Syntonic Global. Mobile. Media.
2020 Annual Report

Syntonic Limited | ABN 68 123 867 765 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 David Wheeler – Non-Executive Director
COMPANY SECRETARY:	Mr Tim Slate
OFFICES:	**United States:** 119 First Avenue, Suite 100, Seattle WA 98104, USA Tel: +1 206 408 8072 ***Brazil:*** Sao Paulo and Porto Alegre, Brazil ***Australia:*** Level 26, 140 St Georges Terrace, Perth WA 6000, Australia Tel: +61 8 6558 0886
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:** Thomson Greer **Brazil:** Miguel Neto Advogados
AUDITOR:	HLB Mann Judd Level 4, 130 Stirling Street, Perth WA 6000, Australia

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 2020 ("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

Dr Gary Greenbaum - Executive Director & Chief Executive Officer

Mr Rahul Agarwal - Executive Director, President & Chief Technology Officer

Mr David Wheeler - Non-Executive Director (appointed 13 November 2019)

Mr Nigel Hennessy resigned on 13 November 2019.

CURRENT DIRECTORS AND OFFICERS

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) (appointed 7 November 2014 to current).

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.

Directors' Report (cont.)

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.

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

Mr. David Wheeler
Non-Executive Director

Mr Wheeler has more than 30 years of Executive Management, Directorship, and Corporate Advisory experience. He is a foundation Director and Partner of Pathways Corporate a boutique Corporate Advisory firm that undertakes assignments on behalf of family offices, private clients, and ASX listed companies.

David has successfully engaged in business projects in the USA, UK, Europe, NZ, China, Malaysia, Singapore and the Middle East. David is a Fellow of the Australian Institute of Company Directors and serves on public and private company boards currently holding a number of Directorships and Advisory positions in Australian ASX listed companies.

Mr Wheeler currently holds a directorship in the following entities: Thred Ltd (appointed 30 August 2017), Avira Resources Ltd (appointed 13 September 2018), Blaze International Ltd (appointed 13 March 2020), Protean Wave Energy Ltd (appointed 17 May 2017), Eneabba Gas Ltd (appointed 10 October 2017), Ragnar Minerals Ltd (appointed 4 December 2017), Tyranna Resources Ltd (appointed 18 October 2019), VPCL Ltd (appointed 3 April 2020).

In the three years prior to the end of the financial year Mr Wheeler also held directorships in the following entities: Antilles Oil and Gas NL (appointed 2 December 2016; resigned 13 November 2018), Ausmex Mining Group Ltd (appointed 1 October 2014; resigned 1 August 2017), Castillo Copper Ltd (appointed 13 August 2015; resigned 12 February 2018) and 333D Ltd (appointed 15 April 2011; resigned 16 February 2018).

Directors' Report (cont.)

Mr Tim Slate *B.Com, CA*
Company Secretary

Mr. Slate has a Bachelor of Commerce from the University of Western Australia, is a Chartered Accountant, is an Associate Member of the Governance Institute of Australia and is a Graduate of the Australian Institute of Company Directors. Mr. Slate provides accounting and secretarial advice to private and public companies. Mr Slate has over 10 years' experience in chartered accounting.

PRINCIPAL ACTIVITIES

The principal activity of the Group is commercialisation of its mobile services for telecommunication carriers, specifically the Syntonic Revenue Generation Platform ("SGP") spanning mobile advertising, content delivery and mobile commerce.

OPERATING REPORT

FY20 was a pivotal year as the Company transitioned its business and shifted corporate focus to content monetisation. This new direction was to allow the Company to accelerate revenue growth, reduce operational expenses and achieve a long-term sustainable business.

During the first half of the financial year, the Company was on target to achieve its business objectives, having signed a cornerstone agreement with FOX Sports for the distribution and sales of the FOX Sports Gol soccer service in Mexico and Brazil.

During the second half of the financial year, however, the Company faced two significant business challenges: a rapidly weakening Brazilian currency and the shut-down of worldwide soccer due to the new coronavirus disease ("COVID-19"). As a consequence, the Company missed its business objectives and continued to operate with negative cash flows despite aggressive cost-control measures.

Despite a weakened global economy, the Syntonic business model was proven durable as the Company was able to partially offset the declining revenue from FOX Sport Gol subscriptions with other high-value syndicated content offers.

The Company has pursued various initiatives to ensure a sufficient cash position to remain operational and has investigated various courses of action. The Board evaluated a number of prospective opportunities and determined that the best course of action in the present circumstances was to pursue divestment of its operating assets.

<u>Discontinued Operations</u>

On 25 September 2020, the Company signed a Share Purchase Agreement ("SPA") with First Orion Corp ("First Orion") for the sale of all issued and outstanding share capital of Syntonic Wireless, Inc. and Syntonic US, Inc. ("the Syntonic US Companies") ("Divestment").

The Purchase Price outlined in the SPA is US$1,220,000 payable as follows:

a) US$1,000,000 in cash on completion of the Proposed Transaction; and
b) US$220,000 payable in four (4) equal monthly instalments of US$55,000 beginning 1 January 2021 and on the first day of each month thereafter with the last payment payable on 1 April 2021.

Under the terms of the SPA:

a) First Orion would transfer a refundable US$85,000 deposit to Syntonic, which has been received;
b) Prior to completion of the Proposed Transaction, the Company will discharge and cause the Syntonic US Companies to be free and clear of any indebtedness including indebtedness owed to the Company or any other person or company affiliated with the Syntonic US Companies.

Financial Performance

Syntonic's FY20 gross revenue from continuing and discontinued operations grew to $8.67 million, a 21.5% increase compared to the previous financial year of $7.14 million. This revenue growth was driven by strong, pre-COVID-19, results specifically dominated by FOX Sports Gol subscription sales. The real business performance was materially stronger than the nominal revenue and cash receipt figures given the currency exchange impact of a 28.1% decline in the BRL on the AUD.

Cash receipts during the financial year from customers were $2.37 million, a 28.6% decline on FY19 ($3.31 million) mainly as a result of the devaluation of the Brazilian Real during the period.

The Company's net cash loss from operations was $3.4 million, down 47.7% on FY19 ($6.75 million). This significant improvement was a result of the Company's aggressive cost savings efforts, a shift in the Company's business strategy and cost reductions associated with the winding-down of the Company's legacy products.

Further material contributions to the Company's cost reductions include:

- ramp-down of all product development and operating expenses including cloud-based services;
- staff and contractor reductions; and
- a 31.7% reduction in executive salaries.

Discontinued Operations - Operational Overview & Progress

During FY20, Syntonic implemented a new business strategy and focus to support content distribution and sales via the Syntonic RGP. The platform provides the complete customer journey connecting premium content to mobile subscribers. The RGP benefits content providers by allowing them to remain focused on their core competency, i.e. creating quality content, with Syntonic owning the content marketing, distribution, and monetisation and participating in the higher margin revenue generated through content subscription sales.

FY20 was the first full financial year that the Company operated the Syntonic RGP, after integration of the acquired content monetisation assets from Zenvia Mobile Servicos Digitais S.A. ("Zenvia") in FY19.

Directors' Report (cont.)

The full implementation of this strategy involved the following:

1. Winding-down and/or terminating legacy and non-strategic customer agreements, including those pertaining to Smart Communications, AQN/Telkomsel Indonesia, Opari Inc., and AKTAY A.S. (Syntonic DataFlex™). By mid-year, all non-strategic and non-material agreements were successfully terminated;

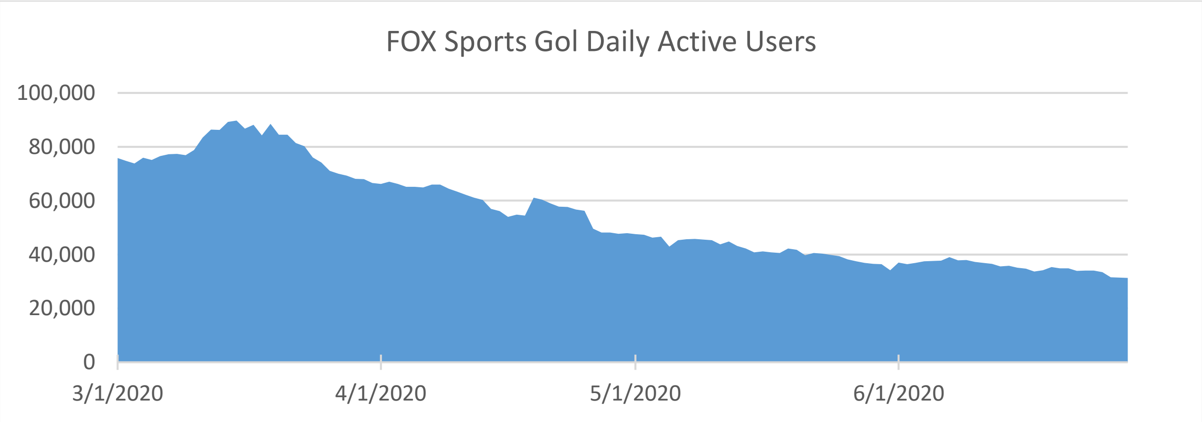
2. For those carrier customers dependent on the Company's legacy service, the Company offered a one-time "buy-out" license allowing the licensee full and unlimited use of the platform technologies. During the financial year, Syntonic executed one buy-out license with Thang Long Event Limited, the Company's Vietnam-based partner that supports commercial agreements with Mobifone Telecommunications and Viettel.

