



SYNERTEC

Synertec Corporation Limited ARBN 161 803 032
Half-year report for the period ended 31 December 2022
Lodged with the ASX under listing Rule 4.2A

Results for announcement to the market
Synertec Corporation Limited (ASX:SOP)

| Appendix 4D Reference | | 31 Dec 2022 \$'000 | 31 Dec 2021 \$'000 | Variance \$'000 | Variance % |
|--------------------------|--|---|--------------------------|--------------------|---------------|
| 2.1 | Revenue from ordinary activities | 7,299 | 5,846 | Up 1,452 | Up 25% |
| 2.2 | Loss from ordinary activities after tax attributable to the owners of Synertec Corporation Limited | (2,445) | (1,556) | Up 889 | Down 57% |
| 2.3 | Loss for the year attributable to the owners of Synertec Corporation Limited | (2,445) | (1,556) | Up 889 | Down 57% |
| 2.4 | Dividends/distributions | No dividends were paid during the period, and no dividends have been proposed for payment | | | |
| 2.5 | Record date | Not applicable | | | |
| 2.6 | Explanation of the figures in 2.1 to 2.4 | Refer to Directors' Report within the Interim Financial Report for the Half Year Ended 31 December 2022 - 'Review of operations' section. | | | |
| 3 | Net tangible assets per share (cents) | 1.8 | 1.9 | 0.1 | Down 8% |
| 4 | Details of entities over which control has been gained or loss | The was no control/further control gained over any entities during the period. | | | |
| 5 | Details of Individual and total Dividends | Not applicable | | | |
| 6 | Details of dividend reinvestment plans in operation | Not applicable | | | |
| 7 | Details of associates or joint venture entities | There are no associates or joint venture entities. | | | |
| 8 | Foreign entities | Not applicable | | | |
| 9 | The 31 December 2022 Interim Financial Report and accompanying notes for the Half Year Ended 31 December 2022 of Synertec Corporation Limited has been reviewed by the Company's Auditor and is not subject to a modified opinion, emphasis of matter or other matter paragraph. | | | | |
| Attachments | | The Interim Financial Report of Synertec Corporation Limited for the Half Year Ended 31 December 2022. | | | |

Signed:

Mr. Michael Carroll
Managing Director
Synertec Corporation Limited
Melbourne, Australia
Date: 27 February 2023



SYNERTEC

Synertec Corporation Limited

ARBN 161 803 032

Interim Financial Report

**For the Half-Year Ended
31 December 2022**

Synertec Corporation Limited
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For the period ended 31 December 2022

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These interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2022 and any public announcements made by Synertec Corporation Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Corporate Directory

| | |
|--|---|
| Directors | Mr. Dennis Lin (Independent Non-Executive Director, Chair) Ms. Leeanne Bond (Independent Non-Executive Director) Mr. Michael Carroll (Managing Director) Mr. David Harris (Executive Director) |
| Company Secretary | Mr. David Harris Ground Floor 2-6 Railway Parade Camberwell, Victoria 3124 Australia |
| Principal registered office in Bermuda | Clarendon House 2 Church Street Hamilton HM11 Bermuda |
| Registered agent office in Australia | Ground Floor 2-6 Railway Parade Camberwell, Victoria 3124 Australia Telephone: +(61 3) 9274 3000 |
| Share registry | Boardroom Pty Limited Level 8, 210 George Street Sydney, NSW 2000 Australia Telephone: 1300 737 760 (within Australia) +(61 2) 9290 9600 (outside Australia) Facsimile: +(61 2) 9297 0664 |
| Auditor | Grant Thornton Audit Pty Ltd Collins Square Tower 5 727 Collins Street Melbourne, Victoria 3008 Australia |
| Stock exchange listing | Synertec Corporation Limited shares are listed on the Australian Securities Exchange (ASX) ASX Code: SOP (fully paid ordinary shares) |
| Website address | www.synertec.com.au |

Synertec Corporation Limited
Directors' Report
31 December 2022

The Directors present their report together with the financial statements of the consolidated entity for the half-year ended 31 December 2022.

1. Directors

The following persons were directors of Synertec Corporation Limited during the whole of the financial half-year and up to the date of this report:

Mr. Dennis Lin (Independent Non-Executive Director, Chair)

Ms. Leeanne Bond (Independent Non-Executive Director)

Mr. Michael Carroll (Managing Director)

Mr. David Harris (Executive Director)

2. Significant changes in the state of affairs

No significant changes noted in the half year ended 31 December 2022.

3. Review of operations

Profit and loss performance

| Summary Profit & Loss Performance (\$ million) | FY23 H1 | FY22 H1 | \$ Change | % Change |
|---|---------|---------|------------|----------|
| Total Revenue & Other Income | 7.3 | 5.8 | Up 1.5 | 25% |
| Engineering Consultancy Services Revenue | 5.6 | 4.3 | Up 1.3 | 31% |
| Adjusted EBITDA before R&D activities | (1.0) | (0.7) | Down (0.4) | 52% |
| Adjusted EBITDA | (1.6) | (0.8) | Down (0.8) | 94% |
| EBITDA | (2.1) | (1.3) | Down (0.7) | 55% |
| NPAT | (2.4) | (1.6) | Down (0.9) | 57% |

Synertec generated revenue and other income for the half-year ended 31 December 2023 ("FY23 H1", or "the Period") of \$7.3 million, up 25% on the prior comparable period ("pcp") (31 December 2021: \$5.8 million). This result was underpinned by growth in Engineering revenue of 21% to \$6.8 million (31 December 2021: \$5.6 million). Specifically, the engineering consultancy services revenue category experienced further substantial growth in revenue, generating \$5.6 million at strong gross margins, an increase of 31% on pcp (31 December 2021: \$4.3 million).

The Board assesses the underlying performance of the business based on measures of Earnings Before Income Tax Depreciation Amortisation ('EBITDA') and Adjusted EBITDA which excludes the effect of non-operating and non-recurring items.

Adjusted EBITDA excludes costs which are discretionary for the purposes of exploring strategic long term growth opportunities and/or activities and expenses which not considered to be typical ongoing operational overheads for the business. Such items include corporate development costs of \$0.4 million (31 December 2021: \$0.1 million) which include the costs of exploring the Powerhouse technology market opportunities in the United States and other growth opportunities for the Group throughout the Period, and share-based payments of \$nil (31 December 2021: \$0.4 million).

