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ASX Announcement

27 January 2022

FY22 Q2 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 December 2021 (the "Period"). All figures are unaudited unless stated otherwise.

Highlights

- Revenue range expected for the Period of \$2.8-\$3.1 million, up circa 15% on prior quarter, and up circa 80% on FY21 Q2
 - Consultancy services revenue for the Period, up circa 100% on FY21 Q2
 - Revenue growth generated in three out of four consecutive quarters, and continued strengthening of gross margin
- Technology developments on-track:
 - Substantial progress achieved with Powerhouse technology including procurement of all key equipment inputs and fabrication commenced
 - Custody Transfer System (CTS) awarded Det Norske Veritas (DNV) Approval for marine LNG application, a key step in taking the CTS platform to the global marine market
 - Perpetual and exclusive IP Licence Agreement executed for right to use Composite Dry Powder (CDP) technology in key global energy territories of Australia, Americas and Canada
- Award of further important Engineering contracts including services agreements with long-time customers, CSL Limited, Pfizer and Aspen Pharmacare to support their critical advanced manufacturing projects
- Net cash as at 31 December 2021 of \$7.1 million

Synertec Managing Director, Michael Carroll, commenting on FY22 Q2 said:

"We have continued to enjoy considerable success across the business, achieving a number of important milestones during the Period. In our Technology business, we have been working hard with our partners in the CTS and CDP technologies over the past year or so to reach major technological development and commercial milestones, which I am pleased to report were achieved in this quarter.

"Our novel Custody Transfer System technology was approved for marine settings by global certification body, DNV, which was a critical achievement that offers Synertec significant potential exposure to growing demand for LNG-fuelled shipping, bunkering and other storage vessels.

"We also executed a perpetual and exclusive IP licence agreement with our technology partners, GreenTech, that provides us with the right to use CDP technology across a range of key global markets including Australia, the Americas and Canada. As these markets are some of the major global energy regions, we see great potential for CDP at scale as an environmental and economical solution to some of the world's energy production challenges.

"Meanwhile our Engineering business continues to grow revenues, with recent contract wins capturing increasing rates of critical infrastructure planning and expenditure across the economy. During the quarter we were awarded circa \$2 million in various contracts across our target sectors of infrastructure, 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 further progressed during the Period. 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 will design, construct and field test 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.

Key developments during the Period included:

- Significant progress in detailed design, close to completion
- Procurement of all key equipment inputs, with delivery secured for most items
- Fabrication commenced

Synertec continue to see significant opportunities for this technology across the CSG, energy and resources industries, both nationally and globally, and will continue to progress and prove the technology over coming periods.

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 | In-progress |
| Beta testing software & load management | Q3 FY22 | In-progress |
| Fabrication | Q3 FY22 | In-progress |
| Factory Acceptance Testing (FAT) | Q3 FY22 | |
| Site Acceptance Testing (SAT) | Q4 FY22 | |
| Field trial period | 1H FY23 | |
| Commercial terms agreed | 1H FY23 | |
| Completion/sign-off | 1H FY23 | |

Custody Transfer System (CTS)

Synertec Managing Director, Michael Carroll, said:

"We are delighted to have gained Approval by DNV for our Custody Transfer System for the marine cargo industry. This approval is a key milestone in taking our proven CTS technology to marine applications with our partner, GasLog."

World-leading independent certification body DNV approved Synertec's marine Custody Transfer System for installation on LNG vessels during the Period. DNV is the world's leading Classification Society and a recognised advisor to the maritime



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industry, that provides certification services based on established standards and criteria for multiple sectors including the maritime industry, oil and gas and renewable energy.

With new marine fuel regulations (IMO2020) driving a long-term transition to less polluting fuels such as LNG, Synertec is now strongly placed to contribute to a significant structural reduction in marine environmental emissions. DNV Approval demonstrates the transferability of Synertec's existing land-based CTS (currently in operation at large LNG facilities such as Wheatstone and Gorgon) to marine settings.