3. Building the Company's content portfolio for mobile distribution and sales ("syndicated content"). Highlights of this syndicated content strategy include:

    - On 15 October 2019, less than three weeks after executing an agreement with Fox Latin American Channel LLC, ("FOX Sports"), Syntonic begin the syndication of the Fox Sports Gol service to mobile subscribers in Brazil and Mexico; and

    - New distribution and sales agreements were executed with content and application providers including: Pro User's Tô Aqui (family safety and geolocation service), Desrotulando (health and nutrition service), Saúde 4 Patas (veterinary services), Kidsa (education service), and others.

The biggest operational challenge during the financial year was sustaining business growth with the adverse impact that COVID-19 had on mobile consumer spending and on worldwide soccer which damped sales of the Company's highest revenue generating content offering, FOX Sports Gol.



Given the uncertainty of soccer's resumption, most specifically in South America, the Company commenced shifting its subscriber acquisition investment to its other content assets. As a result of this shift, the Company has been less dependent on the FOX Sports Gol service for its ongoing revenue growth. With the revenue contribution of FOX Sports Gol declining from 44.1% in Q3 FY20 to 30.9% in Q4 FY20, the Company partially offset this decline from its other syndicated content assets, such as Pro User's Tô Aqui service with revenue contribution growing from 42% in Q3 to 61% in Q4.

Directors' Report (cont.)

CORPORATE

Financings to Continue Growth

On 20 December 2019, the Company completed a pro-rata non-renounceable entitlement offer. The Entitlement Offer was fully underwritten by CPS Capital Group Pty Ltd ("CPS") for the total amount of $3.47 million. The main purpose for the Entitlement Offer was to raise funds for:

(a) repayment of US$750,000 to Obsidian Global Partners LLC (Obsidian) in respect to its convertible notes;

(b) repayment of A$750,000 to Pentin Pty Ltd in respect to the short-term loan facility with Pentin Pty Ltd, an unrelated third party which had been provided to the Company for working capital;

(c) ongoing working capital requirements, i.e. sales, marketing, and on-going product development for the Syntonic Revenue Generation platform.

Director changes

Effective 13 November 2019, Mr Nigel Hennessy, a Syntonic non-executive director, stepped down from his role on the Board of Syntonic Limited to focus on his other commercial interests. On that same date, Mr. David Wheeler, a founding Director and Partner of Pathways Corporate, was appointed as a non-executive director.

Company Secretary Appointment

Mr Tim Slate was appointed as the Company Secretary effective 9 January 2020, replacing Mr Steven Wood and Mr Ed Meagher, as Joint Company Secretary.

RESULTS OF OPERATIONS

The net loss of the Group attributable to members of the Company for the year ended 30 June 2020 was $3,360,517 (2019: $7,797,561).

FINANCIAL POSITION

At 30 June 2020, the Group had cash reserves of $220,861 (2019: $1,399,512) and net assets of $443,961 (2019: $453,155).

ENVIRONMENTAL REGULATION

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

LOSS PER SHARE

	2020 cents	2019 cents
Basic and diluted loss per share	(0.06)	(0.26)

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 this report or the financial statements.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 25 September 2020, the Company signed a Share Purchase Agreement ("SPA") with First Orion Corp ("First Orion") for the sale of all issued and outstanding share capital of Syntonic Wireless, Inc. and Syntonic US, Inc. ("the Syntonic US Companies") ("Proposed Transaction").

The Purchase Price outlined in the SPA is US$1,220,000 payable as follows:

a) US$1,000,000 in cash on completion of the Proposed Transaction; and
b) US$220,000 payable in four (4) equal monthly instalments of US$55,000 beginning 1 January 2021 and on the first day of each month thereafter with the last payment payable on 1 April 2021.

Under the terms of the SPA:

a) First Orion would transfer a refundable US$85,000 deposit to Syntonic, which has been received;
b) Prior to completion of the Proposed Transaction, the Company will discharge and cause the Syntonic US Companies to be free and clear of any indebtedness including indebtedness owed to the Company or any other person or company affiliated with the Syntonic US Companies.

Under the terms of the SPA, Dr Gary Greenbaum, the Managing Director and CEO, will release Syntonic Wireless Inc. (and by extension the Company) of its obligation to pay his outstanding and deferred salary of US$110,348 and severance payment of US$87,500 in respect to his engagement as Chief Executive Officer and Mr Agarwal has agreed to release Syntonic Wireless Inc. (and by extension the Company) of its obligation to pay his outstanding and deferred salary of US$110,348 and his severance payment of US$87,500.

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.

LIKELY DEVELOPMENTS

Following completion of the divestment of the US and Brazilian operations, the Company will seek to identify appropriate investment projects and opportunities both within Australia and overseas aimed at increasing shareholder value.

Directors' Report (cont.)

DIRECTORS' INTERESTS

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

	Ordinary Shares[1]	Options	Performance Rights
Gary Greenbaum	602,528,061	25,000,000	199,300,830
Rahul Agarwal	602,528,061	25,000,000	199,300,830
Steven Elfman	3,900,000	-	-
David Wheeler	-	-	-

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
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
20 December 2019	31 December 2022	0.002	1,735,516,378

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 $29,980 excluding GST (2019: $29,400) to insure against a liability incurred by a person who is or has been a director or officer of the Company or Group.

Directors' Report (cont.)

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. David Wheeler	Non-Executive Director (appointed 13 November 2019)
Mr. Nigel Hennessy	Non-Executive Director (resigned 13 November 2019)

Company Secretary

Tim Slate	Appointed 9 January 2020
Steven Wood	Resigned 9 January 2020
Edward Meagher	Resigned 9 January 2020

Unless otherwise disclosed, the KMP held their position from 1 July 2019 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.

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.

Directors' Report (cont.)

Under the terms of the SPA with First Orion (refer to Note 15 for further information), Dr Gary Greenbaum, the Managing Director and CEO, will release the Company of its obligation to pay his outstanding and deferred salary of US$110,348 and severance payment of US$87,500 in respect to his engagement as Chief Executive Officer and Mr Agarwal has agreed to release the Company of its obligation to pay his outstanding and deferred salary of US$110,348 and his severance payment of US$87,500.

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 2020 financial year (2019: nil).

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 2020 financial year, nil incentive options were issued to KMPs (2019: Nil).

<u>Non-Executive Director Remuneration</u>

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.

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.

Directors' Report (cont.)

Fees for the Chairman are presently set at nil fully paid ordinary shares (2019: 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.)

2020	SHORT-TERM BENEFITS SALARY & FEES $	CASH BONUS $	POST-EMPLOYMENT BENEFITS SUPER-ANNUATION $	TERMINATION PAYMENTS $	SHARE-BASED PAYMENTS $	TOTAL $	PERFORMANCE RELATED %
Directors							
Gary Greenbaum	322,741	-	-	-	-	322,741	-
Rahul Agarwal	378,360	-	-	-	-	378,360	-
Steven Elfman	-	-	-	-	-	-	-
David Wheeler[1]	22,500	-	-	-	-	22,500	-
Nigel Hennessy[2]	-	-	-	-	-	-	-
Other KMP							
Tim Slate[3]	-	-	-	-	-	-	-
Steven Wood[4]	-	-	-	-	-	-	-
Edward Meagher[4]	-	-	-	-	-	-	-
Total	723,601	-	-	-	-	723,601	-

1. Appointed 13 November 2019
2. Resigned 13 November 2019
3. Appointed 9 January 2020. Mr Slate provides services as Company Secretary through a services agreement with Catalyst Corporate Pty Ltd. Catalyst Corporate Pty Ltd was paid $37,418 for the provision of accounting and company secretarial services to the Company during the financial year.
4. Resigned 9 January 2020. Mr Wood and Mr Meagher provided services as the Joint Company Secretaries through a services agreement with Grange Consulting Group Pty Ltd. Grange Consulting Group Pty Ltd was paid $102,850 for the provision of administrative, accounting and company secretarial services to the Company during the financial year.