Included in the Adjusted EBITDA is applicable technology research and development ("R&D") costs of \$1.1 million (31 December 2021: \$0.4 million) primarily for development of the Powerhouse and LNG Custody Transfer System ('CTS') technologies, which have been expensed for tax and accounting purposes, enabling the Group to achieve tax credits for this expenditure which will be refundable. The Group recognised the anticipated tax refund as other income of \$0.4 million (31 December 2021: \$0.3 million) for the Period. On a like-for-like basis between the two periods by excluding R&D costs and income, the Adjusted EBITDA for the Period is a loss of \$1.0 million (31 December 2021: \$0.7 million loss).

3. Review of operations (continued)

Profit and loss performance (continued)

Segment performance

Beginning 1 July 2021, as announced by the Company, the Group's business was restructured to form two key areas of operation, being Engineering Solutions ('Engineering') and Technology and Future Business ('Technology'). These two divisions/segments are managed separately as each requires different skills, technologies, marketing approaches and other resources. This is the basis on which information is internally provided to the Chief Operating Decision Makers ('CODMs') for assessing performance and making operating decisions. All inter-segment transfers are conducted at arm's length prices based on prices charged to customers in stand-alone sales of identical goods or services.

The Corporate area of the Group, which is primarily a cost centre, includes the Board and Executives which oversee the function and strategic direction of Engineering and Technology, as well as the governance and operation of the public ASX-listed head company, Synertec Corporation Limited. The activities of the head company include governance oversight, corporate development, investor relations and other functions associated with the operation, governance and regulatory compliance of the Group's head company.

| FY23 H1 (\$ million) | Engineering | Technology | Corporate | Total | Inter- segment | External sources |
|---------------------------------|--------------------|-------------------|------------------|--------------|---------------------------|-----------------------------|
| Revenue & Other Income | 8.3 | 0.4 | - | 8.7 | (1.4) | 7.3 |
| Segment Adjusted EBITDA | 0.8 | (1.7) | (0.7) | (1.6) | - | (1.6) |
| Adjusted EBITDA | 0.2 | (1.1) | (0.7) | (1.6) | - | (1.6) |

As a result of the continued change in mix of revenues in the Engineering business from predominantly fixed price solutions to consultancy services over the past three years, Engineering gross margins have strengthened and consolidated. During the Period, the gross margin increased a further one (1) percentage point (31 December 2021: 4 percentage points), which was in line with budgeted expectations, and is double the gross margin achieved in the financial year prior to COVID-19 (FY19).

Revenue for the Engineering business includes services and materials provided to the Technology business of \$1.4 million (31 Dec 2021: \$nil) contributing to the development of the Group's three key environmentally friendly technology solutions to help global industry transition to a low carbon future and reduce its environmental footprint. All inter-segment services and materials are conducted at arm's length prices based on prices charged to customers in stand-alone sales of identical goods or services.

Synertec's Engineering business strengthens and protects important technology intellectual property development, which would otherwise be sourced through external service providers. It is an efficient and commercial relationship between the businesses which enables the Group to prioritise and focus on its growth-leading technology development and effectively accelerate the technology commercialisation process.

The significant organic growth in the Group over the past two years in particular, has required further investment in human resource systems and support processes to enable the continued rapid and controlled growth in the size of the engineering team, which has expanded by over 50% during that time to approximately 100 people. Most of this growth is being generated by increased demand for Synertec's expertise from within the Group's long-established existing customer base across the critical infrastructure and energy sectors.

Having established deep domain knowledge of customers' operations and their critical technology platforms including systems which collect and collate field data enabling operators to perform control tasks, Synertec has been invited to bid for larger opportunities within those organisations which support their technological development and expansion. As a result, the Group's Business Development ('BD') effort has increased significantly over the past couple of years, culminating in several major contract awards this Period. These awards are building a larger and longer work in hand and pipeline of opportunities which is in turn, enabling BD to become more focused and therefore, likely to succeed, as demonstrated during this Period.

3. Review of operations (continued)

Segment performance (continued)

Corporate development effort has also expanded during the Period as the Group seeks additional capability based on customer demand, and explores markets for its technologies. Forming part of this development and growth effort, as announced during the Period, the Group engaged with strategic advisors in the United States of America ('U.S.A.') to explore the market opportunity for its Powerhouse technology. The timing of this partnership was followed by the U.S.A. Government's announcement of the Inflation Reduction Act which contains up to USD \$380 billion of funding for the accelerated development of clean technology to support the U.S.A.'s rapid energy transition to a clean energy economy.

During the Period, Synertec was invited to the U.S.A. to meet with key Government departments and prospective commercial partners, which has since culminated in further constructive discussions with these parties, driving potential market opportunities and funding for Powerhouse applications.

The combined result from Engineering and Corporate segments of the business improved to an Adjusted EBITDA loss of \$0.5 million (31 December 2021: \$0.7 million), and their combined net operating cash flow is now positive \$0.2 million (31 December 2021: (\$1.0 million), which is a turn around on pcp of \$0.8 million, mainly attributable to the significant growth and improved performance in the Engineering business.

Capital Management

| Balance Sheet | 31 Dec 2022 | 30 Jun 2022 | \$ Change | |
|--|--------------------|--------------------|------------------|-----|
| (\$ million) | | | | |
| Total Assets | 12.4 | 10.9 | Up | 1.5 |
| Cash at Bank | 7.1 | 4.1 | Up | 3.0 |
| Net Assets | 7.5 | 5.2 | Up | 2.3 |
| Current Ratio (Current Assets / Current Liabilities) (times) | 3.1 | 2.1 | Up | 1.0 |
| Net Tangible Assets per Share (cents) | 1.8 | 1.3 | Up | 0.5 |

Total Assets of \$12.4 million (30 June 2022: \$10.9 million) and Net assets of \$7.5 million (30 June 2022: \$5.1 million) includes cash of \$7.1 million (30 June 2022: \$4.1 million). The increase in net assets and cash balance reflects the successful strategic share placement ('Placement') completed in September 2022 (refer below for further commentary on this) and prudent management of working capital.

