

ASX ANNOUNCEMENT

31 August 2017

APPENDIX 4E

Preliminary Final Report For the year ended 30 June 2017

The following sets out the requirements of Appendix 4E with the stipulated information either provided here or cross-referenced to the 2017 Preliminary Final Report, which is attached.

1. Company details & Reporting Period

Syntonic Limited and its controlled entities ("the Group")

| Year Ended | Previous corresponding period |
|--------------|-------------------------------|
| 30 June 2017 | 30 June 2016 |

2. Results for announcement to the market

| | 30 June 2017 \$ | 30 June 2016 \$ | % Change |
|---|--------------------|--------------------|----------|
| Revenue from ordinary activities | 846,139 | 723,168 | 17% |
| (Loss) after tax attributable to members | (25,762,930) | (1,637,717) | (1,473%) |
| Net (loss) for the period attributable to members | (25,762,930) | (1,637,717) | (1,473%) |

The net loss of the Group attributable to members of the Company for the year ended 30 June 2017 was largely attributable to the treatment of the acquisition of Syntonic Wireless, Inc. during the year as a reverse acquisition which resulted in a \$21,587,622 cost of listing being included in the result for the year. Refer to Note 13 for further information.

3. Income Statement with notes to the statement

Refer Preliminary Final Report for year ended 30 June 2017 attached:

- Consolidated Statement of Profit or Loss and Other Comprehensive Income
- Notes to the Consolidated Financial Statements

4. Balance Sheet with notes to the statement

Refer Preliminary Final Report for year ended 30 June 2017 attached:

- Consolidated Statement of Financial Position
- Notes to the Consolidated Financial Statements

5. Cash Flow Statement with notes to the statement

Refer Preliminary Final Report for year ended 30 June 2017 attached:

- Consolidated Statement of Cash Flows
- Notes to the Consolidated Financial Statements

6. Dividends

No dividends have been paid or provided for during the period.

7. Statement of changes in equity

Refer Preliminary Final Report for year ended 30 June 2017 attached:

- Consolidated Statement of Changes in Equity
- Notes to the Consolidated Financial Statements

8. Net tangible asset per security

| Net Tangible Assets per share | 2017 | 2016 |
|---|------|--------|
| Net Tangible Asset/ (Liabilities) backing (cents per share) | 0.20 | (0.55) |

9. Entities over which control has been gained during the period

On 8 July 2016, Syntonic Limited ("Company") completed its acquisition of 100% of the issued capital of Syntonic Wireless, Inc., a Seattle-based software company.

The acquisition of Syntonic Wireless, Inc. has been accounted for as a reverse acquisition under AASB 3 *Business Combinations*. Accordingly, the consolidated financial statements for the year ended 30 June 2017 are issued under the name of the legal parent (Syntonic Limited) but are presented as a continuation of the financial statements of the legal subsidiary (Syntonic Wireless, Inc.).

10. Any other significant information needed by an investor to make an informed assessment of the Group's financial performance and position

All significant information has been included elsewhere in this document or in the Preliminary Final Report for the year ended 30 June 2017.

11. For foreign entities, which set of accounting standards is used in compiling the report

Refer Preliminary Final Report for year ended 30 June 2017 attached:

- Notes to the Consolidated Financial Statements

12. Commentary on the results

Refer Preliminary Final Report for year ended 30 June 2017 attached:

- Directors' Report and Operating and Results sections

13. Status of audit

The Preliminary Final Report for year ended 30 June 2017 is in the process of being audited.

14. Dispute or qualification if not yet audited

Not applicable.

15. Dispute or qualification if audited

Not applicable.



ABN 68 123 867 765

APPENDIX 4E

PRELIMINARY FINAL REPORT

for the year ended 30 June 2017

**RESULTS FOR ANNOUNCEMENT TO MARKET
IN ACCORDANCE WITH ASX LISTING RULE 4.3A**

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This Preliminary Final Report covers Syntonic Limited, consisting of Syntonic Limited (“Syntonic” or the “Company”) and its subsidiaries.

On 8 July 2016, Syntonic Limited completed its acquisition of 100% of the issued shares of Syntonic Wireless, Inc. The acquisition has been accounted for as a reverse acquisition under AASB 3 *Business Combinations* because, as a result of the acquisition, the former owners of the legal subsidiary (Syntonic Wireless, Inc.) obtained accounting control of the legal parent (Syntonic Limited). Whilst the acquisition does not meet the definition of a business combination in accordance with AASB 3 *Business Combinations* (as Syntonic Limited is deemed for accounting purposes not to be a business), the acquisition has been accounted for as a share-based payment transaction using the principles of AASB 3 *Business Combinations* and AASB 2 *Share-Based Payment*.

Accordingly, the consolidated financial statements for the year ended 30 June 2017 are issued under the name of the legal parent (Syntonic Limited) but are presented as a continuation of the financial statements of the legal subsidiary (Syntonic Wireless, Inc.), with the assets and liabilities of the legal subsidiary being recognised and measured at their pre-combination carrying amounts rather than their fair values. The comparative information included in these financial statements, therefore represents the results and balances of Syntonic Wireless, Inc.

As the functional currency of Syntonic Wireless, Inc. is US dollars, results and balances have been translated in accordance with the requirements of AASB 121 *The Effects of Changes in Foreign Exchange Rates* to present the consolidated financial statements in Australian dollars.

