



Synchronica plc

Annual Information Form

For the Year Ended December 31, 2010

August 30, 2011

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DEFINITIONS

In this annual information form, unless the context requires otherwise, the words and expressions set out below shall bear the following meanings.

"Acquisition" means the acquisition by the Company of the Nokia Assets completed on July 31, 2011.

"Acquisition Agreement" means the asset purchase agreement dated June 29, 2011 between the Company and Nokia.

"ActiveSync" means a data synchronization technology and proprietary protocol developed by Microsoft. There are two implementations of the technology: one which synchronizes data and information with handheld devices with a specific desktop computer (originally known as Handheld PC Explorer), and another technology, commonly known as Exchange ActiveSync (or EAS), which provides push synchronization of contacts, calendars, tasks, and email between ActiveSync-enabled servers and devices.

"AIM" means the market of that name operated by the London Stock Exchange.

"AIM Rules" means the AIM Rules for Companies published by the London Stock Exchange, as amended from time to time which sets out the rules, responsibilities and guidance notes in relation to companies whose shares are admitted to trading on AIM.

"Bandwidth" means the amount of data that can be sent through a network connection. The greater the size of bandwidth, the greater the amount of data that can be transferred within a given amount of time.

"Board" or **"Directors"** means the directors of the Company (each a "Director").

"Claim" has the meaning given to it under "Legal Proceedings and Regulatory Actions".

"Colibria" means Colibria AS, a Norwegian limited liability company.

"Companies Act" means the Companies Act 2006 of England and Wales, as amended.

"Company" or **"Synchronica"** means Synchronica plc, a company incorporated in England and Wales with registered number 03276547.

"AIF" means this annual information form.

"Email-to-MMS" means the conversion of an email message into an MMS message and vice-versa. Synchronica Mobile Gateway automatically converts email messages into MMS format using a built-in email-to-MMS engine. This allows feature phones to display pictures in email messages.

"Email-to-SMS" means the conversion of an email message into an SMS 'text' message and vice-versa, enabling mobile devices which do not support mobile data to still access advanced messaging services. Synchronica Mobile Gateway provides a built-in email-to-SMS gateway.

"EQ" means EQ2IQ Consulting Limited.

"FSA" means the Financial Services Authority.

"IMAP" means Internet Message Access Protocol. A protocol which enables the remote management of emails and mailboxes stored on a server. It does not require emails to be downloaded and saved onto a

local device. Synchronica Mobile Gateway supports all IMAP back-ends and provides an IMAP frontend for devices with a built-in IMAP client.

"Instant Messaging" or **"IM"** means real-time direct text-based communication between two or more people using shared clients. The text is conveyed via devices connected over a network such as the Internet and mobile networks. Synchronica Mobile Gateway provides carrier branded IM communities and also supports a gateway to popular IM communities available today.

"iseemedia" means iseemedia Inc., a predecessor of Synchronica Inc.

"Lanstead" means Lanstead Capital L.P., a limited partnership established in England Wales.

"Microsoft Exchange" means a server product that provides enterprise email, calendar, contacts, tasks and collaboration capabilities, developed by the Microsoft Corporation. Mobile Gateway enables compatible mass-market devices to receive Push email and synchronize calendar and contact data with Microsoft Exchange.

"MMS" means Multimedia Messaging Service. A descendant of SMS, MMS extends text messaging to include any combination of longer text, graphics, photos, audio clips, or video clips.

"Nokia" means Nokia Corporation.

"Nokia Assets" means a specified set of assets and contracts relating to Nokia's operator branded messaging business which are the subject of the Acquisition and described in that certain asset purchase agreement dated June 29, 2011 between Nokia and Synchronica, including but not limited to, the source code of Nokia's messaging infrastructure and device client software for Push email, Instant Messaging and social networking, related patents and patent applications as well as related licensing and support contracts with mobile network operators and other device manufacturers.

"North American Private Placement" means a private placement of 29,300,000 Subscription Receipts at a price of \$0.25 per Subscription Receipt for aggregate gross proceeds of \$7,325,000, which closed on July 15, 2011.

"OMA" means the Open Mobile Alliance. An industry standards body which develops open standards to be used in the mobile telecommunications sector.

"OMA IMPS" means the OMA Instant Messaging and presence service.

"OBM" means Nokia's operator-branded messaging.

"Over-The-Air provisioning" or **"OMA CP"** means an open standard sending configuration setting to a mobile device, thereby enabling a seamless registration process that reduces subscriber data entry and human interaction to a minimum. Mobile Gateway provides a built-in OMA CP engine, which configures mobile phones devices and reduces the complexity of setting up mobile devices to receive emails.

"PIM" means Personal Information Management. The collective name given to contacts, calendar entries, notes, tasks and emails.

"Placing Agreement" means the conditional placing agreement dated June 29, 2011 between, *inter alia*, the Company, the Directors and Northland in relation to the placing arrangements in the UK and Europe.

"Push email" is used to describe email systems that provide a capability, in which new email is actively transferred (pushed) to the handset as it arrives at the mail delivery agent (MDA) or gateway. Push email is one of the key features of Mobile Gateway.

"RCS" means Rich Communications Suite. RCS is a combination of enhanced communication systems including enhanced phonebook, with service capabilities and presence enhanced contact information, enhancing messaging, which enables a large variety of managing options including chat and managing history and enriched call, which enables multimedia content sharing during a voice call.

"RSS" means Really Simple Syndication. A family of web feed formats used to publish frequently updated online content in a standardized format, which is pushed to mobile phones via Mobile Gateway.

"Shareholders" means holders of Existing Ordinary Shares.

"Shares" means ordinary shares of Synchronica.

"SMS" means Short Message Service. A telecommunications text-based messaging service which is typically limited to 160 characters. The email-to-SMS feature of Synchronica Mobile Gateway provides full compatibility with 100% of the devices on the market enabling users of low-end devices to take advantage of an affordable, reliable and convenient email service.

"Subscription Receipts" means the subscription receipts of Synchronica each convertible into one unit of Synchronica, each unit consisting of one Share and one half of one ordinary share purchase warrant of Synchronica, each whole ordinary share purchase warrant entitling the holder thereof to purchase one Share at a price of \$0.25 per Share at any time prior to 5:00 p.m. (Toronto time) on July 15, 2014. In the event that Synchronica fails to file a final prospectus qualifying the Shares issuable upon exercise of the Subscription Receipts by September 30, 2011, each Subscription Receipt thereafter exercised will entitle the holder thereof to acquire, for no additional consideration, 1.05 units of Synchronica, rather than one unit, on the pre-determined date on which the Subscription Receipts are converted into units.

"Synchronica" means Synchronica plc, a company incorporated under the Companies Act.

"Synchronica Mobile Gateway" means Synchronica's flagship Push email, synchronization, Instant Messaging and social networking product for mobile operators and device manufacturers. It is suitable for both consumer and business users, and supports 100% of the mobile devices in the market.

"SyncML" means Synchronization Markup Language, a device-independent protocol for synchronization and device management. The SyncML initiative was founded in February 2000 as collaboration between Nokia, Ericsson, IBM, Lotus, Matsushita, Motorola, Palm, Psion and Starfish Software. It aims to find a common standard for data synchronization and device management. Mobile Gateway supports the SyncML industry standard enabling compatible devices to synchronize calendar, contact and task data with back-ends such as Microsoft Exchange or Google Mail/Calendar.

"Transcoding" means the operation of changing data from one format to another, such as an XML to HTML, so that content will be displayed in an optimal manner that is appropriate to the device.

"Travelstore" means Travelstore.com Group plc.

"TSX-V" means the TSX Venture Exchange.

"UK" or **"United Kingdom"** means the United Kingdom of Great Britain and Northern Ireland.

"UK Private Placement" means the placing of 29,754,031 Shares and warrants exercisable for 14,877,016 Shares exercisable for a period of three years at a price of £0.16 per warrant, completed with investors in the United Kingdom on July 29, 2011 for aggregate gross proceeds of £4,760,645.

"WAP" means an open international standard which enables applications that use wireless devices to connect to the Internet. Mobile Gateway 6 provides an email to WAP gateway.

"**XMPP**" means Extensible Messaging and Presence Protocol. A protocol developed for online IM communities. It is mainly a server side protocol that enables communication between two XMPP communities, and it also enables users within the same community to talk to each other using desktop clients. Mobile Gateway supports the XMPP industry standard.

"**£**" or "**pence**" or "**p**" means respectively, UK pounds and pence Sterling, the lawful currency of the UK.

"**US\$**" means US dollars, the lawful currency of the United States.

Unless otherwise indicated, all references to "dollars" and the symbol "\$" in this AIF are to Canadian dollars.

STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This AIF may contain forward-looking statements. Forward-looking statements can be identified by the use of words such as "plans", "expect" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Synchronica to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Although Synchronica has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

These factors are not intended to represent a complete list of the factors that could affect Synchronica. Synchronica undertakes no obligation to update forward-looking statements.

CORPORATE STRUCTURE

Synchronica was incorporated under the Companies Act, and its registered office and principal place of business are located at Mount Pleasant House, Lonsdale Gardens, Royal, Tunbridge Wells, TN1 1NY, United Kingdom.

The inter-corporate relationships among Synchronica and its subsidiaries are described in the table below.

Name of Subsidiary	Country of Incorporation	% of Securities Owned, Controlled or Directed by Synchronica
Synchronica Software GmbH	Germany	100%
Synchronica America Limited	England and Wales	100%
Synchronica Philippines Inc.	Philippines	100%

Project Robin II Ltd.	England and Wales	100%
Synchronica Inc. (formerly iseemedia)	Canada	100%

The table above does not include subsidiaries of Synchronica whose total assets do not exceed 10% of the consolidated assets of Synchronica as at December 31, 2010, its most recently completed financial year, and whose revenue does not exceed 10% of the consolidated revenue of Synchronica as at December 31, 2010.

GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History

Synchronica has grown both organically and by strategic acquisitions. These acquisitions have bolstered the Company's competitive position, enhanced its market share and provided complementary technologies. Today Synchronica is the *de facto* leader in mobile messaging solutions for emerging markets. Recent acquisitions have strengthened Synchronica's market position in the developed world as well. Synchronica believes that it now has a compelling proposition for developed world operators looking to regain control of mobile messaging in the face of stiff competition from over-the-top T solutions, OTT, and OEMs. As a result, the Company is now well placed to become the dominant player worldwide in this sector.

Since 2002, Synchronica has focused on providing mobile messaging solutions for mobile network operators and device manufacturers. With a particular focus on using open industry standards, Synchronica has grown from a niche player with a limited market footprint, into a leader in next-generation mobile messaging solutions.

Synchronica has a proven track record in developing innovative mobile messaging solutions. In the past three years, key milestones in its product development include the following:

- In 2009, following the acquisition and integration of AxisMobile Limited, Synchronica added Email-to-SMS, Email-to-MMS and WAP push support to Mobile Gateway, providing email to entry-level mobile devices.
- In 2010, Synchronica launched an upgrade to Mobile Gateway, adding mobile Instant Messaging, social networking (Facebook, Twitter and LinkedIn) and access to thousands of online news RSS feeds.
- In 2011, Synchronica announced Mobile Gateway 6, introducing unified messaging, an ultra-lightweight Java client and a network address book and incorporating document transcoding technology acquired with iseemedia.

Synchronica grew both the product feature set and customer base through a number of key acquisitions. In September 2008, Synchronica's acquired its competitor AxisMobile Limited, providing the Company with valuable Email-to-SMS and Email-to-MMS technology and live contracts with eight customers in the relatively untapped areas of Eastern Europe, the Commonwealth of Independent States (CIS) and Russia.

In March 2010, Synchronica acquired the OMA IMPS business, reseller agreements and existing worldwide mobile network operator customer base, of the Instant Messaging developer, Colibria A.S. This transaction added 13 contracts with mobile network operators, including two large group framework agreements. For further information regarding this transaction please refer to “Material Contracts”.

On October 14, 2010, Synchronica announced the completion of the acquisition of its Canadian mobile email rival, iseemedia through a take-over bid. As part of the deal, Synchronica acquired iseemedia’s patented document streaming technology, as well as contracts to three large mobile network operators in India and South-East Asia. Around the same time, Synchronica’s Shares were admitted to trading on the TSX-V, resulting in a dual listing in both London and Toronto, and providing Synchronica with access to the important Canadian investment community which is recognized for its interest in technology investments. The acquisition of the minority interest in iseemedia that remained held by third parties (who had not tendered their securities of iseemedia to the take-over bid) was concluded through a reorganization of iseemedia in January 2011. For further information regarding this transaction please refer to “Material Contracts”.

In February 2011, Synchronica acquired the assets of Instant Messaging vendor, Neustar NGM Services Limited, including products, intellectual property and customer contracts with international mobile network operators and two tier-1 device manufacturers. This acquisition was beneficial to Synchronica as well as Neustar NGM Services Limited which were able to divest a business subsidiary that was considered to be non-core, while providing a roadmap to an expanded product portfolio through Synchronica. For further information regarding this transaction please refer to “Material Contracts”.

Subsequent to the December 31, 2010 financial year, on July 31, 2011, the Company acquired from Nokia the Nokia Assets for a total consideration of US\$25 million (subject to adjustments), with US\$4 million in cash paid on completion of the Acquisition and US\$21 million as deferred consideration, plus 18,333,333 warrants. Pursuant to the Acquisition Agreement, the US\$21 million of the purchase price to be paid by the Company to Nokia after the closing of the Acquisition will be paid quarterly in arrears at a rate of 22 per cent of the revenue earned by Synchronica from certain of the Nokia Assets, and applicable developments. It is anticipated that the deferred consideration will be paid in full by the end of 2014. Should the revenue from the Nokia Assets not reach the expected level, the remainder of the deferred consideration will be paid no later than by December 31, 2015. Synchronica will pay no interest on the deferred consideration. This deferred consideration of US\$21 million will be secured on the assets of Synchronica and other members of Synchronica, as required. For further information regarding this transaction please refer to “Material Contracts”.

DESCRIPTION OF THE BUSINESS

Overview

Synchronica is a leading global developer of next-generation mobile messaging solutions that work on any phone, from the latest smartphones through to feature phones and the basic handsets still favoured in emerging economies. The product portfolio includes the flagship product Mobile Gateway, providing Push email, synchronization, Instant Messaging, social networking and backup and restore. Synchronica's products are white-labeled for sale under the brand identities of mobile operators and handset manufacturers, allowing them to provide mass-market messaging services, increase data revenues and

reduce customer churn.

For developed markets, Synchronica's proposition is ideal for mobile operators looking to avoid becoming a dumb pipe and wanting to retain their position as the principal owner of the subscriber. In today's developed markets, a combination of competitive pricing pressure, network bandwidth challenges and mobile messaging competition from so-called OTT players (e.g. WhatsApp and Facebook Messenger) and OEMs (e.g. Apple, BlackBerry) risks leaving mobile operators with reduced revenues and high subscriber churn. With Synchronica's solution, mobile operators have the chance to fight back and regain ownership of their subscribers with a compelling, operator-branded messaging portfolio.

Synchronica Mobile Gateway provides a unique email and messaging gateway that combines multiple communication protocols, including Push IMAP, SyncML (OMA DS), ActiveSync, Email-to-MMS, Email-to-SMS and email to WAP, in order to deliver Push email and synchronization to any mobile phone currently in the market, without requiring additional client software to be downloaded to the device. For smartphones and some feature phones, Synchronica also offers a number of mobile clients that deliver an enhanced operator-branded messaging experience to subscribers.

Expanding Instant Messaging to mobile devices, Mobile Gateway establishes carrier-branded IM communities, using the industry standard XMPP communication protocol and provides gateways to popular internet IM communities, connecting any handset enabled for the OMA IMPS communication protocol.

Today, Synchronica's mobile messaging solutions have been licensed to more than 90 mobile network operators worldwide. The Company considers that it has grown to become the *de facto* market leader for next-generation mobile messaging in emerging economies, and it has now expanded its focus to include developed markets of Western Europe and North America.

In 2011, as a means of supporting its evolution as a developed markets player, Synchronica engaged in two key acquisitions.

In February 2011, Synchronica acquired the customer contracts, accounts, intellectual property, patents, software, and all other associated assets from Neustar NGM Services Limited. The business, which focused on next-generation Instant Messaging technology, included contracts with several predominantly European Tier-1 and Tier-2 mobile operators, as well as contracts with two of the world's 'Top-5' Tier-1 device manufacturers.

In July 2011, Synchronica acquired Nokia's Operator Branded Messaging (OBM) business. The OBM business, which provides white-label mobile Email and Instant Messaging (IM) services across a wide range of devices to operators in North America, is intended to provide Synchronica with a successful and complementary mobile messaging business and a strong foothold in the strategically important North American operator market.

Synchronica is headquartered in England, and maintains development centres in Germany, Philippines and India. A large regional presence exists in North America with an office in Montreal, and several representative sites in the USA. Synchronica maintains an international presence in Hong Kong, Spain and the United Arab Emirates. Synchronica is a public company traded on AIM under the trading symbol "SYNC.L", and the TSX-V under the trading symbol "SYN".

Operational Highlights in 2010:

In 2010, Synchronica achieved the following milestones:

- Launched MessagePhone™ in partnership with Brightstar, the world's largest device distributor, in February 2010, introducing the first low-cost messaging device bundled with Mobile Gateway; two purchase orders were received from operators in Africa and Latin America and sales are expected to accelerate in the second half of 2010.
- Announced major product upgrade to Synchronica Mobile Gateway 5, adding Instant Messaging and Mobile Social Networking, enhancing value proposition and improving the competitive position.
- Acquired Colibria's IMPS business with group-wide framework agreements covering over 320 million subscribers in Latin America
- Acquired iseemedia in Canada.
- Acquired Neustar NGM's Instant Messaging business.
- Increased to 83 mobile operators and eight device manufacturers in customer base, compared to 21 operators and one manufacturer at the end of 2009.
- As at December 31, 2010, had 1.3 billion users in the Company's addressable market, a more than fourfold increase over 300 million in 2009.
- Synchronica's global reseller network contributed six deals and its reseller network now includes Brightstar, Nokia Siemens Networks and an Asian-based telecoms vendor.
- Significantly increased deal size towards the end of the half-year mark, with three deals in excess of \$1 million signed in June 2010.
- Experienced increased traction with deals from three additional device manufacturers bundling low-cost messaging devices with Synchronica Mobile Gateway to provide end-to-end Push email, Instant Messaging and mobile social networking.
- Listed its Shares on the TSX-V.
- In October 2010, Synchronica announced that it had received counter-signatures and purchase orders from a pan-African operator group in a deal worth an initial US\$752,000. In December 2010, the same operator group issued a volume expansion order worth a further US\$975,000, for additional licenses.
- In November 2010, Synchronica closed a deal worth an initial US\$246,000, for the Russian subsidiary of a large pan-European mobile operator group. The operator owns GSM licenses across 37 Russian regions, and covers an addressable population size of approximately 61 million.
- A US\$560,000 purchase order was received in December 2010 from the Nigerian subsidiary of a large tier-1 pan-African mobile operator group.
- In December 2010 Synchronica closed a deal valued at approximately US\$1.5 million with a large operator in Middle East.

Financial highlights for 2010:

Financial highlights for Synchronica for 2010 include:

- 85% increase in revenue from US\$5.9 million in 2009 to US\$10.9 million in 2010;
- 82% increase in gross profits to US\$10.4 million from US\$5.7 million in 2009; and
- EBITDA loss decreased by 65% to US\$0.8 million from US\$2.9 million in 2009.