2019	SHORT-TERM BENEFITS SALARY & FEES $	CASH BONUS $	POST-EMPLOYMENT BENEFITS 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

Directors' Report (cont.)

SHARE-BASED COMPENSATION TO KEY MANAGEMENT PERSONNEL

Options

There were no options issued to KMPs as remuneration during the 2020 financial year (2019: Nil).

Shares

During the year, there were no shares issued to Directors in lieu of fees and salary (2019: 3,900,000).

Performance Rights

On 16 December 2019, the Company issued the following Performance Rights to Directors of the Company, following shareholder approval obtained at the Annual General Meeting held on 18 November 2019:

	Number	Grant date	Expiry date	Fair value at grant date	Conversion milestones
Class A	199,300,830	19 November 2019	31 December 2020	$0.001	Converted into shares subject to the Company achieving an EBIDTA positive quarter prior to 31 December 2020
Class B	199,300,830	12 November 2019	31 December 2022	$0.001	Converted into shares subject to the Company achieving a $1.5 million or more EBITDA in any calendar quarter prior to 31 December 2022

The Board has assessed the likelihood that each performance hurdle will be achieved. The Board considers the likelihood that Class A Performance Rights hurdles are achieved to be approximately 0%, and the likelihood that Class B Performance Rights hurdles are achieved to be approximately 25%. The value of the rights will be expensed over the vesting period being from the date of grant to 31 December 2020 and 31 December 2022. No expense has been recognised in relation to these rights during the year.

Value at grant date was determined by reference to the share price at the date performance rights were granted.

EMPLOYMENT CONTRACTS WITH DIRECTORS AND KMP

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 (reduced to US$175,000 in November 2019) and a discretionary annual bonus of up to US$150,000 to be paid upon the successful completion of KPIs as determined by agreement between Dr Greenbaum and the Board.

Directors' Report (cont.)

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 (reduced to US$175,000 in November 2019) and a discretionary annual bonus of up to US$150,000 to be paid upon the successful completion of KPIs as determined by agreement between Mr Agarwal and the Board.

Subsequent to the year end, the Company signed a Share Purchase Agreement ("SPA") with First Orion (refer to Note 15 for further information). Under the terms of the SPA, Dr Gary Greenbaum, the Managing Director and CEO, will release the Company of its obligation to pay his outstanding and deferred salary of US$110,348 and severance payment of US$87,500 in respect to his engagement as Chief Executive Officer and Mr Agarwal has agreed to release the Company of its obligation to pay his outstanding and deferred salary of US$110,348 and his severance payment of US$87,500.

Other Transactions

Adroit Business Solutions, a Company of which Mr Rahul Agarwal is a director and beneficial shareholder, was paid US$475,000 for the provision of product development services (2019: US$ US$982,100), based on a monthly retainer due and payable on invoice, with no fixed term. These 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 KMP

Options	Held at 1 July 2019	Granted	Acquired	Disposals/ Other	Held at 30 June 2020
Directors					
Gary Greenbaum	-	-	25,000,000[1]	-	25,000,000
Rahul Agarwal	-	-	25,000,000[1]	-	25,000,000
Total	-	-	50,000,000	-	50,000,000

1. Issued as free-attaching options for every two new shares subscribed for under the non-renounceable rights issue completed in December 2019. Expire 31 December 2022. These options are not related to remuneration.

Rights Holdings of KMP

Performance Rights	Held at 1 July 2019	Granted	Acquired	Disposals/ Other	Held at 30 June 2020
Directors					
Gary Greenbaum	-	199,300,830	-	-	199,300,830
Rahul Agarwal	-	199,300,830	-	-	199,300,830
Total	-	398,601,660	-	-	398,601,660

Refer above to the value of these rights and conversion milestones.

Directors' Report (cont.)

Shareholdings of KMP

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 2019	Granted	Acquired	Disposals/ Other	Held at 30 June 2020
Directors					
Gary Greenbaum	552,528,061	-	50,000,000	-	602,528,061
Rahul Agarwal	552,528,061	-	50,000,000	-	602,528,061
Steven Elfman	3,900,000	-	-	-	3,900,000
David Wheeler[1]	-	-	-	-	-
Nigel Hennessy[2]	2,600,000	-	-	(2,600,000)	-
Total	1,111,556,122	-	100,000,000	(2,600,000)	1,208,956,122

1. Appointed 13 November 2019
2. Resigned 13 November 2019

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	13	13
Rahul Agarwal	13	13
Steven Elfman	13	13
David Wheeler	9	6
Nigel Hennessy	4	4

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 23 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.*

Directors' Report (cont.)

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.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2020 has been received and can be found on page 18 of the Directors' Report.

Signed in accordance with a resolution of the directors.

Gary Greenbaum
Managing Director & CEO
30 September 2020

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Syntonic Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of 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	**D I Buckley**
30 September 2020	**Partner**

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Note	2020 $	2019 $
Continuing operations			
Other income	2	112,128	45,039
Other operating expenses	3	(617,309)	(742,022)
Share based payment expense	22	(267,438)	(746,913)
Finance Costs		(656,358)	(365,915)
Impairment expense	8	(142,592)	-
Settlement of embedded derivative liability	12	227,381	-
Change in fair value of embedded derivative liabilities		-	544,548
Unrealised foreign exchange loss		-	7,416
Loss before income tax expense		**(1,344,188)**	**(1,257,847)**
Income tax expense	4	-	-
Net loss after tax from continuing operations		**(1,344,188)**	**(1,257,847)**
Discontinued operation			
Loss after tax from discontinued operation	15	(2,016,329)	(6,539,714)
Net loss for the year		**(3,360,517)**	**(7,797,561)**
Other Comprehensive Income			
Items that may be reclassified to profit or loss			
Discontinued operation			
Exchange difference on translation of foreign operations		(445,471)	20,594
Total other comprehensive income/(loss), net of tax		**(445,471)**	**20,594**
Total comprehensive loss for the year, net of tax		**(3,805,988)**	**(7,776,967)**
Total comprehensive loss attributable to members of the Company		(3,805,988)	(7,776,967)
Loss per share attributable to the ordinary equity holders of Syntonic Limited:			
Basic and diluted loss per share (cents) – continuing and discontinued	19	(0.06)	(0.26)
Basic and diluted loss per share (cents) – continuing	19	(0.03)	(0.04)

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 2020

	Note	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	6	220,861	1,399,512
Trade and other receivables	7	15,263	742,806
Other assets	8	14,546	344,302
Assets classified as held for sale	15	2,310,635	-
Total current assets		**2,561,305**	**2,486,620**
Non-current assets			
Other assets	8	-	10,792
Property, plant and equipment		-	16,947
Intangible assets	10	-	2,090,471
Total non-current assets		**-**	**2,118,210**
TOTAL ASSETS		**2,561,305**	**4,604,830**
LIABILITIES			
Current liabilities			
Trade and other payables	11	1,101,029	1,477,158
Borrowings	12	-	993,095
Liabilities directly associated with assets classified as held for sale	15	1,016,315	-
Total current liabilities		**2,117,344**	**2,470,253**
Non-Current liabilities			
Contingent Consideration	14	-	1,367,851
Deferred tax liabilities	4	-	313,571
Total non-Current liabilities		**-**	**1,681,422**
TOTAL LIABILITIES		**2,117,344**	**4,151,675**
NET ASSETS		**443,961**	**453,155**
EQUITY			
Contributed equity	16	44,095,864	40,566,508
Reserves	17	2,607,357	2,785,390
Accumulated losses		(46,259,260)	(42,898,743)
TOTAL EQUITY		**443,961**	**453,155**

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 2020

	Contributed Equity	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	$	$	$	$	$
Balance at 1 July 2019	40,566,508	3,057,070	(271,680)	(42,898,743)	453,155
Net loss for the year	-	-	-	(3,360,517)	(3,360,517)
Other comprehensive loss, net of tax	-	-	(445,471)	-	(445,471)
Total comprehensive loss for the year	-	-	(445,471)	(3,360,517)	(3,805,988)
Transactions with owners, recorded directly in equity					
Issue of shares, net of transaction costs	3,226,719	-	-	-	3,226,719
Conversion of convertible notes	301,637	-	-	-	301,637
Exercise of options	1,000	-	-	-	1,000
Share based payment	-	267,438	-	-	267,438
Balance at 30 June 2020	**44,095,864**	**3,324,508**	**(717,151)**	**(46,259,260)**	**443,961**

	Contributed Equity	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

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 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers and other debtors		2,365,101	3,312,841
Payments to suppliers and employees		(5,528,264)	(10,064,540)
Interest paid		(65,632)	-
Interest received		324	9,049
Income tax refund		25,429	-
Net cash outflow from operating activities	18	**(3,203,042)**	**(6,742,650)**
Cash flows from investing activities			
Proceeds from disposal of fixed assets		3,533	-
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
Net cash (outflow)/inflow from investing activities		**3,533**	**(916,904)**
Cash flows from financing activities			
Proceeds from issue of shares		3,473,033	2,954,358
Payments for share issue costs		(233,322)	(172,877)
Proceeds from borrowings		894,318	-
Proceeds from issue of convertible notes		-	1,395,027
Settlement of convertible notes		(1,049,589)	-
Repayment of borrowings		(750,000)	-
Transaction costs relating to borrowings and convertible notes		(25,000)	(91,873)
Repayments – lease		(136,792)	-
Deposit returned		32,743	-
Net cash inflow from financing activities		**2,205,391**	**4,084,635**
Net decrease in cash and cash equivalents		(994,118)	(3,574,919)
Effect of movement in exchange rates on cash held		(184,533)	27,214
Cash and cash equivalents at beginning of year		1,399,512	4,947,217
Cash and cash equivalents at end of year		**220,861**	**1,399,512**

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

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 2020 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 2020 was authorised for issued in accordance with a resolution of the Directors on 30 September 2020.

