SYNTONIC

Syntonic Global. Mobile. Media.
2019 Annual Report

Syntonic Limited | **ABN** 68 123 687 765 **ASX Code** SYT

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Corporate Directory

DIRECTORS:	Dr Gary Greenbaum – Managing Director and CEO Mr Rahul Agarwal – Executive Director, President and CTO Mr Steven Elfman – Non-Executive Chairman Mr Christopher Gabriel – Non-Executive Director (resigned 31 December 2018) Mr Nigel Hennessy – Non-Executive Director
COMPANY SECRETARY:	Mr Steven Wood – Joint Company Secretary Mr Edward Meagher – Joint Company Secretary (appointed 28 May 2019) Ms Kate Sainty – Joint Company Secretary (resigned 28 May 2019)
OFFICES:	**United States:** 119 First Avenue, Suite 100, Seattle WA 98104, USA Tel: +1 206 408 8072 **Australia:** 945 Wellington Street, West Perth WA 6005, Australia Tel: +61 8 9322 7600
STOCK EXCHANGE LISTING:	Australian Securities Exchange (ASX Code: SYT) Level 40, 152-158 St Georges Terrace, Perth WA 6000, Australia
SHARE REGISTER:	Computershare Investor Services Pty Ltd Level 11, 172 St Georges Terrace, Perth WA 6000, Australia Tel: +61 3 9415 4000
BANKERS:	**United States:** Wells Fargo & Company **Australia:** Westpac Banking Corporation **Brazil** Itaú Unibanco
SOLICITORS:	**United States:** Wilson Sonsini Goodrich & Rosati **Australia:** DLA Piper **Brazil:** Miguel Neto Advogados
AUDITOR:	HLB Mann Judd Level 4, 130 Stirling Street, Perth WA 6000, Australia

Letter from the Chairman

Dear Shareholders,

I am pleased to present Syntonic's Annual Report for the financial year 2019. The year has been very busy for the team, with strong financial growth and operational activity.

During the year, Syntonic delivered record revenues of $7.14 million from our ordinary activities, a fourfold increase on revenues compared to the 2018 financial year (FY18: $1.73 million). This growth was driven by new carrier deployments and the strong performance of our business in Brazil. Throughout the year, we continued to build our carrier customer base, deploying our technologies with MobiFone, Vodacom and Smart Communications. Following the completion of our acquisition of the assets of Zenvia's mobile commerce business unit, we have built a strong offering for content provider customers, such as Abril Group and now Fox Sports.

Syntonic's good financial and operational performance is linked to its focus on enabling its carrier and content provider customers to acquire, engage and monetise mobile consumers using the Syntonic's Revenue Generation Platform™ (RGP).

As a young and agile business, Syntonic is continually looking forward and assessing the best ways to commercialise its technology. During the year it became clear that the Company's RGP offering was growing strongly in Brazil, where the Company engages directly with content providers who are seeking a complete solution to monetise their mobile content. By replicating this go-to-market strategy and working with content providers in the geographies where Syntonic already has a solid market presence, we can take advantage of shorter sales and deployment cycles and achieve higher margin revenues. As a Board, we feel that this approach will deliver the best outcome for the business and shareholders.

On behalf of the Board, I wish to thank the Syntonic team, including its management team, for all their hard work and dedication during the year. We are fortunate to have a talented and dynamic team that can recognise and respond quickly to opportunities for the business.

I would also like to thank our shareholders who have supported the Company throughout the year, including through our capital financings in December 2018 and April 2019.

Looking forward with our enhanced strategy in place, a broader customer market and the strong interest shown in our technology by multiple premium brands, we are confident that the Company is on a path to profitability.

Yours sincerely,

Steve Elfman
Chairman of the Board
Syntonic Limited
30 September 2019

Letter from the Co-Founders

Dear fellow Shareholders,

The financial year to 30 June 2019 has progressed well for Syntonic with the building blocks put in place over the past years to deliver strong business growth in FY 2019.

A significant achievement was our revenue growth, reaching $7.14 million, a 312% increase on the previous financial year. This was driven principally by the Company's performance in Brazil, along with our new deployments with carrier customers in other geographies.

Syntonic provides the only unified platform that supports the complete customer journey from acquisition to monetisation. Our Revenue Generation Platform (RGP) is a leading cloud-based solution that spans mobile advertising, content services and mobile commerce - the three pillars driving the USD $3.3 trillion mobile app economy[1] in 2019.

Enhancing the value proposition of the Syntonic platform in 2019 was the integration of a mobile commerce service that includes direct-carrier-billing which allows mobile consumers to make online purchases, debiting their mobile carrier account. This core service, which completes the full customer journey for the RGP, was acquired in August 2018 through an acquisition of 100% of the assets of the mobile commerce (or "value-added-services") business unit from Zenvia Mobile Servicos Digitais, a leading Brazilian Application-to-Person service provider.

This acquisition has been financially, operationally and strategically beneficial to our business. As well as making a strong contribution to our record revenues, it allowed us to develop a significant footprint in Latin America and to build out our RGP offering.

Strategically, the acquisition also provided Syntonic with an additional sales and revenue model for its product. In addition to licensing the RGP to mobile carriers, the RGP can now also enable content providers to acquire, engage, and monetise their content directly with mobile consumers. This new sales channel provides faster time-to-market deployments and quick revenue recognition for Syntonic.

In complex markets, such as Latin America, Southeast Asia, India, Africa and the Middle East, which represent over billion smartphone consumers[2], premium content owners lack the expertise in technology, mobile payment, marketing and distribution to successfully monetise their content offerings. The RGP provides the full-service solution for content providers seeking out new markets.

Unlike the Company's traditional mobile carrier licensing model, this alternate sales channel working with content providers will provide the Company with shorter sales and deployment cycles and greater control on how the platform is used.

Already this new business focus is proving fruitful. We were very excited to announce in late 2019 that we will be working with leading pay television sports aggregator Fox Sports, to distribute and sell Fox Gol mobile content via Syntonic's Revenue Generation Platform RGP. This agreement significantly boosts our revenues, as well as delivering higher margins and a faster deployment cycle.

1 Source: App Annie, 2017
2 eMarketer April 2019

Letter from the Co-Founders

Looking ahead

We see a real opportunity to replicate our success in Brazil, across other growing, emerging markets where we already have a presence and are excited about building critical scale through partnerships with premium content providers and aggregators. Via this strategy, we intend to reach cash flow break even by the end of financial year 2020.

Yours sincerely,

Gary Greenbaum
Co-Founder and CEO, Syntonic

Rahul Agarwal
Co-Founder, President and CTO, Syntonic
30 September 2019

Directors' Report

Your Directors present their report on the consolidated entity consisting of Syntonic Limited ("**Syntonic**" or "the **Company**") and the entities it controlled during the year ended 30 June 2019 ("the **Group**").

DIRECTORS

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

Mr Steven Elfman - Non-Executive Chairman (appointed 5 October 2016)

Dr Gary Greenbaum - Executive Director & Chief Executive Officer (appointed 8 July 2016)

Mr Rahul Agarwal - Executive Director, President & Chief Technology Officer (appointed 8 July 2016)

Mr Nigel Hennessy - Non-Executive Director (appointed 30 June 2017)

Mr Christopher Gabriel - Non- Executive Director (appointed 5 October 2016, resigned 31 December 2018)

CURRENT DIRECTORS AND OFFICERS

Dr. Gary S. Greenbaum *Ph.D*
Managing Director and Chief Executive Officer

Dr Greenbaum is the CEO and Managing Director of Syntonic and co-founder of Syntonic Wireless, Inc. Dr Greenbaum has been a thought leader and technology pioneer in two of the most significant technology revolutions of the past 20 years: digital media and mobile computing. Dr Greenbaum's unique balance of business acumen and technical expertise has enabled him to make seminal contributions at every stage in his professional career from co-founding a highly successful Silicon Valley start-up to leading international teams at large multinational corporations.

Dr Greenbaum has previously held a number of executive positions at Microsoft and Hutchison Whampoa Ltd. Previously to these appointments, Dr Greenbaum founded an IP-based video conferencing company that was acquired by RealNetworks, where he led the development of the award winning and ubiquitously used RealVideo streaming technology. Dr Greenbaum is the author of 8 patents granted for Microsoft and RealNetworks, and several Syntonic pending patents. Dr Greenbaum received his Ph.D. in high energy particle physics at the University of California and was a visiting scholar at the Stanford Linear Accelerator Centre.

During the three year period to the end of the financial year, Dr Greenbaum has not held any other directorship in listed companies.