Additionally, as a result of the financial statements being prepared as a continuation of the legal subsidiary, the Group has updated the classification of expenses to make the Statement of Profit or Loss and other Comprehensive Income more relevant to the users of the financial report.

Syntonic Limited is a company limited by shares, incorporated and domiciled in Australia. The financial report is presented in Australian dollars.

The Company has the power to amend and reissue the financial report.

CORPORATE INFORMATION

Directors:

Mr Gary Greenbaum
Managing Director & CEO

Mr Rahul Agarwal
Executive Director, President & CTO

Mr Steven Elfman
Non-Executive Chairman

Mr Christopher Gabriel
Non-Executive Director

Mr Nigel Hennessy
Non-Executive Director

Company Secretary

Mr Steven Wood

Ms Kate Sainty

Auditors

HLB Mann Judd
Level 4, 130 Stirling Street
PERTH WA 6000

Bankers:

Australia:

Westpac Banking Corporation
Level 13, 109 St Georges Terrace
PERTH WA 6000

United States:

Wells Fargo & Company

Registered & Principal Office:

945 Wellington Street
WEST PERTH WA 6005

Telephone: + 618 9322 7600

Email: ir@syntonic.com

Website: www.syntonic.com

Postal Address:

P.O. Box 1263
WEST PERTH WA 6872

US Office

119 First Avenue, Suite 100

Seattle WA 98104, USA

Telephone: +1 206 408 8072

Home Securities Exchange:

Australian Securities Exchange Limited
Level 40, Central Park,
152-158 St George's Terrace
PERTH WA 6000

ASX Code: SYT

Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
PERTH WA 6000

DIRECTORS' REPORT

Your Directors have pleasure in submitting this Preliminary Final Report together with the financial statements of the Group consisting of Syntonic Limited and the entities it controlled during the period for the financial year ended 30 June 2017. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

RESULTS

The net loss attributable to members of the Group for the year ended 30 June 2017 amounted to \$25,762,930 (2016: \$1,637,717). Of the net loss incurred at 30 June 2017, \$21,587,622 relates to non-cash expenses incurred in respect of the acquisition of Syntonic Wireless, Inc. by Syntonic Limited. The remainder of the loss relates to the operations of Syntonic Wireless, Inc. and the overhead expenses of Syntonic Limited.

DIVIDENDS

There were no dividends paid or declared during the year.

REVIEW OF OPERATIONS

Operations

Reverse Takeover of Syntonic Wireless, Inc.

In July 2016, the Company completed its acquisition of Syntonic Wireless, Inc. and completed its public share offer pursuant to its prospectus dated 13 May 2016, and supplementary prospectus dated 16 June 2016 after successfully raising the maximum amount of \$2,200,000.

The acquisition of Syntonic Wireless, Inc. was completed on 8 July 2016, following which Syntonic Limited recommenced trading on the ASX on 20 July 2016 under ASX code "SYT."

The following Board and key management changes occurred as part of the acquisition:

- Appointment of Mr Gary Greenbaum as Managing Director & CEO on 8 July 2016;
- Appointment of Mr Rahul Agarwal as Executive Director, President & CTO on 8 July 2016;
- Resignation of Mr David Parker as Non-Executive Director on 8 July 2016.

About Syntonic

Syntonic is a leader in mobile content services and is transforming how consumers and businesses access applications and content across the mobile Internet. Syntonic supports two core solutions, Freeway by Syntonic®, which provides consumers sponsored and paid subscription access to content and applications, and Syntonic DataFlex®, which enables businesses to manage split billing expenses for employee personal smartphones that are used for work. The Syntonic Connected Services Platform™ (CSP) technology underpins both solutions and is licensed to mobile carriers.

Highlights

The principal activities during the period included:

- Syntonic re-listed on the Australian Securities Exchange ("ASX") under the code "SYT" and commenced trading on 20 July 2016, after successfully raising A\$2.2 million through its public offering;

In July 2016, the Company appointed Dr Gary Greenbaum as Managing Director and CEO and Mr Rahul Agarwal as Executive Director, President and CTO;

- 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;

DIRECTORS REPORT (CONTINUED)

