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ASX Announcement

24 November 2021

Perpetual & Exclusive IP Licence Agreement For CDP Technology

Melbourne, Australia: Diversified technology design and development growth company, Synertec Corporation Limited (ASX: SOP, "Synertec" or "the Company") is pleased to announce that it has entered into a perpetual and exclusive Intellectual Property ("IP") Licence Agreement for the use of Sichuan GreenTech Environmental Technology Co., Ltd's ("GreenTech") Composite Dry Power ("CDP") technology.

Key Highlights

- Synertec and GreenTech have entered into a perpetual and exclusive Intellectual Property licence agreement ("Licence Agreement"), providing Synertec with the right to use GreenTech's Composite Dry Powder technology
- GreenTech's CDP technology converts drilling mud into a useful non-polluting by-product starting material with many potential applications
- With the Licence Agreement in place the Company will now look to commercialise CDP across some of the world's largest hydrocarbon markets including Australia, Canada, North America, Central America and South America
- The Licence Agreement replaces an existing licence agreement between the two parties that was due to expire in September 2022
- There are no ongoing royalty fees associated with the Licence Agreement and it is sub-licensable
- GreenTech has repaid the balance of the loan owed to Synertec upon signing of the Licence Agreement

Synertec Managing Director, Michael Carroll, said:

"We are delighted to have entered into the perpetual and exclusive IP Licence Agreement with GreenTech. This agreement extends our existing arrangements into perpetuity, and positions Synertec to monetise the CDP technology across a range of large and long-term productive jurisdictions within the oil and gas drilling industry. The CDP technology provides the opportunity to convert an expensive-to-treat waste by-product into a useful starting material with many potential applications. We look forward to working with them on CDP technology well into the future."

"Synertec's CDP technology is one of the Company's three exciting environmental technology solutions to help industry reduce its environmental footprint. We believe CDP, coupled with our Powerhouse Project and LNG Custody Transfer System (CTS) technology, which are all progressing as planned, has the potential to aid in the rapid reduction of emissions whilst supporting economic growth."

Key terms of the Licence Agreement

Further to the ASX Announcement on 4 August 2021, Synertec confirms that the condition to the extension of the secured loan funding provided by Synertec to GreenTech has been satisfied.

The condition to extension was the entry into the IP Licence Agreement between GreenTech and Synertec under which Synertec has the right to access, use, copy, modify, adapt, exploit, reproduce, publish and communicate (including the right to sub-license those rights) GreenTech's intellectual property rights and associated rights of any kind in respect of the drying and/or processing technology for the treatment (by the use of CDP) of water based sludge or sulphonated mud and/or the harmless treatment for oil based drilling rocks cuttings, and all related technologies, devices, processes or techniques and any improvements to any of the foregoing ("GreenTech IP").



The new Licence Agreement will replace the existing worldwide licence agreement that GreenTech and Synertec are parties to, and which expires in September 2022.

Key elements of the Licence Agreement include:

- The Licence Agreement is perpetual, and provides Synertec with exclusive use of GreenTech's CDP intellectual property within Australia, New Zealand, Canada, North America, Central America and South America.
- Synertec will pay an upfront Licence fee to GreenTech by extinguishing A\$600,000 of the secured loan, with GreenTech having repaid the remaining balance of A\$200,000 plus interest on the secured loan upon signing of the Licence Agreement.
- Synertec will make a further two milestone payments of 2.5 million fully paid ordinary shares each (at an equivalent value of 10 cents per share) after 3 and 5 years respectively, based on revenue hurdles of \$2M by year 3 and \$5M by year 5 being achieved. The milestone payments each represent 0.7% of Synertec's current issued capital, and will not be subject to any voluntary escrow period.
- There are no ongoing royalty fees associated with the Licence Agreement.
- The Licence Agreement may be terminated by mutual agreement.

A detailed summary of key elements of the Licence Agreement are attached to this release in **Appendix A**.

Secured loan facility repaid upon signing of the Licence Agreement

At the time of entering into the Licence Agreement GreenTech repaid the remaining balance of the loan, which along with the upfront Licence Fee that Synertec paid to GreenTech to extinguish part of the loan, the loan has now been fully repaid by GreenTech.