Mr. Rahul Agarwal
Executive Director, President and Chief Technology Officer

Mr Agarwal is the CTO and President of Syntonic and co-founder of Syntonic Wireless, Inc. Mr Agarwal is a qualified computer engineer and tech entrepreneur with over 20 years in the sector and is an expert in architecting large-scale multi-platform client-server solutions, instituting development and quality processes and managing technical teams.

Mr Agarwal has previously held senior roles at RealNetworks including: Director of Engineering, where he was responsible for striking numerous technology partnerships with mobile operators and mobile handset manufacturers; & Chief Architect for RealNetworks' second-generation Helix media consumption platform. Mr Agarwal also founded Adroit Business Solutions, a technology solutions provider that developed numerous high-tech mobile and security solutions for several Fortune 100 companies, mid-sized and early stage companies. Mr Agarwal earned his Masters in Computer Science from West Virginia University.

Mr. Steven Elfman
Non-Executive Chairman

Mr Elfman has over 20 years' experience working in the wireless industry and brings unparalleled knowledge in wireless infrastructure and mobile applications, holding several executive leadership positions at leading U.S. carriers. He founded and currently serves as Executive Managing Partner at Argyle Griffin Group after holding the position of President of Network Operations and Wholesale at U.S. telecommunications company Sprint. Prior to joining Sprint, Mr Elfman was Executive VP of Mobile at InfoSpace until its sale to Motricity and was Senior VP and CIO of AT&T Wireless. Mr Elfman is a founding partner of TAP Growth Group and currently sits on the Board of CollabIP, Affirmed Networks, Smith Micro.

During the three year period to the end of the financial year, Mr Elfman held a directorship in listed company Smith Micro (NASDAQ).

Mr. Nigel Hennessy *BSc(Hons), FAICD Dip, Dip FP*
Non-Executive Director

Mr Hennessy is a recognised leader in technology commercialisation. He has held numerous executive and board director roles in large and small companies – including BAE Systems Australia Ltd, CCN/Cabcharge Ltd, Simoco Pacific Networks Pty Ltd, Adacel Technologies Ltd, AquaSpy, Inc. and EASAMS Ltd. He has also worked with numerous emerging technology companies as a Commercialisation and Investment Adviser in Australia, the U.S., China, Hong Kong and the UK.

Mr Hennessy has published essays on entrepreneurial governance structures for the Australian Institute of Company Directors and is a regular presenter at conferences and guest lecturer at universities throughout Australia. Additionally, he has also been a Commercialisation Adviser to the Federal Government of Australia since 2009.

Subsequent to 30 June, Mr Hennessy was appointed a committee member for the Regional Development Association – Sydney and Independent Non-Executive Director of Australian Institute of Project Management.

During the three year period to the end of the financial year, Mr Hennessy has not held any other directorship in listed companies.

Mr Steven Wood *B.Com, CA*
Joint Company Secretary

Mr Wood is a Chartered Accountant and was appointed to the position of Joint Company Secretary on 6 June 2017. Mr Wood is an employee of Grange Consulting Group Pty Ltd which provides a range of corporate and financial services to listed and unlisted companies.

Mr Edward Meagher *B.Com, CPA*
Joint Company Secretary

Mr Meagher is a CPA and was appointed to the position of Joint Company Secretary on 28 May 2019. Mr Meagher is an employee of Grange Consulting Group Pty Ltd which provides a range of corporate and financial services to listed and unlisted companies.

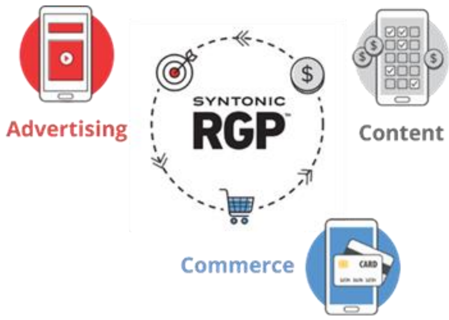
PRINCIPAL ACTIVITIES

The principal activity of the group is commercialisation of its mobile services for telecommunication carriers, specifically the mobile Revenue Generation Platform spanning mobile advertising, content monetisation, mobile commerce, and expense management for enterprise mobility.

OPERATING REPORT

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.

The Company'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 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, Abril Group and Fox Sports.



Syntonic serves its global customer based from its headquarters in Seattle, USA with support from its local offices in São Paulo and Porto Alegre, Brazil; Hanoi, Vietnam; Capetown, South Africa; and Mumbai, India; and its agents in Turkey and Indonesia.

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 has been designed for high scalability and to support the complete customer journey from acquisition to monetisation.

The RGP offers:

- 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 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, and Southeast Asia, which represent over one billion smartphone consumers where premium content has been today underserved due to the marketplace complexity to acquire, engage, and monetise these mobile consumers.

Syntonic has been particularly successful with its RGP in Brazil during the financial year 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 additional 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, Philippines and South Africa.

Key Customer Overview – Content Providers and Carriers

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

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.

Directors' Report (cont.)

Opari provides an open digital commerce platform, branded Opari, which 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 travellers 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.

Fox Sports
Following the close of the period, in late September 2019 Syntonic signed two binding Memorandums of Understanding ("MOUs") with leading pay television sports aggregator Fox Latin America Channel LLC, ("Fox Sports") for the right to distribute and sell Fox Gol mobile content via Syntonic's Revenue Generation Platform (RGP) in two territories, Brazil and Mexico.

The Fox Gol application enables Brazilian and Mexican soccer fans to follow their favourite teams and leagues, through a subscription package that gives them access to video and other curated content. Transfer of the Fox Gol service to the Syntonic platform is anticipated to occur in early Q2 FY20 following an implementation period.

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 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 the Vietnamese carriers. TLC was spun out of TecaPro Limited in October 2018.

Directors' Report (cont.)

Building Scale in Active Users

A key 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.

CORPORATE

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 raised 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$3.54million). 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, specifically replicating the premium content reselling model currently driving business success in the Brazil business.

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.

Directors' Report (cont.)

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.

RESULTS OF OPERATIONS

The net loss of the Group attributable to members of the Company for the year ended 30 June 2019 was $7,797,561 (2018: $5,386,841).

FINANCIAL POSITION

At 30 June 2019, the Group had cash reserves of $1,399,512 (2018: $4,947,217) and net assets of $453,155 (2018: $4,502,168).

CHANGES TO PRELIMINARY FINANCIAL REPORT AND APPENDIX 4E

As a result of new information made available subsequent to the release of the company's Preliminary Final Report and Appendix 4E ("Appendix 4E") on 30 August 2019, certain balances in the audited Consolidated Financial Statements presented in this Annual Report have been updated.

The table below sets out a reconciliation of these balances:

Total Comprehensive Loss for the Year		
Appendix 4E		**(7,579,257)**
Cost of Sales	**(a)**	(123,135)
Other operating expenses	**(b)**	(69,871)
Exchange differences on Translation of foreign operations	**(c)**	(4,704)
Audited Financial Statements		**(7,776,967)**

(a) The company received a late cost adjustment in relation to Service Delivery Platform charges in Brazil.

(b) The company was made aware that a trade receivable is subject to dispute and has raised a provision for doubtful debts in relation to this amount.

(c) As point (b) has resulted in an adjustment to the net assets of a foreign operation, there is an adjustment to the Exchange differences on Translation of that foreign operation.

ENVIRONMENTAL REGULATION

The Company's operations are not subject to any significant environmental regulations.

LOSS PER SHARE

	2019 cents	**2018 cents**
Basic and diluted loss per share	(0.26)	(0.22)

Directors' Report (cont.)

DIVIDENDS

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of the affairs of the Group that occurred during the financial year not otherwise disclosed in their report or the financial statements.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

9 July 2019	Issued 54,481,713 ordinary shares on conversion of 60,000 convertible notes.
19 August 2019	Issued 53,822,699 ordinary shares on conversion of 60,000 convertible notes.
6 September 2019	Issued 75,440,756 ordinary shares on conversion of 60,000 convertible notes.

DIRECTORS' INTERESTS

As at the date of this report, the Directors' interests in the securities of the Company are as follows:

	Ordinary Shares[1]
Gary Greenbaum	552,528,061
Rahul Agarwal	552,528,061
Steven Elfman	3,900,000
Nigel Hennessy	2,600,000

1. "Ordinary Shares" means fully paid ordinary shares in the capital of the Company.