- Syntonic successfully negotiated with AT&T for a discount of more than 70% in data pricing, opening opportunities to offer a multi-carrier, over-the-top mobile video service in the U.S.;
- Agreement signed with Verizon Wireless, the largest telco operator in the United States with more than 100 million subscribers. The initial agreement was to enable Syntonic's cross-carrier application, Freeway by Syntonic, on Verizon's FreeBee Perks and on the Verizon FreeBee Data network;
- In March this year, Verizon Wireless signed a comprehensive licensing agreement for Syntonic's platform technologies, deploying and sublicensing the Freeway SDK ("software development kit") to enable data-free content services for their mobile subscribers. Verizon integrated and deployed the Freeway SDK with its data-free apps, including native installation on its LG K20 V and Motorola Z2 Play smartphones. Minimum revenue guarantees are assured through the initial license grant, generating on-going monthly revenue;
- Freeway by Syntonic was launched in four major geographies: Southeast Asia (Indonesia and Malaysia), Latin America, (Mexico), India and the U.S. In India, Freeway by Syntonic data rewards were made available on the four largest mobile carriers: Airtel India, Vodafone India, Idea Cellular, and Reliance Mobile. While in Mexico, Freeway supports the leading mobile carriers Telcel and Movistar, which have a combined addressable market of over 40 million smartphone subscribers;
- Completion of oversubscribed A\$5,440,000 placement in November 2016, enabling Syntonic to execute immediate growth opportunities and accelerate the Company's expansion plans;
- Syntonic exceeded its Performance Milestone 1 objective, reaching an addressable audience of 100 million for the Freeway product, five months ahead of schedule;
- Syntonic unveiled Freeway 2.0 on both Android and iOS, with the app and services available in English and in Spanish;
- The Company signed agreements with major content providers – including Zapak Digital Entertainment, Hersch Games, Nazara Technologies, Perform Group, and Reliance Games – to provide Freeway with sponsored content offerings for worldwide distribution;
- Syntonic's participation at worldwide mobile industry events, such as the Consumer Electronics Show (Las Vegas), CTIA Super Mobility 2016 (Las Vegas), and Mobile World Congress (Barcelona); and the Company keynoted and hosted the first sponsored data panel discussion with industry leading executives from Telefonica, Tata Communications, and Etisalat Nigeria;
- Launch of the Freeway Campaign Manager™ 2.0, an online solution for content providers and app developers to create, deploy, and measure targeted acquisition and engagement campaigns using sponsored data and data rewards;
- New independent employer and employee survey conducted on Syntonic's behalf by Information Solutions Group (ISG), highlighting the demand opportunity for U.S. businesses to utilize the Syntonic DataFlex mobile split billing solution;
- The Company made several Board Appointments during the financial year. Steve Elfman, former President of Sprint, a major U.S. telecommunications company, was appointed as Non-Executive Chairman, replacing Ian Middlemas, who stepped down as part of a planned Board succession strategy. While Chris Gabriel, former Chief Executive Officer of Zain Africa, and Nigel Hennessy, a recognised leader in technology commercialization, were appointed as Non-Executive Directors;
- Syntonic also appointed Mr Steven Wood and Ms Kate Sainty as joint Company Secretaries. Mr Wood and Ms Sainty replace Mr Gregory Swan who, as part of a planned transition, resigned as Company Secretary; and

DIRECTORS REPORT (CONTINUED)

- In June 2017, Syntonic launched the first cross-carrier Over-the-Top (OTT) mobile video service, Freeway Overpass™, in the U.S. using its Connected Services Platform. Overpass is available to AT&T and Verizon subscribers with Android devices. The service provides sponsored and paid subscriptions to unlimited data for content and apps for a specified time, such as a day, week, or month, without impacting a user's mobile data plan. Overpass is expected to be added to Freeway for iOS for availability on the Apple App Store in September 2017.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

No 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 subsequent financial years.

SHARE OPTIONS

Options over unissued ordinary shares

At the date of this report the following options over ordinary shares in Syntonic Limited are on issue and outstanding:

| | No. of Options | Exercise Price | Expiry Date |
|------------------|-------------------|----------------|-------------------|
| Unlisted Options | 25,000,000 | \$0.02 | 08 July 2019 |
| Unlisted Options | 2,000,000 | \$0.04 | 30 September 2019 |
| Unlisted Options | 2,000,000 | \$0.08 | 30 September 2019 |
| Unlisted Options | 15,000,000 | \$0.06 | 24 November 2019 |
| Unlisted Options | 35,000,000 | \$0.03 | 28 February 2027 |
| Total | 79,000,000 | | |

PERFORMANCE SHARES

During the year ended 30 June 2016 Syntonic Limited issued a total of 500,000,000 Performance Shares as part of the consideration for the acquisition on 8 July 2016. The performance shares each convert into one ordinary share upon satisfaction of certain performance milestones on or before 8 July 2018, as follows:

- 166,666,666 performance shares convert upon Freeway by Syntonic (including the white-label version of the product sold by partners) having an Addressable Audience of 100,000,000 mobile subscribers;
- 166,666,666 performance shares convert upon Freeway by Syntonic (including the white-label version of the product sold by partners) having an Addressable Audience of 150,000,000 mobile subscribers; and
- 166,666,668 performance shares convert upon the Company entering into revenue generating agreements in respect of Syntonic DataFlex (including the white-label version of the product sold by partners) with 50 businesses.

Milestone (a) was achieved in the second half of financial year 2017 and 166,666,666 performance shares were converted to ordinary shares.

Signed in accordance with a resolution of the Directors.



Mr Gary Greenbaum
Managing Director

31 August 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2017

| | Note | Consolidated 2017 \$ | Parent 2016 \$ |
|--|-------|----------------------------|----------------------|
| Revenue from ordinary activities | 2 | 846,139 | 723,168 |
| Other income | 2 | 78,274 | 250,000 |
| Cost of sales | | (395,315) | (139,516) |
| Listing expense | 13 | (21,587,622) | - |
| Share based payment expense | 15 | (360,910) | - |
| Marketing expenses | | (704,754) | (385,036) |
| Research & development expenses | | (1,162,039) | (822,427) |
| Employee benefits expense | | (1,474,959) | (531,827) |
| Other operating expenses | 3 | (997,208) | (548,849) |
| Finance costs | | (4,536) | (183,230) |
| Loss before income tax | | (25,762,930) | (1,637,717) |
| Income tax benefit | | - | - |
| Loss after tax for the period attributable to the members of Syntonic Limited | | (25,762,930) | (1,637,717) |
| Other comprehensive income | | - | - |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Change in fair value of available-for-sale financial assets | 11(c) | 161,558 | - |
| Exchange difference on translation of foreign operations | 11(d) | 36,463 | (87,952) |
| Total other comprehensive income/(loss) for the year | | 198,021 | (87,952) |
| Total comprehensive (loss) for the period attributable to the members of Syntonic Limited | | (25,564,909) | (1,725,669) |
| Basic and diluted earnings/(loss) per share (cents per share) | 4 | (1.18) | (0.21) |

