

Proposed Capital Raising via Fully Underwritten Non-Renounceable Entitlement Offer and Short-Term Loan

Highlights:

- Fully underwritten, pro-rata non-renounceable entitlement offer to raise up to \$3,472,033 (before costs)
- Proceeds from the entitlement offer will be utilised to fully repay the existing Obsidian convertible notes that have been put on standstill, replace those undrawn working capital reserves and provide working capital to advance the Company's new strategy and business focus
- Additional cost reduction measures including decrease in executive salaries and elimination of support for non-strategic legacy deployments
- Withdrawal of consolidation resolution and non-executive director share resolution at the upcoming AGM

Syntonic Limited (**Syntonic** or the **Company**) (ASX: SYT), a mobile content services provider, is pleased to announce a proposed capital raising of the Company. The capital raising includes:

- a fully underwritten pro-rata non-renounceable entitlement offer of new fully paid ordinary shares in the Company (**New Shares**) to raise \$3,472,033 (before costs) (**Entitlement Offer**);
- the provision of a short-term loan facility for working capital (to be repaid via the proceeds from the Entitlement Offer); and
- an agreement with Obsidian Global Partners LLC (**Obsidian**) pursuant to which the Company will cancel the existing convertible notes issued to Obsidian and pay to Obsidian an amount of US\$750,000 in full and final settlement of the Company's outstanding debt to Obsidian (via the proceeds from the Entitlement Offer).

In addition, the Company has appointed Mr David Wheeler as a non-executive director and has implemented various new cost saving measures.

Syntonic believes the above measures will provide a foundation for a positive future of growth for the Company and a means to achieve the Company's targeted cashflow positive by late FY20. The Company's business performance will be underpinned by the Syntonic Revenue Generation Platform™ (**RGP**) that integrates advertising, content services, and mCommerce for premium content distribution and sales in Syntonic's established markets – Latin America, Southeast Asia, and Africa.

Syntonic CEO and Managing Director, Gary Greenbaum said:

“Syntonic is on a new path towards cash flow positive in FY20. Our content monetisation services are thriving in markets such as Brazil and we plan to replicate this success in other geographies where we have an established market presence. This strategy makes complete sense for our business as content monetisation delivers higher margin opportunities that we can activate quickly. It was recently validated through our new customer Fox Sports, which was rapidly activated in Brazil and Mexico earlier this month.”

Entitlement Offer

Under the Entitlement Offer, eligible shareholders, with an address in Australia and New Zealand on or around 22 November 2019 (**Record Date**), will be able to subscribe for one (1) New Share for every one (1) existing fully paid ordinary share (**Share**) held at an issue price of \$0.001 per Share, together with one free attaching option (each at an exercise price of \$0.002 and an expiry date of 31 December 2022) for every 2 New Shares subscribed for under the Entitlement Offer.

New Shares issued under the Entitlement Offer will rank equally with Shares already on issue on the Record Date. The Company will make an application for official quotation of the New Shares proposed to be issued under the Entitlement Offer.

The Entitlement Offer will be fully underwritten for up to \$3,472,033 (before costs) by CPS Capital Group Pty Ltd (ACN 088 055 636) (AFSL 294 848) who will also act as the lead manager to the Entitlement Offer (**Underwriter**). The Underwriter will be paid an underwriting fee of 4% of the total dollar amount raised under the Entitlement Offer (being approximately \$138,881), a management fee of 2% of the total dollar amount raised under the Entitlement Offer (being approximately \$69,440) and a \$10,000 monthly retainer fee payable for twelve months. Subject to the Company obtaining shareholder approval, the Company will issue to the Underwriter (and/or its nominee) 750,000,000 options, each with an exercise price of \$0.002 and expiring on 31 December 2022, as part consideration for services provided to the Company in connection with the Entitlement Offer.

Net proceeds from the Entitlement Offer will be utilised for (amongst other matters), settlement of the amount owing to Obsidian under the existing convertible note facility, repayment of the short-term loan facility amount owing to the Underwriter, sales and marketing activities associated with the Syntonic Revenue Generation Platform™, product development and ongoing working capital requirements.

Eligible shareholders will have the opportunity to subscribe for all, part or none of their entitlement and can also apply for additional New Shares in excess of their entitlement pursuant to a shortfall offer. The Entitlement Offer is non-renounceable, meaning an eligible shareholder's entitlement is not transferable and therefore cannot be traded on the ASX. Shareholders who do not take up all or any part of their entitlement will not receive any payment or value in respect of their entitlement not taken up and their equity interest in the Company will be diluted.