Product Strategy

Synchronica Mobile Gateway provides a unique email and messaging gateway that combines multiple communication protocols, including Push IMAP, SyncML (OMA DS), ActiveSync, Email-to-MMS, and Email-to-SMS and email-to-WAP, in order to deliver Push email and synchronization to any mobile phone currently in the market, with or without mobile additional client software to be downloaded to the device. Expanding Instant Messaging (IM) to mobile devices, Mobile Gateway establishes carrier-branded IM communities, using the industry standard XMPP communication protocol and provides gateways to popular internet IM communities, connecting any handset enabled for the OMA IMPS communication protocol. In addition Synchronica provides mobile social networking for feature phones and smartphones across the world.

Product Offerings

Synchronica's product portfolio consists of the following offerings:

Mobile Gateway

In January 2011, Synchronica unveiled Mobile Gateway 6.

Mobile Gateway 6 provides a comprehensive next-generation messaging platform combining push email, instant messaging, and social Networking in a single platform. Mobile Gateway is ideal for mobile operators, providing branded messaging services and connectivity to popular Internet communities.

Compatible with literally any mobile phone in use today, Mobile Gateway delivers the best possible user experience on any device. It provides support for low-end basic phones using SMS, MMS and WAP push, and excels with support for native Email, Synchronization and IM clients based on open industry standards.

The new ultra-lightweight unified messaging client delivers a branded user experience. Mobile Gateway 6 introduces additional advanced features such as a presence-enabled address book, and transcoding technology which reduces network bandwidth by as much as 90 percent.

- Next-generation messaging including Push Email, PIM Sync, Instant Messaging, Social Networking and Web-Feeds
- 100% device compatibility with Email-to-SMS, MMS and WAP
- Native client support for feature or smartphones using IMAP, ActiveSync, OMA EMN, SyncML, XMPP and OMA IMPS standards
- Optional lightweight cross-platform client for unified messaging and presence-enabled address book
- Consumer and Prosumer push Email gateway for Yahoo!, Gmail, Windows Live, and any IMAP4 or POP3 Mailbox
- Support for business users with push Email and PIM sync for Microsoft Exchange, Lotus Domino and Oracle
- Patented transcoding reduces bandwidth consumption
- Access to Social Networks - Facebook, Twitter and LinkedIn - Instant Messaging gateway for Google Talk, Facebook Chat, AIM, ICQ, Yahoo! and Windows Live
- Built-in IM server provides a branded community

The product is offered to mobile operators and device manufacturers.

Professional Services Offering

Synchronica strives to provide comprehensive professional services to supplement the full life cycle of Synchronica's software products, from installation, deployment, and configuration to systems integration, as well as customer-specific feature enhancement and feature addition.

All professional services offered by Synchronica are tightly managed by a dedicated and experienced team of project managers with a strong technical and process-oriented background.

The professional services team includes experienced systems engineers, dedicated software project developers, and deployment specialists who are fully knowledgeable of Synchronica's products and who closely liaise with product development and quality assurance, thus making sure that any client-specific development and service is delivered in the same high quality as Synchronica's generic software products.

Training

Synchronica provides a range of user, support staff and administrator training both for partners and resellers, as well as customers. As training needs vary from customer to customer, Synchronica limits this service to individualized training packages provided upon request.

For further information on Synchronica's product portfolio, please visit www.synchronica.com/products.

Sales and Marketing

Until recently, Synchronica's strategy was to primarily target mobile operators and device manufacturers in high-growth emerging markets. Synchronica's contracts with carriers in Africa and India are examples that arise from that focus. Recently, with the acquisitions of the Neustar NGM and Nokia Operator Branded Messaging businesses in 2011, the Company's focus has widened to include opportunities in developed markets (predominantly the countries in North American and Western Europe).

Synchronica consistently executes its strategy and has aligned its product development, marketing and sales to the specific requirements of each of its target markets. As a result of this strategy, Synchronica believes it has a product which ideally meets the requirements of its target customers. Recent increases in customer-win rates and rising deal sizes is an indicator of Synchronica's current success.

In emerging markets, broadband infrastructure is often outdated or simply unavailable, and very few households own a personal computer. Internet Bandwidth can be an expensive commodity to the average wage earner. Consequently, Internet cafes are popular in emerging markets providing access to Internet services like email, Instant Messaging and social networking.

Synchronica believes that in emerging markets, where consumers are mostly reliant on Internet cafes, the mobile phone has a unique opportunity to become the primary access device for Internet services. Synchronica believes that its products and its strategy are well positioned to take advantage of this opportunity and to accelerate Synchronica to a leading position in the race to market leadership for next-generation mobile messaging in emerging markets.

In developed markets however, Synchronica believes that in spite of the availability of broadband infrastructure, there is a growing and increasingly diverse group of people who are becoming dependent on the next generation messaging features provided by their advanced features and smartphones. Most are

prepared to pay a premium for quality services, resulting in an increasingly crowded market, with predatory Value Added Services being introduced by online portals and device manufacturers.

These direct to user applications (WhatsApp, Ping, Kik, TextPlus, BlackBerry Messenger, etc. and soon Facebook Messenger), tend to circumvent the operator, resulting in a negative impact to its revenue, and an increased risk of eroding subscriber loyalty.

Operators can mitigate this threat with a bouquet of operator-hosted, device-neutral value-added services which can be strategically packaged to reduce the relevance of competing direct to user services. Mobile Gateway is a key weapon for operators to enrich their messaging portfolio and reduce churn rates because subscribers become dependent on a service that would be lost if they were to defect to a competing operator. Mobile Gateway is provided as a white-labeled solution, allowing operators to brand, price, and position as they see fit.

Synchronica relies on a global reseller network to support its geographical reach, and continues to consistently execute its strategy and align product development, marketing and sales efforts to the specific requirements of each of its target markets and customers.

Competitive Conditions

Competition Within the Mobile Industry

Synchronica is engaged in a dynamic and evolving industry. Although Synchronica believes that no competitors currently offer products and services with a directly comparable combination of quality and price to those of Synchronica, there are other competitors in Synchronica's markets and Synchronica anticipates that the quality, price and range of their product and service offerings may improve over the near to medium term. Synchronica also expects that additional competition will develop, from both existing businesses in the mobile communications industry and from potential entrants, as demand for mobile access products and services expands and as the market for these products and services becomes more established. Although Synchronica believes that it has a competitive advantage over the near term, there can be no assurance that this competitive advantage will be either sustained or sustainable.

Competition from the Wired Telecommunications Industry

Although the mobile industry and the wired telecommunications industry serve markets that are largely distinct, there is currently a great degree of overlap between their product and service offerings. Based on recent technological, regulatory, and commercial developments, Synchronica believes that the degree of overlap between those markets is likely to increase, and Synchronica expects that, as a result, competition will increase substantially. In more developed mobile markets and in many developing economies, the wired telecommunication industry comprises network developers and operators with substantial capital investments in infrastructure, continuing commitments to upgrade the quality and capacity of their transmission facilities, significant operational presence and visibility in the telecommunication marketplace generally, large subscriber bases, preferred access to equity and debt market and research and development expertise. In other markets, wired telecommunication carriers and operators do not enjoy the same comparative strength and penetration, but there can be no assurance that the mobile communication industry will grow in those markets to the extent anticipated by Synchronica.

Synchronica believes that a mobile network operator or device manufacturer will generally want to have its mobile messaging offering become profitable as quickly as possible. A key aspect for a successful service and prerequisite to rapid profitability is having the widest possible addressable user market.

The majority of Synchronica's competitors tend to focus their efforts on a specific segment of the mobile device market and many competitors have focused predominantly on the growing, but relatively small smartphone segment. Synchronica's products, however, support the widest range of devices, including support for smartphones, mass-market feature phones and even basic phones (devices which cannot connect to the Internet). While Synchronica's competitors often focus predominantly on the business or consumer markets, Synchronica's products also support a wide range of messaging communities, extending from business messaging services such as Microsoft Exchange, to mass-market consumer webmail and IM services such as GoogleMail, GoogleTalk and Yahoo.

Technically, the majority of Synchronica's competitors have developed products which are exclusively 'client'-based. That is to say, for their service to work, additional software must be downloaded, installed and configured onto the user's mobile phone. A 'client'-based product does have advantages: it can support almost all functionality that the vendor decides to build into their client. However, products that are exclusively 'client'-based come with a disadvantage as well – by their nature, they limit the addressable user market as many devices cannot install such client software and compatibility issues resulting from the heterogeneous nature of the different device platforms that are plaguing client-based solutions.

Synchronica's products are based on open industry-standard and support email, synchronization, IM and social networking 'clients' which are already built-into the mobile phone. As a result, Synchronica can deliver its services to the vast majority of handsets without requiring the download and installation of additional client software. Complementing the standards-based approach, Synchronica also provides optional downloadable unified messaging 'clients' to provide an enhanced user experience, thereby effectively providing the best of both worlds.

The handset landscape of most carriers is heterogeneous, comprising devices from many different manufacturers and utilising a variety of operating systems. Diversity is the rule and not the exception. Some phones or mobile messaging platforms can run advanced messaging, and some cannot.

The result is that many mobile messaging products invariably limit the addressable user base, and therefore limit the number of customers to whom the operator can promote the service.

Synchronica does not have this limitation, since it can address 100% of the phones in any operator's installed base by providing support for low-end basic phones with delivery provided by SMS, MMS and WAP push; in tandem with Synchronica's 'client' or 'clientless' support for open industry standard-based email, synchronization and IM.

Synchronica has identified the following key competitors operating within its market space:

Seven Networks Inc.