Synertec continues to operate with no working capital debt or covenants from its bank.

| Cash Flow | FY23 H1 | FY22 H1 | \$ Change | |
|---------------------------------------|----------------|----------------|------------------|-------|
| (\$ million) | | | | |
| Cash receipts from customers | 7.8 | 6.0 | Up | 1.7 |
| Net cash used in operating activities | (1.1) | (1.5) | Down | 0.4 |
| Net increase in cash | 3.0 | 4.5 | Down | (1.5) |

Cash receipts from customers was \$7.8 million (31 December 2021: \$6.0 million), up 29% on pcp and debtor-days remain within the Group's 30-40 day target range. The Company continues to manage cash prudently and maintains a strong working capital and liquidity position.

The overall net cash flow for the Period was an increase in cash held of \$3.0 million. This included net proceeds of \$4.5 million from a strategic Placement conducted in September 2022. The Placement of 31.25 million new shares at an issue price of \$0.16 per share represented a 14% discount to the last closing price and 5-day VWAP, and was within the Company's existing placement capacity under ASX Listing Rule 7.1.

Net proceeds from the Placement will be principally applied towards balance sheet support for the execution of the Group's dual strategy of commercialising several large near term ESG-focused technology opportunities in the energy sector and growing out its high-end engineering solutions business, which provides critical support to the Group's expanding technology arm. The Placement was corner-stoned by high quality domestic institutional and sophisticated investors, proving a strong endorsement for the Company and its ESG technology-led growth strategy.

3. Review of operations (continued)

Capital Management (continued)

The net cash flow outflow from operations of \$1.1 million (31 December 2021: \$1.5 million outflow) comprised net cash used in operations as follows:

| Net operating cash flows (\$ million) | Engineering | Technology | Corporate | Total |
|--|-------------|------------|-----------|-------|
| FY23 H1 | 0.8 | (1.2) | (0.6) | (1.1) |
| FY22 H1 | (0.5) | (0.4) | (0.5) | (1.5) |
| Variance | 1.3 | (0.8) | (0.1) | 0.4 |

Importantly, the Company's focus on moving both the Technology and Engineering businesses towards consistent positive operating cash flow has begun to materialise, as the Engineering business returned to positive operating cash flow for the Period. This is being driven by the continued, largely organic growth in revenue and gross margins in the past two years, as well as managing cash prudently by keeping debtor-days minimised, and maximising working capital, for the benefit of the Group's businesses. The Technology business continues to avail of R&D tax credits where it can for its technology developments. To streamline this process and improve the Group's working capital, during the Period the Group engaged an R&D tax credit funding provider who is providing a portion of the tax credits in cash to the Group throughout the year based on the strength of the Group's registered R&D eligibility.

As noted above, the combined net operating cash flow of Engineering and Corporate is now positive, which is a turnaround on pcp of almost \$1 million, mainly attributable to the significant growth and improved performance in the Engineering business.

Operations

Technology Business

Synertec's Technology Business continues to progress its three key 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 Technology

During the Period Synertec substantially advanced its Powerhouse technology towards near-term commercialisation.

Powerhouse, a novel 'smart' micro-grid system, involves the combination of a rapidly deployable and portable industrial-scale electrification power system including a foldable solar panel array, battery storage units, and sophisticated smart controls enabling predictive intelligence to optimise the generation and consumption of renewable electricity from an appropriately scaled system with minimal footprint. At present, the Santos gas wells rely on diesel, gas or hybrid powered generators.

Key benefits of Powerhouse include:

- Reduced carbon emissions through 100% renewable energy (without requirement for fossil-fuelled backup)
- Flexible, scalable, portable and re-deployable infrastructure
- Increased safety and operational efficiency with reduced maintenance and remote operability
- Potential for removal of, and/or reliance upon, mains power connections in remote areas
- Commercial, cost-effective solution

A number of key milestones, all within forecast timeframes, were achieved with Powerhouse during the Period, including:

3. Review of operations (continued)

Operations (continued)

Powerhouse Technology (continued)

- Site installation in remote Queensland, and successful completion of Site Acceptance Testing ('SAT');
- Successful "cutover" and integration of the system with Santos Limited's ("Santos", ASX:STO) production and operating systems, meaning Powerhouse is supplying 100% of power, emission-free, to a remote cluster of eight gas wells spread across an area of approx. 10 square kilometres, replacing the existing bank of fossil-fuelled generators;
- Commencement of the commercial scale field trial, being final stage of the testing process for Powerhouse; and
- Advancement of plans for commercial scale production of Powerhouse units, with component suppliers committing to key supply chain performance criteria.

The Company is targeting completion and sign-off of the commercialisation process in this financial year.

As noted above, during the Period the Group engaged with partners in the United States to explore the market opportunity for Powerhouse. This is supported by the US Government's announcement of the Inflation Reduction Act which contains up to USD \$380 billion of funding for the accelerated development of clean technology to support America's rapid energy transition to a clean energy economy. Synertec was invited to the US to meet with key US Government departments and prospective commercial partners, which has since culminated in further constructive discussions with these parties.

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

Custody Transfer System (CTS)

During the Period, following world-leading independent certification body DNV having approved Synertec's marine Custody Transfer System for installation on LNG vessels, the Group continued to advance the development of Synertec's CTS technology and explore commercial opportunities both locally and overseas. The Company also remains engaged with the Outer Harbour LNG Import Project in Port Adelaide, South Australia.

Custody Transfer refers to the metering on a transfer of fluid or gas from one party to another, where the amount of product is measured with a high degree of accuracy. A custody transfer between shore and ship (or vice versa) is referred to a land-based, while a transfer between two vessels is marine-based.

The LNG industry is moving to increased use of Floating LNG liquefaction plants, Floating LNG storage facilities and Floating Storage Regasification Units. In addition, recent changes to marine fuel regulations are moving shipping fleets away from heavy fuel oil and towards LNG as a marine fuel source. Synertec has adapted its land-based CTS technology for marine purposes.

Composite Dry Powder (CDP)

During the Period, following Synertec and GreenTech entering into a perpetual, exclusive and royalty-free Intellectual Property Licence Agreement ("Licence Agreement"), providing Synertec with the right to use GreenTech's Composite Dry Powder technology, the Company has proceeded to explore commercialisation opportunities in Australia, one of the world's largest hydrocarbon markets. Further testing was undertaken during the Period with technology partners.

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 including high strength construction materials such as bricks and road base. Conversion 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.

