

## SYNTONIC MARCH 2017 QUARTERLY REVIEW

Highlights during the quarter include:

- **Syntonic recognizes revenue of A\$281,087 in Q3 FY2017 with majority of cash to be received during the current quarter**
- **Agreement with Verizon Wireless to license Syntonic's platform technologies provides ongoing monthly revenue with customer receipts already received in April**
- **Expansion into Latin America with leading mobile carriers and content providers**
- **Launch of Freeway by Syntonic® 2.0 on the Apple App store and deployment on Verizon network led to Syntonic exceeding its Performance Milestone 1 objective six months ahead of schedule**
- **Launch of Freeway Campaign Manager™ 2.0 at Mobile World Congress for streamlining content provider adoption and revenue**
- **Keynote at Mobile World Congress and participation on first sponsored data panel discussion with industry leading executives from Telefónica, Tata Communications, and Etisalat Nigeria**

**Seattle, United States – Syntonic Limited (“Syntonic” or “Company”)**, a mobile platform and services provider, is pleased to provide investors an update on the Company's activities for Q3 FY2017 along with the accompanying Appendix 4C.

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

*“I am pleased to say that the third quarter was a significant one for Syntonic, demonstrating the conversion of our pipeline opportunities into recurring revenue streams. The quarter was highlighted with the signing of an historic agreement with Verizon to enable their data-free content services.*

*Specifically, the largest carrier in the U.S., and the second largest carrier worldwide as measured by revenue, has licensed Syntonic core technologies and assumes a critical dependency on our offering for its transition to a content service company. These actions clearly validate the uniqueness and carrier-grade reliability of our technology.*

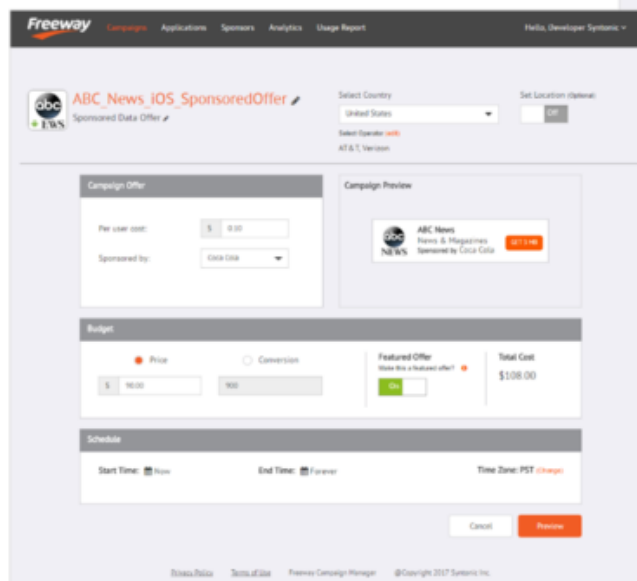
*Our Freeway by Syntonic sponsored data solution has realized accelerated interest from carriers and content providers, most recently after our participation at Mobile World Congress 2017, the biggest annual gathering of mobile industry senior executives. The market timing for the Freeway offering is proving to be advantageous – carriers are right now seeking out new content based revenue streams to grow declining revenue, and content providers are pursuing more cost-efficient means to acquire, engage, and monetize mobile consumers. Freeway's infrastructure and services business provide solutions for these respective markets.*

*Our sales pipeline is very healthy and we are converting business opportunities into new deals.”*

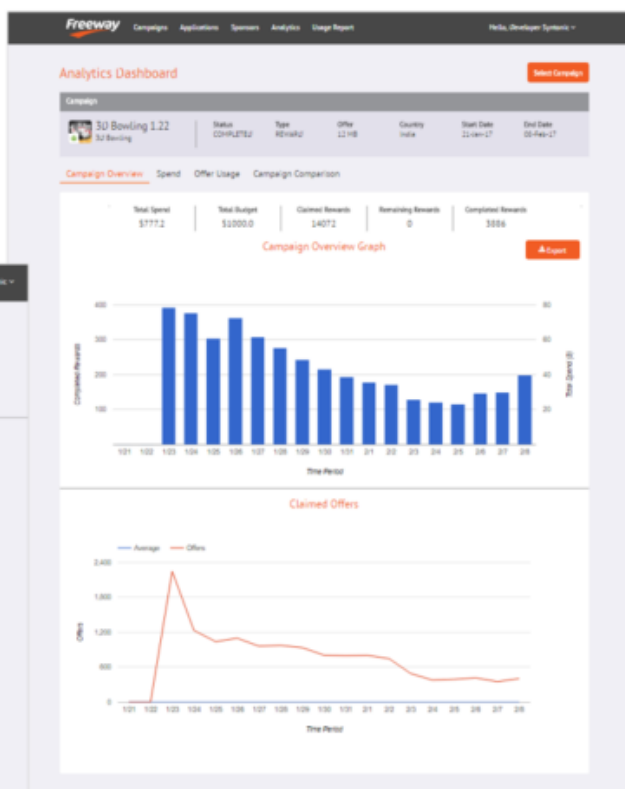
**Major events occurred during the Quarter:**