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

| | Note | Consolidated 2017 \$ | Parent 2016 \$ |
|----------------------------------|------|----------------------------|----------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 5 | 4,910,375 | 114,811 |
| Trade and other receivables | 6 | 118,751 | 8,863 |
| Other assets | | 19,080 | 6,753 |
| Total Current Assets | | 5,048,206 | 130,426 |
| Non-Current Assets | | | |
| Other financial assets | 7 | 386,654 | 6,753 |
| Total Non-current Assets | | 386,654 | 6,753 |
| TOTAL ASSETS | | 5,434,860 | 137,179 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 8 | 606,700 | 683,867 |
| Loans & borrowings | 9 | - | 3,721,549 |
| Total Current Liabilities | | 606,700 | 4,405,416 |
| TOTAL LIABILITIES | | 606,700 | 4,405,416 |
| NET ASSETS/(LIABILITIES) | | 4,828,160 | (4,268,237) |
| EQUITY | | | |
| Issued capital | 10 | 34,114,578 | 4,285 |
| Reserves | 11 | 427,923 | (321,111) |
| Accumulated losses | 12 | (29,714,341) | (3,951,411) |
| TOTAL EQUITY/(DEFICIT) | | 4,828,160 | (4,268,237) |

The above Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES OF EQUITY

For the year ended 30 June 2017

| | Parent | | | | | |
|---|----------------|--|----------------|--------------------------------------|--------------------|--------------------|
| | Issued Capital | Investments Available for Sale Reserve | Option Reserve | Foreign Currency Translation Reserve | Accumulated Losses | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2015 | 4,285 | - | 3,591 | (236,750) | (2,313,694) | (2,542,568) |
| Loss for the year | - | - | - | - | (1,637,717) | (1,637,717) |
| Other comprehensive loss | - | - | - | (87,952) | - | (87,952) |
| Total comprehensive loss for the year | - | - | - | (87,952) | (1,637,717) | (1,725,669) |
| <i>Transaction with owners, directly recorded in equity</i> | - | - | - | - | - | - |
| Balance at 30 June 2016 | 4,285 | - | 3,591 | (324,702) | (3,951,411) | (4,268,237) |

| | Consolidated | | | | | |
|---|-------------------|--|----------------|--------------------------------------|---------------------|---------------------|
| | Issued Capital | Investments Available for Sale Reserve | Option Reserve | Foreign Currency Translation Reserve | Accumulated Losses | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2016 | 4,285 | - | 3,591 | (324,702) | (3,951,411) | (4,268,237) |
| Loss for the year | - | - | - | - | (25,762,930) | (25,762,930) |
| Other comprehensive income | - | 161,558 | - | 36,463 | - | 198,021 |
| Total comprehensive loss for the year | - | 161,558 | - | 36,463 | (25,762,930) | (25,564,909) |
| <i>Transaction with owners, directly recorded in equity:</i> | | | | | | |
| Consideration shares issued on reverse acquisition | 25,626,375 | - | - | - | - | 25,626,375 |
| Conversion of convertible notes and loans into consideration shares | 3,283,647 | - | - | - | - | 3,283,647 |
| Cancellation of incentive stock options for consideration shares | 3,591 | - | (3,591) | - | - | - |
| Share placement | 5,440,000 | - | - | - | - | 5,440,000 |
| Share issue costs | (709,860) | - | - | - | - | (709,860) |
| Share based payments | 466,540 | - | 554,604 | - | - | 1,021,144 |
| Balance at 30 June 2017 | 34,114,578 | 161,558 | 554,604 | (288,239) | (29,714,341) | 4,828,160 |

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2017

| | Note | Consolidated 2017 \$ | Parent 2016 \$ |
|--|------|----------------------------|----------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 750,998 | 725,812 |
| Payments to suppliers and employees | | (4,744,710) | (2,195,237) |
| Interest received | | 78,274 | - |
| Interest paid | | (4,536) | (183,230) |
| Net cash flows (used in) operating activities | | (3,919,974) | (1,652,655) |
| Cash flows from investing activities | | | |
| Cash arising on acquisition of controlled entity | | 3,778,729 | - |
| Proceeds from related party loans | | - | 48,990 |
| Proceeds from option fee for reverse acquisition | | - | 250,000 |
| Net cash flows (used in) investing activities | | 3,778,729 | 298,990 |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | 5,440,000 | - |
| Share issue costs | | (357,272) | - |
| Repayment of borrowings | | (136,500) | - |
| Proceeds from borrowings | | - | 1,487,763 |
| Net cash flows from financing activities | | 4,946,228 | 1,487,763 |
| Net (decrease)/increase in cash and cash equivalents | | 4,804,983 | 134,098 |
| Net foreign exchange differences | | (9,419) | (3,914) |
| Cash and cash equivalents at beginning year | | 114,811 | (15,373) |
| Cash and cash equivalents at end year | 5 | 4,910,375 | 114,811 |

The above Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.