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board ("AASB"), Australian Accounting Interpretations, other authoritative pronouncements of the 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 Financial 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.

New or revised standards and interpretations that are first effective in the current reporting period
In the year ended 30 June 2020, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period. Those which have a material impact on the Group are set out below.

AASB 16 Leases

The Group has applied AASB 16 from 1 July 2019 using the modified retrospective approach, with no restatement of comparative information. The impact on the accounting policies, financial performance and financial position of the Group from the adoption of AASB 16 is detailed in Note 28. Other than the above, there is no material impact of the new and revised Standards and Interpretations on the Group.

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 2020. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no changes is necessary to Group accounting policies.

(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 2020, the Group incurred a net loss of $3,360,517 and cash outflows from operating activities of $3,203,042. 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 completing the disposal of its main undertaking and the Company’s ability to raise capital. The directors are satisfied they will be able to complete the transaction and thus it is appropriate to prepare the financial statements on a going concern basis. In arriving at this position, the Directors have considered that subsequent to the end of the financial year, on 25 September 2020, the Company signed a Share Purchase Agreement (“SPA”) with First Orion Corp (“First Orion”) for the sale of all issued and outstanding share capital of Syntonic Wireless, Inc. and Syntonic US, Inc. (“the Syntonic US Companies”) (“Proposed Transaction”). The Purchase Price outlined in the SPA is US$1,220,000 payable as follows:

a) US$1,000,000 in cash on completion of the Proposed Transaction; and
b) US$220,000 payable in four (4) equal monthly instalments of US$55,000 beginning 1 January 2021 and on the first day of each month thereafter with the last payment payable on 1 April 2021.

Under the terms of the SPA, Dr Gary Greenbaum, the Managing Director and CEO, will release Syntonic Wireless Inc. (and by extension the Company) of its obligation to pay his outstanding and deferred salary of US$110,348 and severance payment of US$87,500 in respect to his engagement as Chief Executive Officer and Mr Agarwal has agreed to release Syntonic Wireless Inc. (and by extension the Company) of its obligation to pay his outstanding and deferred salary of US$110,348 and his severance payment of US$87,500.

Following completion of the divestment, the Company will seek to identify appropriate investment projects and opportunities both within Australia and overseas aimed at increasing shareholder value.

Should the Group 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) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2020 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.

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) Revenue

The principal activity of the Group is the commercialisation of its platform technologies that enable the distribution and sales of licensed content licensed available to customers on mobile networks supporting the Company's platform technology. The transaction flow is initiated by the customer who pays their mobile carrier for access to the Company's content offer. The mobile carrier then remunerates the Company based on an agreed revenue share agreement.

The Company in its main revenue activity is considered to act as a "principal", not agent, based on its control of the content assets which includes: customer marketing, price determination, payment processing, inventory risk (customer returns and a minimum guarantee to the content provider). The Group's assessment during the reporting period aligns with the AASB 15 that the Company satisfies the performance obligations to be acting as a principal in its main services undertaking, allowing it to recognize the revenue in the gross amount of consideration to which it expects to be entitled in exchange for distribution of the content asset to the customer.

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 below.

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.

(f) Financial Instruments

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.

(g) Foreign Currencies

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2020 and the results of all subsidiaries for the year then ended.

Function and presentation currency

The consolidated financial statements are presented in Australian Dollars (AUD), which is also the functional currency of the parent company.

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 recognised.

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.

(h) 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.

(i) Parent entity financial information

The financial information for the parent entity, Syntonic Limited, disclosed in Note 21 has been prepared on the same basis as the consolidated financial statements.

(j) 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

(k) Payables

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

(l) Provisions

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

(m) 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.

(n) 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.

(o) 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.

(p) 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 or other authority. 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.

(q) 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 22 – Shared based payments
- Note 12 – Borrowings
- Note 14 – Contingent Consideration

(r) 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".

(s) 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.

(t) 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 fair value through comprehensive income 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.

(u) 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.

(v) 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 22.

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.

(w) 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 12 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.

(x) Goodwill

Goodwill is measured as 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 24).

(y) 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

(z) 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.

(aa) Assets and Liabilities held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.
Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

(bb) Discontinued operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

2. Other income

	2020	2019
	$	$
Royalty income[1]	111,929	37,088
Interest income	199	7,951
	112,128	**45,039**

1. The Company sold the BioHeap™ technology business and associated entities to Western Areas Limited in 2009. The Company is entitled to a 2% net royalty on revenues (net of costs) attributable to ore processed using the BioHeap™ bacterial leaching technology.

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3. Other operating expenses

	2020	2019
	$	$
Other operating expenses		
Director fees	22,500	-
Accounting, legal and other professional fees	415,814	537,277
Listing expenses	98,943	119,732
General administration costs	46,309	67,863
Insurance	33,743	17,150
	617,309	**742,022**

4. Income tax

	2020	2019
Income tax benefit	$	$
Deferred tax - reversal of temporary differences	(158,170)	-
Aggregate income tax benefit	(158,170)	-
Income tax expense is attributable to:		
Loss from continuing operations	-	-
Loss from discontinued operations	(158,170)	-

a) Reconciliation between Tax Expense and Accounting Loss Before Income Tax		
Accounting loss before income tax – from continuing operations	(1,344,188)	(1,257,847)
Accounting loss before income tax – from discontinued operations	(2,174,499)	(6,539,715)
	(3,518,687)	(7,797,561)
At the domestic income tax rate of 30% (2019: 30%)	(1,055,606)	(2,339,268)
Expenditure not allowable for income tax purposes	343,777	164,470
Changes in tax rate	-	1,751,055
Adjusted for differing tax rates across jurisdictions	216,688	644,941
Deferred tax assets not brought to account	773,561	(221,198)
Non-assessable income	(436,590)	-
Income tax benefit	(158,170)	-

b) Deferred Tax Assets and Liabilities	**2020 $**	**2019 $**
Deferred income tax at 30 June relates to the following:		
Intangible assets	155,401	313,571
Deferred tax liabilities	155,401	313,571

c) Unrecognised deferred Tax Assets		
Accrued expenditure	7,500	10,500
Capital allowances	31,158	23,060
Tax losses – revenue (Australia)	603,639	557,037
Tax losses – (United States)	3,756,674	3,030,071
Tax losses – (Brazil)	1,060,691	715,830
Deferred tax assets not brought to account	(5,459,662)	(4,336,498)
	-	-

The benefit of deferred tax assets 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 2020 (2019: nil). The balance of the franking account as at 30 June 2020 is nil (2019: nil).

6. Cash and cash equivalents

	2020 $	**2019 $**
Cash and cash equivalents	220,861	1,399,512
	220,861	**1,399,512**

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

7. Trade and other receivables

	2020	2019
	$	**$**
Trade debtors[1]	-	696,574
GST receivable	15,263	46,232
	15,263	**742,806**

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.

Refer to Note 15 for trade debtors held for sale.

8. Other assets

	2020	2019
Non-Current	**$**	**$**
Lease deposit	-	10,792
		10,792
Current	$	$
Prepaid expenses[2]	14,546	201,710
Loan receivable[1]	-	142,592
	14,546	**344,302**

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. Management have determined that the loan is not recoverable in the current year and have impaired the loan to nil.
2. Refer to Note 15 for Other Assets held for sale.

9. Right-of-use asset

		2020	2019
		$	**$**
Recognised on 1 July 2019 on adoption of AASB 16		247,217	-
Accumulated depreciation		(116,594)	-
Reclassification to assets held for sale	15	(136,026)	-
Impact of foreign currency fluctuation		5,403	-
		-	**-**

AASB 16 has been adopted during the period. Refer to note 28 for details.