- i. Freeway by Syntonic 2.0 launched on the Apple App store, which extended Freeway's addressable audience to nearly 140 million post-paid, U.S. mobile subscribers on the AT&T and Verizon networks;
- ii. Five months ahead of schedule, the Company achieved its Performance Milestone 1 objective, exceeding a 100 million mobile subscriber addressable audience for the Freeway sponsored data product;
- iii. With the Company's accelerated mobile operator deployments, Syntonic's Executive team made the decision to increase the second Performance Milestone's addressable audience requirements by 33%, from 150 million to 200 million mobile subscribers;
- iv. Freeway by Syntonic launched in Latin America, and started with Mexico, the second largest Latin American mobile market. The expansion to Mexico is supported via prominent mobile carriers Telcel and Movistar, with a combined 40+ million smartphone subscriber base, and by major game publishers such as Konami Digital Entertainment, Reliance Games, Nazara Technologies, Neon Play, and Boomdash Digital;
- v. Freeway by Syntonic 2.0 supported a Spanish language version for U.S. consumers on the AT&T and Verizon networks, to address the large and growing U.S. Spanish speaking population;
- vi. Verizon Wireless, the largest U.S. mobile carrier with over 100 million smartphone subscribers, licensed Syntonic's platform technologies. Syntonic has granted Verizon a non-exclusive license and sublicense right to deploy the Freeway SDK ("software development kit") to enable data-free and sponsored content services for their mobile subscribers. Minimum revenue guarantees are assured with on-going monthly revenue generated by use of the Freeway SDK in apps distributed across Verizon's 100+ million subscriber base;
- vii. Dr. Greenbaum presented a keynote titled "Beyond the Data Plan" at Mobile World Congress, the mobile industry's leading annual event. Additionally, Dr. Greenbaum participated on the first sponsored data panel discussion at Mobile World Congress, together with telecom executives from Telefónica, Tata Communications and Etisalat Nigeria. The keynote and panel discussion video can be viewed by clicking [here](#). Mobile World Congress led to significant interest from tier one content providers and operators for Syntonic's offering, a number of which are expected to materialize into revenue generation agreements in the upcoming quarters;
- viii. At Mobile World Congress, the Company launched the Freeway Campaign Manager™ 2.0, an online offer creation and management solution for content providers and app developers to generate targeted acquisition and engagement campaigns, using sponsored data and data rewards in Freeway deployed geographies.

## Freeway Campaign Manager



The screenshot shows the 'Campaign Offer' section with fields for 'Per user cost' (\$0.00), 'Sponsored by' (Coca Cola), and 'Budget' (\$1000). It also includes a 'Schedule' section with 'Start Time' (Now) and 'End Time' (Forever). A 'Campaign Preview' shows the offer details and a 'Total Cost' of \$1000.00.



## Operational Summary

In the last quarter, Syntonic has made steady progress with the business pipeline starting to materialize into recurring revenue. The Company recognized revenues of A\$281,087 for the quarter Q3 FY2017. Post quarter end, Syntonic will receive cash receipts from Verizon Wireless for licensing and hosting services that commenced on 9 March 2017.

Syntonic is in a strong cash position with cash reserves of A\$5.7 million (31 March 2017) and continues to remain debt-free.

The Company's strategy factors four key performance metrics:

### Revenue Generation

Syntonic has a multi-sided revenue model both from its infrastructure business, licensing its platform to service providers, and from its services business, providing a cost-efficient means for content providers to acquire, engage, and monetize consumers. In subsequent quarters, the services business will also include revenue from the Company's upcoming OTT subscription services. OTT subscription service revenue is in addition to revenue generated from paying content providers using the Freeway platform for acquisition, engagement, and monetization.

To advance the revenue opportunities, this quarter marked the launch of the new Freeway Campaign Manager™ 2.0. The Campaign Manager is an on-line, self-service campaign creation and management solution for app publishers and content providers that streamlines content on-boarding and payment handling with minimal sales and operational costs to the Company. The Campaign

Manager is targeted at the long-tail of app publishers and doesn't replace account management for large, named accounts.