Seven is a privately funded developer of software for real-time messaging. The company claims to have deployed its solutions in a number of mobile operators, content providers, and device manufacturers. Seven's products appear to be targeted towards professional consumer, SME or enterprise users. A proprietary 'client' is required to be installed onto the user's phone and support is limited to mid and high-end devices. (www.seven.com)

Good Technology Inc.

A former subsidiary of Motorola, Good was sold in 2009 to Visto, a competing developer of Push email products. Visto later rebranded to Good Technology, and today provides a range of messaging

products which are aimed primarily towards the enterprise and governmental sectors. A proprietary 'client' is required to be installed onto the phone, and device support is generally limited to mid and high-end mobile phones. (www.good.com)

Critical Path Inc.

Critical Path is a privately funded developer of consumer Push email products which recently merged with Mirapoint, an integrated email, security and archiving solutions provider. The Directors believe that Critical Path's 'Memova' solution is best-suited to the consumer segment due to limited support for enterprise platform and having no synchronization of contact and calendar data. To Synchronica's knowledge, Critical Path currently does not have Instant Messaging functionality. (www.criticalpath.net)

Employees

In 2010, the average number of employees in Synchronica and its subsidiaries, including executive directors was 113 permanent employees: 43 in sales, marketing and administration and 70 in engineering and support. Following the acquisitions made in 2011 these numbers have increased to a total 320 employees, with 62 in sales marketing and administration and 258 in engineering and support.

Reorganizations

In the first three months of 2010, Synchronica commenced and completed its acquisition of the instant messaging business of Colibria AS. Through this acquisition, Synchronica acquired Colibria's OMA IMPS technology, in addition to 13 contracts with mobile operators. The acquisition was a springboard for Synchronica to accelerate its entry into the Instant Messaging market and included group-wide agreements with the two largest operator groups in Latin America. Integrated into Mobile Gateway, Colibria's Instant Messaging platform substantially improved the IM capabilities of the platform.

In the second half of 2010, Synchronica commenced and completed a take-over of its competitor, iseemedia, a Canadian company listed on the TSXV. Completed in October of 2010 (at which time Synchronica acquired more than 90% of the outstanding shares of iseemedia, this acquisition added contracts with large mobile operators in India, extending the contracted addressable market to 853 million subscribers. Additionally, Synchronica gained iseemedia's patented document transcoding technology, which has recently been integrated into Mobile Gateway 6. In tandem with the acquisition of iseemedia, Synchronica began trading on the TSXV on September 22, 2010, complementing the trading in the UK on the London Stock Exchange's AIM market. Through a shareholder-approved amalgamation that was completed in January of 2011, Synchronica acquired all the shares of iseemedia that it had not acquired pursuant to the take-over bid, and iseemedia was renamed Synchronica Inc. in 2011

Revenue Summary

Revenue increased by 85% from US\$5.9 million in 2009 to US\$10.9 million in 2010. Synchronica's messaging products accounted for 99.7% of 2010 revenue, up from 77.2% in 2009. Recurring revenue increased from 11% of revenue in 2009 to 23% of revenue in 2010. Revenue for 1Q 2010 was US\$1.9m of which approximately US\$1.5m was recurring. These increases are in large measure due to the increases in the number of contracts with mobile device manufacturers and in the portion of the revenues that are derived from recurring revenue streams, as compared to software licensing revenues.

Intangible Properties

At December 31, 2010, Synchronica had, net of amortisation, US\$18.8 million of intangible assets, comprised of goodwill US\$10.3 million, customer relationships US\$2.7 million, intellectual property US\$2.4 million, deferred development expenditure US\$2.7 million, contract rights and third party software US\$0.7 million.

Following the acquisitions made in 2011 the above values will increase.

Intangible properties – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired is capitalised and provision is made for any impairment.

Goodwill and intellectual property rights are allocated to cash-generating units for the purpose of impairment testing. The recoverable amount of the cash-generating unit to which the goodwill or intellectual property rights relate is tested annually for impairment or when events or changes in circumstances indicate that it might be impaired.

Intangible property – intellectual property rights

Intellectual property rights acquired as part of a business acquisition are capitalised separately from goodwill if their value can be measured reliably on initial recognition and they are controlled through custody or legal rights. These rights are initially recorded at fair value which is based on replacement cost and are amortised over four years which is their estimated useful economic life. Provision is made for any impairment.

Intellectual property rights purchased separately from a business are capitalised at cost and are amortised over four years which is their estimated useful economic life. Provision is made for any impairment.

Intangible property – computer software and customer relationships

Computer software and customer relationships are amortised on a straight line basis, to reduce their carrying value to their residual value, over their estimated useful lives. The following useful lives were applied during the year:

Computer software – up to 2 years

Customer relationships – up to 4 years

Deferred development expenditure – up to 4 years

Methods of amortisation, residual values and useful lives are reviewed and adjusted if necessary at each Statement of Financial Position date.

Intangible property – contract rights

Costs attributed to rights acquired in a tripartite collaboration for the design, production, email and instant message enabling, sale and distribution of devices are capitalised and amortised on a straight line basis over the number of units sold.

Impairment

In an impairment test, the recoverable amount of the cash-generating unit or asset is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of the fair value less costs to sell and the value in use in Synchronica and its subsidiaries. An impairment loss is recognised to the extent that the carrying value exceeds the recoverable amount.

In determining a cash-generating unit's value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the cash-generating unit or asset that has not already been included in the estimate of future cash flows.

Reversals of impairment losses other than for goodwill are recognised immediately in the Statement of Comprehensive Income.

Research and development

An intangible asset arising from development (or from the development phase of an internal project) will be recognised if, and only if, it can be demonstrated that all of the following conditions are met:

- it is probable that the asset will create future economic benefits;
- the development costs can be measured reliably;
- technical feasibility of completing the intangible asset can be demonstrated;
- there is the intention to complete the asset and use or sell it;
- there is the ability to use or sell the asset; and
- adequate technical, financial and other resources to complete the development and to use the asset are available.

Subsequent to initial recognition, internally generated intangible properties are reported at cost less accumulated amortisation and accumulated impairment losses on the same basis as intangible properties acquired separately.

Synchronica conducts annual impairment tests on the carrying value of goodwill, based on the recoverable amount of the cash-generating unit ("CGU") to which goodwill has been allocated. Synchronica and its subsidiaries have only one CGU. The recoverable amount of the CGU is determined from value-in-use calculations. The key assumptions in the value in use calculations are the discount rate applied, the operating margin and the growth rate of net operating cash flows. The approved cash flow projections in the three financial years following the budget year reflect management's expectation of the medium term operating performance of the CGU and the prospects of Synchronica and its subsidiaries in the market.

- The discount rate applied to the CGU represents a pre-tax rate that reflects the market

assessment of the time value of money at the balance sheet date and the risks specific to the CGU. The discount rate applied to the CGU is 20%.

- The operating margin assumed for the CGU is primarily based on management's assessment of operating margin and expected revenues.
- Long-term growth rates of net operating cash flows are assumed equal to the growth rate in mobile consumer email. A growth rate of 30% has been applied based on industry expectations to 2014.

Economic Dependence

Synchronica's business relies on contracts with operators and device manufacturers.

Environmental Protection

Synchronica's policy is to ensure that it fully understands and manages the actual and potential environmental impact of its activities. Synchronica conducts its operations in such a way that it is in compliance with the legal requirements relating to the environment in all areas of its business.

Bankruptcy and Similar Procedures

Neither Synchronica nor its subsidiaries were subject to bankruptcy, receivership or similar proceedings, within the three most recently completed financial years or during or proposed for the current financial year.

RISK FACTORS

In evaluating the risks of an investment in Synchronica, investors must take into account the risks and uncertainties described below, which could have an impact on Synchronica's ability to achieve its objectives. The following factors should be taken into consideration when evaluating Synchronica's future prospects as an investment.

Dependence on key personnel

There can be no assurance that Synchronica will be able to manage effectively the expansion of its operations or that Synchronica's current personnel, systems, procedures and controls will be adequate to support Synchronica's enlarged operations. Any failure of management to manage effectively Synchronica's growth and development could have a material adverse effect on Synchronica's business, financial condition and results of operations.

Synchronica's business is dependent on retaining the services of a small number of key personnel of the appropriate calibre as the business develops. The success of Synchronica is, and will continue to be to a significant extent, dependent on the expertise and experience of its Directors and senior management. Whilst Synchronica has entered into contractual arrangements with the aim of securing the services of the existing management team, the retention of their services cannot be guaranteed. Accordingly, the loss of key personnel could have an adverse effect on Synchronica. To mitigate these issues Synchronica provides a share option scheme and remuneration packages designed to retain key individuals.

Need to Enhance Management Systems

Synchronica has experienced a period of significant growth in sales and personnel that has placed a strain

upon its management systems and resources. In the future, Synchronica will be required to continue to improve its financial and management controls, reporting systems and procedures on a timely basis, and to expand, train and manage its employee work force. There can be no assurance that Synchronica will be able to effectively manage such growth. Synchronica's failure to do so could have a material adverse effect upon Synchronica's business, operation results, and financial condition.

Competition

There is a competitive market for Synchronica's products; on occasion this places pressure on sales price and sales margin. Synchronica monitors the products offered by competitors, functionality and price and if necessary adjusts price accordingly.

Competition within the Mobile Industry

Synchronica is engaged in a dynamic and evolving industry. Although Synchronica believes that no competitors currently offer products and services with a directly comparable combination of quality and price to those of Synchronica, there are other competitors in Synchronica's markets and Synchronica anticipates that the quality, price and range of their product and service offerings may improve over the near to medium term. Synchronica also expects that additional competition will develop, from both existing businesses in the mobile communications industry and from potential entrants, as demand for mobile access products and services expands and as the market for these products and services becomes more established. Although Synchronica believes that it has a competitive advantage over the near term, there can be no assurance that this competitive advantage will be either sustained or sustainable.

