



ASX Announcement

1 August 2022

FY22 Q4 Trading & Business Update

Melbourne, Australia: Diversified technology design and development growth company, Synertec Corporation Limited (ASX: SOP, "Synertec", "the Company" or "the Group") is pleased to provide an update on its activities for the quarter ended 30 June 2022 ("FY22 Q4" or the "Period"). All figures are unaudited unless stated otherwise.

Highlights

- **Powerhouse technology milestones achieved during the Period include:**
 - **Powerhouse successfully passed extensive Factory Acceptance Testing (FAT)**
 - **Remote site construction, including deployment of the solar array and subsequent mobilisation and connection of the battery housings and control system to the solar array and Santos' SCADA system**
 - **Synertec and Santos progressed from Memorandum of Understanding ("MOU") to commercial agreement in the form of an overarching Santos Goods and Services Contract and a Work Order for the site installation and field testing of the prototype**
 - **Synertec has started to explore applying Powerhouse more broadly in Australia and the USA for its existing and prospective partners**
- **Engineering business achieved strong gross margin and work in hand position, resulting in Total FY22 Group revenue and other income (unaudited) range of \$11.9-\$12.2 million, up circa 44% on FY21, positioned to be self-sustainable**
- **Group net cash as at 30 June 2022 of approximately \$4.1 million (unaudited), and expects to receive approximately \$1.0-\$1.5 million (unaudited) in cash during H1 FY23 relating to FY22 R&D tax credits and other tax rebates**

Synertec Managing Director, Michael Carroll, commenting on FY22 Q4 said:

"We are exceptionally pleased to see our proprietary Powerhouse system successfully complete factory testing and be mobilised to site where construction was safely and swiftly carried out as planned. The Powerhouse units are emerging as a reliable and commercial solution to substantially reduce the carbon footprint of remote industrial operations.

"We see a significant local and global addressable market for our Powerhouse technology where remote locations operating industrial equipment can benefit from stable base load renewable power supply. As the world continues to transition to a carbon-free future, technologies such as Powerhouse will allow our customers to achieve their decarbonisation goals and deliver strong sustainable returns for our Company and our stakeholders.

"The Engineering business continues to grow as we engage with an increasing number of blue-chip customers across our target sectors including water, rail infrastructure, energy and advanced manufacturing. The Engineering business is well on the path of becoming self-sustainable, and provides a financial platform and a strong and experienced technical skill set to drive our transition technologies.

"With the commercialisation of Powerhouse progressing, a strong pipeline in our engineering business and a portfolio of technologies that help the global transition to a low carbon future, Synertec is well positioned to deliver growth in to FY23 and beyond."

Technology Business Update

During the quarter Synertec's Technology Business continued to progress its three environmentally friendly technology solutions to help 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 Technology

The Powerhouse system involves a combination of an easily deployable industrial-scale solar panel array, battery storage, and sophisticated predictive algorithms to optimise the generation and consumption of renewable electricity without the need for back-up diesel or gas powered generators, or mains grid power.

During the quarter, the Company continued to advance its unique proprietary Powerhouse technology. The solar array was deployed to site in April, and following this, the two Powerhouse battery housings, including the AI-driven control system, successfully passed extensive Factory Acceptance Testing (FAT). Since FAT, the two battery housings were deployed to site and successfully connected to the solar array and Santos' Supervisory Control and Data Acquisition (SCADA) system.

Mr. Carroll said: *"This is a significant milestone as it proves the many software and hardware connections in the link from the Powerhouse system at site, are successfully feeding data into the Santos operating control centre in Brisbane. Importantly, the mobilisation and construction process was performed safely and as planned."*

Following site acceptance testing, field trials will confirm theoretical modelling correlation to real-life operational scenarios.



Figure 1: Site construction and acceptance testing in progress.

Santos Agreement

Synertec entered into a Memorandum of Understanding ("MOU") with leading independent energy producer Santos Ltd (ASX: STO) ("Santos") (ref ASX release 4 August 2021). The MOU, which related to the utilisation of the Powerhouse system for coal seam gas (CSG) well de-watering, commenced on 31 July 2021 and was effective for 12 months unless terminated earlier by mutual agreement or replaced by a commercial agreement between the parties.

Synertec is pleased to advise that the parties progressed during the Period from MOU to commercial agreement, executing on a Santos Goods and Services Contract ('GSC') and Work Order for the Powerhouse prototype system. The Santos GSC forms the basis of any future deployments as the substantive contract conditions are agreed thereby allowing for potential accelerated roll-out of Powerhouse units in the future. The parties continue to work together towards commercial terms beyond the prototype on a case-by-case basis. Under the MOU, Synertec successfully progressed the design, construction and testing of the prototype solar energy power system.

Santos supported these activities by providing pilot field site access, inputs into the project design, technical information pertaining to the pilot field sites, and technical and other engineering resources. The parties will ultimately determine success of the project based on the achievement of a range of key technical objectives and field practicalities, expected during 1H FY23, including safety, system availability, performance, remote control, support for high power loads, and transportability.



Key Technical and Operational Milestones for the Powerhouse Project – on-track

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	Complete
Factory Acceptance Testing (FAT)	Q4 FY22	Complete
Commercial terms for prototype agreed	Q4 FY22	Complete
Site construction	Q4 FY22	Complete
Site Acceptance Testing (SAT)	Q1 FY23	In-progress
Commercial terms beyond prototype agreed	1H FY23	In-progress
Field Trial Period commencement	1H FY23	
Completion/sign-off	FY23	

Broader application of Powerhouse

Following the success of FAT and agreeing commercial terms for prototype, Synertec has started to explore the potential for Powerhouse to be more broadly applied in Australia and the USA given the market interest in this technology solution.

Trading & Engineering Business Update

The Group generated revenue and other income (unaudited) in the range of \$3.2-\$3.5 million for the Period, up 10% versus the March quarter and the previous corresponding period. This results in total Group FY22 revenue and other income (unaudited) range of \$11.9-\$12.2 million, up circa 44% on FY21.

The Group had net cash as at 30 June 2022 of \$4.1 million (unaudited). The Company expects to receive approximately \$1.0-\$1.5 million (unaudited) in cash during H1 FY23 relating to R&D tax credits and other tax rebates from Government following lodgement and processing of its FY22 tax returns.

The Engineering business achieved stronger gross margins in FY22 (versus FY21) and has established a solid work in hand position, setting it on a path for self-sustainability. Some key awards received in the Engineering business during the Period include;

- Engineering services to a new client in support of the development of a new green ammonia facility;
- Additional projects with existing client, APA, responding to the need to increase gas supply within Victoria;
- Additional scope with existing client, Beon Energy, for solar power projects in major water utilities;
- Engineering services for a water utility treatment plant system upgrade with John Holland/KBR JV;
- Additional qualification and validation works at existing client, CSL Behring, across multiple projects; and
- Additional electrical design works for an advanced manufacturing facility with existing client, Pfizer.

Mr. Carroll said: *“The customers we engage through the engineering division are likely to be future consumers of our transition technology and the division remains a crucial part of our Company’s development. With several of our technologies progressing towards commercialisation and the engineering business growing its workforce, work in hand and strategic bid activity, FY23 is set to be an exciting year for our Company.”*

-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.