SHARE OPTIONS

Unissued Ordinary shares of Syntonic Limited under option at the date of this report are as follows:

Date Options Granted	Expiry Date	Exercise Price	Number Under Option
08 July 2016	30 September 2019	$0.04	2,000,000
08 July 2016	30 September 2019	$0.08	2,000,000
24 November 2016	24 November 2019	$0.06	15,000,000
7 April 2017	28 February 2027	$0.03	15,000,000
18 December 2017	31 December 2020	0.03	133,333,333
6 July 2018	6 July 2028	0.014	17,286,763
16 October 2018	16 October 2023	0.012	43,638,984
14 November 2018	14 November 2028	0.009	97,167,357
24 January 2019	1 January 2024	0.02	5,000,000
24 January 2019	1 January 2024	0.04	10,000,000

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Constitution of the Company requires the Company, to the extent permitted by law, to indemnify any person who is or has been a director or officer of the Company or Group for any liability caused as such a director or officer and any legal costs incurred by a director or officer in defending an action for any liability caused as such a director or officer.

During or since the end of the financial year, no amounts have been paid by the Company or Group in relation to the above indemnities.

During the financial year, the Company has incurred a premium of $29,400 excluding GST (2018: $38,200) to insure against a liability incurred by a person who is or has been a director or officer of the Company or Group.

REMUNERATION REPORT (AUDITED)

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Key Management Personnel ("KMP") of the Group.

DETAILS OF KEY MANAGEMENT PERSONNEL

The KMP of the Group during or since the end of the financial year were as follows:

Directors

Dr. Gary Greenbaum	Managing Director & Chief Executive Officer
Mr. Rahul Agarwal	Executive Director, President and Chief Technology Officer
Mr. Steven Elfman	Non-Executive Chairman
Mr. Nigel Hennessy	Non-Executive Director
Mr. Christopher Gabriel	Non-Executive Director (resigned 31 December 2018)

Other KMP

Mr. Steven Wood	Joint Company Secretary
Mr. Edward Meagher	Joint Company Secretary (appointed 28 May 2019)
Ms. Kate Sainty	Joint Company Secretary (resigned 28 May 2019)

Unless otherwise disclosed, the KMP held their position from 1 July 2018 until the date of this report.

REMUNERATION POLICY

The Group's remuneration policy for its KMP has been developed by the Board taking into account the size of the Group, the size of the management team for the Group, the nature and stage of development of the Group's current operations, and market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

Directors' Report (cont.)

Executive Remuneration

The Group's remuneration policy is to provide a fixed remuneration component and a performance based component (short term incentive and long term incentive). The Board believes that this remuneration policy is appropriate given the considerations discussed in the section above and is appropriate in aligning executives' objectives with shareholder and business objectives.

Fixed Remuneration
Fixed remuneration consists of base salaries, as well as employer contributions to superannuation funds and other non-cash benefits. Fixed remuneration is reviewed annually by the Board. The process consists of a review of company and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices.

Performance Based Remuneration – Short Term Incentive
Executives may be entitled to an annual cash bonus upon achieving various key performance indicators ("KPI's"), as set by the Board. When determining the measures for KPI's, the Board will have regard to the current size, nature and opportunities of the Company. Subsequent to the end of each financial year, the Board assesses performance against these criteria.

The Group paid no cash bonuses during the 2019 financial year (2018: US$300,000).

Performance Based Remuneration – Long Term Incentive
The Board has previously chosen to issue Incentive Options (where appropriate) to some executives as a key component of the incentive portion of their remuneration, in order to attract and retain the services of the executives and to provide an incentive linked to the performance of the Company. The Board considers that each executive's experience in the technology industry will greatly assist the Company in progressing its projects to the next stage of development and commercialisation.

The Board may grant Incentive Options to executives with exercise prices at and/or above market share price (at the time of agreement). As such, Incentive Options granted to executives will generally only be of benefit if the executives perform to the level whereby the value of the Company increases sufficiently to warrant exercising the Incentive Options granted. Other than service-based vesting conditions, there are no additional performance criteria on the Incentive Options granted to executives, as given the speculative nature of the Company's activities and the small management team responsible for its running, it is considered the performance of the executives and the performance and value of the Company are closely related. The Company prohibits executives entering into arrangements to limit their exposure to Incentive Options granted as part of their remuneration package.

During the 2019 financial year, nil incentive options were issued to KMPs (2018: Nil).

Non-Executive Director Remuneration

The Board's policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. Given the current size, nature and risks of the Company, ordinary shares have also been used to attract and retain Non-Executive Directors in lieu of cash remuneration. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

Directors' Report (cont.)

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting. Director's fees paid to Non-Executive Directors accrue on a daily basis. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and Non-Executive Directors may in limited circumstances receive Incentive Options in order to secure their services.

Fees for the Chairman are presently set at 1,300,000 fully paid ordinary shares (2018: 1,300,000 fully paid ordinary shares) per annum and fees for Non-Executive Directors' are presently set at 1,300,000 ordinary shares per year if approved by shareholders at the Company's annual general meeting. These fees cover main board activities only. Non-Executive Directors may receive additional remuneration for other services provided to the Company, including but not limited to, membership of committees.

Relationship between Remuneration of KMP and Shareholder Wealth

During the Company's commercialisation phase of its business, the Board anticipates that the Company will retain earnings (if any) and other cash resources for the commercialisation of its proprietary technologies. Accordingly, the Company does not currently have a policy with respect to the payment of dividends and returns of capital. Therefore there was no relationship between the Board's policy for determining, or in relation to, the nature and amount of remuneration of KMP and dividends paid and returns of capital by the Company during the current and previous four financial years.

The Board did not determine the nature and amount of remuneration of the KMP by reference to changes in the price at which shares in the Company traded between the beginning and end of the current and the previous four financial years. However, as noted above, a number of KMP have previously received Incentive Options and Ordinary Shares which generally will only be of value should the value of the Company's shares increase.

Relationship between Remuneration of KMP and Earnings

As discussed above, during the Company's commercialisation phase of its business, the Board anticipates that the Company will retain earnings (if any) and other cash resources for the commercialisation of its proprietary technologies. Accordingly the Board does not consider earnings during the current and previous financial years when determining, and in relation to, the nature and amount of remuneration of KMP.

EMOLUMENTS OF DIRECTORS AND OTHER KMP

Details of the nature and amount of each element of the emoluments of each of the Key Management Personnel of Syntonic Limited are as follows:

Directors' Report (cont.)

2019	SHORT-TERM BENEFITS SALARY & FEES $	CASH BONUS $	SUPER-ANNUATION $	TERMINATION PAYMENTS $	SHARE-BASED PAYMENTS $	TOTAL $	PERFORMANCE RELATED %
Directors							
Gary Greenbaum	360,407	-	-	-	-	360,407	-
Rahul Agarwal	381,722	-	-	-	-	381,722	-
Steven Elfman	-	-	-	-	13,000[3]	13,000	-
Christopher Gabriel[1]	-	-	-	-	13,000[3]	13,000	-
Nigel Hennessy	-	-	-	-	13,000[3]	13,000	-
Other KMP							
Steven Wood[2]	-	-	-	-	-	-	-
Edward Meagher[2,5]							
Kate Sainty[2,4]	-	-	-	-	-	-	-
Total	742,129	-	-	-	39,000	781,129	-

1. Resigned 31 December 2018
2. Mr Wood, Mr Meagher and Ms Sainty provide services as the Joint Company Secretaries through a services agreement with Grange Consulting Group Pty Ltd. Grange Consulting Group Pty Ltd was paid $207,900 for the provision of administrative, accounting and company secretarial services to the Company during the financial year.
3. The above table includes values for share based payments (shares) at their fair value. Shares are fair valued at the point in time the shareholders approved the directors' election to take equity in lieu of cash payments for their director fees. According to AASB 2, the fair value of the shares issued is measured at the date of the shareholders meeting approving the equity (grant date) to the directors.
4. Resigned 28 May 2019
5. Appointed 28 May 2019

2018	SHORT-TERM BENEFITS SALARY & FEES $	CASH BONUS $	SUPER-ANNUATION $	TERMINATION PAYMENTS $	SHARE-BASED PAYMENTS $	TOTAL $	PERFORMANCE RELATED %
Directors							
Gary Greenbaum	332,399	193,000	-	-	-	525,399	36.7
Rahul Agarwal	349,235	193,000	-	-	-	542,235	35.6
Steven Elfman	-	-	-	-	33,800[3]	33,800	-
Christopher Gabriel[1]	-	-	-	-	33,800[3]	33,800	-
Nigel Hennessy	-	-	-	-	33,800[3]	33,800	-
Other KMP							
Benjamin Rotholtz[1]	233,084	64,333	-	-	40,757	338,174	19.0
Steven Wood[2]	-	-	-	-	-	-	-
Kate Sainty[2]	-	-	-	-	-	-	-
Total	**914,718**	**450,333**	**-**	**-**	**142,157**	**1,507,208**	**29.9**

1. Resigned 11 May 2018
2. Mr Wood and Ms Sainty provide services as the Joint Company Secretaries through a services agreement with Grange Consulting Group Pty Ltd. Grange Consulting Group Pty Ltd was paid $192,459 for the provision of administrative, accounting and company secretarial services to the Company during the financial year.
3. The above table includes values for share based payments (shares) at their fair value. Shares are fair valued at the point in time the shareholders approved the directors' election to take equity in lieu of cash payments for their director fees. According to AASB 2, the fair value of the shares issued is measured at the date of the shareholders meeting approving the equity (grant date) to the directors.