3. Review of operations (continued)

Operations (continued)

Engineering Business

The Period reflected an ever increasing pace in critical infrastructure planning and expenditure across Australia, enabling Synertec's Engineering Business to continue to win new business in its target industries of critical infrastructure, energy, water and advanced manufacturing. During the Period, Synertec was awarded circa \$15 million in various new contracts and existing contract extensions across these four key target sectors and continues to derive its total revenue from them in almost equal proportions, with Rail and Water now being the dominant industries.

A significant additional engagement with Metro Trains Melbourne was also signed and announced by the Group during the Period for the provision of services with an estimated price of circa \$2.5 million (if completed in full), with provision for scope extensions. This important contract will see Synertec deliver upgrades of essential fire safety equipment and systems within Melbourne's City Loop and underground stations, including fire suppression systems, smoke ventilation and evacuation equipment. Synertec will leverage its extensive knowledge of advanced process control systems, functional safety and systems engineering to deliver this project for the benefit of Victoria's travelling public.

This contract award continues to demonstrate Synertec's growing reputation for addressing complex challenges with innovative solutions and strengthens Synertec's long-standing commercial relationship with Metro Trains Melbourne.

In addition to this, the Engineering business secured the contract to provide ongoing technical support and project services at Melbourne Water's Eastern Treatment Plant (ETP) and more broadly to other key assets outside of ETP. Effective from 1 January 2023 for 3 years, the contract provides for payments of approximately \$3.0 per annum for services on an ongoing basis (and if completed in full), and will run through to the end of 2025, with the option for the parties to extend for a further 2 years.

The contract award reflects Synertec's best-in-class automation and control engineering knowledge and deep experience and expertise in Siemens technologies. Synertec has been continuously engaged by Melbourne Water since 2007 providing 24/7 support to the ETP, along with additional significant automation project services.

The expansion of the contract into Melbourne Water's operational asset base will allow Synertec to provide capital delivery projects across Melbourne Water's extensive supply system in addition to the ETP. The system includes multiple water storage reservoirs, weirs, pumping stations, water treatment plants and sewerage treatment plants. Ongoing project delivery across this network is vital to ensure Melbourne Water continue to supply affordable and high-quality water.

Other key engineering services secured during the Period include work to improve current domestic gas supply infrastructure with APA Group Limited (ASX:APA) and Woodside Energy Group Limited (ASX:WDS) and the appointment to the panel for Victoria's Suburban Rail Loop (SRL) infrastructure project.

Other awards included Master Services Agreements ("MSAs") and engineering panel appointments with long-time customers to provide important Project Management, Automation and Design support to several of their critical projects.

From the time it was founded over 25 years ago, Synertec has been consistently engaged by many blue-chip tier-1 customers such as CSL Limited (ASX: CSL) (1996), Melbourne Water (since 2007) and Metro Trains Melbourne (since 2017). These recent major contract awards reflect Synertec's best-in-class automation and control engineering expertise and extensive experience in global control technologies, coupled with deep domain knowledge of its customers' operations – all of which are contributing to a strong platform for profitable growth by improving key drivers such as work in hand, utilisation and sell rates.

As a result, the Company significantly grew its team of highly skilled and talented people across the Period to approximately 100 people, representing the largest workforce in the company's history, and increasing billable capacity on pcp by circa 30%. While current tight labour market conditions have presented challenges for human resourcing, Synertec is well placed with its exciting customer base and technology activities, and continues to further expand its engineering team to support new and expanded engagements, as well as the growing Technology arm of the Group.

3. Review of operations (continued)

ESG Reporting

Synertec is committed to building its Environmental, Social, and Governance ("ESG") credentials and transparency. The Company is making regular ESG disclosures against the World Economic Forum ("WEF") Stakeholder Capitalism framework. The WEF framework is a set of common metrics for sustainable value creation captured in 21 core ESG disclosures.

Synertec uses this universal ESG framework to align mainstream reporting on performance against ESG indicators. By integrating ESG metrics into governance, business strategy, and performance management process, the Company diligently consider all pertinent risks and opportunities in running our business.

The Company's progress toward making disclosures under the four pillars of the WEF ESG framework (Governance, Planet, People, and Prosperity) is captured in its ESG reporting. The Company is committed to providing transparency in the way it operates and in meeting the expectations and needs from major partners and customers, many of whom are key organisations in Australia's critical infrastructure, water, energy and advanced manufacturing sectors and have highlighted the growing need and opportunity for improved ESG performance across their supply chain.

We see this as a logical progression for our organisation, building upon the strong foundations we developed to support the global energy transition, reduce carbon footprint and respond to tightening environmental regulations while providing sustainable employment opportunities and operating in a transparent and accountable manner for all of Synertec's stakeholders.

The last 6 months has seen significant changes in Synertec as it continues to embed ESG principles and create climate-related awareness. The Company is pleased to announce that it will be adopting the Task Force on Climate-Related Financial Disclosure recommendations and will incorporate the progress updates in line with our current financial reporting. In summary, initiatives achieved during the Period across the three areas include:

Environment

- The Powerhouse technology, which during the Period entered the final stage of testing in the commercialisation process, provides industry with a cost effective, 100% renewable and continuous electrical energy system, assisting companies to transition to a low carbon future.
- Green waste/recycling initiatives have been implemented in the Melbourne office.

Social

- Safety is paramount to Synertec, demonstrating this with zero Lost Time Injuries/Injury Rate and zero Total Recordable Case Frequency Rate.
- The Company is nearing completion of implementing a Human Resource Information System ('HRIS') and other supporting platforms which have streamlined the Group's HR processes, including recruitment and onboarding, providing employees with greater self-service options, and an internal Learning Management System ('LMS').
- The Synertec management team recently completed a recognised Leadership program, building the capacity of our leaders within the business.
- Synertec run regular innovation forums where employees participate in workshops to bring together ideas and opportunities to develop innovative practice into the business for both Synertec and its customers.
- Synertec has embedded ESG into the employee onboarding process, providing new employees with a deeper understanding of its ESG commitment and how employees are directly involved in ESG processes and improvement opportunities.
- Synertec are members of Social Traders, and continue to create a positive impact in the community by integrating social enterprises into its supply chain. During the Period, the Company engaged several certified social enterprises and the primary beneficiaries of this spend were charitable and Not-For-Profit organisations which provide services to marginalised youth, prisoners and ex-offenders, new migrants and refugee communities.