NOTES TO THE PRELIMINARY FINAL REPORT

For the year ended 30 June 2017

NOTE 1: BASIS OF PREPARATION OF THE PRELIMINARY FINAL REPORT

This Preliminary Final Report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (including Australian Interpretations) and the *Corporations Act 2001*.

As such this Preliminary Final Report does not include all the notes of the type included in an annual financial report and accordingly, should be read in conjunction with the annual report for the year ended 30 June 2017, and with any public announcements made by the Company during the reporting period in accordance with the disclosure requirements of the *Corporations Act 2001*.

Syntonic Limited is a company limited by shares. The Preliminary Final Report is presented in Australian currency. Syntonic Limited is a for-profit entity.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

Except for cash flow information, the financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Reverse Acquisition

On 8 July 2016, Syntonic Limited completed its acquisition of 100% of the issued shares of Syntonic Wireless, Inc.

The acquisition has been accounted for as a reverse acquisition under AASB 3 *Business Combinations* because, as a result of the acquisition, the former owners of the legal subsidiary (Syntonic Wireless, Inc.) obtained accounting control of the legal parent (Syntonic Limited). Whilst the acquisition does not meet the definition of a business combination in accordance with AASB 3 *Business Combinations* (as Syntonic Limited is deemed for accounting purposes not to be a business), the acquisition has been accounted for as a share-based payment transaction using the principles of AASB 3 *Business Combinations* and AASB 2 *Share-Based Payment*.

Accordingly, the consolidated financial statements for the year ended 30 June 2017 are issued under the name of the legal parent (Syntonic Limited) but are presented as a continuation of the financial statements of the legal subsidiary (Syntonic Wireless, Inc.), with the assets and liabilities of the legal subsidiary being recognised and measured at their pre-combination carrying amounts rather than their fair values. The comparative information included in these financial statements, therefore represents the results and balances of Syntonic Wireless, Inc.

As the functional currency of Syntonic Wireless, Inc. is US dollars, results and balances have been translated in accordance with the requirements of AASB 121 *The Effects of Changes in Foreign Exchange Rates* to present the consolidated financial statements in Australian dollars.

Additionally, as a result of the financial statements being prepared as a continuation of the legal subsidiary, the Group has updated the classification of expenses to make the Statement of Profit or Loss and other Comprehensive Income more relevant to the users of the financial report.

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 15.

NOTES TO THE PRELIMINARY FINAL REPORT

For the year ended 30 June 2017

NOTE 1: BASIS OF PREPARATION OF THE PRELIMINARY FINAL REPORT (CONTINUED)

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.

NOTE 2: REVENUE AND OTHER INCOME

| | Consolidated 2017 \$ | Parent 2016 \$ |
|---------------------------------|-------------------------------------|-------------------------------|
| Revenue and other income | | |
| Sales & service revenue | 846,139 | 723,168 |
| | 846,139 | 723,168 |
| Interest revenue | 78,274 | - |
| Option fee income ¹ | - | 250,000 |
| | 78,274 | 250,000 |

Note:

1 The 2016 option fee income was a one-off receipt relating to the reverse acquisition.

NOTE 3: LOSS

Loss before income tax has been determined after charging the following expenses:

| | Consolidated 2017 \$ | Parent 2016 \$ |
|---|-------------------------------------|-------------------------------|
| Accounting, legal & other professional fees | 568,220 | 307,069 |
| Rent & utilities | 100,526 | 99,074 |
| Travel & entertainment | 175,114 | 61,364 |
| General administration costs | 153,348 | 81,342 |
| Total other operating expenses | 997,208 | 548,849 |

NOTE 4: LOSS PER SHARE

Basic earnings/(loss) per share amounts are calculated by dividing net profit/(loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2017

NOTE 4: LOSS PER SHARE (CONTINUED)

The following reflects the income or loss and share data used in the total operations basic and diluted earnings per share computations:

| | Consolidated 2017 \$ | Parent 2016 \$ |
|--|-------------------------------------|-------------------------------|
| Loss used in the calculation of basic and diluted loss per share | (25,762,930) | (1,637,717) |
| Basic earnings/(loss) per share attributable to equity holders | (1.18) | (0.21) |
| | Number | Number |
| Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted loss per share | 2,181,323,695 | 775,216,980 |

Options outstanding during the year have not been taken into account in the calculation of the weighted average number of ordinary shares as they are considered anti-dilutive.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

NOTE 5: CASH AND CASH EQUIVALENTS

| | Consolidated 2017 \$ | Parent 2016 \$ |
|--|-------------------------------------|-------------------------------|
| Cash at bank | 4,910,375 | 114,811 |
| Total Cash and Cash Equivalents | 4,910,375 | 114,811 |

NOTE 6: TRADE AND OTHER RECEIVABLES

| | Consolidated 2017 \$ | Parent 2016 \$ |
|--------------------------------|-------------------------------------|-------------------------------|
| Current: | | |
| Trade debtors | 104,004 | - |
| Accrued revenue | - | 8,863 |
| GST receivable | 14,747 | - |
| Total Other Receivables | 118,751 | 8,863 |