Directors' Report (cont.)

SHARE-BASED COMPENSATION TO KEY MANAGEMENT PERSONNEL

Options

There were nil options issued to KMPs as remuneration during the 2019 financial year (2018: Nil).

Shares

During the year, shares were issued to Directors in lieu of fees and salary and were measured at fair value on the grant date (date shareholder approval was obtained). The following shares were issued in lieu of director fees and salary during the year:

	Date Shares Issued	Number of Shares Issued/Granted	Fair Value per Share at Grant Date	Total Fair Value
Directors				
Steven Elfman	14 Nov 2018	1,300,000	$0.01	$13,000
Christopher Gabriel	14 Nov 2018	1,300,000	$0.01	$13,000
Nigel Hennessy	14 Nov 2018	1,300,000	$0.01	$13,000
Total		**3,900,000**		**$39,000**

EMPLOYMENT CONTRACTS WITH DIRECTORS AND KEY MANAGEMENT PERSONNEL

Dr Greenbaum, Managing Director and CEO, has an employment agreement with the Group dated 8 July 2016. Dr Greenbaum is an at-will employee and the employment agreement may be terminated by either party at any time for any or no reason. No amount is payable in the event of termination by the Company for cause, including Dr Greenbaum's wilful or negligent failure to perform his duties, or in the event of termination caused by Dr Greenbaum's death or disability. In the event of termination by the Company without cause, Dr Greenbaum is entitled to receive his salary and benefits for a period of 6 months. Dr Greenbaum receives a fixed remuneration component of US$250,000 per annum and a discretionary annual bonus of up to US$150,000 to be paid upon the successful completion of KPI's as determined by agreement between Dr Greenbaum and the Board.

Mr Agarwal, Executive Director, President and CTO, has an employment agreement with the Group dated 8 July 2016. Mr Agarwal is an at-will employee and the employment agreement may be terminated by either party at any time for any or no reason. No amount is payable in the event of termination by the Company for cause, including Mr Agarwal's wilful or negligent failure to perform his duties, or in the event of termination caused by Mr Agarwal's death or disability. In the event of termination by the Company without cause, Mr Agarwal is entitled to receive his salary and benefits for a period of 6 months. Mr Agarwal receives a fixed remuneration component of US$250,000 per annum and a discretionary annual bonus of up to US$150,000 to be paid upon the successful completion of KPI's as determined by agreement between Mr Agarwal and the Board.

Other Transactions

Adroit Business Solutions, a Company of which Mr Rahul Agarwal is a director and beneficial shareholder, was paid US$982,100 for the provision of product development services (2018: US$975,100), based on a monthly retainer due and payable on invoice, with no fixed term. These

Directors' Report (cont.)

amounts have been recognised as expenses in the Consolidated Statement of Profit or Loss and other Comprehensive Income, with any outstanding balances being unsecured and repayable in cash.

Options Holdings of Key Management Personnel

There were no options over ordinary shares in the Group held during the financial period by any director of Syntonic Limited or other KMP of the Group, including their personally related parties.

Shareholdings of Key Management Personnel

The number of shares in the Group held during the financial period by each director of Syntonic Limited and other KMP of the Group, including their personally related parties are set out below.

Ordinary shares

	Held at 1 July 2018	Granted as remuneration	Net Change	Held at 30 June 2019
Directors				
Gary Greenbaum	469,194,728	-	83,333,333[4]	552,528,061
Rahul Agarwal	469,194,728	-	83,333,333[4]	552,528,061
Steven Elfman	2,600,000	1,300,000	-	3,900,000
Christopher Gabriel[1]	2,600,000	1,300,000	(3,900,000)	-
Nigel Hennessy	1,300,000	1,300,000	-	2,600,000
Other KMP				
Edward Meagher[2]	-		-	-
Steven Wood	-		-	-
Kate Sainty[3]	-		-	-
Total	944,889,456	3,900,000	162,766,666	1,111,556,122

1. Resigned 31 December 2018
2. Appointed 28 May 2019
3. Resigned 28 May 2019
4. Issued on conversion of milestone b performance shares. Refer to note 11(a) for additional details

Performance Shares

	Held at 1 July 2018	Net Change	Held at 30 June 2019
Directors			
Gary Greenbaum	166,666,667	(166,666,667)[4]	-
Rahul Agarwal	166,666,667	(166,666,667)[5]	-
Steven Elfman	-	-	-
Christopher Gabriel[1]	-	-	-
Nigel Hennessy	-	-	-

Directors' Report (cont.)

Other KMP			
Edward Meagher[2]	-	-	-
Steven Wood	-	-	-
Kate Sainty[3]	-	-	-
Total	333,333,334	(333,333,334)	-

1. Resigned 31 December 2018
2. Appointed 28 May 2019
3. Resigned 28 May 2019
4. 83,333,333 milestone b performance shares converted to ordinary equity while 83,333,334 milestone c performance shares expired in line with their terms and conditions. Refer to note 11(a) for additional details.
5. 83,333,333 milestone b performance shares converted to ordinary equity while 83,333,334 milestone c performance shares expired in line with their terms and conditions. Refer to note 11(a) for additional details.

END OF REMUNERATION REPORT

DIRECTORS' MEETINGS

The number of meetings of directors held during the year and the number of meetings attended by each of the directors were as follows:

	Board Meetings	
Director	**Number eligible to attend**	**Number attended**
Gary Greenbaum	10	10
Rahul Agarwal	10	9
Steven Elfman	10	9
Christopher Gabriel	5	5
Nigel Hennessy	10	9

The Board considers that the Group is not currently of a size, nor are its affairs of such complexity, to justify the formation of separate or special committees at this time. As the Group's activities increase in size, scope and/or nature the Board will review this position.

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year are outlined in Note 20 to the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors set by the *Corporations Act 2001.*

The Directors are of the opinion that the services do not compromise the auditors independence as all non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in the code of conduct APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional & Ethical Standards Board.

Directors' Report (cont.)

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 22 of the Directors' Report.

Signed in accordance with a resolution of the directors.

Gary Greenbaum
Managing Director & CEO
30 September 2019

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Syntonic Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
30 September 2019

D I Buckley
Partner

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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		(4,999,392)	(679,751)
Gross Profit		**2,182,942**	**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	(2,957,974)	(1,665,644)
Share based payment expense	18	(746,913)	(523,813)
Depreciation		(1,927)	-
Amortisation	19	(234,441)	-
Finance Costs	13(b)	(365,915)	-
Discount unwind of contingent consideration	9(b)	(134,932)	-
Change in fair value of embedded derivative liabilities	13(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		**(7,797,561)**	**(5,386,841)**
Income tax expense	4	-	-
Net loss for the year		**(7,797,561)**	**(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		20,594	(4,035)
Total other comprehensive income/(loss), net of tax		**20,594**	**(165,593)**
Total comprehensive loss for the year, net of tax		**(7,776,967)**	**(5,552,434)**
Total comprehensive loss attributable to members of the Company		(7,776,967)	(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)	15	(0.26)	(0.22)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of Financial Position

As at 30 June 2019

	Note	2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents	6	1,399,512	4,947,217
Trade and other receivables	7	742,806	188,635
Other assets	8	344,302	141,438
Total current assets		**2,486,620**	**5,277,290**
Non-current assets			
Other financial assets	8	10,792	9,958
Property, plant and equipment		16,947	-
Intangible assets	19	2,090,471	-
Total non-current assets		**2,118,210**	**9,958**
TOTAL ASSETS		**4,604,830**	**5,287,248**
LIABILITIES			
Current liabilities			
Trade and other payables	10	1,477,158	785,080
Borrowings	13	993,095	-
Total current liabilities		**2,470,253**	**785,080**
Non-Current liabilities			
Contingent Consideration	9	1,367,851	-
Deferred tax liabilities	9	313,571	-
Total non-Current liabilities		**1,681,422**	**-**
TOTAL LIABILITIES		**4,151,675**	**785,080**
NET ASSETS		**453,155**	**4,502,168**
EQUITY			
Contributed equity	11	40,566,508	37,546,468
Reserves	12	2,785,390	2,056,882
Accumulated losses		(42,898,743)	(35,101,182)
TOTAL EQUITY		**453,155**	**4,502,168**

