

SYNTONIC SEPTEMBER 2016 QUARTERLY REVIEW

Highlights during the quarter include:

- **Syntonic successfully listed on the Australian Securities Exchange**
- **Conversion of major new business opportunities into revenue pipeline**
- **Syntonic extended its agreement with global telco Tata Communications**
- **Syntonic signed agreement with Verizon Wireless for Syntonic platform services**
- **Freeway by Syntonic® deployed in Indonesia and Malaysia**

Syntonic Limited (“Syntonic” or “Company”) (SYT.ASX), a mobile platform services provider, is pleased to provide investors an update on the Company’s activities for Q1 FY2017. The quarter was significant as Syntonic successfully listed on the Australian Securities Exchange (ASX) on 20 July 2016, providing a springboard for the expansion of the business.

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

“I am very pleased with the expansion we have achieved in the last quarter. In a short period of time, our distribution reach has broadened to the U.S. and new geographies in Southeast Asia. We have successfully managed the conversion of our potential deal flow into binding agreements. We are excited by the revenue pipeline that Syntonic has developed which will fast-track our future revenue growth.

The markets for our products are evolving rapidly, and what has become clear over the last quarter is that there are increased market opportunities in the U.S. and other first world markets for our sponsored data product, Freeway by Syntonic.

During the quarter we also explored various ways to reduce customer acquisition costs and build effective awareness of our consumer brand. We are highly focused on optimizing our business operations and processes to attain further cost efficiencies while creating a satisfied user base that is deeply engaged with our service. We had a number of one-off costs in the September quarter and we expect to have a reduced cost structure going forward.

Our go-to-market feedback has been positive and our mission is laser focused on growing the business and increasing shareholder value.”

Syntonic is looking forward to reporting future revenues from the following opportunities announced during Q1 FY2017:

- Syntonic extended its strategic software licensing agreement with Tata Communications, granting the telco aggregator a perpetual license to Syntonic’s technologies in return for an enhanced net revenue share generated by the Syntonic Connected Services Platform. Tata’s roll-out of the white-labelled Syntonic platform is based upon Tata’s deployment timetable;
- The Company signed an agreement with Verizon Wireless, the United States’ largest mobile carrier, to enable Syntonic’s cross-carrier application, Freeway by Syntonic®, on Verizon’s FreeBee Perks data rewards platform. FreeBee Perks allows brands to reward customers with

WWW.SYNTONIC.COM

mobile data after an action is completed such as a mobile download, a transaction, or registration;

- iii. To validate the effectiveness of sponsored data in the U.S., Syntonic enabled sponsored access to the highly popular game, Pokémon GO, with Freeway by Syntonic on the AT&T network in the United States. The Company recognizes the gaming segment as a key contributor to its global success with sponsored data;
- iv. Syntonic commenced its Freeway pilot deployments in Southeast Asia, initially in Malaysia and Indonesia, where pre-paid mobile data plans dominate the market and subsequently over 80% of users limit their mobile data use. Freeway was downloaded more than 50,000 times and was consistently listed in the Google Play Store's TOP 25 lifestyle apps in Indonesia during the quarter;
- v. New independent employer research commissioned by Syntonic found that U.S. businesses overspend more than US\$2.6 billion annually on BYOD reimbursements, highlighting the demand opportunity for U.S. businesses to utilize the Syntonic DataFlex® mobile split billing solution. Syntonic DataFlex has initiated pilots in the U.S. that have provided valuable learnings to refine its mobile split billing product offering.

Operational Summary

After commencing trading on the ASX, Syntonic recorded Q1 FY2017 customer receipts of A\$140,000 for the Company's first quarter of operation as Syntonic Limited. Revenue is ahead of management's expectations given that the Company's largest revenue generating opportunities were only entered into during the quarter with products and services launching in an initial adoption phase.

During the quarter the Company incurred a number of one-off costs totaling approximately A\$650,000, related to acquisition transactions costs, share issue costs, repayment of borrowings, and new product development costs.

The Company's strategy factors four key performance metrics:

- Revenue Generation
- Product Distribution;
- Customer Satisfaction; and
- User Acquisition Costs.

Revenue Generation

Syntonic's multi-sided revenue model assumes revenue from mobile carriers and from content providers. From the former, Syntonic receives licensing fees and revenue sharing based on network traffic across the Syntonic Connected Services Platform. During the quarter, Tata Communications has paid Syntonic licensing and support fees for Syntonic's white-labelled service. With Tata's upcoming deployments, the bulk of Syntonic's carrier-based revenue will shift to revenue sharing. Syntonic intends to replicate this model in subsequent quarters with additional carriers and aggregators.

During the quarter Syntonic has secured content provider agreements with leading brands who want to participate in the Freeway service. The majority of these agreements started in a trial mode and convert into paying mode in subsequent quarters. The Company has invested in developing the analytic tools to demonstrate the cost effectiveness of sponsored content for acquiring and engaging valued and monetizable consumers. The resulting ROI insights will accelerate the conversion of publisher trials and help expand Syntonic's content pipeline.

WWW.SYNTONIC.COM

Product Distribution

During the quarter, Syntonic expanded its distribution footprint into Southeast Asia and the U.S. The Freeway by Syntonic service was deployed in Indonesia and Malaysia. These initial markets were selected because data is relatively expensive and nearly 80% of mobile subscribers are on pre-paid plans. In Indonesia alone, Syntonic's addressable market spans 70m smartphones subscribers---the third largest market in Asia behind China and India.