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2017

NOTE 7: OTHER FINANCIAL ASSETS

| | Consolidated 2017 \$ | Parent 2016 \$ |
|--------------------------------------|-------------------------------------|-------------------------------|
| Non-Current: | | |
| Lease Deposit | 6,514 | 6,753 |
| Available for sale financial asset: | | |
| Shares in Jayride Technology Pty Ltd | 380,140 | - |
| Total Other Receivables | 386,654 | 6,753 |

NOTE 8: TRADE AND OTHER PAYABLES

| | Consolidated 2017 \$ | Parent 2016 \$ |
|---------------------------------------|-------------------------------------|-------------------------------|
| Current: | | |
| Trade payables | 446,327 | 642,457 |
| Accruals | 71,432 | - |
| Employee liabilities | 88,941 | 41,410 |
| Total Trade and Other Payables | 606,700 | 683,867 |

NOTE 9: BORROWINGS

| | Consolidated 2017 \$ | Parent 2016 \$ |
|----------------------------------|-------------------------------------|-------------------------------|
| Current: | | |
| Convertible notes and loans | - | 3,332,714 |
| Loan payable to Syntonic Limited | - | 250,000 |
| Loans payable to directors | - | 138,835 |
| Total Borrowings | - | 3,721,549 |

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2017

NOTE 10: ISSUED CAPITAL

| | 2017 | 2016 |
|---|-------------------|--------------|
| | \$ | \$ |
| 2,355,643,546 (2016: 4,050,000) Ordinary Shares | 29,089,799 | 4,285 |
| 333,333,334 (2016: nil) Performance Shares ¹ | 5,024,779 | - |
| | 34,114,578 | 4,285 |

Notes:

- 1 As part of the consideration for the acquisition on 8 July 2016 (refer to note 13) the Company issued 500,000,000 performance shares which each convert into one ordinary share upon satisfaction of certain performance milestones on or before 8 July 2018, as follows:
- (a) 166,666,666 performance shares convert upon Freeway by Syntonic (including the white-label version of the product sold by partners) having an Addressable Audience of 100,000,000 mobile subscribers;
- (b) 166,666,666 performance shares convert upon Freeway by Syntonic (including the white-label version of the product sold by partners) having an Addressable Audience of 150,000,000 mobile subscribers; and
- (c) 166,666,668 performance shares convert upon the Company netering into revenue generating agreements in respect of Syntonic DataFlex (including the white-label version of the product sold by partners) with 50 businesses.

Milestone (a) above was achieved in second half of the financial year and 166,666,666 performance shares were converted to ordinary shares.

| Date | | Number of ordinary Shares | Number of performance Shares | \$ |
|------------------|---|---------------------------------|------------------------------------|-------------------|
| 01-Jul-16 | Opening Balance | 4,050,000 | - | 4,285 |
| 08-Jul-16 | Conversion of convertible notes and loans into consideration shares | - | - | 3,283,647 |
| 08-Jul-16 | Cancellation of stock options for consideration shares | - | - | 3,591 |
| 08-Jul-16 | Elimination of stock options for consideration of shares | (4,050,000) | - | - |
| 08-Jul-16 | Recognition of legal acquirer share capital on reverse acquisition | 816,776,880 | - | - |
| 08-Jul-16 | Consideration shares issued on reverse acquisition | 1,200,000,000 | 500,000,000 | 25,626,375 |
| 05-Oct-16 | Issue of shares to directors in lieu of cash remuneration | 2,600,000 | - | 140,140 |
| 24-Nov-16 | Share placement | 160,000,000 | - | 5,440,000 |
| 24-Nov-16 | Issue of shares to brokers in lieu of cash fees | 9,600,000 | - | 326,400 |
| 05-Jan-17 | Conversion of performance shares | 166,666,666 | (166,666,666) | - |
| 30-Jun-17 | Share issue costs | - | - | (709,860) |
| 30-Jun-17 | Closing Balance | 2,355,643,546 | 333,333,334 | 34,114,578 |

The Company has unlimited authorised capital.

There are no restrictions on distributions of dividends or repayment of capital.

NOTE 11: RESERVES

| | 2017 | 2016 |
|--|----------------|------------------|
| | \$ | \$ |
| a. Reserves | | |
| Investments available-for-sale reserve | 161,558 | - |
| Foreign currency translation reserve | (288,239) | (324,702) |
| Share based payment reserve | 554,604 | 3,591 |
| | 427,923 | (321,111) |

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2017

NOTE 11: RESERVES (CONTINUED)

b. Nature and Purpose of Reserves

(i) *Investments Available-For-Sale Reserve*

Changes in the fair value and exchange differences arising on translation of investments classified as available-for-sale financial assets are taken to the investments available-for-sale reserve. Amounts are recognised in profit and loss when the associated assets are sold or impaired.

(ii) *Shared based payment Reserve*

The option reserve is used to record the fair value of shares and options issued by the Group.