With additional content conversions, upcoming and recurring revenue from Verizon, OTT subscription services, and more efficient on-boarding for app developers and publishers, the Company believes it has reached a positive inflection point in its revenue ramp-up.

### Product Distribution

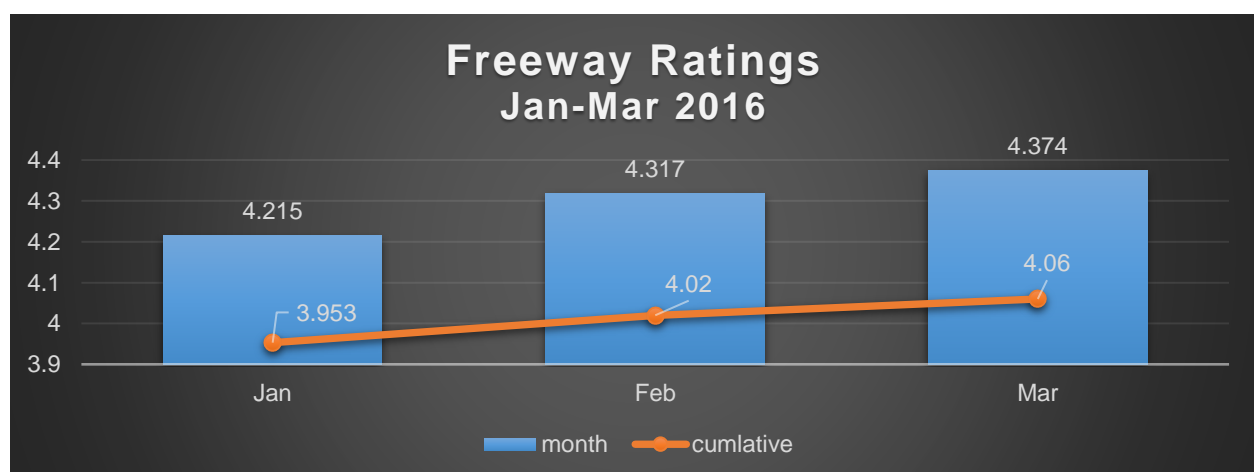
Freeway's distribution grew by over 61% last quarter with the largest net gain from India and the highest relative gain from Mexico. This expansion does not include the most recent Verizon use of the Freeway SDK for their data-free TV streaming FiOS mobile application.

The recent launch in Latin America marks the fourth geographic expansion of Freeway by Syntonic, adding to the current coverage in the United States, Southeast Asia (Malaysia and Indonesia), and India. The Company selected Mexico to debut its LATAM launch of Freeway because it represents the second largest Latin America market with nearly 84% of mobile users on prepaid plans, one-fourth of whom regularly exceed their mobile data allowance. For these data-hungry consumers, Freeway's sponsored content service provides a new way for content providers to reach users, while providing consumers a new way to access their favorite content, such as social apps, games, and videos without incurring data charges.

With the launch in Mexico, Syntonic expanded its content partnerships with leading mobile gaming players, including Konami Digital Entertainment, known for popular mobile games Metal Gear Solid and Pro Evolution Soccer 2017; Nazara Technologies, an exclusive distributor for key game developers such as Electronic Arts; and Neon Play, developer of Tip Tap Soccer. Syntonic views gaming user engagement as a major opportunity for the Company's technologies. In the gaming world, if a new customer plays a mobile game for 35 minutes, they are an 'invested' customer in a game and are far easier to monetize.

In terms of geographical reach, Syntonic will continue to expand Freeway's presence in Latin America and in Southeast Asia in coming quarters, and is investigating opportunities in CIS, Middle East and Africa.