3. Review of operations (continued)

ESG Reporting (continued)

Governance

- The Synertec Board recently re-evaluated the skills matrix to incorporate ESG competencies, identifying opportunities to further strengthen the current skill set with training in specific ESG topics.
- A Modern Slavery policy was implemented during the Period, with process updates made throughout the purchasing, contract management and vendor audit procedures.
- A Whistleblower Policy was implemented during the Period.
- The Company commenced implementation of the ISO27001 Information Security standard to ensure best practice and to strengthen IT security, cyber security and privacy protection.

Outlook

Following the successful Placement during the Period, Synertec's balance sheet is well positioned to support the Company's technology-led growth strategy, including commercialising large near-term ESG-focused technology opportunities in the energy sector; while also growing out its high-end engineering solutions business.

Synertec will continue to focus on progressing the Powerhouse technology over the next 6 months, with plans to complete field testing, achieve sign-off and reach commercial terms with Santos Limited, as well as develop various opportunities from the United States and local major companies in both the resources and energy sectors.

Demand for ESG-focused technologies and engineering solutions continues to grow, particularly around large infrastructure projects in the energy and water sectors. Synertec will continue to invest in its people to drive continued growth in its technology and engineering consultancy services during the second half of FY23 and beyond.

4. Litigation

There has been no litigation in the half-year period and to the best of the Directors' knowledge there are no circumstances that would give rise to any potential litigation relating to this same period.

5. Dividends

There were no dividends paid, declared or recommended during the current or previous financial period.

6. Subsequent events

No matter or circumstance has arisen since 31 December 2022 that has significantly affected or may significantly affect the consolidated entity's operations, the results from those operations, or the consolidated entity's state of affairs in future years.

7. Officers of the Company who are former audit partners of auditor

There are no officers of the Company who are former audit partners of Grant Thornton Audit Pty Ltd.

8. Auditor

Grant Thornton Audit Pty Ltd continues in office.

This report is made in accordance with a resolution of directors.



On behalf of the Directors,
Mr. Michael Carroll
Managing Director

Melbourne
27 February 2023

Synertec Corporation Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2022

| | Note | 31 Dec 2022 | 31 Dec 2021 |
|--|-------------|--------------------|--------------------|
| Revenue | | | |
| Revenue | 4 | 6,847,006 | 5,581,599 |
| Other income | 4 | 451,674 | 264,586 |
| | | 7,298,680 | 5,846,185 |
| Expenses | | | |
| Materials and service expense | | (656,139) | (732,105) |
| Employee benefits expense | 5 | (5,931,036) | (4,919,565) |
| Depreciation and amortisation expense | 9,10 | (315,236) | (186,117) |
| Technology research and development costs | | (1,054,104) | (429,998) |
| Business and corporate development expenses | | (813,267) | (295,750) |
| Other expenses | | (908,873) | (772,666) |
| | | (2,379,975) | (1,490,016) |
| Results from operating activities | | | |
| Finance income | | 19 | 148 |
| Finance costs | | (65,111) | (66,614) |
| | | (65,092) | (66,466) |
| Net finance costs | | | |
| | | (2,445,067) | (1,556,482) |
| Loss from operations before tax | | | |
| Income tax expense | 8 | - | - |
| | | (2,445,067) | (1,556,482) |
| Loss from operations after tax | | | |
| Other comprehensive income for the half-year, net of tax | | - | - |
| | | (2,445,067) | (1,556,482) |
| Total comprehensive loss for the half-year | | | |
| Earnings per share | | | |
| Basic loss per share | 15 | (0.65) | (0.44) |
| Diluted loss per share | 15 | (0.65) | (0.44) |

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Synertec Corporation Limited
Consolidated Statement of Financial Position
As at 31 December 2022

| | Note | 31 Dec 2022 | 30 Jun 2022 |
|--------------------------------------|-------------|--------------------|--------------------|
| Assets | | | |
| Cash and cash equivalents | 6 | 7,097,652 | 4,120,753 |
| Trade and other receivables | | 1,890,950 | 2,519,135 |
| Other assets | 7 | 264,867 | 513,924 |
| Contract assets | | 995,963 | 1,339,443 |
| Total current assets | | 10,249,432 | 8,493,255 |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 1,693,630 | 1,788,498 |
| Intangible asset | 10 | 491,253 | 621,085 |
| Total non-current assets | | 2,184,883 | 2,409,583 |
| Total assets | | 12,434,315 | 10,902,838 |
| Liabilities | | | |
| Trade and other payables | 11 | 2,303,219 | 3,005,665 |
| Employee benefits | | 861,263 | 855,427 |
| Contract liabilities | | 104,919 | 50,053 |
| Lease liabilities | 12 | 198,338 | 86,985 |
| Total current liabilities | | 3,467,739 | 3,998,130 |
| Non-current liabilities | | | |
| Trade and other payables | 11 | 44,982 | 151,241 |
| Employee benefits | | 194,249 | 161,193 |
| Lease liabilities | 12 | 1,260,519 | 1,431,459 |
| Total non-current liabilities | | 1,499,750 | 1,743,893 |
| Total liabilities | | 4,967,489 | 5,742,023 |
| Net assets | | 7,466,826 | 5,160,816 |
| Equity | | | |
| Issued capital | 13 | 13,400,196 | 8,518,510 |
| Share option reserve | 14 | 494,000 | 624,609 |
| Retained earnings | | (6,427,370) | (3,982,303) |
| Total equity | | 7,466,826 | 5,160,816 |

The above statement of financial position should be read in conjunction with the accompanying notes

Synertec Corporation Limited
Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2022

| | | Issued capital | Share option reserve | Retained earnings | Total |
|------------------------------------|----|---------------------------|---------------------------------|------------------------------|--------------------|
| | | \$ | \$ | \$ | \$ |
| Balance at 1 July 2021 | | 2,097,506 | - | (1,069) | 2,096,436 |
| Issue of shares | | 7,147,211 | - | - | 7,147,211 |
| Capital raising costs | | (726,207) | - | - | (726,207) |
| Employee share-based compensation | | - | 382,609 | - | 382,609 |
| Broker options on issue | | - | 242,000 | - | 242,000 |
| Loss for the half-year | | - | - | (1,556,482) | (1,556,482) |
| Total comprehensive loss | | - | - | (1,556,482) | (1,556,482) |
| Balance at 31 December 2021 | | 8,518,510 | 624,609 | (1,557,551) | 7,585,568 |
| Balance at 1 July 2022 | | 8,518,510 | 624,609 | (3,982,303) | 5,160,816 |
| Issue of shares | 13 | 5,000,000 | - | - | 5,000,000 |
| Capital raising costs | 13 | (600,923) | - | - | (600,923) |
| Broker options on issue | 14 | - | 252,000 | - | 252,000 |
| Exercised options | 14 | 482,609 | (382,609) | - | 100,000 |
| Loss for the half-year | | - | - | (2,445,067) | (2,445,067) |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive loss | | - | - | (2,445,067) | (2,445,067) |
| Balance at 31 December 2022 | | 13,400,196 | 494,000 | (6,427,370) | 7,466,826 |