(iii) *Foreign Currency Translation Reserve*

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve. The reserve is recognised in profit and loss when the net investment is disposed of.

c. Movements in the Investments Available-for-Sale Reserve

| | 2017 \$ | 2016 \$ |
|--|----------------|------------|
| Opening balance | - | - |
| Fair value gain on available-for-sale financial assets | 161,558 | - |
| Balance at 30 June | 161,558 | - |

d. Movements in the Foreign Currency Translation Reserve

| | 2017 \$ | 2016 \$ |
|---------------------------|------------------|------------------|
| Opening balance | (324,702) | (236,750) |
| Exchange differences | 36,463 | (87,952) |
| Balance at 30 June | (288,239) | (324,702) |

e. Movements in the Share Based Payment Reserve

| | 2017 | |
|--|-------------------|------------------|
| | Number | \$ |
| Opening balance | 177,500 | 3,591 |
| July 16 – Cancellation of incentive stock options for consideration shares | (177,500) | (3,591) |
| July 16 – Recognition of legal acquirer \$0.02 broker options on reverse acquisition | 25,000,000 | - |
| Nov 16 – Issue of \$0.06 broker options to brokers in lieu of cash fees | 15,000,000 | 315,000 |
| Apr 17 – Incentive option issue | 4,000,000 | 17,896 |
| Apr 17 – Incentive option issue | 35,000,000 | 196,708 |
| Balance at 30 June | 79,000,000 | (324,702) |

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2017

NOTE 12: ACCUMULATED LOSSES

| | 2017 | 2016 |
|--------------------|---------------------|--------------------|
| | \$ | \$ |
| Accumulated Losses | <u>(29,714,341)</u> | <u>(3,951,411)</u> |

NOTE 13: REVERSE ACQUISITION ACCOUNTING

On 8 July 2016, Syntonic Limited completed its acquisition of 100% of the issued shares of Syntonic Wireless, Inc. after issuing 1,200,000,000 ordinary shares and 500,000,000 performance shares to the vendors, following shareholder approval received at the Company's general meeting held on 23 May 2016.

The acquisition has been accounted for as a reverse acquisition under the principles of AASB 3 *Business Combinations*. Refer to note 1 for further explanation regarding the basis of accounting.

As a result of the acquisition, during the year the Group has recognised an expense of \$21,587,622 in its statement of profit or loss and other comprehensive income, effectively representing the cost of listing.

This cost is calculated as the difference in the fair value of the equity instruments that Syntonic Wireless, Inc. is deemed to have issued to acquire Syntonic Limited and the fair value of Syntonic Limited's identifiable net assets, as follows:

| | Fair Value \$ |
|---|-------------------|
| Fair value of consideration: | |
| Equity | 25,626,375 |
| Fair value of consideration | 25,626,375 |
| Fair value of net assets acquired: | |
| Cash and cash equivalents | 3,778,729 |
| Trade and other receivables | 95,564 |
| Other financial assets | 468,582 |
| Trade and other payables | (304,122) |
| Fair value of net assets acquired | 4,038,753 |
| Cost of listing | 21,587,622 |

NOTE 14: GROUP ENTITIES

Parent Entity

While the accounting parent of the Group is Syntonic Wireless, Inc., the legal and ultimate parent of the Group is Syntonic Limited.

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2017

NOTE 14: GROUP ENTITIES (CONTINUED)

The consolidated financial statements include the financial statements of Syntonic Wireless, Inc. as accounting parent and the subsidiaries listed in the following table.

| Name | Country of Incorporation | % Equity Interest | |
|---|--------------------------|-------------------|------|
| | | 2017 | 2016 |
| Syntonic Wireless, Inc. | United States | 100 | 100 |
| Pacific Ore (UK) Limited | United Kingdom | 100 | - |
| Pacific Ore Mining Pty Ltd | Australia | 100 | - |
| Syntonic Holdings Pty Ltd (formerly Pacific Ore Holdings Pty Ltd) | Australia | 100 | - |
| Pacific Ore (WA) Pty Ltd | Australia | 100 | - |
| Pacific Ore Exploration Pty Ltd | Australia | 100 | - |

NOTE 15: SHARE BASED PAYMENTS

Share based payments made during the year ended 30 June 2017 are summarised below. There were no share based payments made during the year ended 30 June 2016.

(a) Recognised Share Based Payment Expense

| | Consolidated 2017 \$ | Parent 2016 \$ |
|--|----------------------------|----------------------|
| Expense arising from equity settled share based payment transactions | 360,910 | - |

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

A. Advisor Options

On 24 November 2016 as a result of shareholder approval received at the Company's General Meeting held on 23 May 2016, the Company issued 15,000,000 unlisted options exercisable at \$0.06 on or before 24 November 2019 to the Company's broker in lieu of cash fees for services in relation to the Company's successful IPO.

The options are not subject to any vesting conditions.

The underlying fair value of the Options granted was calculated based on the below, and were recorded as share issue costs during the period:

| Valuation Date | Expiry Date | Exercise Price | Granted during the period Number | Fair value per option at Grant Date \$ | Total fair value \$ |
|------------------|------------------|----------------|-------------------------------------|--|------------------------|
| 24 November 2016 | 24 November 2019 | \$0.06 | 15,000,000 | 0.021 | 315,000 |

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2017

NOTE 15: SHARE BASED PAYMENTS (CONTINUED)

The fair value of the options granted was independently determined using an Option Pricing Model that takes into account the following inputs:

| | |
|---------------------------|------------------|
| Number of options | 15,000,000 |
| Share Price at Grant Date | \$0.037 |
| Exercise Price | \$0.060 |
| Valuation Date | 24 November 2016 |
| Expiration date | 24 November 2019 |
| Life of the Options | 3 years |
| Volatility ¹ | 105% |
| Risk Free Rate | 1.92% |

1. The expected volatility is based on historic volatility (based on remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

B. Incentive Options

On 30 September 2016, the Company issued 2,000,000 unlisted options exercisable at \$0.04 on or before 30 September 2019 as part of the Company shareholder approved Incentive Option Plan, approved by Shareholders at the Company's General Meeting held 23 May 2016.

