

ASX Announcement

3 May 2022

FY22 Q3 Trading & Business Update

Melbourne, Australia: Diversified technology design and development growth company, Synertec Corporation Limited (ASX: SOP, "Synertec" or "the Company") is pleased to provide an update on its activities for the quarter ended 31 March 2022 ("FY22 Q3" or the "Period"). All figures are unaudited unless stated otherwise.

Highlights

- Revenue and other income for the Period of approximately \$3.0 million, consistent with prior quarter and up circa 67% on prior comparative period ('pcp') – the third consecutive quarter of growth on pcp
- Strong gross margins achieved during 1H22 were maintained across the Period
- Net cash as at 31 March 2022 of approximately \$6.0 million
- Powerhouse Project progressing and on-track as previously reported, with solar array installed on site, factory testing of battery storage and control system commenced and field trials on schedule to start in June 2022
- Bid submitted for marine Custody Transfer System (CTS) opportunity with major European Floating Storage Regasification Unit ('FSRU') operator

Synertec Managing Director, Michael Carroll, commenting on FY22 Q3 said:

"We have continued to enjoy considerable success across the business. Our Engineering business continued to generate strong margins, setting us up strongly for the remainder of the financial year.

"Meanwhile, our Powerhouse project achieved a number of important milestones since the last quarterly update, as planned, and despite interruptions from COVID-19, global supply chain constraints and severe weather events in Queensland, we remain on schedule to commence field trials in June this year and meet our FY23 completion target, demonstrating the strength and flexibility of the Synertec team. Therefore, we're approaching field trials only about twelve months from first concept and presentation to our technology partner, Santos.

"Pleasingly, all key components for the current Powerhouse Project are now installed and we have ordered additional long lead-time items in anticipation of future opportunities. The solar panels have been delivered and installed at site in remote south west Queensland, and factory testing of the battery housings has now commenced.

"We are also seeing continued and growing interest in our Custody Transfer System technology. Rising energy prices and supply security concerns, particularly in Europe, are driving significant activity in LNG import and export markets. We recently submitted a final bid to install a marine based CTS with our partner GasLog, and continue to see strong interest in our technology.

"Meanwhile our Engineering business continues to grow revenues and margins. Elevated rates of critical infrastructure planning and expenditure across the economy remain ongoing, and the value of work bid during the Period was at record levels for the Company. Pleasingly these opportunities are primarily with our existing Tier-1 blue chip clients and across our target sectors including rail infrastructure, water, energy and advanced manufacturing."

Technology Business Update

During the quarter Synertec’s Technology Business continued to progress its three environmentally friendly technology solutions to help the global energy industry transition to a low carbon future and reduce its environmental footprint. Synertec is committed to being an impact investment for shareholders and local communities, and to ensuring the Company is supporting its partners in the collective endeavour to improve ESG performance.

Powerhouse Project

The Powerhouse Project achieved further strong progress since the last quarterly update. Synertec continues to undertake work to support the Memorandum of Understanding (“MOU”) with leading independent energy producer Santos Ltd (ASX:STO). Under the MOU, Synertec is designing, constructing and field testing a prototype solar energy power system. The system will involve solar panels, battery storage, and sophisticated predictive algorithms to optimise the generation and consumption of renewable electricity.

All key equipment components of the pilot system are now installed, and despite challenges presented by COVID-19, supply chain challenges and severe weather events the project remains on track for the completion of site acceptance testing by the end of June 2022, with field trials commencing thereafter. With supply chain risks now largely passed, the project remains on target to achieve sign-off during FY23.

Key developments since the last quarterly update included:

- Delivery and deployment of the solar panels to site
- Delivery of all battery units and the commencement of factory testing of the battery housings in Brisbane
- Commercial terms approaching finalisation with Santos, with plans to execute a General Services Agreement (GSA) and Work Order
- Planning is underway for the potential of further systems, with long-lead items ordered

The battery housing units are expected to be delivered to site by June, enabling commissioning to be completed during that month. The battery housing units will contain the batteries, transformers, and all control systems to optimise the generation and consumption of electricity on site.



Figure 1: Completed solar array, deployed within a week on site in remote south west Queensland

Synertec is continuing to investigate further application opportunities for Powerhouse and controls all intellectual property rights associated with the technology. The Company is investing in the Perth Engineering market, supporting opportunities to investigate Powerhouse applications in the Western Australian mining & resources sector.