Building on the Company's platform integration with AT&T, the recently announced Verizon partnership allows Syntonic to deliver its sponsored content services to more than 75% of the U.S. post-paid mobile subscribers once the iOS version of the Freeway application is completed later this quarter.

Customer Satisfaction

Syntonic recognizes that the quality of its application experience is a necessary condition for realizing extensive market success. During the course of last quarter, five separate application updates were released to enhance the Freeway customer experience. As a result, Freeway's current Android approval rating is over 80%, comparable to Facebook's 82% approval rating on Android.

User Acquisition Costs

With the launch of Freeway by Syntonic, it's become imperative to efficiently minimise customer acquisition costs. Syntonic is actively pursuing various methods and channels to get Freeway into the hands of consumers, and during this phase has attained invaluable experience to optimize customer acquisition channels for its Southeast Asia deployment.

In Southeast Asian deployments, Syntonic has initially been more focused on growing its customer base in Indonesia where the user acquisition costs are 50% lower than in the Malaysian market. Freeway's gifting and rewarded referral functionality and other social means will be used on a country-by-country basis to further reduce its acquisition costs.

Subsequent to the quarter end

- (i) Syntonic signed a second major agreement with Verizon Wireless to provide Freeway by Syntonic sponsored data services on the Verizon FreeBee Data network, complementing the previously announced FreeBee Perks rewards agreement;
- (ii) Syntonic is the only Verizon partner integrated into both FreeBee Data and FreeBee Perks and will launch in an initial adoption phase later this quarter providing sponsored data services to nearly 100M Verizon subscribers in addition to the over 60M Syntonic-addressable AT&T subscribers
- (iii) Syntonic signed agreements with major content provider Zapak Digital Entertainment (a Reliance Company and India's largest gaming company), Hersch Games (the leader in social interaction games which has generated nearly US\$1 billion in net sales), and Billaway (a world-wide content aggregator for premium mobile content offers) to provide Freeway with sponsored content offerings for worldwide distribution;
- (iv) Syntonic successfully negotiated with AT&T for a discount of more than 70% in data pricing that opens opportunities to offer a multi-carrier, over-the-top mobile video service in the U.S. AT&T's proposed acquisition of Time Warner is not expected to close until the end of 2017 and will have no immediate or short term impact with the Syntonic business.

WWW.SYNTONIC.COM



Corporate

The Company made several Board Appointments in the quarter. Steve Elfman, former President of Sprint, a major U.S. telecommunications company, was appointed as non-Executive Director, bringing extensive experience in the wireless industry. Chris Gabriel, former Chief Executive Officer of Zain Africa and a Top-100 Global Telco Influencer, was also appointed as non-Executive Director, bringing invaluable experience in growing technology companies to a global scale. Kevin Packingham, former Chief Product Officer for Samsung Telecommunications America, was added to the Syntonic Advisory Board and will help to expand Syntonic's business activities.

These appointments validate the Company's technology and potential opportunity in the sponsored content and mobile split billing space.

For further enquiries, please contact:

Gary Greenbaum
Managing Director and CEO

T: +1 206 408 8072 x702

E: ir@syntonic.com

About Syntonic

Syntonic Limited (SYT.ASX) is a software company which has developed two technology services: Freeway by Syntonic®, allows free-of-charge, mobile internet access on smartphones by having advertisers sponsoring the data; and Syntonic DataFlex®, allows businesses to manage split billing expenses for employees when using their personal mobile phones for work. Founded in 2013, Syntonic has developed worldwide strategic partnerships with leaders in the mobile ecosystem. To learn more about Syntonic, visit www.syntonic.com.

WWW.SYNTONIC.COM

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Syntonic Limited

ABN

68 123 876 765

Quarter ended ("current quarter")

30 September 2016

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	140	140
1.2	Payments for		
	(a) research and development	(336)	(336)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(131)	(131)
	(d) leased assets	-	-
	(e) staff costs	(348)	(348)
	(f) administration and corporate costs	(201)	(201)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	8	8
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(868)	(868)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material):		
	(a) cash acquired on reverse acquisition	3,779	3,779
	(b) transaction costs of reverse acquisition	(69)	(69)
2.6	Net cash from / (used in) investing activities	3,710	3,710

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(112)	(112)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(135)	(135)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(247)	(247)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	115	115
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(868)	(868)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	3,710	3,710

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(247)	(247)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,710	2,710

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,710	115
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,710	115

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

476

-

Payments include executive directors' wages, non-executive directors' fees, superannuation, company secretarial services, provision of a fully serviced office, and provision of a software engineering services.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

Not applicable.

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Not applicable.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(100)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(100)
9.4 Leased assets	-
9.5 Staff costs	(150)
9.6 Administration and corporate costs	(100)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(450)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	Syntonic Wireless, Inc.	-
10.2 Place of incorporation or registration	United States	-
10.3 Consideration for acquisition or disposal	1,200,000,000 ordinary shares and 500,000,000 performance shares in the Company	-
10.4 Total net assets	Nil	-
10.5 Nature of business	Software technology company that provides mobile services	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:
(Director/Company secretary)

Date: 28 October 2016

Print name: Gregory Swan

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.