The options are subject to 12 months continuous service as an employee.

The underlying fair value of the Options granted was calculated based on the below, and are being expensed over the vesting period:

| Valuation Date | Expiry Date | Exercise Price | Granted during the period Number | Fair value per option at Grant Date \$ | Total fair value \$ |
|----------------|--------------|----------------|-------------------------------------|---|------------------------|
| 30 Sept 2016 | 30 Sept 2019 | \$0.04 | 2,000,000 | 0.039 | 78,000 |

The fair value of the options granted was independently determined using an Option Pricing Model that takes into account the following inputs:

| | |
|---------------------------|-------------------|
| Number of options | 2,000,000 |
| Share Price at Grant Date | \$0.054 |
| Exercise Price | \$0.04 |
| Valuation Date | 30 September 2016 |
| Expiration date | 30 September 2019 |
| Life of the Options | 3 years |
| Volatility ¹ | 100% |
| Risk Free Rate | 1.52% |

1. The expected volatility is based on historic volatility (based on remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

C. Incentive Options

On 30 September 2016, the Company issued 2,000,000 unlisted options exercisable at \$0.08 on or before 30 September 2019 as part of the Company shareholder approved Incentive Option Plan, approved by Shareholders at the Company's General Meeting held 23 May 2016.

The options are subject to 24 months continuous service as an employee.

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2017

NOTE 15: SHARE BASED PAYMENTS (CONTINUED)

The underlying fair value of the Options granted was calculated based on the below, and are being expensed over the vesting period:

| Valuation Date | Expiry Date | Exercise Price | Granted during the period Number | Fair value per option at Grant Date \$ | Total fair value \$ |
|----------------|--------------|----------------|----------------------------------|--|---------------------|
| 30 Sept 2016 | 30 Sept 2019 | \$0.08 | 2,000,000 | 0.039 | 64,000 |

The fair value of the options granted was independently determined using an Option Pricing Model that takes into account the following inputs:

| | |
|---------------------------|-------------------|
| Number of options | 2,000,000 |
| Share Price at Grant Date | \$0.054 |
| Exercise Price | \$0.08 |
| Valuation Date | 30 September 2016 |
| Expiration date | 30 September 2019 |
| Life of the Options | 3 years |
| Volatility ¹ | 100% |
| Risk Free Rate | 1.52% |

1. The expected volatility is based on historic volatility (based on remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

D. Incentive Options

On 7 April 2017, the Company issued 35,000,000 unlisted options exercisable at \$0.03 on or before 30 September 2019 as part of the Company shareholder approved Incentive Option Plan, approved by Shareholders at the Company's General Meeting held 23 May 2016.

The options are subject to the following vesting conditions:

- 25% of the Options will vest after 12 months of continuous service from the date of the agreement; and
- the remaining 75% of the Options will vest in equal monthly instalments over the next 36 months of continuous service.

The underlying fair value of the Options granted was calculated based on the below, and are being expensed over the vesting period:

| Valuation Date | Expiry Date | Exercise Price | Granted during the period Number | Fair value per option at Grant Date \$ | Total fair value \$ |
|----------------|-------------|----------------|----------------------------------|--|---------------------|
| 7 Apr 2017 | 28 Feb 2027 | \$0.03 | 35,000,000 | 0.039 | 938,990 |

NOTES TO THE PRELIMINARY FINAL REPORT
For the year ended 30 June 2017

NOTE 15: SHARE BASED PAYMENTS (CONTINUED)

The fair value of the options granted was independently determined using an Option Pricing Model that takes into account the following inputs:

| | |
|---------------------------|------------------|
| Number of options | 35,000,000 |
| Share Price at Grant Date | \$0.030 |
| Exercise Price | \$0.03 |
| Valuation Date | 7 April 2017 |
| Expiration date | 28 February 2027 |
| Life of the Options | 10 years |
| Volatility ¹ | 100% |
| Risk Free Rate | 1.79% |

1. The expected volatility is based on historic volatility (based on remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

NOTE 16: OPERATING CASH FLOW INFORMATION

| | Consolidated | Parent |
|---|---------------------|--------------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Reconciliation of cash flow from operations with loss after income tax | | |
| Loss for the year | (25,762,930) | (1,637,717) |
| <i>Non-cash items</i> | | |
| Listing expense | 21,587,622 | - |
| Share based payments | 360,911 | - |
| Exchange differences on FX operations | 45,882 | (84,037) |
| <i>Changes in Assets and Liabilities</i> | | |
| (Increase) / Decrease in Trade and Other Receivables | (105,083) | (257,948) |
| Increase / (Decrease) in Trade and Other Payables | (46,376) | 327,047 |
| Cash flows used in operations | (3,919,974) | (1,652,655) |