Competition from the Wired Telecommunications Industry

Although the mobile industry and the wired telecommunications industry serve markets that are largely distinct, there is currently a great degree of overlap between their product and service offerings. Based on recent technological, regulatory, and commercial developments, the degree of overlap between those markets is likely to increase, and Synchronica expects that, as a result, competition will increase substantially. In more developed mobile markets and in many developing economies, the wired telecommunication industry comprises network developers and operators with substantial capital investments in infrastructure, continuing commitments to upgrade the quality and capacity of their transmission facilities, significant operational presence and visibility in the telecommunication marketplace generally, large subscriber bases, preferred access to equity and debt market and research and development expertise. In other markets, wired telecommunication carriers and operators do not enjoy the same comparative strength and penetration, but there can be no assurance that the mobile communication industry will grow in those markets to the extent anticipated by Synchronica.

Technology Development and Technological Change

The mobile communication industry is characterized by rapid technological change. Accordingly, Synchronica believes that its future success depends upon its ability to enhance current products and services and develop and introduce new products and services offering enhanced performance and functionality at competitive prices. Synchronica's inability, for technological or other reasons, to enhance, develop and introduce products and services in a timely manner in response to changing market conditions or customer requirements could have a material adverse effect on Synchronica's results of operations. The ability of Synchronica to compete successfully will depend in large measure on its ability to maintain a technically competent research and development staff and to adapt to technological changes and advances in the industry, including providing for the continued compatibility of its products with

evolving industry standards and protocols and competitive network operation environments. There can be no assurance that Synchronica will be successful in its efforts in these respects.

Dependence on Proprietary Technology

Synchronica relies on a combination of patent and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect its proprietary rights. Despite Synchronica's efforts to protect its proprietary rights, unauthorized parties may attempt to copy aspects of Synchronica's products and services, or to obtain and use information that Synchronica regards as proprietary. Policing unauthorized use of Synchronica's proprietary software products, if required, may be difficult, time-consuming, and costly. In addition, the laws of certain countries in which Synchronica's products and services are sold or licensed do not protect its products and related intellectual property rights to the same extent as the laws of Canada or the U.S. There can be no assurance that Synchronica's means of protecting its proprietary rights will be adequate, the effect of which may be materially adverse to Synchronica.

Future capital requirements

Further funds may be required to develop Synchronica's projects, to take advantage of opportunities for acquisitions or other business opportunities and to meet any unanticipated liabilities or expenses which Synchronica may incur. Synchronica may seek to raise further funds through equity or debt financing, joint ventures, or other means. Failure to obtain sufficient financing for Synchronica's activities and future projects may have a severe impact on Synchronica's growth prospects. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to Synchronica and might involve substantial dilution to Shareholders.

Control of Production and Product Quality

Synchronica controls the research and development of its flagship product, Mobile Gateway, and of other software products that it has recently acquired. Although Synchronica believes that it will be able to successfully manage the issues associated with the ongoing development of its own products, there can be no assurance that this will occur. The competitive positioning of Synchronica's products will require continuous investments in the feature sets and device compatibility of such products. The failure by Synchronica to successfully position its products to meet the market reach and service uptake requirements of its customers, would materially adversely affect the financial position, strategic partnerships, and future prospects of Synchronica.

Economic and political risks

It is anticipated that all or the majority of Synchronica's activities will be outside the UK and accordingly, there are a number of risks over which it has little control.

Whilst Synchronica will make every effort to ensure it has robust commercial agreements covering its activities, there is a risk that Synchronica's activities are adversely impacted by economic and political factors such as the imposition of additional taxes and charges, cancellation or suspension of licences or contracts, expropriation, war, terrorism, insurrection and changes to laws governing mineral exploration and operations. There is also the possibility that the terms of any licence or contracts Synchronica holds (including any favourable tax provisions) may be changed.

Potential Fluctuations in Quarterly Financial Results

Synchronica's quarterly financial results will be impacted significantly by the frequency and timing of a relatively small number of discrete licensing deals. Synchronica's operation expenses are based on anticipated revenue levels in the short term, are relatively fixed, and are incurred throughout the quarter. As a result, if expected revenues are not realized on a timely basis as anticipated, Synchronica's financial results could be materially adversely affected. Quarterly financial results in the future may be influenced by these or other factors and there may be significant variations in Synchronica's quarterly financial results. In recent years, Synchronica's revenue has been heavily weighted toward the second half of its financial year.

Currency risk

The Company will report its results in US dollars, whilst it is expected that a majority of its costs and a small portion of its revenues will be denominated in currencies outside its reporting currency. This may result in additions to or reductions in the Company's reported costs or reductions in or increases to the Company's reported revenues.

Credit Risk

The amounts of trade receivables presented in the financial statements that are included with this AIF are net of allowances for doubtful accounts estimated by management based on prior experience and their assessment of the current economic environment. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are high credit quality financial institutions.

Interest Rate Risk

Synchronica's financial instruments that are exposed to interest rate risk are interest rate swaps plus cash and cash equivalents. The terms of the interest rate swaps are set out in the notes to Synchronica's financial statements. The interest rate profile of the financial instruments is disclosed in the notes to Synchronica's financial statements. Synchronica does not have any overdrafts or loans.

Price and credit control risk

Synchronica has set prices for its products, which only senior management can adjust. The majority of Synchronica's customers are national mobile phone operators and offer it low credit risk. There is also a risk that governments impose exchange restrictions.

Liquidity and cash flow risk

Synchronica monitors its cash position on a daily basis and maintains a detailed rolling weekly cash flow forecast for three months ahead. Synchronica's annual budgets include a cash flow forecast. All of these documents are regularly reviewed by the Directors. Synchronica's assets were principally funded by equity and cash in bank at the balance sheet date. Any obligations under borrowings are reviewed by the Directors on a monthly basis.

Taxation Risk

Any change in Synchronica's tax status or the tax applicable to holding the Shares or in taxation legislation or its interpretation, could affect the value of the investments held by Synchronica, affect the Company's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders.

General Risks

The activities of Synchronica are also subject to the usual commercial risks and factors such as competition and economic conditions may generally affect Synchronica's ability to generate income or achieve its objectives.

Trading and Liquidity in the Shares, AIM and the TSX-V

An investment in the Shares is highly speculative and subject to a high degree of risk. The price of publicly quoted securities can be volatile and is dependent upon a number of factors, some of which are general market or sector specific and others that are specific to the Company. Only those who can bear the risk of the loss of their entire investment should invest.

Notwithstanding the fact that the Shares are traded on AIM and the TSX-V, this should not be taken as implying that there will be a "liquid" market in the Shares. An investment in the Shares may therefore be difficult to realise. In addition the price at which the Shares will be traded and the price at which investors may realise their investment will be influenced by a large number of factors, some specific to Synchronica and its operations and some which may affect quoted companies generally.

The market for shares in smaller public companies, such as the Company, is less liquid than for larger public companies. Synchronica is aiming to achieve capital growth and, therefore, the Shares may not be suitable as a short-term investment; a prospective investor should not consider such purchase unless he is certain he will not have to liquidate his investment for an indefinite period of time. The share price may be subject to greater fluctuation on small volumes of shares, and thus the Shares may be difficult to sell at a particular price. The value of the Shares may go down as well as up. The market price of the Shares may not reflect the underlying value of the Company's net assets. Investors may therefore realise less than their original investment or sustain a total loss of their investment.

Investment risk

The value of an investment in the Company could, for a number of reasons go up or down. There is also the possibility that the market value of an investment in the Company may not reflect the true underlying value of the Company.

There can be no certainty that Synchronica will achieve or sustain profitability or achieve or sustain positive cash flows from its activities.

Force Majeure

Synchronica's operations now or in the future may not be adversely affected by risks outside the control of Synchronica including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

General Economic Conditions

Market conditions, particularly those affecting technology companies, may affect the ultimate value of the Company's share price regardless of operating performance. The Company could be affected by unforeseen events outside its control, including, natural disasters, terrorist attacks and political unrest and/or government legislation or policy. Market perception of technology companies may change which could impact on the value of investors' holdings and impact on the ability of the Company to raise further funds by an issue of further shares in the Company. General economic conditions may affect exchange

rates, interest rates and inflation rates. Movements in these rates will have an impact on the Company's cost of raising and maintaining debt financing.

Litigation Risk

Legal proceedings may arise from time to time in the course of Synchronica's business. The Company cannot preclude the possibility that further litigation may be brought against it or other companies in Synchronica.

Risk of Third Party Claims for Infringement

Synchronica is not aware that any of its products infringes the proprietary rights of any third parties and believes that the risk of such claims is not significant. There can be no assurance, however, that third parties will not claim such infringement by Synchronica or its licensors with respect to current or future products. Any such claims, with or without merit, could be time-consuming, result in costly litigation, cause interruptions in the supply of Synchronica's products and services to reseller networks and mobile operators, or require Synchronica to enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on terms acceptable to Synchronica.

Reliance on Third Parties

Synchronica relies in part on its reseller partners and other partners for accessible to end-users, or even to other carriers, and it also relies on other third parties for the supply and distribution of the MessagePhone™ product and certain aspects of its service offering. In addition, Synchronica's business is dependent on the development and deployment by third parties of their mobile communications infrastructure and on their sales of products and services that use Synchronica's products and services. The loss of, or inability to maintain, any of these relationships, or the failure of such third parties to execute or effectively manage their own business plans, could result in delays or reductions in product shipments and supply of technologies which could materially adversely affect Synchronica's business, operating results and financial condition.

Dependence on Licensing Arrangements

Synchronica currently derives its revenue from a limited number of discrete licensing arrangements, the frequency and timing of which is often difficult to predict. If any one or more of such licensing deals are discontinued, reduced in scope or postponed for any reason, the business prospects, operation results and financial condition of Synchronica could be materially adversely affected. Although Synchronica expects that its dependence on specific licensing deals will decrease as its business matures, there can be no assurance that this will occur in the foreseeable future or at all.