The above statement of changes in equity should be read in conjunction with the accompanying notes

Synertec Corporation Limited
Consolidated Statement of Cash Flows
For the half-year ended 31 December 2022

| | 31 Dec 2022 | 31 Dec 2021 |
|--|--------------------|--------------------|
| Cash flows from operating activities | | |
| Cash receipts from customers | 7,752,518 | 6,004,821 |
| Cash paid to suppliers and employees | (8,558,777) | (7,409,948) |
| Cash used in operations | (806,259) | (1,405,128) |
| Government grant received | 1,104,643 | - |
| Payments for R&D activities | (1,054,104) | - |
| Payments for corporate development activities | (321,646) | (77,570) |
| Net cash used in operating activities | (1,077,366) | (1,482,698) |
| Cash flows from investing activities | | |
| Loan funds paid by technology partner | - | 255,000 |
| Payment for intangible asset associated costs | - | (159,915) |
| Payment for property, plant and equipment | (50,065) | (47,453) |
| Net cash from/(used in) investing activities | (50,065) | 47,633 |
| Cash flows from financing activities | | |
| Repayment of finance lease liabilities | (145,033) | (112,230) |
| Repayment of other liabilities | (501,715) | (601,820) |
| Payments for capital raising costs | (348,923) | (484,207) |
| Proceeds from issue of shares | 5,000,000 | 7,147,211 |
| Proceeds from exercised options | 100,000 | - |
| Net cash from financing activities | 4,104,329 | 5,948,954 |
| Net increase in cash and cash equivalents | 2,976,898 | 4,513,890 |
| Cash and cash equivalents at beginning of the half-year | 4,120,754 | 2,625,853 |
| Cash and cash equivalents at end of the half-year | 7,097,652 | 7,139,743 |

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The above statement of cash flows should be read in conjunction with the accompanying notes

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2022

1. Basis of preparation

The half-year financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001 and International Financial Reporting Standard IAS 34: "Interim Financial Reporting".

These financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2022 and any publications made by Synertec Corporation Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001. The half-year financial statements do not include full disclosures of the type normally included in annual financial statements. The accounting policies adopted are consistent with those of the previous financial year except where otherwise disclosed.

2. Significant accounting policies

Going concern

In preparing the financial statements, the Directors have made an assessment of the ability of the Group to continue as a going concern. In considering their position, the Directors have had regard to the current cash reserves, the level of forecast cash expenditure and the likelihood of being able to raise funds in future, should the need arise. The Directors have concluded there are reasonable grounds to believe the Company is a going concern and will be able to continue pay its debts as and when they become due and payable.

3. Operating segments

The Group restructured the business in July 2021 to form two key areas of operation, being Engineering Solutions ('Engineering') and Technology and Future Business ('Technology'). These two divisions/segments are managed separately as each requires different skills, technologies, marketing approaches and other resources. This is the basis on which information is internally provided to the Chief Operating Decision Makers ('CODMs') for assessing performance and making operating decisions. All inter-segment transfers are conducted at arm's length prices based on prices charged to customers in stand-alone sales of identical goods or services.

The segment disclosures are before corporate costs. The Corporate area of the Group, which is a cost centre, includes the Board and Executives which oversee the function and strategic direction of Engineering and Technology, as well as the governance, financing and operation of the public ASX-listed head parent company, Synertec Corporation Limited. The activities of the head company include governance oversight, finance and related affairs, corporate development, investor relations and other functions associated with the operation and regulatory compliance of the Group's head company.

It includes parent company costs and interest income and charges which are not otherwise allocated to operating segments as this type of activity is driven by the Group function, which manages the cash position, governance and compliance for the Group as a whole.

The Board assesses the performance of the operating segments based on a measure of Adjusted EBITDA, which excludes the effects of non-operating and non-recurring costs.

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2022

3. Operating segments

The revenues and profit generated by each of the Group's two key business segments and the Corporate division, and their respective segment assets and liabilities are summarised as follows:

| | Six months to 31 Dec 2022 | | |
|--|---------------------------|--------------------|--------------------|
| | Engineering | Technology | Total |
| Revenue and other income | | | |
| From external customers | 6,854,006 | - | 6,854,006 |
| From other segment ⁽¹⁾ | 1,422,301 | - | 1,422,301 |
| Government incentives | - | 444,674 | 444,674 |
| Segment revenues and other income | 8,276,307 | 444,674 | 8,720,981 |
| Segment Adjusted EBITDA | 786,154 | (1,737,008) | (950,854) |
| Depreciation and amortisation | (182,865) | (132,371) | (315,236) |
| Corporate development | (102,618) | (321,646) | (424,264) |
| Segment EBIT | 500,671 | (2,191,025) | (1,690,354) |
| Segment assets | 6,073,311 | 5,299,731 | 11,373,042 |
| Segment liabilities | 4,450,818 | 225,501 | 4,676,319 |

| | Six months to 31 Dec 2021 | | |
|--|---------------------------|------------------|-------------------|
| | Engineering | Technology | Total |
| Revenue and other income | | | |
| From external customers | 5,581,599 | 9,586 | 5,591,185 |
| From other segment ⁽¹⁾ | 375,742 | - | 375,742 |
| Government incentives | - | 255,000 | 255,000 |
| Segment revenues and other income | 5,957,341 | 264,586 | 6,221,926 |
| Segment Adjusted EBITDA | (55,144) | (191,286) | (246,430) |
| Depreciation and amortisation | (169,835) | (15,407) | (185,242) |
| Redundancy payments ⁽²⁾ | (55,846) | - | (55,846) |
| Share-based compensation | - | (160,870) | (160,870) |
| Segment EBIT | (280,825) | (367,562) | (648,387) |
| Segment assets | 7,006,196 | 5,673,712 | 12,679,908 |
| Segment liabilities | 5,441,801 | 70,411 | 5,512,212 |

⁽¹⁾ The revenue recognised by the Engineering business includes the provision of services to the Technology business, primarily relating to the Powerhouse and CTS projects.