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Figure 2: Roll-out of the Australian-designed ground-mount solar solution Figure 3: FAT commenced on battery housings

Key Technical and Operational Milestones for the Powerhouse Project

Phase	Estimated Completion	Status
Concept design	Q4 FY21	Complete
Statement of requirements approved	Q1 FY22	Complete
Front End Engineering Design (FEED)	Q2 FY22	Complete
Procurement of key equipment inputs	Q3 FY22	Complete
Detailed design	Q3 FY22	Complete
Beta testing software & load management	Q3 FY22	Complete
Fabrication	Q4 FY22	In-progress
Factory Acceptance Testing (FAT)	Q4 FY22	In-progress
Site Acceptance Testing (SAT)	Q4 FY22	In-progress
Commercial terms agreed	Q4 FY22	In-progress
Field Trial Period commencement	Q1 FY23	
Completion/sign-off	FY23	

Custody Transfer System (CTS)

With Det Norske Veritas (“DNV”) approval received in the prior quarter, Synertec continues to progress opportunities with its marine CTS partner, GasLog. The Company recently submitted a final bid to install a marine CTS system on a European-based Floating Storage Regasification Unit (FSRU).

Recent developments in energy markets, particularly in Europe, have increased the focus on the importance of LNG as a reliable source of natural gas supply and consequently the level of activity amongst proponents of new LNG import facilities. With IMO2020 regulations targeting a 40% reduction in shipping carbon emissions by 2030, driving a long-term transition towards LNG as a marine fuel for cleaner-burning vessels, and almost 200 LNG fuelled ships in operation worldwide and a further 200 on order, marine CTS represents a significant growth opportunity for Synertec.

Engineering Business Update

Synertec's Engineering Business generated revenue and other income of \$3.0 million for the Period, consistent with the prior quarter and up 67% on FY21 Q3, and the third consecutive quarter of growth on the prior comparative period. Gross margins remained consistent with the strong levels achieved during 1H22. Additionally, margins increased during March as lower margin legacy contracts were replaced by new higher margin engineering consultancy work, positioning the Company well heading into FY23.

Synertec Managing Director, Michael Carroll, commenting on Engineering performance said:

"Synertec has continued to see elevated levels of critical infrastructure planning and expenditure across the economy. The Company is in the advanced stages of bidding on new work led by the key rail and water sectors, with opportunities both more numerous and larger in size resulting in the largest amount of value bidding activity for the Company in many years."

The Engineering Business is continuing to successfully grow its headcount, despite the challenges of a tight labour market. The Company is focussing further resources into the Perth engineering market, with the potential to increase revenues from the mining & resources sector. This investment will additionally support Synertec's Technology offerings, with significant potential Powerhouse opportunities in Western Australia.

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This ASX announcement is authorised by the Directors of Synertec Corporation Limited (ASX: SOP).

About Synertec:

Synertec Corporation Ltd (ASX: SOP) is a diversified technology design and development growth company enabling a low carbon future through innovative technology solutions. Commercialising scalable, environmentally friendly and energy efficient technology for global markets in energy, critical infrastructure and advanced manufacturing through innovative partnerships with a portfolio of blue-chip customers, Synertec is proactively participating in the world's transition to a low carbon economy in a practical way for the benefit of future generations.

Forward looking statements:

Certain statements in this release constitute forward looking statements on Synertec's operations, economic performance, financial condition, plans and expectations. Forward looking statements, forecasts and estimates, by their very nature, involve known and unknown risks and are subject to uncertainty and contingencies that may occur which are outside the control of Synertec and that because of their nature may cause the actual results or performance of Synertec to be materially different from the results or performance expressed or implied by such forward looking statements, forecasts and estimates. Such statements can be identified by the use of words such as "may", "would", "could", "will", "intend", "expect", "believe", "plan", "anticipate", "estimate", "scheduled", "forecast", "predict" and other similar terminology, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. These forward-looking statements, forecasts and estimates may include matters that are not historical facts, and they are based on numerous assumptions regarding Synertec's present and future business strategies and the political and economic environment in which Synertec will operate in the future, which may not be reasonable, and are not guarantees or predictions of future performance. No representation is made that any of these statements or forecasts will come to pass or that any forecast result will be achieved, or that there is a reasonable basis for any of these statements or forecasts. Forward-looking statements, forecasts and estimates speak only as at the date of this release and, to the full extent permitted by law, Synertec disclaims any obligation or undertaking to release any updates or revisions to information to reflect any change in any of the information contained in this release (including, but not limited to, any assumptions or expectations set out in this release).