10. Intangible assets

Reconciliation of movements in intangible assets

	Goodwill	Intellectual Property	Commercial contracts	Total
	$	$	$	$
Opening Balance	788,230	902,529	399,712	2,090,471
Amortisation expense[1]	-	(133,853)	(102,520)	(236,373)
Reclassification to assets held for sale	(651,416)	(536,790)	(203,214)	(1,391,420)
Impact of foreign currency fluctuation	(136,814)	(231,886)	(93,978)	(462,678)
Closing Balance	**-**	**-**	**-**	**-**

1. The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:
   - Intellectual property: 84 Months (61 months remaining)
   - Customer contracts: 53 Months (30 months remaining)

11. Trade and other payables

	2020	2019
	$	$
Trade creditors[1]	649,104	1,047,608
Accrued expenses	37,875	147,768
Employee liabilities	413,892	281,782
Other payables	158	-
	1,101,029	**1,477,158**

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.
2. The liabilities associated with the assets held for sale relating to the Company's Brazilian entities are disclosed in Note 15.

12. Borrowings

	2020	2019
	$	$
Convertible Notes – Host debt liability	-	783,484
Convertible Notes – Embedded derivative liability at fair value	-	209,611
	-	**993,095**

On 10 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

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replacement notes then had a maturity of 12 months from the date of purchase of the initial notes. All notes were converted or settled during the year to 30 June 2020.

During the period the Group entered into a short-term loan facility with Pentin Pty Ltd on 1 October 2019 for A$750,000. The loan was settled on 20 December 2019 from proceeds of the underwritten entitlement offer. The interest on the facility was 16% per annum.

(a) 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-10	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
1-Jul-19	**Opening Balance**	**850,000**	**783,484**
9-Jul-19	Fourth conversion by noteholder	(60,000)	(98,067)
19-Aug-19	Fifth conversion by noteholder	(60,000)	(101,725)
6-Sep-19	Sixth conversion by noteholder	(60,000)	(101,845)
20-Dec-19	Settlement of remaining convertible notes	(670,000)	(1,094,891)
	Finance costs	-	611,057
	Foreign exchange conversion	-	1,987
30-Jun-20	**Closing Balance**	**-**	**-**

On 15 November 2019, the Company announced an agreement with Obsidian whereby the Company would 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.

(b) Reconciliation of movement in value of embedded derivative liability at fair value

Date	Details	$
1-Jul-19	**Opening Balance**	**209,611**
	Foreign exchange conversion	17,770
	Settlement of remaining convertible notes	(227,381)
30-Jun-20	**Closing Balance**	**-**

13. Lease liabilities

		2020	2019
		$	$
Recognised on 1 July 2019 on adoption of AASB 16		247,217	-
Principal repayments		(106,844)	-
Reclassification to assets held for sale	15	(148,103)	-
Impact of foreign currency fluctuation		7,730	-
Balance at 30 June 2020		**-**	**-**

AASB 16 has been adopted during the period. Refer to note 28 for details. Underlying assets serve as a security for the related lease liabilities. A maturity analysis of future minimum lease payments is presented in note 25.

14. Contingent consideration

	2020	2019
	$	$
Opening balance	1,367,851	-
Recognised on acquisition	-	1,186,190
Fair value adjustment	(1,227,920)	137,683
Foreign exchange adjustment	(139,931)	43,978
Closing balance	**-**	**1,367,851**

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.

In June 2020, the value of the contingent consideration was assessed based on the Board's best estimate of the contingent consideration at that date. The estimated value of yearly contingent consideration was then discounted to determine the net present value of the contingent consideration.

In June 2020, the Board reviewed the contribution margin generated by the acquired assets in the Asset Purchase Agreement and did not consider the earn-out target would be met. As a result, the Board reversed the balance of the contingent consideration provision.

The reversal of the contingent consideration resulted in a gain in the Statement of Profit or Loss and Other Comprehensive Income of $1,227,920. This gain is reflected in the loss after tax from discontinued operations in note 15. 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.

15. Assets and liabilities held for sale

Discontinued operation

On 25 September 2020, the Company signed a Share Purchase Agreement ("SPA") with First Orion Corp ("First Orion") for the sale of all issued and outstanding share capital of Syntonic Wireless, Inc. and Syntonic US, Inc. ("the Syntonic US Companies") ("Divestment"). The sale also includes Syntonic Brasil Tecnologia LTDA, a wholly owned subsidiary of Syntonic US Inc.

The Purchase Price outlined in the SPA is US$1,220,000 payable as follows:

a) US$1,000,000 in cash on completion of the Proposed Transaction; and
b) US$220,000 payable in four (4) equal monthly instalments of US$55,000 beginning 1 January 2021 and on the first day of each month thereafter with the last payment payable on 1 April 2021.

Under the terms of the SPA:

a) First Orion would transfer a refundable US$85,000 deposit to Syntonic, this has been received;
b) Prior to completion of the Proposed Transaction, the Company will discharge and cause the Syntonic US Companies to be free and clear of any indebtedness including indebtedness owed to the Company or any other person or company affiliated with the Syntonic US Companies.

Financial performance from discontinued operation

The financial performance of the discontinued operation for the years ended 30 June 2020 and 30 June 2019 is as follows:

	2020 $	2019 $
Revenue	8,673,088	7,137,295
Expenses	(10,847,587)	(13,677,009)
Loss before tax from discontinued operations	(2,174,499)	(6,539,714)
Tax benefit	158,170	-
Loss for the year from discontinued operations	(2,016,329)	(6,539,714)
Other Comprehensive Income		
Exchange difference on translation of foreign operations	(445,471)	20,594
Total comprehensive loss for the year	(2,461,800)	(6,519,120)

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Assets and liabilities held for sale

The major classes of assets and liabilities comprising the operations classified as held for sale at balance date are as follows:

	Note	2020 $
Assets		
Trade and other receivables		634,296
Other assets		134,516
Right of use assets	9	136,026
Property, plant and equipment		14,377
Intangible assets	10	1,391,420
Total assets		2,310,635
Liabilities		
Trade and other payables		(575,916)
Lease liability	13	(148,103)
Deferred tax liability		(155,401)
Borrowings		(136,895)
Total liabilities		(1,016,315)
Net assets		**1,294,320**

Cash flows from discontinued operation

The cash flows from the discontinued operation for the years ended 30 June 2020 and 30 June 2019 are as follows:

	2020 $	2019 $
Cash flows from operating activities		
Receipts from customers and other debtors	2,244,431	3,283,809
Payments to suppliers and employees	(5,002,680)	(8,935,518)
Interest received	148	-
Net cash outflow from operating activities	**(2,758,101)**	**(5,651,709)**
Cash flows from investing activities		
Proceeds from disposal of fixed assets	3,533	-
Net cash paid for acquisition of business	-	(442,623)
Payments for fixed assets	-	(22,089)
Net cash (outflow)/inflow from investing activities	**3,533**	**(464,712)**

	2020	2019
Cash flows from financing activities	**$**	**$**
Proceeds from issue of convertible notes	144,318	-
Principal repayments – lease	(136,792)	-
Other	32,743	-
Net cash inflow from financing activities	**40,269**	**-**

16. Contributed equity

(a) Issued capital:

	2020	2020	2019	2019
	$	**No.**	**$**	**No.**
Ordinary Shares	44,095,864	6,944,565,512	40,566,508	3,288,287,588
	44,095,864	**6,944,565,512**	**40,566,508**	**3,288,287,588**

(b) Movement in issued capital during the year:

Date	Details	Number of Ordinary Shares	$
1-Jul-19	**Opening Balance**	**3,288,287,588**	**40,566,508**
9-Jul-19	Conversion of 60,000 convertible notes	54,481,713	98,067
19-Aug-19	Conversion of 60,000 convertible notes	53,822,699	101,725
6-Sep-19	Conversion of 60,000 convertible notes	75,440,756	101,845
9-Dec-19	Issue of shares under Entitlement Offer	1,187,704,520	1,187,704
20-Dec-19	Issue of shares under Entitlement Offer	2,284,328,236	2,284,328
13-Jan-20	Exercise of options	500,000	1,000
	Share issue costs	-	(245,313)
30-Jun-20	**Closing Balance**	**6,944,565,512**	**44,095,864**

(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.