⁽²⁾ This relates to redundancy payments paid to the Chief Operating Officer, whose role was made redundant on 20 August 2021.

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2022

3. Operating segments

The totals presented for the Group's operating segments reconcile to the key financial figures as presented in its financial statements as follows:

| | 31 Dec 2022 | 31 Dec 2021 |
|---|--------------------|--------------------|
| (i) Revenue and other income | | |
| Total reportable segment revenues | 8,720,981 | 6,221,926 |
| Elimination of inter-segment revenues | (1,422,301) | (375,742) |
| | 7,298,680 | 5,846,185 |
| (ii) Segment operating profit/(loss) | | |
| Segment EBIT | (1,690,354) | (648,387) |
| Corporate expenses | (689,621) | (841,629) |
| Group operating loss | (2,379,974) | (1,490,016) |
| Finance income | 19 | 148 |
| Finance costs | (65,111) | (66,614) |
| Group loss before tax | (2,445,067) | (1,556,482) |
| (iii) Segment assets | | |
| Segment assets | 11,373,042 | 12,679,908 |
| Corporate assets | 1,061,273 | 593,062 |
| Total assets | 12,434,315 | 13,272,970 |
| (iv) Segment liabilities | | |
| Segment liabilities | 4,676,319 | 5,512,212 |
| Corporate liabilities | 291,170 | 175,200 |
| Total liabilities | 4,967,489 | 5,687,412 |

4. Revenue

| | 31 Dec 2022 | 31 Dec 2021 |
|--|------------------|------------------|
| Revenue streams | | |
| Engineering services | 5,632,506 | 4,302,124 |
| Fixed price solutions | 1,214,500 | 1,279,475 |
| | 6,847,006 | 5,581,599 |
| Other income | | |
| Government benefits - research and development tax credits | 444,674 | 255,000 |
| Other income | 7,000 | 9,586 |
| | 451,674 | 264,586 |
| | 7,298,680 | 5,846,185 |

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2022

4. Revenue (continued)

Research and development ('R&D') tax credits relate to technology projects, for which eligible R&D activities are being undertaken. The federal government's Research and Development Tax Incentive program (R&DTI) offers a tax offset for companies conducting eligible R&D activities. Companies in a tax loss position are able to obtain a refund of the tax offset. When management is able to calculate a reasonable estimate of the R&DTI refund likely to be received for a financial year, that amount is recognised in the financial year to which the refund relates. When a reasonable estimate cannot be determined, income from the R&DTI refund is recognised when it is received.

The Group is eligible for a 43.5% refundable R&D tax offset on applicable research and development activities given that its aggregate turnover is less than \$50 million. The permanent tax benefit is currently 18.5% (FY22: 18.5%) of R&D expenditure and the timing benefit is 25% (FY22: 25%), which is equivalent to the Group's corporate tax rate. The Group's taxable loss must be greater than R&D expenditure to access the full timing benefit. Given the Group's current tax loss position, the Group is entitled to a refundable benefit of 43.5% on all its eligible research and development expenditure.

The tax credits recognised for the period ended 31 December 2022 are expected to be fully refunded to the Group following lodgement of its annual income tax return.

5. Employee benefits expense

Recognised in profit or loss

| | 31 Dec 2022 | 31 Dec 2021 |
|---------------------------|--------------------|--------------------|
| Employee benefits expense | 5,931,036 | 4,536,956 |
| Share-based compensation | - | 382,609 |
| | 5,931,036 | 4,919,565 |

6. Cash and cash equivalents

| | 31 Dec 2022 | 30 Jun 2022 |
|---------------|--------------------|--------------------|
| Bank balances | 7,096,564 | 4,119,490 |
| Cash on hand | 1,088 | 1,263 |
| | 7,097,652 | 4,120,753 |

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2022

6A. Cash flow information

(i) Reconciliation of cash flows from operating activities

| Cash flows from operating activities | | 31 Dec 2022 | 31 Dec 2021 |
|--|------|--------------------|--------------------|
| Loss for the half-year | | (2,445,067) | (1,556,482) |
| Adjustments: | | | |
| Depreciation and amortisation | 9,10 | 315,236 | 186,117 |
| Net interest costs | | 65,092 | 66,466 |
| Costs associated with intangible asset capitalised | | - | 159,915 |
| Share-based compensation | | - | 382,609 |
| | | (2,064,739) | (761,375) |
| Decrease in contract assets | | 7,919 | 92,921 |
| Decrease in other assets | | 366,094 | 662,607 |
| Decrease in non current assets | | 253,256 | (759,915) |
| Decrease/(increase) in trade and other receivables | | 11,638 | (1,090,554) |
| Decrease/(increase) in trade and other payables | | (850,840) | 182,358 |
| Increase in employee benefits | | 160,918 | 200,803 |
| Decrease in finance liabilities | | (124,549) | (6,391) |
| Increase/(decrease) in contract liabilities | | 81,278 | (17) |
| Cash used in operating activities | | (2,159,025) | (1,479,563) |
| Interest paid net of interest received | | (20,157) | (307) |
| R&D Grant income received | | 1,104,643 | - |
| Realised foreign currency gains | | (2,827) | (2,829) |
| Net cash used in operating activities | | (1,077,366) | (1,482,698) |

7. Other assets

| | 31 Dec 2022 | 30 Jun 2022 |
|-------------------------------|--------------------|--------------------|
| Prepayments and other debtors | 219,694 | 458,893 |
| Deposits | 32,911 | 42,769 |
| Stock on hand | 12,262 | 12,262 |
| | 264,867 | 513,924 |

8. Net deferred tax assets

| Deferred tax assets not brought to account at reporting date | 31 Dec 2022 | 30 Jun 2022 |
|---|--------------------|--------------------|
| Temporary differences | 508,519 | 396,119 |
| Unused carry forward tax losses | 2,347,974 | 1,863,175 |
| | 2,856,493 | 2,259,294 |

The carrying amount of recognised and unrecognised deferred tax assets was reviewed at 31 December 2022. While the Board remains confident and optimistic about the long term strategy of the Company and the economic fundamentals of the target markets in which it operates delivering long term sustainable and profitable growth for its shareholders, the Board resolved to adopt a prudent approach with respect to the judgements involved in determining the carrying value of the deferred tax asset, considering the current and potential economic environment. No deferred tax assets have been recognised in the accounts of the Group.