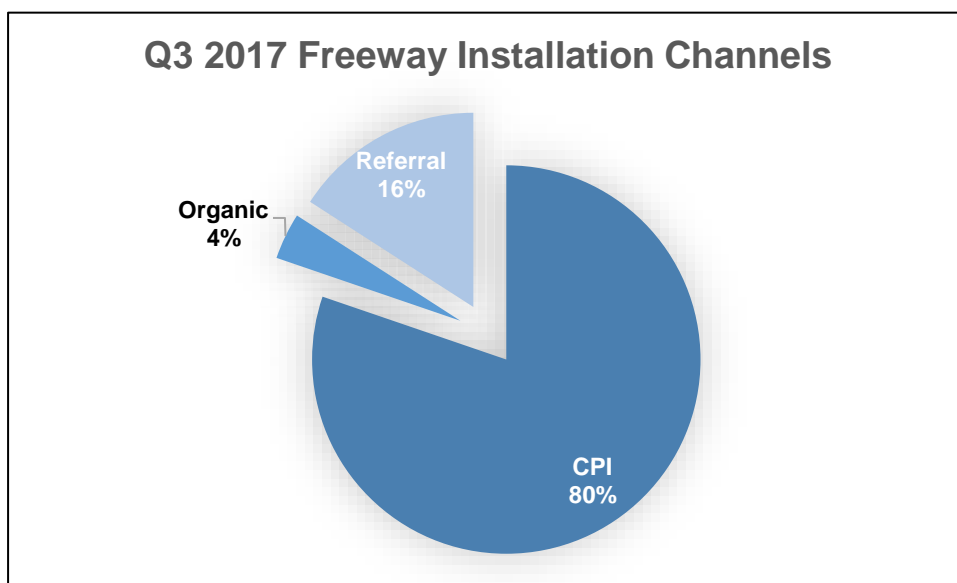
### Customer Satisfaction



Syntonic is dedicated to continuously improve customer satisfaction as a means to increase customer loyalty, use, and referrals.

The Google Play Store's monthly ratings (scaled from 1 to 5) for Freeway increased by 7.84% over the last quarter. The Company attributes this improvement to app refinements that were distributed in four app store updates during the quarter. As a reference, only 20% of apps with distribution over 50,000 installs have a Google Play Store rating between 4.0 and 5.0, putting Freeway solidly in the top 20% of highest approval ratings for applications.

#### User Acquisition Costs



Syntonic continues to improve the cost efficiencies of the Freeway consumer journey, i.e. leading a prospective consumer to the app store, downloading and installing the Freeway app, registering, using, and sharing the app experience to friends and family through referrals. The Company's focus is on improving this consumer journey at every stage and increasing long-term customer value while simultaneously decreasing customer acquisition costs.

Syntonic tracks several key metrics in the consumer journey, including app store conversion and overall cost to acquire a new Freeway consumer. The app store conversion rate measures the percentage of users going to the app store seeking Freeway based on some awareness trigger, such as a Facebook ad. During the quarter, Syntonic's app store conversion rate was 28.8%, a steady improvement from last quarter's average of 26%. By way of comparison, the average game app conversion is 4.47% and social networking apps are at 11.36%.

Freeway's end-user acquisition cost is another key metric closely tracked by the Company. Freeway's acquisition cost per user dropped by 29% compared to last quarter, following a 43% improvement from Q1 to Q2. Much of this progress can be attributed to more cost-efficient referrals, increasing organic downloads, and the more efficient use of acquisition tools for specific Freeway geographies.

#### **Corporate**

Syntonic continues to attract top industry expertise for its directors, advisors, and executives. On 1 February 2017, Mr. Randy Smith, a leader and pioneer in digital media, joined the Company as its Vice President of Corporate and Business Development. Mr. Smith has nearly twenty years' experience in the digital media industry, holding executive positions at DTS, Microsoft, and Xing Technologies. Mr. Smith is leading the business development efforts with mobile operators and content carriers, allowing Syntonic to rapidly prospect and close business opportunities.





## About Syntonic

Syntonic (SYT.ASX) is a Seattle based software company which has developed two technology services: Freeway by Syntonic®, allows sponsored data, data rewards, and data-free OTT content services on the mobile Internet; and Syntonic DataFlex®, enables 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](http://www.syntonic.com).

For further enquiries, please contact:

**Gary Greenbaum**  
**CEO and Managing Director, Syntonic**  
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## 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")**

31 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	158
1.2 Payments for		
(a) research and development	(332)	(911)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(273)	(655)
(d) leased assets	-	-
(e) staff costs	(465)	(1,209)
(f) administration and corporate costs	(231)	(577)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	32	52
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)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,269)</b>	<b>(3,142)</b>

<b>2. Cash flows from investing activities</b>		
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 (9 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
	(b) transaction costs of reverse acquisition	-	(69)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>3,710</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	5,440
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	(19)	(184)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(135)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(19)</b>	<b>5,121</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	7,044	115
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,269)	(3,142)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	3,710



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(19)	5,121
4.5	Effect of movement in exchange rates on cash held	(29)	(77)
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>5,727</b>	<b>5,727</b>

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	5,727	7,046
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>5,727</b>	<b>7,046</b>

**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

495

-

Payments include executive directors' wages, non-executive directors' fees, superannuation, 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. <b>Financing facilities available</b> <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. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	(350)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(200)
9.4 Leased assets	-
9.5 Staff costs	(450)
9.6 Administration and corporate costs	(200)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(1,200)</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

### **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: ..... Date: 26 April 2017  
(~~Director~~/Company secretary)

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.