Industry Growth

The overall market for mobile communication devices has experienced significant growth in recent years. There can be no assurance that the market for Synchronica's existing products and services will continue to grow, that firms within the industry will adopt Synchronica's products and services for integration with their mobile communications solution, or that Synchronica will be successful in independently establishing markets for its products. If the various markets in which Synchronica's products compete fail to grow, or grow more slowly than Synchronica currently anticipates, or if Synchronica is unable to establish product markets for its new products, Synchronica's business, operating results, and financial condition would be materially adversely affected.

International Sales

Direct Sales represent a substantial portion of Synchronica's total gross revenues. Synchronica believes that its continued growth and profitability will require additional expansion of its sales in emerging and emerged international markets. To the extent that Synchronica is unable to expand international sales in a timely and cost-effective manner, Synchronica's business, operating results, and financial condition could be materially adversely affected. In addition, even if Synchronica is successful in recruiting additional personnel and international resellers, there can be no assurance that Synchronica will be successful in maintaining or increasing international market demand for Synchronica's products and services.

Legal systems

Some of the countries Synchronica may operate in could have legal systems that are less well developed than or different to those in the UK. This could result in risks such as: (i) potential difficulties in obtaining effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation, or in an ownership dispute; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulation, decrees, orders and resolutions; (v) relative inexperience of the judiciary and courts in such matters; and (vi) difficulty in the interpretation and enforcement of licences and other contracts. In certain jurisdictions the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain. There can be no assurance that joint ventures, licences, authorities or others and the effectiveness of and enforcement of such arrangement in these jurisdictions cannot be assured.

DIVIDENDS AND DIVIDEND POLICY

Synchronica has not declared any cash dividends or distribution with respect to the outstanding Shares of its capital stock in its three most recently completed financial years. There are no restrictions that would prevent Synchronica from paying dividends or distributions, other than applicable laws. Synchronica has not adopted, nor does it currently intend to adopt, a dividend or distribution policy.

DESCRIPTION OF CAPITAL STRUCTURE

The share capital of Synchronica consists of Shares without restrictions on transfer. On September 2, 2010, the Company consolidated each 15 Shares outstanding into one Share. As of December 31, 2010, 93,114,219 Shares were issued and outstanding.

The holders of Shares:

- (1) have equal ratable rights to dividends and other distributions if and when declared, paid or made on the ordinary share capital of Synchronica;
- (2) are entitled to share ratably in all of the assets of Synchronica available for distribution to holders of Shares upon the liquidation, dissolution or winding up of the affairs of Synchronica;
- (3) do not have preemptive rights on transfer, subscription or conversion rights, or redemption or sinking fund provisions;
- (4) are entitled to one (non-cumulative) vote per Share on all matters on which Shareholders may vote;

- (5) are generally able, provided that the Shares are fully paid and that no lien attaches to the Shares, to transfer their Shares without restriction (there are no pre-emption rights in relation to share transfers), subject to the provisions of the AIM Rules which restrict Directors of Synchronica and applicable employees from dealing in Shares during certain periods; and
- (6) are not required to contribute additional capital to Synchronica.

The rights attaching to the Shares are contained in the articles of association of Synchronica combined with the relevant statutory provisions of the Companies Act, which would normally include preemption rights when Synchronica proposes to issue Shares.

As at December 31, 2010, there were 22,290,090 warrants of Synchronica outstanding, each warrant being exercisable for one Share at various exercise prices. As at December 31, 2010, there were 3,696,786 options of Synchronica outstanding, each option being exercisable for one Share at the weighted average exercise price of £0.61.

As at the date hereof, there were 127,942,089 Shares, 71,164,653 warrants, 3,656,920 options, 29,300,000 Subscription Receipts, and 879,000 compensation options outstanding. Each outstanding warrant entitles the holder to acquire one Share at various exercise prices. Each compensation option entitles the holder to acquire one compensation option unit consisting of one Share and one half of one warrant at a price of C\$0.25 per unit.

MARKET FOR SECURITIES

Trading Price and Volume

Synchronica's Shares are admitted for trading on the AIM under the trading symbol "SYNC.L", and have been listed for trading on the TSX-V under the trading symbol "SYN" since September 22, 2010.

The following table sets out the price range and trading volume of the Shares in each month during which the Shares traded on the TSX-V during the fiscal year ended December 31, 2010, as reported by the TSX-V.

Month	Share Price (High)	Share Price (Low)	Total Monthly Volume
September 2010	\$0.310	\$0.235	36,058
October 2010	\$0.350	\$0.240	157,509
November 2010	\$0.265	\$0.170	1,967,374
December 2010	\$0.410	\$0.210	2,474,830
January 2011	\$0.500	\$0.370	1,149,209
February 2011	\$0.465	\$0.335	3,170,005
March 2011	\$0.440	\$0.350	2,146,207
April 2011	\$0.450	\$0.365	919,910
May 2011	\$0.380	\$0.320	1,049,346
June 2011	\$0.350	\$0.230	415,638
July 2011	\$0.300	\$0.200	5,698,909

**ESCROWED SECURITIES AND SECURITIES SUBJECT TO
CONTRACTUAL RESTRICTION ON TRANSFERS**

The following table sets out the number of Shares of Synchronica held in escrow under the policies of the TSX-V as at the financial year ended December 31, 2010. The Shares are being held under conditions that require that shares of a company newly listed on the TSX-V held by Principals (as defined in the TSX-V Corporate Finance Manual) be held in escrow pending release in accordance with a prescribed schedule. 25% of the Shares subject to the escrow were released on September 21, 2011, and the remainder of the Shares are to be released according to the following schedule: 25% on March 21, 2011; 25% on September 21, 2011; and 25% on March 21, 2012. The terms of the escrow are set out in an escrow agreement dated September 16, 2010 between Synchronica, Computershare Investor Services Inc. (the escrow agent), and each of the Shareholders whose Shares are held in escrow.

Designation of class	Number of securities held in escrow	Percentage of class
Ordinary shares	323,212	0.34%

Subsequent to the year ended December 31, 2010, pursuant to the Placing Agreement and in connection with the Acquisition by Synchronica from Nokia of certain assets (as described under "Material Contracts"), all Shares held by the Directors of Synchronica are subject to a lock-up for a period of 12 months from the date the Shares sold in the UK Private Placement have been admitted to trading on AIM. The UK Private Placement closed on July 31, 2011.

Pursuant to terms of the North American Private Placement which closed on July 15, 2011, the officers of Synchronica entered into lock-up agreements pursuant to which the officers of Synchronica agreed not to dispose of their Shares within 120 days following the closing of the North American Private Placement. Since the Directors' Shares were already locked up by the Placing Agreement, no separate lock-up agreement was entered into with the Directors.

DIRECTORS AND SENIOR OFFICERS

Name, Occupation and Security Holding

The following table sets out, as at December 31, 2010, the name, position and place of residence of each director or executive officer of Synchronica, as well as the date he or she was appointed, the expiry of his or her term, the number and percentage of Shares he or she owns, controls or directs, membership on any committees of Synchronica's Board, and principal occupation for the past five years.

The table is followed by a narrative description of each director and executive officer's background and experience, including his or her principal occupation currently (if an officer of a person or company other than Synchronica) or during the five preceding years.

Name, position of director or executive officer, and membership in committee (if any)	Place of residence	Date director or executive officer appointed	Expiry of term as director	Shares beneficially owned or under control or direction (as at December 31, 2010)	Percentage of the outstanding Shares	Principal occupation for past 5 years
Carsten Brinkschulte , Chief Executive Officer and Director ⁽¹⁾	United Kingdom	Oct. 3, 2005	2012 Annual General Meeting ⁽²⁾	174,510	0.18%	Chief Executive Officer of Synchronica
Angus Dent , Chief Financial Officer and Director	United Kingdom	April 18, 2006	2012 Annual General Meeting ⁽²⁾	153,833	0.16%	Chief Financial Officer of Synchronica
Nicole Meissner , Chief Marketing Officer ⁽¹⁾	United Kingdom	Oct. 3, 2005	N/A ⁽²⁾	9,630	0.01%	Chief Operating Officer of Synchronica
Kim Hartlev , Chief Technical Officer	United Kingdom	Aug. 14, 2006	N/A ⁽²⁾	8,333	0.008%	Chief Technical Officer of Synchronica
John Turtle , Chief Sales Officer – Software ⁽³⁾	United Kingdom	Nov. 2, 2009	N/A ⁽²⁾	None	N/A	Chief Sales Officer – Software of Synchronica

David A. Mason, Director (Chairman) and member of Audit Committee and Remuneration Committee	United Kingdom	April 27, 2007 (Non- Executive Chairman since Aug. 24, 2007)	2012 Annual General Meeting	18,932	0.02%	Founder and President of Mason Group
Michael Jackson, Director and member of Audit Committee and Remuneration Committee	United Kingdom	Nov. 18, 2009	2011 Annual General Meeting	66,666	0.07%	Founder and President of Elderstreet Investments Ltd.
Anthony DeCristofaro Director and member of Audit Committee	Ontario, Canada	Sep. 16, 2010	2012 Annual General Meeting	1,222,610	1.31%	Chief Executive Officer of iseemedia Inc.

- (1) Mr. Brinkschulte and Ms. Meissner are spouses of one another.
- (2) The executive directors and officers are employed pursuant to 6-month rolling contracts, with no expiry date contained in the contracts as such.
- (3) John Turtle ceased being the Chief Sales Officer – Software on May 31, 2011.

Cease-Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of the Company is, or within ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company (including the Company) that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Other than as disclosed below, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially control of the Company, (i) is, or within ten years prior to the date hereof has been, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Michael Jackson was a director of Steve Dudman Plant Limited which was ordered to be wound up compulsorily on October 23, 2000.

