040	$0.004	$0.002

Notes:
1. The expected volatility is based on historic volatility (based on remaining life of the options), adjusted for any expected chances to future volatility due to publicly available information.

2. A 30% discount has been applied to fair value for lack of marketability

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated in the measurement of fair value.

c. Summary of options

	2019 No.	2018 No.
Outstanding at the beginning of the year	**219,333,333**	**79,000,000**
Granted during the year	173,093,104	141,133,333
Exercised during the year	-	-
Expired / cancelled during the year	(27,000,000)	(800,000)
Outstanding at the end of the year	**365,426,437**	**219,333,333**

d. Shares issued as consideration for services received

During the year, fully paid ordinary shares were issued to Directors in lieu of fees and salary. As it is typically not possible to estimate reliably the fair value of the service received, the fair value of the equity instruments issued shall be measured at grant date in line with the requirements of AASB 2.

Valuation Date	Expiry Date	Exercise Price	Granted during the Year	Fair Value at Grant Date
1 Nov 2018	N/A	N/A	3,900,000	$39,000

During the year, fully paid ordinary shares were issued to the convertible note lender in lieu of fees payable under the terms of the convertible note agreement. In line with the requirements of AASB 2, the fair value of these ordinary shares was determined by reference to the value of the service received being 2.5% of the convertible note proceeds less a portion settled by the Group in cash.

Valuation Date	Expiry Date	Exercise Price	Granted during the Year	Fair Value at Grant Date
9 April 2019	N/A	N/A	3,737,500	$29,526[1]

Notes:

1. Recognised as a borrowing cost in the statement of profit or loss and other comprehensive income.

14. Intangible assets

	Goodwill $	Intellectual Property $	Commercial contracts $	Total $
Cost	788,230	1,038,526	504,398	2,331,154
Less: Accumulated amortisation	-	(135,997)	(104,686)	(240,683)
Carrying Value at 30 June 2019	**788,230**	**902,529**	**399,712**	**2,090,471**

a. Reconciliation of movements in intangible assets

	Goodwill [3] $	Intellectual Property $	Commercial contracts $	Total $
Opening Balance	**-**	**-**	**-**	**-**
Additions [1]	774,896	1,005,087	488,107	2,268,090
Amortisation expense [2]		(132,470)	(101,971)	(234,441)
Impact of foreign currency fluctuation	13,334	29,912	13,576	56,822
Closing Balance	**788,230**	**902,529**	**399,712**	**2,090,471**

Notes:

1. Additions in 2019 include amounts acquired as part of the Zenvia business combination. Refer to note 6 for additional details.
2. The group amortises intangible assets with a limited useful life using the straight line method over the following periods:
- Intellectual property: 84 Months (73 months remaining)
- Customer contracts: 53 Months (42 months remaining)
3. The goodwill is attributable to the cash flows expected to arise as a result of the acquisition of Zenvia during the year.

15. Segment information

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

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

During the year, the Group identified two material geographic segments in which it provides software services (Brazil and United States), and a third which provides 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 years ended 30 June 2019 and 30 June 2018.

2019	Brazil	United States	Australia	Total
Segment Income				
Revenue from Contracts with Customers	6,096,244	1,039,848	**-**	**7,136,092**
Interest received	556	647	7,951	**9,154**
Other income	-	-	37,088	**37,088**
Total income	**6,096,800**	**1,040,495**	**45,039**	**7,182,334**
Segment expenses				
Cost of Sales	(4,538,967)	(337,290)	-	**(4,876,257)**
Operating expenses	(4,184,628)	(4,186,751)	(555,972)	**(8,927,351)**
Share based payment expenses	-	-	(746,913)	**(746,913)**
Loss before depreciation	**(2,626,795)**	**(3,483,546)**	**(1,257,846)**	**(7,368,187)**
Depreciation	(236,368)	-	-	**(236,368)**
Loss before income tax	**(2,863,163)**	**(3,483,546)**	**(1,257,846)**	**(7,604,555)**
Segment assets and liabilities				
Total Assets	2,854,860	411,012	1,096,683	**4,362,555**
Total Liabilities	(2,036,888)	(591,487)	(1,083,315)	**(3,711,690)**
Net assets (liabilities)	**817,972**	**(180,475)**	**13,368**	**650,865**

2018	Brazil	United States	Australia	Total
Segment Income				
Revenue from Contracts with Customers	-	1,730,366	-	**1,730,366**
Interest received	-	98	38,060	**38,158**
Total income	-	**1,730,464**	**38,060**	**1,768,524**
Segment expenses				
Cost of Sales	-	(679,752)	-	**(679,752)**
Operating expenses	-	(5,415,875)	(535,925)	**(5,951,800)**
Share based payment expenses	-	-	(523,813)	**(523,813)**
Loss before depreciation	-	**(4,365,163)**	**(1,021,678)**	**(5,386,841)**
Depreciation		-		**-**
Loss before income tax	-	**(4,365,163)**	**(1,021,678)**	**(5,386,841)**
Segment assets and liabilities				
Total Assets	-	433,015	4,854,233	**5,287,248**
Total Liabilities	-	(734,294)	(50,786)	**(785,080)**
Net assets (liabilities)	-	**(301,279)**	**4,803,447**	**4,502,168**

16. Events subsequent to financial year end

9 July 2019	The Company issued 54,481,713 ordinary shares on conversion of 60,000 convertible notes.
19 August 2019	The Company issued 53,822,699 ordinary shares on conversion of 60,000 convertible notes.