Background to Synertec and GreenTech CDP arrangements

Synertec and GreenTech have been working together to progress CDP technology since June 2020. Synertec provided a secured loan facility of up to A\$1M (drawn to \$800,000 prior to the Licence Agreement and repayment of the loan) to fund pilot testing of the technology by GreenTech with China's major oil and gas producers. The following table summarises key milestones to date in progressing CDP towards commercialisation.

Date	Milestone
June 2020	Synertec signs Memorandum of Understanding ('MOU') with GreenTech
July 2020	Synertec formalises arrangement with GreenTech and provides secured loan facility of up to A\$1M to GreenTech to fund commercial-scale pilot testing of CDP with two of China's major State Owned Enterprise oil and gas producers
September 2020	Synertec receives worldwide exclusive investigative technology licence (1 year term, with option for Synertec to extend by 1 year)
November 2020 – March 2021	GreenTech pilot program successfully demonstrates technology and various potential application opportunities
April 2021	Lab testing in Australia supports China results
May 2021	Synertec signs MOU with BeneTerra to partner and progress environmental testing and promotion of CDP. BeneTerra are experienced in Australia, the United States and Canada in the stewardship of land rehabilitation and wastewater treatment.
August 2021	Synertec extend worldwide licence to September 2022
November 2021	Synertec and GreenTech sign perpetual and exclusive Licence Agreement (superseding previous worldwide licence)



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Synertec has undertaken extensive legal, financial, technical and operational due diligence into both GreenTech and its CDP technology since March 2020. The Board of Synertec is satisfied from the due diligence that it has undertaken that the Company has conducted appropriate investigations for the licencing of CDP technology for commercialisation.

A summary of the background to GreenTech is attached to this release in **Appendix B**.

Background to CDP and Addressable Market Opportunities

GreenTech's CDP technology enables the treatment of waste hydrocarbon drilling mud and cuttings. The process converts the mud into a non-polluting by-product material with many potential applications including high strength construction materials such as bricks and road base.

Conversions of drilling mud via the CDP process removes the need to transport waste mud to treatment facilities and/or landfill, whilst additionally reducing the quarrying of raw materials to produce construction products.

The technology has wider applications, with potential use of CDP in mining tailings and sewage sludge to help further reduce the environmental impact of mining, tunnelling and waste treatment processes.

-ENDS-

For more information and all media enquiries, please contact:

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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.



Appendix A: Detailed summary of key elements of the Licence Agreement

The key terms of the new Licence Agreement that was entered into on 23 November 2021 are as follows

Grant of licence	<p>GreenTech has granted Synertec a perpetual, irrevocable (other than in accordance with the terms of the Licence Agreement), royalty-free and, subject to any specific restrictions or terms set out in the IP Licence Agreement, otherwise unconditional and transferable (where a transfer can only be to a Related Body Corporate of Synertec) licence (including the right to sub-licence) in respect of the GreenTech IP within Australia, New Zealand, Canada, North America, Central America, South America and any of their related territories ("Territories").</p> <p>The commencement date of the licence under the IP Licence Agreement will be the date of that agreement ("Commencement Date").</p>
Exclusivity (conditional)	<p>The licence is exclusive within the Territories. However, if:</p> <ul style="list-style-type: none"> - on or before the date which is three years after the Commencement Date ("First Milestone Date"), Synertec has not received an amount of revenue equal to more than \$2,000,000 from services or sales associated with the GreenTech IP within the Territories (or with the consent of GreenTech, from outside the Territories) ("First Milestone"); or - on or before the date which is five years after the Commencement Date ("Second Milestone Date"), the licence is still an exclusive licence and SOP has not received an amount of revenue equal to more than \$5,000,000 from services or sales associated with the GreenTech IP within the Territories (or with the consent of GreenTech, from outside the Territories) ("Second Milestone"), <p>then GreenTech may convert the licence from an exclusive licence to a non-exclusive licence.</p> <p>Achievement of the First Milestone and Second Milestone will be determined by Synertec's auditor and, if applicable, confirmed via an independent accountant.</p>
Licence fees	<p><i>Upfront licence fee</i></p> <p>By way of upfront consideration for the new licence, Synertec will extinguish \$0.6 million from its existing secured loan balance with GreenTech (\$0.8 million plus interest), and GreenTech will repay the remaining loan balance before 3 January 2022, provided that GreenTech is not in breach of any of its obligations under the terms of the new IP Licence Agreement.</p> <p><i>Milestone licence fees</i></p> <p>To maximise the alignment of interests between GreenTech and Synertec through the upcoming period of anticipated commercialisation, subject to obtaining all necessary shareholder and regulatory approvals (including from ASX and in the PRC), as additional consideration for the grant of the licence, Synertec will issue the following securities to GreenTech (or its nominee):</p> <ul style="list-style-type: none"> - 2.5 million fully paid ordinary shares in SOP if the First Milestone is achieved by the First Milestone Date; and - 2.5 million fully paid ordinary shares if the Second Milestone is achieved by the Second Milestone Date. <p>If a change of control of Synertec occurs or if the milestone fees are unable to be paid by way of issue of shares in Synertec when payable, the milestone fees will be paid in cash in the amount of \$250,000 each.</p>
CDP supply	<p>GreenTech agrees to supply Synertec with any CDP required by Synertec to use the GreenTech IP. The parties will negotiate a more detailed supply agreement in respect of the supply of CDP over the next few months, however key commercial terms have been agreed.</p>