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

Consolidated statement of Changes in Equity

As at 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	-	-	-	-	(7,797,561)	(7,797,561)
Other comprehensive income, net of tax	-	-	-	20,594	-	20,594
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**20,594**	**(7,797,561)**	**(7,776,967)**
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**	**(271,680)**	**(42,898,743)**	**453,155**

	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**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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	14	**(6,742,650)**	**(4,820,333)**
Cash flows from investing activities			
Net cash paid for acquisition of business		(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**

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

Notes to the consolidated financial statements

For the year ended 30 June 2019

1. Statement of Significant Accounting Policies

The significant accounting policies adopted in preparing the financial report of Syntonic Limited ("Syntonic" or "Company") and its consolidated entities ("Consolidated Entity" or "Group") for the year ended 30 June 2019 are stated to assist in a general understanding of the financial report and have been consistently applied unless otherwise stated.

Syntonic is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange ("ASX").

The financial report of the Group for the year ended 30 June 2019 was authorized for issued in accordance with a resolution of the Directors on 30 September 2019.

(a) Basis of preparation

The financial report is a general purpose financial report, which 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 Annual Report, the Company is a for profit entity.

The consolidated financial statements have 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) Statement of Compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

(i) New or revised standards and interpretations that are first effective in the current reporting period

These consolidated financial statements have 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' 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.

Notes to the consolidated financial statements

For the year ended 30 June 2019

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; 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.

(ii) Accounting standards issued but not yet effective

The Directors have also reviewed the new and revised Standards and Interpretations in issue not yet adopted for the year ended 30 June 2019.

As a result of this review the Directors have determined that AASB 16 Leases may have a material effect on the application in future periods.

AASB 16 replaces AASB 117 Leases and related interpretations.

AASB 16 removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. Most leases will be capitalised on the statement of financial position by recognising a lease liability for the present value obligation and a 'right of use' asset. The right of use asset is calculated based on the lease liability plus initial direct costs, prepaid lease payments and estimated restoration costs less lease incentives received. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in the expense recognition with interest and depreciation replacing operating lease expense. There are exemptions for short-term leases and leases of low-value items.

Lessor accounting remains similar to current practice, i.e. lessors continue to classify leases as finance and operating leases.

This Standard will primarily affect the accounting for the Group's operating lease commitments predominately relating to the leased office premises in the United States and Brazil. The Group is considering available options to account for this transition which may result in an increase in reported earnings before interest, tax and depreciation and amortisation (EBITDA) and increase in lease assets and liabilities recognition. The Standard may also have an impact on deferred tax balances. This will, however, be dependent on the lease arrangements in place when the new Standard is effective. The Group has commenced the process of evaluating the impact of the new Standard. The commitments identified in note 23 are likely to form the basis of opening balances on application, at a minimum.

AASB 16 is effective from annual reporting periods beginning on or after 1 January 2019. A lessee can choose to apply the Standard using a full retrospective or modified retrospective approach.

(c) Going Concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

As disclosed in the consolidated financial statements for the year ended 30 June 2019, the Group incurred a net loss of $7,797,561 and cash outflows from operating activities of $6,742,650 for the year ended 30 June 2019. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

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.

The directors are satisfied they will be able to raise additional working capital as required and thus it is appropriate to prepare the financial statements on a going concern basis. In arriving at this position, the Directors have considered the following:

- Successful capital raisings historically, including in April 2019 with the Company completing a $5.38 million raising (before costs) by way of a $1.84m placement and $3.54m convertible note facility, of which $1.42m had been drawn down at 30 June 2019;
- Continued and demonstrated growth in revenue; and
- Prudent cost management.

Syntonic intends to replicate its success in Brazil across other growing, emerging markets where the group already has a presence and are committed to building critical scale through partnerships with premium content providers and aggregators.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

(d) <u>Principles of Consolidation</u>

The consolidated financial statements incorporate 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.

(e) Foreign Currencies

The consolidated financial statements incorporate 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.

Function and presentation currency

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 consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

Transactions and balances

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.

Group companies

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.

(f) 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.

(g) Parent entity financial information

The financial information for the parent entity, Syntonic Limited, disclosed in Note 17 has been prepared on the same basis as the consolidated financial statements.

(h) 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

(i) Payables

Liabilities are recognized 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. Payables are initially recorded at fair value and then subsequently amortised cost.

(j) Provisions

Provisions are recognized 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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 18 – Shared based payments
- Note 13 – Borrowings
- Note 9 – Contingent Consideration

(p) 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”.

(q) 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.

(r) 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 available-for-sale 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.

(s) 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.

(t) 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 18.

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.

(u) 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.

At inception, 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 13 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 statement of financial position 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.

(v) Goodwill

Goodwill is measured as described in note 1(x), 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 21).

(w) 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

(x) 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 21).

	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.

Notes to the consolidated financial statements

For the year ended 30 June 2019

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
Bad debts	69,871	-
Interest	9,559	1,462
	2,957,974	**1,665,644**

4. Income tax

	2019	2018
	$	$
a) Reconciliation between Tax Expense and Accounting Loss Before Income Tax		
Accounting loss before income tax	(7,797,561)	(5,386,481)
At the domestic income tax rate of 30% (2017: 27.5%)	(2,339,268)	(1,481,381)
Expenditure not allowable for income tax purposes	164,470	146,927
Changes in tax rate	1,751,055	-
Adjusted for differing tax rates across jurisdictions	644,941	(331,406)
Deferred tax assets not brought to account	(221,198)	1,665,860
Income tax benefit attributable to gain	-	-
b) Deferred Tax Assets and Liabilities		
Deferred income tax at 30 June relates to the following:		
Intangible assets	313,571	-
Deferred tax liabilities	313,571	-
c) Unrecognised deferred Tax Assets		
Accrued expenditure	10,500	12,113
Capital allowances	23,060	390,986
Tax losses – revenue (Australia)	557,037	285,460
Tax losses – (United States)	3,030,071	4,085,722
Tax losses – (Brazil)	715,830	-
Deferred tax assets used to offset deferred tax liabilities	-	-
Deferred tax assets not brought to account	(4,336,498)	(4,774,281)
	-	-

The benefit of deferred tax assets not brought to account will only be brought to account if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Group in realising the benefit.

Tax Consolidation

The Company and its wholly-owned Australian resident entities have implemented the tax consolidation legislation.

5. Dividends paid or provided for on ordinary shares

No dividends have been paid or proposed for the year ended 30 June 2019 (2018: nil). The balance of the franking account as at 30 June 2019 is nil (2018: nil).

6. Cash and cash equivalents

	2019 $	2018 $
Cash and cash equivalents	1,399,512	4,947,217
	1,399,512	**4,947,217**

Cash at bank earns interest at floating rates on daily bank deposit rates.

7. Trade and other receivables

	2019 $	2018 $
Trade debtors[1]	696,574	108,240
GST receivable	46,232	12,745
Cash deposit (AMEX credit card)	-	67,650
	742,806	**188,635**

1. 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.

8. 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[1]	142,592	128,469
	344,302	**141,438**

1. 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.

9. Business combinations

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 the 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. The contingent consideration is a level 3 financial liability in the fair value hierarchy and is measured at balance date at fair value on a recurring basis.

The valuation technique used for the contingent consideration is a discounted cashflow model based on forecast contribution margin and discounted at 28.8% which is determined by reference to the weighted average cost of capital for the group.

The sensitivity of carrying amount of the contingent consideration to changes in the discount rate are set out below:

Change in discount rate	**Change in value of contingent consideration**
Discount rate: +/- 2%	$34,078 / ($34,078)
Contribution Margin +/- 10%	$136,785 / ($136,785)

(c) <u>Assets and liabilities acquired:</u>

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**

Had the acquisition occurred on 1 July 2018, being the start of the financial year, the impact to group consolidated loss is immaterial.

10. Trade and other payables

	2019 $	2018 $
Trade creditors[1]	1,047,608	632,453
Accrued expenses	147,768	44,048
Employee liabilities	281,782	108,579
	1,477,158	**785,080**

1. 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.