Event	Date
Announcement of Entitlement Offer Lodge Appendix 3B for Entitlement Offer Shares	Friday 15 November 2019
Lodge Prospectus with ASIC and ASX	Monday 18 November 2019
Send notice of Entitlement Offer to shareholders	Wednesday 20 November 2019
'Ex' date	Thursday 21 November 2019
Record Date for Entitlement Offer	Friday 22 November 2019
Dispatch Prospectus (and announce dispatch)	Monday 25 November 2019
Entitlement Offer opens	Monday 25 November 2019
Last day to extend the closing date	Friday 29 November 2019
Entitlement Offer Closes (5 pm WST)	Wednesday 4 November 2019
Notify ASX of shortfall	Thursday 5 December 2019
Announce results of Entitlement Offer	Thursday 5 December 2019
Issue of Shares under the Entitlement Offer	Friday 6 December 2019
Quotation of new Shares issued under the Entitlement Offer	Monday 9 December 2019
Dispatch of holding statements	Tuesday 10 December 2019

Consolidation

The Company wishes to advise shareholders that it is withdrawing Resolution 3 "Consolidation of Capital" from its 2019 Notice of Annual General Meeting which has been sent to shareholders (refer to the ASX announcement dated 18 October 2019). The withdrawal of this item of business does not affect the validity of the proxy form attached to the 2019 Notice of Annual General Meeting or any proxy votes already made. Shareholders who wish to complete and lodge a proxy in relation to the 2019 annual general meeting to be held on Monday, 18 November 2019, do not need to indicate their voting instructions on Resolution 3.

Short Term Loan Facility

The Company has entered into a short-term loan facility agreement with Pentin Pty Ltd, an unrelated third party to provide \$750,000 in immediate working capital to the Company. This amount is to be repaid from the proceeds of the Entitlement Offer. The interest rate on the facility is 16% per annum, with a minimum interest fee of \$20,000 and an establishment of \$16,500.

Convertible Notes

The Company has executed a deed of settlement, termination and release with Obsidian (**Deed**) in respect of the convertible notes held by Obsidian. Subject to the Entitlement Offer completing, the Company will pay to Obsidian an amount of US\$750,000 (inclusive of any GST) in full and final settlement of all amounts owing and all claims arising out of, in connection with, related to or incidental to the convertible securities agreement between Obsidian and the Company.

Under the terms of the Deed, Obsidian has also agreed to forbear from undertaking certain activities (including not exercising any of its rights or powers under the convertible notes and existing loan facility agreements) until full and final settlement under the Deed has occurred.

Strategy, executive salary reduction, cost review and director appointment

The Company has decided to implement a new strategy and business focus and to shift much of its product development, business development, and sales efforts away from DataFlex®, Freeway®, and the Connected Services Platform® to support content distribution and sales via the Syntonic RGP in Brazil and in other markets where the Company has an established presence, such as Vietnam, the Philippines and South Africa (refer to the Company's ASX announcement titled "Syntonic New Strategic Business Focus" for further details). The strategic shift in focus to content monetisation services will allow the Company to reduce expenses and increase margins.

As previously disclosed, the Company welcomes Mr David Wheeler to the Board as a non-executive director. Mr. Wheeler has more than 30 years of senior executive management, board and corporate advisory experience gained across Australia, the United States, United Kingdom, Europe, New Zealand, China, Malaysia, Singapore and the Middle East. Mr. Wheeler is currently a founding Director and Partner of Pathways Corporate, a boutique Corporate Advisory firm that advises a range of family offices, private clients, and ASX listed companies, and his board experience spans both public and private companies, including current non-executive director roles for Australian listed companies Thred Ltd (ASX: THD), Eneabba Gas Limited (ASX: ENB), Protean Energy Limited (ASX: POW), Ragnar Metals Limited (ASX: RAG) Tyranna Resources Ltd (TYX) and Avira Oil (ASX: AVW). Mr. Wheeler's previous directorships roles include 333D Limited (ASX: T3D), Antilles Oil and Gas NL (ASX: AVD), Ultracharge Limited (ASX: UTR), and Castillo Copper Limited (ASX: CCZ). Mr. Wheeler is a Fellow of the Australian Institute of Company Directors and joins the Syntonic Board as an Australian resident non-executive.

The Company's non-executive directors will assume an annual salary of \$36,000 per annum. The Company wishes to advise shareholders that it is withdrawing Resolution 4 "Issue of Shares to Steven Elfman" and Resolution 5 "Issue of Shares to Nigel Hennessy" from its 2019 Notice of Annual General Meeting which has been sent to shareholders (refer to the ASX announcement dated 18 October 2019). The withdrawal of these items of business does not affect the validity of the proxy form attached to the 2019 Notice of Annual General Meeting or any proxy votes already made. Shareholders who wish to complete and lodge a proxy in relation to the 2019 annual general meeting to be held on Monday, 18 November 2019, do not need to indicate their voting instructions on Resolutions 4 and 5.

In addition to the above, the Company has agreed with executive directors Gary Greenbaum and Rahul Agarwal that effective 1 October 2019, their annual salary be reduced to AUD\$250,000 (previously US\$250,000), up until the Company has a positive EBITA, at which point the previous salaries will be reinstated.

About Syntonic

Syntonic Ltd (SYT.ASX) is a Seattle-based mobile content services provider which provides the complete customer journey connecting premium content to mobile subscribers. Syntonic has created the world's leading unified mobile revenue platform spanning mobile advertising, content



services and mobile commerce. Syntonic's carrier-grade service has been designed with high availability, scalability and 100% revenue assurance in mind. The Syntonic platform has been deployed and validated by some of the world's largest content providers.

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

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