Michael Jackson was a director of Travelstore. Travelstore was wound up voluntarily by its members on December 16, 2003. According to the members' voluntary winding up declaration of solvency dated December 16, 2003, Travelstore would be able to pay its debts in full together with interest at the official rate within a period of 12 months from the commencement of the winding up.

Michael Jackson was a director of Medialoom Limited which was wound up by creditors on July 9, 2001.

Michael Jackson was a director of Weyrad. In January 2000, Weyrad was put in administration. Weyrad was struck off the UK register on June 8, 2004 and dissolved on June 15, 2004.

Michael Jackson was a director of Worktops. Worktops was wound up voluntarily by its members on June 9, 2003. According to the members' voluntary winding up declaration of solvency dated June 9, 2003, Worktops would be able to pay its debts in full together with interest at the official rate within a period of 12 months from the commencement of the winding up. Worktops was dissolved on December 10, 2003.

Michael Jackson was a director of Interbizz Financial Systems Limited which went into receivership on April 10, 2003.

Michael Jackson was a director of both EU Smart Limited and Wimbledon 123 Limited, which were dissolved via a voluntary strike off on December 5, 2006 and November 20, 2007 respectively.

Conflicts of Interest

There are no existing or potential material conflicts of interest between Synchronica or subsidiary of Synchronica and a director or officer of Synchronica or a subsidiary of Synchronica.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Anupam (Ben) Banerjee and EQ have filed a claim (the "**Claim**") against the Company at the Superior court of Justice of Ontario, Canada. The plaintiffs in this action claim that they are entitled to payment of a commission arising from the sale of iseemedia, as well as certain other payments.

Synchronica and iseemedia have taken advice from Canadian legal counsel. Synchronica and iseemedia believe the claims are without merit and will defend against them vigorously.

The Claim relates to agreements entered into by Mr Banerjee and EQ and iseemedia in May 2010, prior to Synchronica's acquisition of that company. The possibility that a finder's fee would be payable in

connection with Synchronica's acquisition of iseemedia was disclosed in the Canadian take-over bid circular prepared and filed by Synchronica for its offer to acquire iseemedia.

The Claim is for damages of approximately \$1.16 million, plus punitive and other damages and costs of \$100,000. Synchronica has engaged counsel to represent it in defending against this Claim, as has iseemedia. In its defence against the Claim, Synchronica will assert, among other things, that it is not a party to the agreements in question. In the statement of defence filed by iseemedia, with the advice of counsel in respect of the Claim, iseemedia has asserted (among other things) that the agreements were entered into under false pretences and are therefore void, that in the course of their service to iseemedia the plaintiffs breached their fiduciary duty to iseemedia, and that the compensation claimed by the plaintiffs exceeds the amounts permitted to be paid under the policies of the TSX- V (where iseemedia was listed, and Synchronica is now listed). Furthermore, iseemedia has asserted that if any compensation is due to the plaintiffs, it has been calculated incorrectly and in a manner that leads to a claim for a grossly exaggerated amount, and that any such compensation can be paid in shares at the sole option of iseemedia.

Yigal Jack, a former employee of the Company, has filed a claim against the Company with the Employment Tribunal claiming unlawful deduction of wages of £229,987. The total comprises of commission he claims to be owed of £122,818 and the sum of £95,000 he is claiming as consequential loss. It is the Company's intention to defend the proceedings as the claim is disputed. The Company considers that the claim has very little merit and the claim for consequential loss, in particular, appears to have no merit.

Yigal Jack filed a second claim against the Company with the Employment Tribunal claiming he has suffered detrimental treatment as a result of making disclosures to the Company which are qualified under s43 Employment Rights Act 1996. The compensation claimed by Yigal Jack in this matter is provisionally £63,250 (plus future losses).

NTP Inc. has alleged infringement under the laws of the United States of certain patents owned by NTP Inc. against counterparties to certain agreements that will be assigned or transferred to the Company as part of the Acquisition. Where such counterparty seek redress against any and all claims for any alleged infringement under the laws of the United States of the patents owned by NTP, Inc., Nokia has agreed to indemnify the Company against any and all costs suffered by the Company as a result of such claims.

Save as disclosed in this AIF, the Company was not involved in any governmental, legal or arbitration proceedings in the 12 months prior to the date of this AIF, including any such proceedings which are pending or threatened of which the Company is aware, which may have or have had in the recent past a significant effect on the Company, its financial position or profitability.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed below, no (i) director or executive officer of Synchronica, (ii) person or company that beneficially owns, controls or directs, directly or indirectly, more than 10 percent of any class or series of outstanding voting securities of Synchronica, or (iii) associate or affiliate of any person or company referred to in (i) or (ii) above has any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect Synchronica.

Anthony DeCristofaro, who was a shareholder, a director and the President and Chief Executive Officer of iseemedia at the time of the takeover bid by Synchronica for shares of iseemedia in 2010 (as described under "Description of Business - Reorganizations"), became a director of Synchronica on September 16, 2010. Mr. DeCristofaro tendered all of his shares of iseemedia to the takeover bid in exchange for 267,350 Shares of Synchronica in accordance with the terms of the takeover bid. The Shares began trading on the TSX-V on September 24, 2010 at a price of \$0.31 per Share. Therefore, the approximate value of Mr. DeCristofaro's Shares on September 24, 2010 was \$82,878.50.

TRANSFER AGENT AND REGISTRAR

The Canadian co-transfer agent and co-registrar for Synchronica's Shares is Computershare Investor Services Inc., which has its principal offices in Toronto and Montreal, Canada.

The UK co-transfer agent and co-registrar for Synchronica's Shares is Capita Registrars Limited, located in Kent, United Kingdom.

MATERIAL CONTRACTS

The particulars of the material contracts that Synchronica entered into during the financial year ended December 31, 2010, or the material contracts that Synchronica entered into prior to such time and which are still in effect, are as follows:

Lanstead Capital L.P.

On April 6, 2010, Synchronica entered into a credit support agreement with Lanstead, under which Synchronica issued 88 million Shares to Lanstead in consideration for a monthly credit release to Synchronica of £2 million in 24 equal monthly instalments of £83,333.33. The credit release is secured with a portfolio of government bonds at market value lodged in an escrow account.

Each month for the two years from the date of the agreement the escrow agent will release to Synchronica a sum calculated by reference to the average mid market share price on the five business days at the end of the preceding month. This market price will then be compared to the reference price of 3.3333 pence per share.

If the market price is below the reference price, a pro rata deduction of the monthly amount to be received by Synchronica will be made. Conversely, to the extent the market price exceeds the reference price, a pro rata increase in the amount received by Synchronica will be made.

Colibria AS

On March 14, 2010, Synchronica entered into an agreement with Colibria, for the acquisition by Synchronica of Colibria's IMPS Instant Messaging business, reseller agreements, existing worldwide mobile operator customer base, consultancy contracts and shares held by Colibria in a company incorporated and located in the Philippines for a purchase price that consisted of approximately EUR 750,000 paid on the closing date of the acquisition, and two payments of Shares: an initial payment of 3,603,603 Shares was made on April 21, 2010, the closing date of the acquisition, and a further payment of 4,804,804 Shares was made on September 21, 2010.

(On September 2, 2010 the Company consolidated each 15 Shares into 1 ordinary share. The number of shares issued on April 21, 2010 has been adjusted to reflect the consolidation.)

The purchase of Colibria's business assets has given Synchronica access to proven Instant Messaging technology, 13 carrier contracts, including contracts with two large carrier groups with an addressable market of more than 300 million subscribers, as well as two reseller agreements with a tier one network provider and a leading messaging infrastructure software provider.

Axis Mobile Ltd.

On August 15, 2008, Synchronica entered into an agreement to acquire AxisMobile, which gave Synchronica access to AxisMobile's complementary technology, broad customer base in emerging mobile telecommunications markets, and additional funds. The purchase price for AxisMobile was USD 4.9 million in Shares comprised of: an initial payment upon completion of the acquisition of approximately 68 million Shares (which were issued in September of 2008), and a deferred payment on the fifteen month anniversary of the acquisition of approximately 17 million Shares. AxisMobile later agreed that the deferred payment would be made in April 2010 and on April 7, 2010, 8,510,204 Shares were issued to AxisMobile. Synchronica also agreed to pay approximately £156,000 in order to enable AxisMobile to discharge certain of its liabilities.

iseemedia Inc. (predecessor to Synchronica Inc.)

On July 19, 2010, Synchronica entered into a support agreement with iseemedia. In connection with a takeover bid by Synchronica to purchase all of the outstanding shares and warrants of iseemedia (which was successfully completed in the most recently completed financial year end). The Company announced on October 14, 2010 the completion of the acquisition and iseemedia became a wholly owned subsidiary of the Company in January 2011.

The particulars of the material contracts that Synchronica entered into after the financial year ended December 31, 2010 are as follows:

Neustar NGM Services Ltd.

Synchronica signed an agreement on February 2, 2011 to acquire the customer contracts, accounts, intellectual property, patents and software, and all other associated assets from Neustar NGM Services Ltd. Synchronica gained access to Neustar NGM Services Instant Messaging business, including the technology, and acquired 13 new customers including contracts with Tier-1 and Tier-2 mobile operators, and Tier-1 device manufacturers.

The cash consideration paid was US\$1,000 with no further payments due, and was designed to accelerate Synchronica's entry into next generation RCS messaging. It has increased Synchronica's competitive position and market share in the Instant Messaging segment, while also allowing Synchronica to expand its market focus to include prospects operating in developed markets.

GC-Global Capital Corp.

On February 7, 2011, Synchronica took a short term loan of US\$1,500,000, repayable at any time in the period ending December 31, 2011 without penalty. The loan carried interest at a rate of 1% per month and there was a bonus issue of approximately 450,000 new ordinary 15p shares made to the provider of the

loan at the time the loan was granted. The loan was taken in conjunction with the acquisition of Neustar's NGM Instant Messaging business to ensure sufficient liquidity during the initial period after the acquisition.