11. 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[1]	-	-	5,024,779	333,333,334
	40,566,508	**3,288,287,588**	**37,546,468**	**2,942,876,880**

1. As part of the consideration for the Acquisition on 8 July 2016 the Company issued 500,000,000 performance shares which each convert into one ordinary share upon satisfaction of certain performance milestones on or before 8 July 2018, as follows:

   a) 166,666,666 performance shares convert upon Freeway by Syntonic (including the white-label version of the product sold by partners) having an Addressable Audience of 100,000,000 mobile subscribers;

   b) 166,666,666 performance shares convert upon Freeway by Syntonic (including the white-label version of the product sold by partners) having an Addressable Audience of 150,000,000 mobile subscribers; and

   c) 166,666,668 performance shares convert upon the Company entering into revenue generating agreements in respect of Syntonic DataFlex (including the white-label version of the product sold by partners) with 50 businesses.

   Milestone (a) was achieved in FY17, with 166,666,666 performance shares being converted to ordinary shares.
   Milestone (b) was achieved within 18 months of issue date, with 166,666,666 performance shares being converted to ordinary shares on 6 July 2018.
   On 9 July 2018, the Company announced that performance shares associated with milestone (c) had expired in accordance with their terms & 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	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	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**

(c) Rights attaching to ordinary shares:

The rights attaching to fully paid ordinary shares (“Ordinary Shares”) arise from a combination of the Company's Constitution, statute and general law.

Copies of the Company's Constitution are available for inspection during business hours at the Company's registered office. The clauses of the Constitution contain the internal rules of the Company and define matters such as the rights, duties and powers of its shareholders and directors, including provisions to the following effect (when read in conjunction with the Corporations Act 2001 or Listing Rules).

Shares

The issue of shares in the capital of the Company and options over unissued shares by the Company is under the control of the directors, subject to the Corporations Act 2001, ASX Listing Rules and any rights attached to any special class of shares.

Meetings of Members

Directors may call a meeting of members whenever they think fit. Members may call a meeting as provided by the Corporations Act 2001. The Constitution contains provisions prescribing the content requirements of notices of meetings of members and all members are entitled to a notice of meeting. A meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of members is 2 shareholders.

Voting

Subject to any rights or restrictions at the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents. On a poll each eligible member has one vote for each fully paid share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share.

Changes to the Constitution

The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

Listing Rules

Provided the Company remains admitted to the Official List, then despite anything in its Constitution, no act may be done that is prohibited by the Listing Rules, and authority is given for acts required to be done by the Listing Rules. The Company's Constitution will be deemed to comply with the Listing Rules as amended from time to time.

12. Reserves

(a) Reserves:

	Note	2019 $	2018 $
Share based payment reserve	12(c)	3,057,070	2,349,156
Foreign currency translation reserve	12(d)	(271,680)	(292,274)
		2,785,390	**2,056,882**

(b) Nature and purpose of reserves:

Shared Based Payment Reserve

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

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(e). The reserve is recognised in profit or loss when the net investment is disposed of.

(c) 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**

(d) Movements in the foreign currency translation reserve:

	2019 $	2018 $
Opening Balance	**(292,274)**	**(288,239)**
Exchange difference on translation of foreign operations	20,594	(4,035)
Closing Balance	**(271,680)**	**(292,274)**

13. 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 and a redemption price of USD $1.265 if redeemed in cash. 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	1. 5 years of historical daily data was used to calibrate the model; 2. 1000 price iterations were run for each trading day; 3. It was assumed that the Notes would run to maturity for valuation purposes; 4. 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**

(d) Change in liabilities arising from financing activities

Date	Details	$
1-Jul-18	**Opening Balance**	**-**
10-Apr-19	Cash received on issue of convertible notes	1,395,027
10-Apr-19	Recognition of embedded derivative at fair value	754,158
Multiple	Conversions by noteholder	(244,622)
30-Jun-19	Unwind of effective interest rate	(365,915)
30-Jun-19	Revaluation of embedded derivative to fair value	(544,547)
30-Jun-19	Impact of foreign exchange	(1,006)
30-Jun-19	**Closing Balance**	**993,095**

14. Reconciliation of net loss after tax to net cash flows from operations

	2019 $	2018 $
Loss for the year	(7,797,561)	(5,386,841)
Adjustment for non-cash income and expense items		
(Gain)/Loss on disposal of investment	-	(81,418)
Net foreign exchange (gain)/loss	(42,539)	11,655
Share based payments	776,439	523,813
Depreciation and amortisation	236,368	-
Unwinding of discount rate	365,915	-
Change in fair value of contingent consideration	134,932	-
Change in fair value of embedded derivative liability	(544,548)	-
Change in assets and liabilities		
(Increase)/decrease in trade and other receivables	153,212	(67,218)
Increase/(decrease) in trade and other payables	178,830	179,676
(Increase)/decrease in Other financial assets	(203,698)	-
Net cash outflow from operating activities	**(6,742,650)**	**(4,820,333)**

Non-Cash Financing and Investing Activities

There were no non-cash financing and investing activities during the year ended 30 June 2019 or 30 June 2018.

15. Earnings per share

	2019 cents	2018 cents
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)**

	2019 $	2018 $
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	(7,797,561)	(5,386,841)
Earnings used in calculating basic and diluted earnings per share from continuing operations	**(7,797,561)**	**(5,386,841)**

	2019 Number of Ordinary Shares	2018 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

Non-Dilutive Securities

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

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.

On 6 September 2019, the Group issued 75,440,756 ordinary shares on conversion of 60,000 convertible notes.

16. Related parties

Subsidiaries of Syntonic Limited

		% Equity Interest	
Name	**Country of Incorporation**	**2019**	**2018**
Syntonic Wireless, Inc.	United States	100	100
Syntonic US, Inc.	United States	100	-
Syntonic Brasil Tecnologia Ltda	Brazil	100	-

Ultimate Parent

Syntonic Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Key Management Personnel

Transactions with Key Management Personnel, including remuneration, are included in the remuneration report included in the Directors' report.

Transactions with Related Parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

17. Parent entity disclosures

	2019	2018
	$	$
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**
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)**

No guarantees have been entered into by the parent entity in relation to the subsidiaries.

18. 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

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For the year ended 30 June 2019

(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

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

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[1]	79,000,000
Granted during the year	173,093,104[2]	141,133,333
Exercised during the year	-	-
Expired / cancelled during the year	(27,000,000)[3]	(800,000)
Outstanding at the end of the year	**365,426,437[4]**	**219,333,333**

1. Weighted average exercise price of $0.031
2. Weighted average exercise price of $0.012
3. Weighted average exercise price of $0.029
4. Weighted average exercise price of $0.023 // Weighted average remaining life of 4.75 years

(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

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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]

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

19. 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**

1. Additions in 2019 include amounts acquired as part of the Zenvia business combination. Refer to note 9 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.

20. Auditors remuneration

	2019 $	2018 $
Amounts received or due and receivable by HLB Mann Judd for:		
• an audit or review of the financial report of the entity and any other entity in the consolidated group	57,030	46,500
• other services in relation to the entity and any other entity in the consolidated group	5,750	6,000
	67,780	52,500

21. 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	(4,662,102)	(337,290)	-	(4,999,392)
Operating expenses	(4,184,628)	(4,256,622)	(555,972)	(8,997,222)
Share based payment expenses	-	-	(746,913)	(746,913)
Loss before depreciation and amortisation	**(2,749,930)**	**(3,553,417)**	**(1,257,846)**	**(7,561,193)**
Amortisation	(234,441)	-	-	(234,441)
Depreciation	(1,927)	-	-	(1,927)
Loss before income tax	**(2,986,298)**	**(3,553,417)**	**(1,257,846)**	**(7,797,561)**

Segment assets and liabilities				
Total Assets	3,168,431	339,716	1,096,683	4,604,830
Total Liabilities	(2,479,873)	(591,487)	(1,083,315)	(4,151,675)
Net assets (liabilities)	**691,558**	**(251,771)**	**13,368**	**453,155**

During the year, non-current assets with a 30 June 2019 carrying value of $2,107,418 were acquired within the Brazil segment (United States: nil, Australia: nil)

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 and amortisation	**-**	**(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**

22. Financial risk and management objectives and policies

(a) Overview

The Group's principal financial instruments comprise receivables, borrowings, payables, cash and short-term deposits. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Other than as disclosed, there have been no significant changes since the previous financial year to the exposure or management of these risks.

