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ASX Announcement

3 May 2023

FY23 Q3 Trading & Business Update

Melbourne, Australia: 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 31 March 2023 ("FY23 Q3" or the "Period"). All figures are unaudited unless stated otherwise.

Highlights

- **Powerhouse, a predictive intelligence solar & battery power system providing reliable 100% renewable base load power for remote areas, achieved commercialisation during the Period:**
 - Finalised Goods and Services Contract ("GSC") with Santos Limited (ASX:STO) that outlines the key commercial terms beyond the prototype and reference point for potential future roll-out of Powerhouse units with Santos
 - Initial commercial Purchase Order from Santos under the GSC for the Powerhouse unit installed at Myalla, with the term commencing on 1 April 2023
 - Synertec continue to support Santos in working towards a large-scale commercial roll-out of Powerhouse units across its extensive operations
- Synertec continue to progress further opportunities for the application of Powerhouse across the energy, mining and other sectors, both in Australia and the USA
- The Engineering Division continues to secure new contracts, increasing work in hand and providing a solid platform for future growth
- Key contract awards during the Period include two design projects for the upgrade of a Thales facility which produces advanced energetic materials for the Australian Defence Force
- Group revenue and other income for the Period in the range of \$3.3 million to \$3.6 million, up circa 20% on the previous corresponding period ("pcp")
- Group net cash at 31 March 2023 of approximately \$5 million
- Post quarter end, the Company received binding commitments from existing and new domestic institutional and sophisticated investors to raise approximately \$8 million through the issue of 36.4 million new shares at a price of \$0.22 per share
- Funds raised will be utilised to accelerate the rollout of its Powerhouse technology, including purchase of long lead time components, expansion of the customer base across industries and the establishment of a dedicated assembly facility, as well as other growth initiatives across the Group

Synertec Managing Director, Michael Carroll, commenting on the Period said:

"The commercialisation of Powerhouse was a significant achievement for the Company and a milestone that reflects both the exceptionally robust operational performance of Powerhouse and the dedication and hard work of our highly skilled team. We are continuing to progress a procurement plan with Santos to meet their operational requirements. More broadly, the large target market we see for Powerhouse across both domestic and international remote sites requiring reliable continuous base-load 100% renewable power provides a significant growth opportunity for Synertec."

"Our Engineering business continues to execute and grow, delivering approximately \$13 million in revenue from customers, including our Technology business, so far in FY23. With over 100 skilled people and a wide range of long-term contracts with government utilities and blue-chip industrial customers, the Engineering business provides an exceptional business in its own right, as well as providing a large skilled workforce and business development network for our environmental technologies such as Powerhouse."

"With a strong work in hand position in our Engineering group, growing demand for Powerhouse and a strong balance sheet, Synertec is well positioned to deliver accelerated revenue growth in coming periods, delivering real value for our shareholders."



Technology Business Update

During the Period, Synertec's Technology Business continued to progress its environmentally friendly technology solutions to help the global energy transition to a low carbon future. Synertec is committed to being an impact investment for shareholders, and to ensuring the Company is supporting its partners in the collective endeavour to improve the world's ESG performance.

Powerhouse Technology

Synertec executed on a GSC with Santos that outlines the key commercial terms beyond the prototype and a reference point for the potential future roll-out of Powerhouse units with Santos (refer to the Company's ASX announcement on 15 March 2023).

The GSC sets the framework under which Santos can provide future commercial Purchase Orders to Synertec for the supply of Powerhouse units. The structure of the GSC, which is for a 7 year term with the option to extend by agreement by Santos, facilitates a number of potential long term beneficial outcomes for the parties, including:

- A financial platform for Synertec that will enable the accelerated roll-out of Powerhouse units to Santos;
- Flexibility and efficiency for Santos to direct the supply of new Powerhouse units, as well as rapid re-deployment of Powerhouse units in use to alternate sites in response to operational requirements;
- Agreed rental pricing terms with mechanisms to account for inflation and performance; and
- Certainty of operational performance of Powerhouse units over the term of the GSC as Synertec intend to build, own, operate and maintain the Powerhouse units provided to Santos.

Under the GSC, an initial Purchase Order was received from Santos for a Powerhouse system. The Purchase Order will enable Synertec to begin generating revenue from this technology from 1 April 2023. This milestone of the Powerhouse technology also signals completion of this field trial phase for the prototype.

The initial commercial Purchase Order comes after successful deployment of the Powerhouse unit to site for commercial scale field trials. Key developments during this phase of testing include;

- Successful operation through a number of extreme weather events, delivering over 100-days of reliable emission-free 100% renewable power supply;
- Enabled the replacement of fossil-fuelled generators and reduction in carbon emissions;
- Demonstrated a significant reduction in costs for the field owner; and
- Gas previously used to fuel the generators is now directed into the Australian gas network, increasing revenue for the field owner.

Key Powerhouse Technical and Operational Milestones

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 Acceptance Testing (SAT)	Q1 FY23	Complete
Field Trial commencement ('cutover' complete)	Q2 FY23	Complete
Commercial terms beyond prototype agreed	H2 FY23	Complete
Completion/sign-off	H2 FY23	Complete

Synertec continue to progress further opportunities for the application of Powerhouse across the energy, mining and other sectors, both in Australia and the USA.



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Engineering Business Update

The Synertec Group generated revenue and other income from its customers in the range of \$3.3 million to 3.6 million for the Period, up circa 20% on the pcp. Gross margins remain strong and in line with those achieved through FY23, with strategies in place to expand margins and enhance profitability in the Engineering business over the course of 2023 and 2024.

During the Period, the Engineering business continued to provide specialist multi-discipline engineering services to our customers in the critical infrastructure, water, advanced manufacturing and energy sectors, as well as our Technology business unit. The Engineering business unit has delivered over \$13 million of revenue year to date, across the Group's external and internal customer base.

Of note, significant customer contract awards during the Period include:

- **Critical Infrastructure (Defence)**

Two contract awards with Thales, a major supplier of defence systems, equipment, and services to the Australian Defence Force, for the upgrade of their site at Mulwala, New South Wales. This facility produces advanced energetic materials and is one of the largest producers of propellants and explosives in Australia, supplying products to both domestic and international customers in the defence, aerospace, and commercial sectors.

- **Water (Government)**

A contract award for capital works on a pump station upgrade for Melbourne Water. This pump station receives, filters and transfers large amounts of wastewater from the Southbank area in central Melbourne. The securing of this project complements the work Synertec does with Melbourne Water through its Operational Technology, Maintenance and Project Delivery contract, as well as ongoing work with John Holland, KBR and Programmed.

- **Critical Infrastructure/Energy (Education)**

A contract award with University of Melbourne, which is building a new campus in Melbourne to include a world-class engineering and design centre for large, experimental research, hands-on learning and collaboration with industry. Synertec will provide design works for the proposed Energy laboratory, as well as hazardous area consultancy. The purpose of the Energy laboratory is advancing energy research for more cost effective and efficient energy use.

The Company also secured variations on a number of projects in the advanced manufacturing, rail and water sectors that extend the life and profitability of those projects. These awards in the Period further strengthen the Group's work in hand position.

Synertec currently have over 100 highly skilled engineers and professionals and continues to recruit more people as a response to the growing customer demand. Synertec's ability to attract and retain key talent is a positive reflection of the Company's culture and industry positioning.

-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 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.