Notes to the consolidated financial statements

For the year ended 30 June 2020

17. Reserves

(a) Reserves:

	Note	2020 $	2019 $
Share-based payment reserve	17(c)	3,324,508	3,057,070
Foreign currency translation reserve	17(d)	(717,151)	(271,680)
		2,607,357	**2,785,390**

(b) Nature and purpose of reserves:

Shared Based Payment Reserve

The share based payment reserve is used to record the fair value of options and rights 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(g). 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-19	**Opening Balance**	**365,426,437**	**3,057,070**
	Fair value of options issued	-	267,438
	Exercised during the year	(500,000)	-
	Expired / cancelled during the year	(43,500,000)	-
30-Jun-20	**Closing Balance**	**321,426,437**	**3,324,508**

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**

(d) Movements in the foreign currency translation reserve:

	2020 $	2019 $
Opening Balance	**(271,680)**	**(292,274)**
Exchange difference on translation of foreign operations	(445,471)	20,594
Closing Balance	**(717,151)**	**(271,680)**

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

	2020 $	2019 $
Loss for the year	(3,360,517)	(7,797,561)
Adjustment for non-cash income and expense items		
Net foreign exchange (gain)/loss	(130,471)	(42,539)
Share based payments	267,438	776,439
Depreciation and amortisation	365,686	236,368
Impairment expense	142,592	-
Unwinding of discount rate	611,057	365,915
Change in fair value of contingent consideration	(1,227,920)	134,932
Change in fair value of embedded derivative liability	(227,381)	(544,548)
Change in assets and liabilities		
Decrease in trade and other receivables	93,247	153,212
Increase in trade and other payables	199,787	178,830
Decrease/(increase) in other financial assets	63,440	(203,698)
Net cash outflow from operating activities	**(3,203,042)**	**(6,742,650)**

Non-Cash Financing and Investing Activities

On 10 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").

During the period the Group entered into a short-term loan facility with Pentin Pty Ltd for A$750,000. The loan was settled from proceeds of the underwritten entitlement offer. On 15 November 2019, the Company announced an agreement with Obsidian whereby the Company would 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.

Notes to the consolidated financial statements

For the year ended 30 June 2020

19. Earnings per share

	2020 cents	2019 cents
Basic and Diluted Profit/(Loss) per Share		
From continuing and discontinued operations		
- Basic earnings per share	(0.06)	(0.26)
- Diluted earnings per share	(0.06)	(0.26)
From continuing operations		
- Basic earnings per share	(0.03)	(0.04)
- Diluted earnings per share	(0.03)	(0.04)
Total basic and diluted loss per share	**(0.06)**	**(0.26)**

	2020 $	2019 $
The following reflects the income and share data used in the calculations of basic earnings per share:		
- Net loss from continued and discontinued operations	(3,360,517)	(7,797,561)
- Net loss from continuing operations	(1,344,188)	(1,257,847)

	2020 Number of Ordinary Shares	2019 Number of Ordinary Shares
Weighted average number of Ordinary Shares used in calculating basic and diluted loss per share	5,321,687,208	2,943,436,751

Non-Dilutive Securities

As at balance date, there were no dilutive earnings per share (2019: nil)

20. Related parties

Subsidiaries of Syntonic Limited

		% Equity Interest	
Name	**Country of Incorporation**	**2020**	**2019**
Syntonic Wireless, Inc.	United States	100	100
Syntonic US, Inc.	United States	100	100
Syntonic Brasil Tecnologia Ltda	Brazil	100	100

Ultimate Parent

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

Key Management Personnel

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	2020 $	2019 $
Short-term employee benefits	723,601	742,129
Post-employment benefits	-	-
Long-term benefits	-	-
Share-based payments	-	39,000
	723,601	781,129

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.

21. Parent entity disclosures

	2020 $	2019 $
Financial Position		
Assets		
Current Assets	49,097	1,096,683
Total Assets	**49,097**	**1,096,683**
Liabilities		
Current Liabilities	173,780	1,083,315
Total Liabilities	**173,780**	**1,083,315**
Equity		
Contributed Equity	84,751,530	81,222,175
Accumulated Losses	(88,200,721)	(84,615,877)
Reserves	3,324,508	3,407,070
Total Equity	**(124,683)**	**13,368**
Financial Performance		
Loss for the year	(3,584,844)	(8,518,034)
Other comprehensive income	-	-
Total comprehensive loss	**(3,584,844)**	**(8,518,034)**

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

22. Share-based payments

From time to time, the Group provides Incentive Options or Rights to officers, employees, consultants and other key advisors as part of remuneration and incentive arrangements. The number of options or rights granted, and the terms of the options or rights granted are determined by the Board. Shareholder approval is sought where required.

Share based payments made during the financial year ended 30 June 2020 are summarised as follows:

(a) Recognised share based payment expense:

	2020 $	2019 $
Expense arising from equity settled share-based payment transactions	267,438	746,913

(b) Options issued and in existence at year end:

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	15,000,000 employee options	7 Apr 2017	$0.030	28 Feb 2027	Multiple	None	$79,130
B	133,333,333 broker options	18 Dec 2017	$0.030	31 Dec 2020	Immediately on issue	None	-
C	16,386,763 employee options	6 Jul 2018	$0.014	6 Jul 2028	Multiple[1]	None	-
D	900,000 employee options	6 Jul 2018	$0.014	6 Jul 2028	Multiple[2]	None	$23,419
E	43,638,984 consultant options	16 Oct 2018	$0.012	16 Oct 2023	Multiple[3]	None	-
F	97,167,357 employee options	14 Nov 2018	$0.009	14 Nov 2028	Multiple[4]	None	$149,376
G	5,000,000 consultant options	24 Jan 2019	$0.02	24 Jan 2024	24 Jan 2020	None	$7,682
H	10,000,000 consultant options	24 Jan 2019	$0.04	24 Jan 2024	24 Jan 2021	None	$7,831

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.

No options were issued during the year.

(c) Summary of options:

	2020 No.	2019 No.
Outstanding at the beginning of the year	365,426,437[4]	219,333,333[1]
Issued during the year	1,736,016,378	173,093,104[2]
Exercised during the year	(500,000)	-
Expired / cancelled during the year	(43,500,000)	(27,000,000)[3]
Outstanding at the end of the year	**2,057,442,815**	**365,426,437[4]**

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) Performance rights

On 16 December 2019, the Company issued the following Performance Rights to Directors of the Company, following shareholder approval obtained during the Annual General Meeting held on 18 November 2019. Set out below are the summaries of performance rights granted during the year:

	Number	Grant date	Expiry date	Fair value at grant date	Conversion milestones
Class A	199,300,830	19 November 2019	31 December 2020	$0.001	Converted into shares subject to the Company achieving an EBIDTA positive quarter prior to 31 December 2020
Class B	199,300,830	12 November 2019	31 December 2022	$0.001	Converted into shares subject to the Company achieving a $1.5 million or more EBITDA in any calendar quarter prior to 31 December 2022

The Board has assessed the likelihood that each performance hurdle will be achieved. The Board considers the likelihood that Class A Performance Rights hurdles are achieved to be approximately 0%, and the likelihood that Class B Performance Rights hurdles are achieved to be approximately 25%.

The value of the rights will be expensed over the vesting period being from the date of grant to 31 December 2020 and 31 December 2022. No expense has been recognised in relation to these rights during the year.

Value at grant date was determined by reference to the share price at the date performance rights were granted.

23. Auditor's remuneration

	2020 $	2019 $
Amounts received or due and receivable by HLB Mann Judd for:		
• an audit or review of the financial report of the Company and any other entity in the Group	64,805	57,030
• other services in relation to the Company and any other entity in the Group	6,250	5,750
	71,055	67,780

24. 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 2020 and 30 June 2019.