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. Key risks are monitored & reviewed as circumstances change (e.g. acquisition of a new project) and policies are revised as required. The overall objective of the Group's financial risk management policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the Group does not enter into derivative transactions to mitigate the financial risks. In addition, the Group's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains. As the Group's operations change, the Directors will review this policy periodically going forward.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing the Group's financial risks as summarised below.

(b) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents and trade and other receivables.

There are no significant concentrations of credit risk within the Group. The carrying amount of the Group's financial assets represents the maximum credit risk exposure, as represented below:

	2019	2018
	$	$
Cash and cash equivalents	1,399,512	4,947,217
Trade and other receivables	742,806	330,073
Other financial assets	355,094	9,958
	2,497,412	**5,287,248**

With respect to credit risk arising from cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Trade and other receivables are comprised primarily of trade debtors, prepayments and GST refunds due. Where possible the Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due. At 30 June 2019, the Group had sufficient liquid assets to meet its financial obligations.

The undiscounted contractual maturities of financial liabilities, including estimated interest payments, are provided below. There are no netting arrangements in respect of financial liabilities.

The contingent consideration is a level 3 financial liability in the fair value hierarchy and is measured at balance date at fair value on a recurring basis. Refer to note 9(b) for details on the valuation of contingent consideration, including sensitivities to valuation inputs.

2019 Group	**≤6 Months**	**6-12 Months**	**1-5 Years**	**≥5 Years**	**Total**
	$	**$**	**$**	**$**	**$**
Financial Assets					
Cash and cash equivalents	1,399,512	-	-	-	1,399,512
Trade and other receivables	589,422	142,592	10,792	-	742,806
	1,988,934	**142,592**	**10,792**	**-**	**2,142,318**
Financial Liabilities					
Trade and other payables	1,477,158	-	-	-	1,477,158
Contingent consideration	-	-	3,015,590	-	3,015,590
Convertible Notes	106,944	1,426,280	-	-	1,533,224
	1,584,102	**1,426,280**	**3,015,590**	**-**	**6,025,972**

2018 Group	**≤6 Months**	**6-12 Months**	**1-5 Years**	**≥5 Years**	**Total**
	$	**$**	**$**	**$**	**$**
Financial Assets					
Cash and cash equivalents	4,947,217	-	-	-	4,947,217
Trade and other receivables	201,604	128,469	9,958	-	340,031
	5,148,821	**128,469**	**9,958**	**-**	**5,287,248**
Financial Liabilities					
Trade and other payables	(785,080)	-	-	-	(785,080)
	(785,080)	**-**	**-**	**-**	**(785,080)**

(d) Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the cash and short-term deposits with a floating interest rate.

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These financial assets with variable rates expose the Group to cash flow interest rate risk. Loans to other entities are at a fixed interest rate and all other financial assets and liabilities, in the form of receivables, convertible notes and payables are non-interest bearing.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2019	**2018**
	$	**$**
Interest bearing financial instruments		
Cash and cash equivalents	1,399,512	4,947,217
	1,399,512	**4,947,375**

The Group's cash at bank, short term deposits and interest bearing liabilities had a weighted average interest rate at year end of 0.5% (2018: 0.5%).

The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

Interest rate sensitivity

A sensitivity of 1% (100 basis points) has been selected as this is considered reasonable given the current level of both short term and long term interest rates. A 1% (100 basis points) movement in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2018.

	Profit or loss		**Other comprehensive income**	
	100 bp Increase	**100 bp Decrease**	**100 bp Increase**	**100 bp Decrease**
	$	**$**	**$**	**$**
2019 Group				
Cash and cash equivalents	13,995	(13,995)	13,995	(13,995)
	13,995	**(13,995)**	**13,995**	**(13,995)**
2018 Group				
Cash and cash equivalents	49,472	(49,472)	49,472	(49,472)
	49,472	**(49,472)**	**49,472**	**(49,472)**

(e) Foreign Currency Risk

As a result of activities overseas, the Group's statement of financial position can be affected by movements in exchange rates. The Group also has transactional currency exposures. Such exposure arises from transactions denominated in currencies other than the functional currency of the entity.

The Group's exposure to foreign currency risk throughout the current and prior year primarily arose from controlled entities of the Company whose functional currency is US dollars and Brazilian real. Foreign currency risk arises on translation of the net assets of these controlled entities to Australian dollars.

Presented in Australian dollars, the Group's exposure to foreign current risky at the end of the reporting period was as follows:

	2019 US $	2018 US $	2019 BRL $	2018 BRL $
Cash and cash equivalents	209,587	234,198	303,058	-
Trade and other receivables	40,957	188,859	646,875	-
Trade and other payables	(591,487)	(734,294)	(795,451)	-
	(340,943)	(311,237)	154,482	-

Foreign Currency sensitivity

Based on the financial instruments held at 30 June 2019, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax loss for the year would have been $34,094 higher/$34,094 lower (2018: $43,304 higher/$43,304 lower), the effect on equity would have been $34,094 higher/$34,094 lower (2018: $43,304 higher/$43,304 lower).

Based on the financial instruments held at 30 June 2019, had the Australian dollar weakened/strengthened by 10% against the Brazilian Real with all other variables held constant, the Group's post-tax loss for the year would have been $15,448 higher/$15,448 lower (2018: Nil), the effect on equity would have been $15,448 higher/$15,448 lower (2018: Nil).

The Group currently does not engage in any hedging or derivative transactions to manage foreign currency risk.

(f) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Given the stage of development of the Group, the Board's objective is to minimise debt and to raise funds as required through the issue of new shares.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

(g) Fair Value

The net fair value of financial assets and financial liabilities approximates their carrying value. The methods for estimating fair value are outlined in the relevant notes to the financial statements.

23. Commitments and contingent liabilities

Commitments:

The Group has operating lease commitments for 2 years amounting to $288,721, being the lease at its premises in the U.S. This is divided as follows:

Within 12 months	$130,961
After one year but not more than 5 years	$157,760

Contingent Liabilities

As part of the consideration payable under the Asset Purchase Agreement to acquire the Brazilian mobile commerce business unit assets (refer to Note 9 for further detail in regards to the acquisition), the Seller, being Zenvia, is 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. The amount has been recognised in the financial statements based on the requirements of AASB 3 Business Combinations.

24. Events subsequent to balance date

9 July 2019	Issued 54,481,713 ordinary shares on conversion of 60,000 convertible notes.
19 August 2019	Issued 53,822,699 ordinary shares on conversion of 60,000 convertible notes.
6 September 2019	Issued 75,440,756 ordinary shares on conversion of 60,000 convertible notes.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Directors’ Declaration

In accordance with a resolution of the directors of Syntonic Limited:

1. In the opinion of the directors:

    a. the attached financial statements, notes and the additional disclosures included in the directors' report designated as audited, are in accordance with the Corporations Act 2001, including:

        i. section 296 (compliance with accounting standards and Corporations Regulations 2001); and

        ii. section 297 (gives a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the Group); and

    b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The attached financial statements and notes thereto are in compliance with International Financial Reporting Standards, as stated in Note 1(b) to the financial statements.

3. The Directors have been given a declaration required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.

On behalf of the Board

Gary Greenbaum
Managing Director & CEO
30 September 2019

HLB MANN JUDD
ADVISORY AND ACCOUNTING

INDEPENDENT AUDITOR'S REPORT
To the members of Syntonic Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Syntonic Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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<table>
<tr><th>Key Audit Matters</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Acquisition of Zenvia
Note 9 to the financial report</td></tr>
<tr><td>During the year the Group acquired 100% of the assets of the mobile commerce business unit of Zenvia Mobile Servicos Digitais (“Zenvia”) a leading Brazilian service provider.

Accounting for this transaction is a complex and judgemental exercise, including management’s assessment of control and the appropriate accounting thereon, including estimations of fair value of assets and liabilities of the acquiree.

Due to the size of the acquisition and the estimation process involved in the acquisition accounting it is a key area of audit focus.</td><td>Our procedures included but were not limited to the following:
- We read the asset purchase agreement to understand key terms and conditions;
- We assessed the principles applied in the acquisition accounting;
- We considered whether or not the acquisition of the business unit constituted a business under AASB 3;
- We assessed and recalculated the consideration including the contingent consideration;
- We audited the net assets acquired and the allocation of the purchase price to identifiable intangible assets and residual goodwill; and
- We assessed the adequacy of the Group’s disclosure in respect of the acquisition.</td></tr>
<tr><td colspan="2">Impact assessment of AASB 15 in relation to revenue recognition
Note 2 to the financial report</td></tr>
<tr><td>The adoption of AASB 15 Revenue from Contracts with Customers has led to significant changes in the revenue recognition accounting policies adopted by the Group.

