

21 November 2019

Dear Shareholder

NOTICE TO INELIGIBLE SHAREHOLDERS OF NON-RENOUNCEABLE RIGHTS ISSUE

On 15 November 2019, Syntonic Limited (**Company**) announced that it would be offering shareholders the opportunity to participate in a non-renounceable pro-rata entitlement offer to raise \$3,472,033 (before costs) (**Entitlement Offer**) on the basis of one (1) fully paid ordinary share in the capital of the Company (**New Share**) for every one (1) fully paid ordinary share held at the record date on 25 November 2019 (**Record Date**), at an issue price of \$0.001 per New Share, together with a free attaching option (exercisable at \$0.002, expiring on 31 December 2022).

Only shareholders with a registered address in Australia or New Zealand will be eligible to participate in the Entitlement Offer (**Eligible Shareholders**).

Assuming no existing options or convertible notes are exercised before the Record Date, 3,472,032,756 New Shares will be issued under the Entitlement Offer.

The Entitlement Offer is non-renounceable so rights are not tradeable on ASX. All New Shares will rank equally with the Company's existing shares.

The Entitlement Offer will be made by way of a replacement prospectus pursuant to section 713 of the *Corporations Act 2001* (Cth) (**Corporations Act**) (**Prospectus**) lodged with ASX on 21 November 2019, which is available on the Company's website at <http://syntonic.com/> and on the ASX website at www.asx.com.au.

Underwriter

The Entitlement Offer is fully underwritten by CPS Capital Group Pty Ltd (**Underwriter**) pursuant to a mandate and an underwriting agreement with the Company (**Underwriting Agreement**). All Shortfall Shares that are not taken up by Eligible Shareholders will be allocated to the Underwriter, in accordance with the Underwriting Agreement.

Purpose of Offer

Successful completion of the Entitlement Offer will raise \$3,472,033 (before costs). The main purpose for the Entitlement Offer is to raise funds for:

- (a) Obsidian Payment: repayment of US\$750,000 to Obsidian in respect to its Convertible Notes. The Company and Obsidian have entered into an agreement pursuant to which the Company will cancel the existing convertible notes issued to Obsidian (Obsidian Agreement) in full and final settlement of the Company's outstanding debt to Obsidian Global Partners LLC (refer to ASX announcement of 3 April 2019 for further details regarding the Convertible Notes);
- (b) Loan Facility: repayment of \$750,000 to Pentin Pty Ltd in respect to the short-term loan facility with Pentin Pty Ltd, an unrelated third party, provided in immediate working capital to the Company (Loan Amount);
- (c) Sales and Marketing: sales and marketing of premium content offers supported by the Syntonic Revenue Generation Platform™;

- (d) Product Development and Technical Support: integration of the Syntonic Revenue Generation Platform™ (RGP) within carrier direct-carrier-billing systems and supporting content providers to market, distribute and sell their content offers using the Syntonic RGP ; and
- (e) ongoing working capital requirements.

Ineligible Shareholders

The Company has determined that it would be unreasonable to extend participation in the Entitlement Offer to shareholders who do not have a registered address in Australia or New Zealand, where the Entitlement Offer does not fall within a security offering exception applicable to shareholders in that jurisdiction (**Ineligible Shareholders**) having regard to:

- (a) the number of Ineligible Shareholders;
- (b) the number and value of New Shares that would otherwise be offered to Ineligible Shareholders; and
- (c) the cost of complying with overseas legal and regulatory requirements.

Unfortunately, according to our records, you do not satisfy the criteria for an Eligible Shareholder, accordingly, in compliance with ASX Listing Rule 7.7.1(b) and section 9A(3)(b) of the Corporations Act, the Company wishes to advise that it is unable to extend to you the opportunity to participate in the Entitlement Offer. If our records are incorrect on this matter, please contact the Company Secretary on +61 8 9322 7600. You will not be sent a Prospectus or be able to subscribe for New Shares under the Entitlement Offer.

Nominee

In order to comply with section 615 of the *Corporations Act 2001* (Cth) (**Corporations Act**), the Company will appoint an ASIC approved nominee (**Nominee**) to subscribe for the New Shares that Ineligible Shareholders would have been entitled to, and the Nominee will sell those shares on their behalf.

The nominee sale procedure will be implemented in accordance with section 615 of the Corporations Act as follows:

- (a) the Company will issue to the Nominee the New Securities that Ineligible Shareholders would be entitled to if they were eligible to participate in the Entitlement Offer (**Nominee Securities**);
- (b) the Nominee will then sell the Nominee Securities at a price and otherwise in a manner determined by the Nominee in its absolute and sole discretion; and
- (c) the net proceeds of the sale of the Nominee Securities (after deducting the costs of sale including brokerage and commission), if any, will be distributed to the Ineligible Shareholders for whose benefit the Entitlements are sold in proportion to their shareholdings as at the Record Date.

If any such net proceeds of sale are less than the reasonable costs that would be incurred by the Company for distributing those proceeds, such proceeds may be retained by the Company.

Accordingly there is a possibility that Ineligible Shareholders may receive no net proceeds if the costs of the sale of the Nominee Securities are greater than the sale proceeds. The Company and the Nominee will not be held liable for a failure to obtain any net proceeds, or for the sale of any the Nominee Securities at any particular price or the timing of such sale.

If you have any questions in relation to your entitlement under the Entitlement Offer, please contact the Company Secretary by telephone on +61 8 9322 7600.

Yours sincerely



Gary Greenbaum
Managing Director