

Syntonic December 2020 Quarterly Review and Appendix 4C

Highlights:

- Completed the sale of Syntonic's entire interest in Syntonic Wireless, Inc. and Syntonic US, Inc. to First Orion Corporation on 2 November 2020.
- Cancelled 1,208,956,122 fully paid ordinary shares, 398,789,660 Performance Rights and 50,000,000 Options.

Perth, Western Australia – Syntonic Limited ("Syntonic" or "Company") (ASX:SYT), provides its Appendix 4C – Quarterly Cash Flow report for the three months ending 31 December 2020.

On 2 November 2020, Syntonic announced, following receipt of shareholder approval, it had completed the sale of the Company's entire interest in the outstanding issued share capital of its subsidiaries Syntonic Wireless Inc. and Syntonic US Inc. (including Syntonic Brasil Tecnologia LTDA, a wholly owned subsidiary of Syntonic US Inc) (together, the "**Syntonic US Companies**") to First Orion Corp. ("**First Orion**"), a US corporation ("**Transaction**"). Refer to the Notice of Meeting dated 25 September 2020 for further details.

The Company received US\$302,000 from First Orion (following the settlement of liabilities associated with the Syntonic US Companies) and will receive an additional US\$220,000 payable in four (4) equal monthly instalments of US\$55,000 to begin in January 2021 and on the first day of each month thereafter with the last payment payable on 1 April 2021 in accordance with the terms of the Transaction.

Shareholders are advised that First Orion may withhold and/or deduct from the monthly instalments (detailed above) any amounts owing to First Orion by Syntonic under the share purchase agreement, including by reason of a claim made by First Orion in respect to a "buyer indemnity" (which includes a breach of a representation or warranty under the share purchase agreement by Syntonic), a failure by Syntonic to complete the forgiveness process for the loan amount under the Paycheck Protection Programme by 1 March, 2021 and/or the deduction of an amount of US\$146,000 advanced to Syntonic, if certain receivables are not received by the Syntonic US Companies on or before 31 January 2021.

Corporate

Furthermore, the Company undertook a selective capital reduction and cancellation of the following securities:

- 602,528,061 Shares held by Mr Gary Greenbaum (and/or his nominee);
- 602,528,061 Shares held by Mr Rahul Agarwal (and/or his nominee); and
- 3,900,000 Shares held by Mr Steve Elfman (and/or his nominee).

The Company also cancelled all of Messrs Greenbaum and Agarwal's (and/or their nominees) existing Performance Rights and Options in the Company (being an aggregate of 398,789,660 Performance Rights and 50,000,000 Options).

On 2 November 2020, Messrs Gary Greenbaum, Rahul Agarwal, and Steve Elfman resigned from the Board at the completion of the sale of the Company's interest in the Syntonic US Companies. Coinciding with these resignations was the appointment of Messrs Giuseppe Graziano and Tim Slate as non-executive Directors.

Financial Snapshot

The Company's net cashflow used in operations for the quarter was \$274,000. The Company's operational expenses mainly comprised of administration and corporate costs (\$279,000) and staff costs (\$76,000).

Listing Rule 4.7C.3

In item 6 of the attached Appendix 4C, payments to related parties of approximately \$2,000 comprising of Non-Director Services – office rent of \$2,000 was paid during the quarter.

The Company closed the quarter with a cash position of \$294,000.

Outlook

The Company intends to utilize the funds raised from the sale of its divested assets to explore other project and business acquisition opportunity, which may not be in the technology sector.

This announcement has been approved by the Board of Syntonic.

About Syntonic

Syntonic Ltd (SYT.ASX) is an Australian listed company currently exploring project and business opportunities.

To learn more about Syntonic, visit www.syntoniclimited.com.

For further enquiries, please contact:

Tim Slate

Non-Executive Director and Joint Company Secretary

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Syntonic Limited

ABN

68 123 867 765

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	28	264
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(76)	(266)
(f) administration and corporate costs	(279)	(618)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
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)		
- Royalties	53	80
1.9 Net cash from / (used in) operating activities	(274)	(540)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	432	550
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) 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)		
- Subsidiary cash disposed of	(40)	(40)
2.6 Net cash from / (used in) investing activities	392	510

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	202
3.6 Repayment of borrowings	-	-
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	-	202

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	215	226
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(274)	(540)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	392	510
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	202
4.5	Effect of movement in exchange rates on cash held	(39)	(104)
4.6	Cash and cash equivalents at end of period	294	294

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	294	215
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)	294	215

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	2
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p> <p>Director services - \$nil Non director services -\$2,000</p> <p>Non director services consist of office rent paid to Pathways Corporate Pty Ltd, a company associated with Mr Wheeler and Mr Graziano.</p>		

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	202	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	202	-
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	<p>Additional information: Lender – First Orion Corporation. Interest rate – Nil. Maturity date – At call by First Orion Corporation. Secured or unsecured – Unsecured.</p> <p>The Company notes First Orion may withhold and/or deduct from the monthly instalments (detailed in the ASX announcement dated 2 November 2020) any amounts owing to First Orion by Syntonic under the share purchase agreement, for a failure by Syntonic to complete the forgiveness process for the loan amount under the Paycheck Protection Program by March 1, 2021 and/or the deduction of an amount of US\$146,000 advanced to Syntonic, if certain receivables are not received by the Syntonic US Companies on or before 31 January 2021.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(274)
8.2	Cash and cash equivalents at quarter end (item 4.6)	294
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
	8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: SYT expects that it will continue to have negative operating cash flows in the short term.	

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The Company is currently exploring project and business opportunities.

As announced on 2 November 2020, the Company expects to receive an additional US\$220,000 payable in four (4) equal monthly instalments of US\$55,000 beginning January 2021 and on the first day of each month thereafter with the last payment payable in 2021 in accordance with the terms of the sale of the Company's entire interest in the outstanding issued share capital of its subsidiaries, Syntonic Wireless, Inc. and Syntonic US, Inc to First Orion Corporation.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, the Company expects to be able to continue its operations and to meet its business objectives. SYT has already made moves to minimise its cash outflow by curtailing non-essential activities.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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.

Date: 21 January 2021

Authorised by:By the Board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.