<p>Termination rights</p>	<p>Synertec may terminate the Licence Agreement if Greentech breaches a material obligation of the IP Licence Agreement and it is not capable of remedy or if capable of remedy is not remedied within 20 business days of the breach occurring. Synertec can also terminate the Licence Agreement if there is an event of insolvency of Greentech.</p> <p>If Synertec terminates the Licence Agreement Greentech must repay the upfront licence fee to Synertec and to the extent that the milestone licence fees have not already been paid, Greentech will immediately lose its right to obtain any amount of the milestone licence fees.</p> <p>Greentech may terminate or suspend (in the sole discretion of Greentech) the Licence Agreement if Synertec breaches a material obligation of the IP Licence Agreement and it is not capable of remedy or if capable of remedy is not remedied within 20 business days of the breach occurring. Greentech can also terminate the Licence Agreement if there is an event of insolvency of Synertec.</p> <p>If Greentech terminates the Licence Agreement where the upfront licence fee has been paid to Greentech, Greentech may retain it and to the extent that either the First Milestone fee or the Second Milestone fee has become due and payable by Synertec to Greentech but has not already been paid, Synertec must immediately pay any fee that is due and payable</p> <p>Synertec and Greentech can also mutually agree to terminate the Licence Agreement.</p>
<p>Working capital target</p>	<p>Synertec must use its reasonable endeavours to exploit the GreenTech IP within the Territories to meet or exceed the First Milestone and the Second Milestone by the First Milestone Date and the Second Milestone Date respectively, including by allocating a total working capital of approximately \$1,000,000 from the Commencement Date until the Second Milestone Date.</p> <p>For the avoidance of doubt, if Synertec fails to allocate \$1,000,000 from the Commencement Date until the Second Milestone Date in working capital, Synertec will not be in breach of the IP Licence Agreement.</p>
<p>Licence Agreement approval process in China</p>	<p>The Licence Agreement requires approvals in China including:</p> <ul style="list-style-type: none"> • GreenTech must complete the registration of the signed IP License Agreement with the Ministry of Commerce of the PRC (“MOFCOM”) or its local counterpart following its execution. • GreenTech holding of shares in SOP, assuming the relevant milestones are met are subject to: <ul style="list-style-type: none"> • GreenTech completing the approval and record-filing formalities in respect of the outbound investment project with the National Development and Reform Commission of the PRC (“NDRC”) or its local counterpart. • GreenTech completing the approval and record-filing formalities in respect of the outbound investment with the MOFCOM or its local counterpart. • GreenTech completing the foreign exchange registration in respect of the outbound investment with the local bank designated by the State Administration of Foreign Exchange of the PRC (“SAFE”).



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Appendix B: Background to GreenTech

GreenTech is a privately held company based in China focussed on environmentally-friendly water treatment and waste-to-resources applications. The company currently has a team of approximately 20 employees.

Key management include experienced former executives of Sinopec and PetroChina, having managed large teams, extensive projects and oil and gas operations.

The current shareholders of GreenTech are:

- Huang Hui (Executive Director) – 60%
- Wang Xue (Manager) – 12%
- Hu Dengwen – 18%
- Wang Xiuchun – 10%

GreenTech (and its shareholders) are not current shareholders of Synertec.