Synertec is partnering with GasLog, a European-based owner, operator and manager of LNG carriers to develop and deploy Synertec's marine CTS. GasLog is amongst the largest independent owners, operators and managers of LNG vessels in the world, with 36 vessels in its fleet, all managed 100% in-house. Previously listed on the New York Stock Exchange, this year GasLog merged with Blackrock's Global Energy & Power Infrastructure Team which is focused on essential, long-term infrastructure investments in the energy and power sector. GasLog is also active in the floating terminals business.

In July 2021, GasLog signed a Heads of Agreement with Venice Energy to negotiate the charter of an LNG Floating Storage and Regasification Unit (FSRU) for the Outer Harbour LNG Import Project in Port Adelaide, South Australia. Synertec is currently engaged and performing Front End Engineering Design (FEED) work for the project consortium. Gaslog is also a shareholder and appointed operation and maintenance contractor for Gastrade who is developing an FSRU project in Northern Greece.

Average CTS installation revenue per vessel is estimated at \$1 million with potential for ongoing maintenance and service revenue over the life of the vessel. 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.

Key Technical and Operational Milestones for CTS

| Phase | Status |
|-------------------------------------|----------|
| Concept design | Complete |
| MoU with LNG carrier – GasLog | Complete |
| Front End Engineering Design (FEED) | Complete |
| Detailed design | Complete |
| Design approval by DNV | Complete |
| Fabrication and FAT | |
| Installation and SAT | |
| Field trial period | |
| Completion/sign-off | |

Composite Dry Powder (CDP)

During the Period, as announced to the ASX on 24 November 2021, Synertec and GreenTech executed on a perpetual and exclusive Intellectual Property ("IP") Licence Agreement ("Licence Agreement"), providing Synertec with the right to use and commercialise CDP technology across some of the world's largest hydrocarbon markets including Australia, Canada, North America, Central America and South America.

The novel environmentally friendly and cost-effective CDP technology converts hydrocarbon drilling mud into a useful non-polluting by-product starting material with many potential applications.



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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 collaborating with them on CDP technology well into the future.”

Key Technical and Operational Milestones for CDP

| Date | Milestone | Status |
|----------------------------|--|-------------|
| June 2020 | Synertec signs Memorandum of Understanding ('MOU') with GreenTech | Complete |
| 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 | Complete |
| September 2020 | Synertec receives worldwide exclusive investigative technology licence (1 year term, with option for Synertec to extend by 1 year) | Complete |
| November 2020 – March 2021 | GreenTech pilot program successfully demonstrates technology and various potential application opportunities | Complete |
| April 2021 | Lab testing in Australia supports China results | Complete |
| 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 & Canada in the stewardship of land rehabilitation & wastewater treatment. | Complete |
| August 2021 | Synertec extend worldwide licence to September 2022 | Complete |
| November 2021 | Synertec and GreenTech sign perpetual and exclusive Licence Agreement for key global territories (superseding previous worldwide licence) | Complete |
| CY2022 | Continue field testing in Australia with technology partners and seek commercial opportunities | In-progress |

Engineering Business Update

Synertec's revenue for the Period is expected to be in the range of \$2.8-3.1 million. This represents up to a 20% increase on FY22 Q1, and is 80% higher than FY21 Q2. Consultancy services revenue for the Period is up circa 100% on FY21 Q2, further strengthening overall gross margin performance.

The increasing pace of critical infrastructure planning and expenditure has seen Synertec's Engineering Business continue to win new business in its target markets. During the Period, Synertec was awarded circa \$2 million in various new contracts and contract extensions across its target sectors of infrastructure, water, energy and advanced manufacturing.

These awards include Master Services Agreements ("MSAs") with long-time customers, CSL Limited, Pfizer and Aspen Pharmacare, to provide important Project Management, Automation and Design support to several of their critical pharma advanced manufacturing projects.

-ENDS-



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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).