GC-Global Capital acted as lead lender in the transaction providing US\$800,000 of the Loan along with a syndicate of lenders (including a related party, the GC-Global Capital Lending Partners Limited Partnership fund for US\$200,000) for the remaining US\$700,000.

On June 30, 2011, Synchronica took an additional short term loan of US\$500,000, repayable at any time in the period ending August 29, 2011 without penalty. The loan carried interest at a rate of 1.25% per month and there was a bonus issue of 200,000 new ordinary Shares and 285,714 share warrants (exercisable at C\$0.35 each for three years subject to accelerated expiry provisions) made to the provider of the loan at the time the loan was granted. The loan was taken to provide additional working capital. GC-Global Capital acted as lead lender in the transaction providing US\$450,000 of the loan along with a related party, GC-Global Capital Lending Partnership, providing the remaining US\$50,000.

Both of the above loans were repaid in full on July 31, 2011.

Nokia Corporation

On June 30, 2011, Synchronica conditionally agreed to acquire Nokia's Operator Branded Messaging business for a total consideration of US\$25,000,000, with US\$4,000,000 payable in cash on completion of the Acquisition and the balance being payable on a deferred basis. Nokia was also issued 18,333,333 warrants to acquire Shares at an exercise price of £0.16 per Share for a term of three years, but during the first six months following issuance they may only be exercised under certain limited conditions.

Synchronica announced the completion of the Acquisition on August 1, 2011. The Acquisition provides Synchronica with a successful and complementary mobile messaging business and a strong, established foothold into the strategically important North American operator market.

Synchronica has also successfully completed a fund raising of approximately US\$15,000,000, via a UK placing of Shares and warrants and a North American placing of subscription receipts convertible into Shares and warrants. This fund raising was completed to provide for the initial cash consideration, to repay indebtedness of Synchronica and provide working capital for the Company.

NAME AND INTEREST OF EXPERTS

Synchronica's auditor is BDO LLP, located at 2nd Floor, 2 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA, United Kingdom. This firm is regulated for audit work by, and is a member of, the Institute of Chartered Accountants in England and Wales. BDO LLP, as independent auditors, reported on the consolidated annual financial statements of Synchronica for the financial year ended December 31, 2010 which have been filed at www.sedar.com.

INFORMATION ON THE AUDIT COMMITTEE

Audit Committee's Charter

Synchronica's audit committee and Board strive to comply with the Combined Code on Corporate

Governance (June 2008). Compliance with this code is required of companies listed on the LSE, but not for companies listed on AIM. However, Synchronica has determined to operate in compliance with the code, and as such abides by its rules with respect to the audit committee and auditor. Those rules are reproduced as Schedule "A" to this AIF.

Composition of the Audit Committee

The audit committee consists of all non-executive members of Synchronica's Board, namely David A. Mason (Non-executive Chairman of the Board), Michael Jackson and Anthony DeCristofaro. Mr. Jackson serves as chair of the audit committee. All of the members of the audit committee are independent and "financially literate" for the purposes of Multilateral Instrument 52-110 – *Audit Committees*.

Relevant Education and Experience

Each member of the Audit Committee has the ability to perform his responsibilities as an Audit Committee member based on his education and/or experience as summarized below:

Michael Jackson

Michael Jackson is the founder and Chairman of Elderstreet Investments Ltd., a leading venture capital fund manager in the United Kingdom that invests in early stage and development stage businesses in the UK. Having trained and qualified as a chartered accountant, Mr. Jackson was previously the Chairman of Sage plc, the FTSE 100 group that develops and markets global accounting software. Thanks to his experience with Elderstreet Investments Ltd. and its investments in other businesses, his previous role with Sage plc and his qualification as a chartered accountant, Mr. Jackson has an understanding of the accounting principles used by Synchronica in its financial reports, as well as the background and experience required to assess the general application of accounting principles in connection with accounting for estimates, accruals and reserves. In addition, through his previous business and management experience, Mr. Jackson has significant experience with the preparation, auditing, analysis and evaluation of financials statements that are comparable in breadth and complexity to those of Synchronica. In addition, thanks to his role with Sage plc as well as in his oversight of companies in which Elderstreet Investments Ltd. invests, Mr. Jackson understands the importance of internal controls and procedures for financial reporting.

David A. Mason

David Mason is an entrepreneur, chartered electronics engineer, and company director with extensive experience working with both private and publicly listed companies. Mr. Mason has experience within a wide range of industries, and expertise in strategic planning, business planning, team building, outsourcing, raising finance, acquisitions, disposals, and public financings. He founded the Mason Group in 1993 and built it into a leading independent telecom/IT consultancy in the UK. Mr. Mason is an Approved Corporate Finance Advisor under the FSA regulations. Through his time and experience with the Mason Group and his experience other public companies, Mr. Mason has gained an understanding of the accounting principles used by Synchronica in its financial reports, as well as the background and experience required to assess the general application of accounting principles in connection with accounting for estimates, accruals and reserves. In addition, through his previous business and management experience, Mr. Mason has significant experience with the preparation, auditing, analysis and evaluation of financials statements that are comparable in breadth and complexity to those of Synchronica. In addition, thanks to his role with the Mason Group and with other public companies, Mr. Mason understands the importance of internal controls and procedures for financial reporting.

Anthony DeCristofaro

Mr. DeCristofaro has 25 years of experience as an entrepreneur. He was CEO of iseemedia from the founding of the company until it was acquired by Synchronica. Prior to establishing iseemedia, he was President and Chief Executive Officer of MGI Software, which he co-founded in December 1995. Prior to MGI Software, Mr. DeCristofaro was a founding board member of Delrina Corp., which was subsequently purchased by Symantec. From 1991 to 1995, Mr. DeCristofaro was Vice President and General Manager of AST Canada, a computer hardware company. From 1987 to 1991, Mr. DeCristofaro worked as General Manager at NEC Canada, a computer hardware company. Mr. DeCristofaro holds an Advanced Business Administration degree from York University.

Reliance on Certain Exemptions and Section 3.8

During Synchronica's most recently completed financial year, it has not relied on the exemptions contained in sections 2.4, 3.2, 3.3(2), 3.4, 3.5, 3.6 or Part 8 of National Instrument 52-110, nor has it relied on section 3.8 of National Instrument 52-110.

Audit Committee Oversight

Since January 1, 2010, every recommendation of the audit committee to nominate or compensate an external auditor was adopted by the Board.

Pre-Approval Policies and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services.

External Auditor Service Fees (By Category)

	Year ended December 31, 2010	Year ended December 31, 2009
Audit Fees ⁽¹⁾	US\$134,000	US\$152,000
Audit Related Fees ⁽²⁾	-	-
Tax Fees ⁽³⁾	US\$18,000	US\$17,000
All Other Fees ⁽⁴⁾	US\$203,000	US\$168,000

- (1) Aggregate fees billed for services provided in auditing Synchronica's annual financial statements.
- (2) Aggregate fees not included in "audit fees" that are billed by the auditors for the assurance and related services that are reasonably related to the performance of the audit or review of Synchronica's statements or as related to a prospectus.
- (3) Aggregate fees billed by the auditors for professional services rendered for tax compliance, tax advice and tax planning.
- (4) Aggregate fees billed by the auditors for products and services not included in the foregoing categories.

ADDITIONAL INFORMATION

Additional information relating to Synchronica can be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Synchronica's securities and securities authorized for issuance under equity compensation

plans, if applicable, will be contained in Synchronica's information circular for its next annual meeting of securityholders, which will be held at a time, date and place to be determined by management of Synchronica.

Additional financial information is provided in Synchronica's financial statements and management's discussion and analysis for the most recently completed financial year.

SCHEDULE "A"

SYNCHRONICA PLC

Extract of the Combined Code on Corporate Governance (June 2008)

C.3 Audit Committee and Auditors

Main Principle

The board should establish formal and transparent arrangements for considering how they should apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors.

Code provisions

- C.3.1 The board should establish an audit committee of at least three, or in the case of smaller companies¹, two, members, who should all be independent non-executive directors. In smaller companies the chairman may be a member of, but not chair, the committee in addition to the independent non-executive directors, provided he or she was considered independent on appointment as chairman. The board should satisfy itself that at least one member of the audit committee has recent and relevant financial experience.
- C.3.2 The main role and responsibilities of the audit committee should be set out in written terms of reference and should include:
- To monitor the integrity of the financial statements of the company, and any formal announcements relating to the company's financial performance, reviewing significant financial reporting judgments contained in them;
 - To review the company's internal financial controls and, unless expressly addressed by a separate board risk committee composed of independent directors, or by the board itself, to review the company's internal control and risk management systems;
 - To monitor and review the effectiveness of the company's internal audit function;
 - To make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve, the remuneration and terms of engagement of the external auditor;
 - To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
 - To develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance, regarding the provision of non-audit services by the external audit firm; and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.
- C.3.3 The terms of reference of the audit committee, including its role and the authority delegated to it by the board, should be made available. A separate section of the annual report should describe the work of the committee in discharging those responsibilities.

¹ A smaller company is one that is below the FTSE 350 throughout the year immediately prior to the reporting year.

- C.3.4 The audit committee should review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The audit committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.
- C.3.5 The audit committee should monitor and review the effectiveness of the internal audit activities. Where there is no internal audit function, the audit committee should consider annually whether there is a need for an internal audit function and make recommendation to the board, and the reasons for the absence of such a function should be explained in the relevant section of the annual report.
- C.3.6 The audit committee should have primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditors. If the board does not accept the audit committee's recommendation, it should include in the annual report, and in any papers recommending appointment or re-appointment, a statement for the audit committee explaining the recommendation and should set out reasons why the board has taken a different position.
- C.3.7 The annual report should explain to shareholders how, if the auditor provides non-audit services, auditor objectivity and independence is safeguarded.