We focused on this area as a key audit matter due to the number and type of estimation events that may occur over the course of a contract life, leading to judgemental revenue recognition and the risk of impact on profit.</td><td>Our procedures included but were not limited to the following:
- We reviewed and considered a sample of the Company’s key contracts to determine if we concurred with management’s assessment;
- We challenged each of management’s key assumptions surrounding revenue recognition for each of the key contracts reviewed;
- We assessed the methodology for over time recognition and accuracy of recognising revenue for a sample of contracts;
- We assessed whether management had correctly applied the concepts of principle versus agent; and
- We assessed the appropriateness and accuracy of the disclosures included in the relevant notes to the financial report.</td></tr>
</table>

Convertible Notes Note 13 to the financial report	
On 8th April 2019 ("first purchase date"), Syntonic issued 1,000,000 initial convertible notes priced at USD $1 per note with a face value of USD $1.15 per note and a redemption price of USD $1.265 per note (110% of the face value). The notes were issued to a single lender, being Obsidian Global Partners, LLC ("Obsidian") Accounting for convertible notes was considered a key audit matter due to: - the complexity involved in assessing whether to account for the notes, both host contract and embedded derivative, as equity, a liability or a combination of both; - measurement at initial recognition of the individual components of the liability based on the terms and conditions of the agreement and the significant judgement in determining the fair value of the separate components of the liability; and - measurement subsequent to initial recognition including the fair value measurement at balance date.	Our procedures included but were not limited to the following: - We obtained an understanding of and assessing the terms and conditions of the convertible loan note agreement; - We considering the appropriateness of the valuation methodology against the requirements of the relevant Australian Accounting Standards; - We considered the reasonableness of the inputs to the valuation; - We tested amounts recognised in the general ledger including the derivate and host contract; - We recalculated the conversion amounts recognised in equity; and - We assessed the adequacy of the disclosures in accordance with the applicable accounting standards.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.
As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Syntonic Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
30 September 2019

D I Buckley
Partner

Corporate Governance

Syntonic Limited ("Syntonic" or "Company") and the entities it controls believe corporate governance is a critical pillar on which business objectives and, in turn, shareholder value must be built.

The Board of Syntonic has adopted a suite of charters and key corporate governance documents which articulate the policies and procedures followed by the Company.

These documents are available in the Corporate Governance section of the Company's website, www.syntonic.com. These documents are reviewed annually to address any changes in governance practices and the law.

The Company's Corporate Governance Statement 2019, which explains how Syntonic complies with the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 3rd Edition' in relation to the year ended 30 June 2019, is available in the Corporate Governance section of the Company's website, www.syntonic.com and will be lodged with ASX together with an Appendix 4G at the same time that this Annual Financial Report is lodged with ASX.

In addition to the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 3rd Edition' the Board has taken into account a number of important factors in determining its corporate governance policies and procedures, including the:

- relatively simple operations of the Company, which currently only technology research & development;
- cost verses benefit of additional corporate governance requirements or processes;
- size of the Board;
- Board's experience in the technologies sector;
- organisational reporting structure and number of reporting functions, operational divisions and employees;
- relatively simple financial affairs with limited complexity and quantum;
- relatively small market capitalisation and economic value of the entity; and
- direct shareholder feedback.

ASX Additional Information

1. TWENTY LARGEST SHAREHOLDERS

As at 27 September 2019, the names of the twenty largest shareholders are listed below:

Name	No. of Ordinary Shares	% of Ordinary Shares
LINDFIELD NOMINEE SERVICES PTY LTD <GARY GREENBAUM A/C>	540,407,554	15.56
LINDFIELD NOMINEE SERVICES PTY LTD <RAHUL AGARWAL A/C>	540,407,554	15.56
MR GAVIN JEREMY DUNHILL	254,000,000	7.32
OBSIDIAN GLOBAL PARTNERS LLC	90,140,756	2.60
MR DAVID LEE	72,982,898	2.10
CITICORP NOMINEES PTY LIMITED	70,961,849	2.04
HNZ GROUP PTY LTD <HNZ INVESTMENT FAMILY>	50,000,070	1.44
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	43,232,699	1.25
ARREDO PTY LTD	40,000,000	1.15
STOCKMAN SUPERANNUATION PTY LTD <STOCKMAN SUPER FUND A/C>	29,977,000	0.86
MR LEROY GEORG TERENCIUK	27,157,267	0.78
MR MING TAN	21,500,000	0.62
MR ARTHUR DENHAM BOSMAN	21,205,082	0.61
PETO PTY LTD <THE 1953 SUPER FUND A/C>	20,000,000	0.58
UBET INVESTMENTS PTY LTD <FISHER FAMILY ACCOUNT>	18,000,000	0.52
MR JOHN CHARLES VASSALLO + MR SEAN JAMES VASSALLO <VASSALLO FAMILY S/F A/C>	16,793,789	0.48
MR LAXMI C GUPTA	16,646,617	0.48
MR DEEPAK MITTAL	16,646,617	0.48
MR DAVID MICHAEL MORRIS	14,500,000	0.42
MR BASSAM HADDAD	14,000,000	0.40
Total Top 20 Holders of Ordinary Fully Paid Shares	**1,918,559,752**	**55.26**
Total Remaining Holders Balance	**1,553,473,004**	**44.74**
TOTAL	**3,472,032,756**	**100.00**

2. DISTRIBUTION OF EQUITY SECURITIES

As at 31 August 2019, an analysis of numbers of holders by size of holdings is listed below:

Distribution	No. of Shareholders	No. of Ordinary Shares
1 – 1,000	111	
1,001 – 5,000	39	
5,001 – 10,000	69	
10,001 – 100,000	983	
More than 100,000	1,389	
Totals	**2,591**	**3,396,592,000**

3. VOTING RIGHTS

See note 11(c) of the Notes to the Consolidated Financial Statements.

4. SUBSTANTIAL SHAREHOLDERS

As at 27 September 2019, substantial shareholder notices have been received from the following:

Substantial Shareholder	No. of Shares
MR GAVIN JEREMY DUNHILL	254,000,000
LINDFIELD NOMINEE SERVICES PTY LTD <GARY GREENBAUM>	540,407,554
LINDFIELD NOMINEE SERVICES PTY LTD <RAHUL AGARWAL>	540,407,554

5. ON-MARKET BUY BACK

There is currently no on-market buy-back program for any of Syntonic Limited's listed securities.

6. RESTRICTED SECURITIES

As at 27 September 2019 there were no restricted securities.

7. UNQUOTED EQUITY SECURITIES

As at 27 September 2019, an analysis of unlisted equity holders is listed below in accordance with ASX Listing Rule 4.10.16:

Holder	**ULO $0.06 24/11/19**	**ULO $0.04 30/09/19**	**ULO $0.08 30/09/19**	**ULO $0.03 28/02/27**	**ULO $0.012 16/10/23**
Celtic Capital Pty Ltd	5,250,000	-	-	-	-
Armada Capital & Equities Pty Ltd	5,400,000	-	-	-	-
Mr Gavin Dunhill					
Employees under approved Incentive Option Plan	-	2,000,000	2,000,000	15,000,000	43,638,984
Total number of holders	5	1	1	2	1
Total holdings over 20%	10,650,000	2,000,000	2,000,000	15,000,000	43,638,984
Other holders	4,350,000	-	-	-	-
Total	**15,000,000**	**2,000,000**	**2,000,000**	**15,000,000**	**43,638,984**

Holder	**ULO $0.03 31/12/20**	**ULO $0.014 06/07/28**	**ULO $0.009 14/12/28**	**ULO $0.02 1/1/24**	**ULO $0.04 1/1/24**
Celtic Capital Pty Ltd	36,450,167	-	-	-	-
Armada Capital & Equities Pty Ltd	-	-	-	-	-
Mr Gavin Dunhill	-	-	-	5,000,000	10,000,000
Employees under approved Incentive Option Plan	-	17,286,763	97,167,357	-	-
Total number of holders	43	2		1	1
Total holdings over 20%	36,450,167	17,286,763	97,167,357	5,000,000	10,000,000
Other holders	96,883,166	-	-	-	-
Total	**133,333,333**	**17,286,763**	**97,167,357**	**5,000,000**	**10,000,000**

8. USE OF CASH AND ASSETS

In accordance with ASX Listing Rule 4.10.19 Syntonic Limited (ASX: SYT) confirms it has used the cash and assets in a form readily convertible into cash, that it had at the time of its admission to ASX, for the period from admission to 30 June 2019 in a way that is consistent with is business objectives and strategy.

Syntonic Limited

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