2020	**Brazil**	**United States**	**Australia**	**Total**
Segment Income from continuing operations				
Other income	-	-	112,128	112,128
Total income	**-**	**-**	**112,128**	**112,128**
Segment Income from discontinued operations				
Revenue from Contracts with Customers	8,203,911	468,975	-	8,672,886
Other income	-	202	-	202
Total income	**8,203,911**	**469,177**	**-**	**8,673,088**
Segment expenses from continuing operations				
Operating expenses	-	-	(1,188,878)	(1,188,878)
Share based payment expenses	-	-	(267,438)	(267,438)

	Brazil	United States	Australia	Total
Loss before depreciation and amortisation	**-**	**-**	**(1,344,188)**	**(1,344,188)**
Amortisation and depreciation	-	-	-	-
Loss before income tax	**-**	**-**	**(1,344,188)**	**(1,344,188)**
Segment expenses from discontinued operations				
Cost of Sales	(6,896,610)	(212,217)	-	(7,108,827)
Operating expenses	(679,954)	(2,692,450)	-	(3,372,404)
Loss before depreciation and amortisation	**627,347**	**(2,435,490)**	**-**	**(1,808,143)**
Amortisation	(236,373)	-	-	(236,373)
Depreciation	(10,802)	(119,181)	-	(129,983)
Loss before income tax	**380,172**	**(2,554,671)**	**-**	**(2,174,499)**
Segment assets and liabilities				
Total Assets	2,201,544	311,360	48,401	2,561,305
Total Liabilities	(731,317)	(1,212,942)	(173,085)	(2,117,344)
Reclassification to assets held for sale (net)	(1,362,957)	68,637	1,294,320	-
Net assets (liabilities)	**107,270**	**(832,945)**	**1,169,636**	**443,961**

2019	**Brazil**	**United States**	**Australia**	**Total**
Segment Income from continuing operations				
Interest received	-	-	7,951	7,951
Other income	-	-	37,088	37,088
Total income	**-**	**-**	**45,039**	**45,039**
Segment Income from discontinued operations				
Revenue from Contracts with Customers	6,096,244	1,039,848	-	7,136,092
Other income	556	647	-	1,203
Total income	**6,096,800**	**1,040,495**	**-**	**7,137,295**
Segment expenses from continuing operations				
Operating expenses	-	-	(555,973)	(555,973)
Share based payment expenses	-	-	(746,913)	(746,913)

	Brazil	United States	Australia	Total
Loss before depreciation and amortisation	**-**	**-**	**(1,257,847)**	**(1,257,847)**
Amortisation and depreciation	-	-	-	-
Loss before income tax	**-**	**-**	**(1,257,847)**	**(1,257,847)**
Cost of Sales	(4,662,102)	(337,290)	-	(4,999,392)
Operating expenses	(4,184,628)	(4,256,621)	-	(8,441,249)
Loss before depreciation and amortisation	**(2,749,930)**	**(3,553,417)**	**-**	**(6,303,346)**
Amortisation	(234,441)	-	-	(234,441)
Depreciation	(1,927)	-	-	(1,927)
Loss before income tax	**(2,986,298)**	**(3,553,417)**	**-**	**(6,539,714)**
Segment assets and liabilities				
Total Assets	3,168,431	339,716	1,096,683	4,604,830
Total Liabilities	(2,476,873)	(591,487)	(1,083,315)	(4,151,675)
Net assets (liabilities)	**691,558**	**(251,771)**	**13,368**	**453,155**

During 2019 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).

25. 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:

	2020	**2019**
	$	**$**
Cash and cash equivalents	220,861	1,399,512
Trade and other receivables	649,559	742,806
Other assets	138,338	355,094
	1,008,758	**2,497,412**

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 2020, 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 14 for details on the valuation of contingent consideration.

2020 Group	≤6 Months $	6-12 Months $	1-5 Years $	≥5 Years $	Total $
Financial Assets					
Cash and cash equivalents	220,861	-	-	-	220,861
Trade and other receivables	15,263	-	-	-	15,263
	236,124	**-**	**-**	**-**	**236,124**

	≤6 Months $	6-12 Months $	1-5 Years $	≥5 Years $	Total $
Financial Liabilities					
Trade and other payables	1,101,029	-	-	-	1,101,029
	1,101,029	**-**	**-**	**-**	**1,101,029**

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**

(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.

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:

	2020	2019
	$	$
Interest bearing financial instruments		
Cash and cash equivalents	220,861	1,399,512
	220,861	**1,399,512**

The Group's cash at bank, short term deposits and interest-bearing liabilities had a weighted average interest rate at year end of 0% (2019: 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 2019.

	Profit or loss		Other comprehensive income	
	100 bp Increase	100 bp Decrease	100 bp Increase	100 bp Decrease
	$	$	$	$
2020 Group				
Cash and cash equivalents	2,209	(2,209)	2,209	(2,209)
	2,209	**(2,209)**	**2,209**	**(2,209)**
2019 Group				
Cash and cash equivalents	13,995	(13,995)	13,995	(13,995)
	13,995	**(13,995)**	**13,995**	**(13,995)**

(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 risk at the end of the reporting period was as follows:

	2020 US $	2019 US $	2020 BRL $	2019 BRL $
Cash and cash equivalents	94,999	209,587	107,270	303,058
Trade and other receivables	48,371	40,957	585,925	646,875
Trade and other payables	(927,944)	(591,487)	(575,916)	(795,451)
	(784,574)	**(340,943)**	**117,279**	**154,482**

Foreign Currency sensitivity

Based on the financial instruments held at 30 June 2020, 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 $78,457 higher/$78,457 lower (2019: $34,094 higher/$34,094 lower), the effect on equity would have been $78,457 higher/$78,457 lower (2019: $34,094 higher/$34,094 lower).

Based on the financial instruments held at 30 June 2020, 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 $11,727 higher/$11,727 lower (2019: $15,448 higher/$15,448 lower), the effect on equity would have been $11,727 higher/$11,727 lower (2019: $15,448 higher/$15,448 lower).

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.

26. Contingent liabilities

Contingent Liabilities

As part of the consideration payable under the Asset Purchase Agreement to acquire the Brazilian mobile commerce business unit assets 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.

In June 2020, the Board reviewed the contribution margin generated by the acquired assets in the Asset Purchase Agreement and did not consider the earn-out target would be met. As a result, the Board reversed the balance of the contingent consideration provision.

27. Events subsequent to balance date

On 25 September 2020, the Company signed a Share Purchase Agreement ("SPA") with First Orion Corp ("First Orion") for the sale of all issued and outstanding share capital of Syntonic Wireless, Inc. and Syntonic US, Inc. ("the Syntonic US Companies") ("Proposed Transaction"). The sale also includes Syntonic Brasil Tecnologia LTDA, a wholly owned subsidiary of Syntonic US Inc.

The Purchase Price outlined in the SPA is US$1,220,000 payable as follows:

a) US$1,000,000 in cash on completion of the Proposed Transaction; and
b) US$220,000 payable in four (4) equal monthly instalments of US$55,000 beginning 1 January 2021 and on the first day of each month thereafter with the last payment payable on 1 April 2021.

Under the terms of the SPA:

a) First Orion would transfer a refundable US$85,000 deposit to Syntonic, this deposit has been received;
b) Prior to completion of the Proposed Transaction, the Company will discharge and cause the Syntonic US Companies to be free and clear of any indebtedness including indebtedness owed to the Company or any other person or company affiliated with the Syntonic US Companies.

Under the terms of the SPA, Dr Gary Greenbaum, the Managing Director and CEO, will release Syntonic Wireless Inc. (and by extension the Company) of its obligation to pay his outstanding and deferred salary of US$110,348 and severance payment of US$87,500 in respect to his engagement as Chief Executive Officer and Mr Agarwal has agreed to release Syntonic Wireless Inc. (and by extension the Company) of its obligation to pay his outstanding and deferred salary of US$110,348 and his severance payment of US$87,500.

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.

28. New standards adopted

<u>**AASB Leases**</u>

Change in accounting policy

AASB 16 Leases supersedes AASB 117 Leases. The Group has adopted AASB 16 from 1 July 2019 which has resulted in changes in the classification, measurement and recognition of leases. The changes result in almost all leases where the Group is the lessee being recognised on the Statement of Financial Position and removes the former distinction between 'operating and 'finance' leases. The new standard requires recognition of a right-of-use asset (the leased item) and a financial liability (to pay rentals). The exceptions are short-term leases and leases of low value assets.

Notes to the consolidated financial statements

The Group has adopted AASB 16 using the modified retrospective approach under which the reclassifications and the adjustments arising from the new leasing rules are recognised in the opening Condensed Statement of Financial Position on 1 July 2019. Under this approach, there is no initial Impact on retained earnings under this approach, and comparatives have not been restated.

The Group leases various premises. Prior to 1 July 2019, leases were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, where the Company is a lessee, the Group recognises a right-of-use asset and a corresponding liability at the date which the lease asset is available for use by the Group (i.e. commencement date). Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a consistent period rate of interest on the remaining balance of the liability for each period.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the rate implied in the lease. If this rate is not readily determinable, the Group uses its incremental borrowing rate.

Lease payments included in the initial measurement if the lease liability consist of:

- Fixed lease payments less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at commencement date;
- Any amounts expected to be payable by the Group under residual value guarantees;
- The exercise price pf purchase options, if the Group is reasonably certain to exercise the options; and
- Termination penalties of the lease term reflects the exercise of an option to terminate the lease.

Extension options are included in a number of property leases across the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if, at commencement date, it is reasonably certain that the options will be exercised.

Subsequent to initial recognition, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is remeasured (with a corresponding adjustment to the right-of-use asset) whenever there us a change in the lease term (including assessments relating to extension and termination options), lease payments due to changes in an index or rate, or expected payments under guaranteed residual values.

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before commencement date, less any lease incentives received and any initial direct costs. These right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Where the terms of a lease require the Group to restore the underlying asset, or the Group has an obligation to dismantle and remove a leased asset, a provision is recognised and measured in accordance with AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated on a straight-line basis over the term of the lease (or the useful life of the leased asset if this is shorter). Depreciation starts on commencement date of the lease. Where leases have a term of less than 12 months or relate to low value assets, the Group has applied the optional exemptions to not capitalise these leases and instead account for the lease expense on a straight-line basis over the lease term.

Impact on adoption of AASB 16
On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to lease liabilities on 1 July 2019 was 15%.

On initial application right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position as at 30 June 2019. In the Statement of Cash Flows, the Group has recognised cash payments for the principal portion of the lease liability within financing activities, cash payments for the interest portion of the lease liability as interest paid within operating activities and short-term lease payments and payments for lease of low-value assets within operating activities. The adoption of AASB 16 resulted in the recognition of right-of-use assets of $247,217 and lease liabilities of $247,217 in respect of all operating leases, other than short-term leases and leases of low-value assets. The net impact on accumulated losses on 1 July 2019 was nil.

Reconciliation of operating lease commitments previously disclosed and lease liabilities on 1 July 2019

	$
Operating lease commitments disclosed at 30 June 2019	288,721
Discounted using borrowing rate at initial application	(41,504)
Lease liability at 1 July 2019	247,217

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 2020 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 2020.

On behalf of the Board

Gary Greenbaum
Managing Director & CEO
30 September 2020

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 2020, 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 2020 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 Group'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* we have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	How our audit addressed the key audit matter
Discontinued Operations and Assets and Liabilities Classified as Held for Sale **Note 15**	
As at 30 June 2020, management assessed that the criteria under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* had been met in relation to the Group's subsidiaries, Syntonic Wireless Inc. and Syntonic US Inc (including Syntonic Brasil Tecnologia LTDA) as it was intended that the carrying amount of the disposal group would be recovered principally through a sale transaction rather than through continuing use. On 7 September 2020, the Company announced the proposed sale of the above subsidiaries to First Orion Corporation. On 25 September 2020, the Group entered into a Share Purchase Agreement confirming the above announcement. The recognition and disclosure of these transactions in the financial report are complex and required significant audit attention, as the Group was required to separate its assets, liabilities and operations into continuing and discontinued operations. This has a significant impact on the disclosure of the financial results and financial position of the Group. In addition, the Group was required to measure the net assets of the disposal group at the lower of its carrying value and fair value less costs to sell. We considered this to be a key audit matter as it is important to users' understanding of the financial statements as a whole.	Our procedures included but were not limited to the following: • We ensured that classification of the assets and liabilities forming part of the disposal group was in accordance with the requirements of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*; • We reviewed the subsequent share purchase agreement; • We considered the fair values of the assets and liabilities reclassified as part of the disposal group; and • We ensured that the appropriate disclosures have been made in the financial statements including discontinued operations.
Fraud risk in relation to revenue recognition Note 15	
The total revenue disclosed as part of the loss after tax from discontinued operations for the year is $8,673,088. The Group predominately generates revenue through its Brazilian subsidiary, Syntonic Brasil Tecnologia LTDA. Due to the presumption of risk over revenue recognition as prescribed by Australian Auditing Standards Board, this area has been subject to significant audit procedures.	Our procedures included but were not limited to the following: • We reviewed the Group's accounting policy with regards to the recognition of revenue and assessed whether management had correctly applied the concepts of principal versus agent; • We assessed the methodology for over time recognition and accuracy of recognising revenue for a sample of contracts; • We selected a sample of revenue transactions and agreed the transaction to the underlying supporting documentation;

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ADVISORY AND ACCOUNTING

	• We performed audit procedures to ensure that revenue is materially complete, that is that each transaction that occurred during the year was correctly reflected in the financial statements, by examining procedures surrounding cut-off at balance date and ensuring, for a sample of purchase transactions, that each item selected corresponded to a sales transaction; and • We assessed the adequacy of the Group's disclosures with respect to revenue.

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 2020, 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 2020.

In our opinion, the Remuneration Report of Syntonic Limited for the year ended 30 June 2020 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 2020

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 2020, 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 2020, 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 18 September 2020, 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>	590,407,554	8.50
LINDFIELD NOMINEE SERVICES PTY LTD <RAHUL AGARWAL A/C>	590,407,554	8.50
MR GAVIN JEREMY DUNHILL	508,000,000	7.32
CELTIC CAPITAL PTE LTD <INVESTMENT 1 A/C>	287,091,099	4.13
MR MORRIS ALAN LEVITZKE	273,000,000	3.93
ARREDO PTY LTD	240,000,000	3.46
MONOMATAPA COAL PTY LTD	200,000,000	2.88
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	175,000,000	2.52
MR DAVID LEE	164,999,998	2.38
BLOCK CAPITAL GROUP LIMITED	105,441,176	1.52
SANDTON CAPITAL PTY LTD	101,637,500	1.46
CITICORP NOMINEES PTY LIMITED	73,369,154	1.06
MR KOBI BEN SHABATH	60,833,334	0.88
MR JOHN CHARLES VASSALLO + MR SEAN JAMES VASSALLO <VASSALLO FAMILY S/F A/C>	60,587,579	0.87
MR LEROY GEORG TERENCIUK	60,000,000	0.86
STOCKMAN SUPERANNUATION PTY LTD <STOCKMAN SUPER FUND A/C>	59,954,000	0.86
MATTHEW BURFORD SUPER FUND PTY LTD <BURFORD SUPERFUND A/C>	52,731,796	0.76
HNZ GROUP PTY LTD <HNZ INVESTMENT FAMILY>	50,000,070	0.72
CHIFLEY PORTFOLIOS PTY LTD <DAVID HANNON RETIREMENT A/C>	50,000,000	0.72
RIVERVIEW CORPORATION PTY LTD	50,000,000	0.72
Total Top 20 Holders of Ordinary Fully Paid Shares	**3,853,460,814**	**55.49**
Total Remaining Holders Balance	**3,091,104,698**	**44.51**
TOTAL	**6,944,565,512**	**100.00**

2. DISTRIBUTION OF EQUITY SECURITIES

As at 18 September 2020, an analysis of numbers of holders by size of holdings is listed below:

Distribution	No. of Shareholders	No. of Ordinary Shares
1 – 1,000	108	16,776
1,001 – 5,000	39	123,076
5,001 – 10,000	69	563,716
10,001 – 100,000	948	47,945,991
More than 100,000	1,508	6,895,915,953
Totals	**2,672**	**6,944,565,512**

As at 18 September 2020, there were 1,817 holders of less than a marketable parcel of ordinary shares.

3. VOTING RIGHTS

See note 16(c) of the Notes to the Consolidated Financial Statements.

ASX Additional Information

4. SUBSTANTIAL SHAREHOLDERS

As at 18 September 2020, substantial shareholder notices have been received from the following:

Substantial Shareholder	No. of Shares
LINDFIELD NOMINEE SERVICES PTY LTD <GARY GREENBAUM>	590,407,554
LINDFIELD NOMINEE SERVICES PTY LTD <RAHUL AGARWAL>	590,407,554
MR GAVIN JEREMY DUNHILL	508,000,000

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 18 September 2020 there were no restricted securities.

7. UNQUOTED EQUITY SECURITIES

As at 18 September 2020, an analysis of unlisted equity holders is listed below in accordance with ASX Listing Rule 4.10.16:

Unquoted Securities	Number on Issue	Number of Holders	Exercise Price	Expiry Date
Unquoted Options [1]	15,000,000	2	0.03	28/02/2027
Unquoted Options [1]	43,638,984	1	0.012	16/10/2023
Unquoted Options [2]	133,333,333	43	0.03	31/12/2020
Unquoted Options [1]	17,286,763	2	0.014	06/07/2028
Unquoted Options [1]	97,167,357	1	0.009	14/11/2028
Unquoted Options [3]	5,000,000	1	0.02	01/01/2024
Performance Rights Class A[4]	199,300,830	2	Converted into shares subject to the Company achieving an EBIDTA positive quarter prior to 31 December 2020	
Performance Rights Class B[4]	199,300,830	2	Converted into shares subject to the Company achieving a $1.5 million or more EBITDA in any calendar quarter prior to 31 December 2022	

1) Issued to employees under approved Incentive Option Plan
2) 27% held by Celtic Capital Pty Ltd <The Celtic Capital A/c>
3) 100% held by Mr Gavin Dunhill
4) 50% held by Lindfield Nominee Services Pty Ltd <Gary Greenbaum A/C>, 50% held by 50% held by Lindfield Nominee Services Pty Ltd <Rahul Agarwal A/C>

SYNTONIC

Syntonic Limited

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