Deferred tax assets are not subject to any expiry date or limited to a certain type of taxable income and remain available to be deducted from any future taxable profits of the Company. This includes unused carry forward tax losses not brought to account as at 31 December 2022, which amount to \$2,347,974. At the current Australian corporate income tax rate applicable to the Company of 25% (FY22:25%), this equates to approximately \$9.4 million in taxable profits that potentially could be earned by the Company before an income tax expense is incurred, subject to applicable laws and regulations.

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2022

9. Property, plant and equipment

| | Computers | Furniture and equipment | Leashold improvements | Motor vehicles | Right-of-use assets | TOTAL |
|---------------------------------|----------------|-------------------------|-----------------------|----------------|---------------------|------------------|
| Cost | | | | | | |
| Balance at 1 July 2021 | 417,653 | 30,041 | 299,507 | 163,096 | 1,874,827 | 2,785,124 |
| Additions | 147,620 | - | 28,198 | 20,810 | 51,660 | 248,288 |
| Disposals | (70,067) | (686) | - | (51,322) | - | (122,075) |
| Balance at 30 June 2022 | 495,206 | 29,355 | 327,706 | 132,584 | 1,926,487 | 2,911,338 |
| Balance at 1 Jul 2022 | 495,206 | 29,355 | 327,706 | 132,584 | 1,926,487 | 2,911,338 |
| Additions | 49,795 | - | - | - | 40,743 | 90,538 |
| Disposals | - | - | - | - | - | - |
| Balance at 31 Dec 2022 | 545,002 | 29,355 | 327,706 | 132,584 | 1,967,230 | 3,001,875 |
| Accumulated depreciation | | | | | | |
| Balance at 1 July 2021 | 284,187 | 21,873 | 22,928 | 100,079 | 432,502 | 861,568 |
| Disposals | (69,269) | (638) | - | (30,512) | - | (100,419) |
| Depreciation/amortisation | 102,978 | 3,252 | 31,048 | 12,543 | 211,871 | 361,692 |
| Balance at 30 June 2022 | 317,896 | 24,487 | 53,976 | 82,110 | 644,373 | 1,122,840 |
| Balance at 1 Jul 2022 | 317,896 | 24,487 | 53,976 | 82,110 | 644,373 | 1,122,840 |
| Disposals | - | - | - | - | - | - |
| Depreciation/amortisation | 57,116 | 962 | 16,520 | 4,958 | 105,847 | 185,404 |
| Balance at 31 Dec 2022 | 375,012 | 25,450 | 70,496 | 87,068 | 750,220 | 1,308,244 |
| Carrying amounts | | | | | | |
| at 1 Jul 2021 | 133,466 | 8,169 | 276,579 | 63,017 | 1,442,325 | 1,923,555 |
| at 30 Jun 2022 | 177,311 | 4,867 | 273,730 | 50,474 | 1,282,115 | 1,788,496 |
| at 1 Jul 2022 | 177,311 | 4,867 | 273,730 | 50,474 | 1,282,115 | 1,788,498 |
| at 31 Dec 2022 | 169,989 | 3,905 | 257,210 | 45,515 | 1,217,011 | 1,693,630 |

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2022

10. Intangible asset

Details of the Group's intangible asset and its carrying amount is as follows:

| | Acquired Licence |
|------------------------------------|-----------------------------|
| Gross carrying amount | |
| Balance at 1 Jul 2022 | 776,705 |
| Additions, separately acquired | - |
| Disposals | - |
| Balance at 31 Dec 2022 | 776,705 |
| Amortisation and impairment | |
| Balance at 1 Jul 2022 | 155,620 |
| Amortisation | 129,832 |
| Impairment losses | - |
| Disposals | - |
| Balance at 31 Dec 2022 | 285,452 |
| Carrying amounts | |
| at 1 Jul 2022 | 621,085 |
| at 31 Dec 2022 | 491,253 |

As announced by the Company on the ASX on 24 November 2021, Synertec and its CDP technology partner, GreenTech, entered into a perpetual, exclusive and royalty-free Intellectual Property Licence Agreement ("Licence Agreement"), providing Synertec with the right to use GreenTech's CDP technology in the key global energy territories of the entire Americas, Canada, Australia and New Zealand. At the time of entering the agreement, the balance of the loan outstanding from GreenTech (\$800,000) plus interest accrued over the term of the facility (\$55,000), was repaid to Synertec as follows; \$255,000 cash, with the balance of \$600,000 offset as consideration for the licence payable by Synertec to GreenTech. The licence fee and costs directly attributable to obtaining the licence have been capitalised accordingly.

In accordance with the terms of the Licence Agreement, Synertec will make additional consideration 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 CDP revenue hurdles of \$2 million by year 3 and \$5 million by year 5 being achieved. There are no ongoing royalty fees associated with the Licence Agreement. The milestone Licence fees will be accounted at cost at each milestone date, if achieved. They constitute contingent liabilities (refer to Note 16).

The Licence fee and attributable costs are being amortised over 3 years, being the initial exclusivity period of the Licence Agreement and based on the timeframes of the milestones. The carrying value of the Licence has been reviewed for internal and external impairment indicators at the end of the reporting period, with no indicators noted.

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2022

11. Trade and other payables

| | 31 Dec 2022 | 30 Jun 2022 |
|------------------------------|--------------------|--------------------|
| Current | | |
| Trade payables | 362,279 | 1,380,028 |
| Other payables | 1,623,711 | 1,182,347 |
| Deferred tax obligations | 231,059 | 310,534 |
| Fixed price project accruals | 86,170 | 132,756 |
| | 2,303,219 | 3,005,665 |
| Non-Current | | |
| Other payables | 44,982 | 117,960 |
| Deferred tax obligations | - | 386,206 |
| | 44,982 | 504,166 |

12. Leasing

Lease liabilities are presented in the statement of financial position as follows:

| | 31 Dec 2022 | 30 Jun 2022 |
|---------------------------------|--------------------|--------------------|
| Lease liabilities (current) | 198,338 | 86,985 |
| Lease liabilities (non-current) | 1,260,519 | 1,431,459 |
| | 1,458,857 | 1,518,444 |

The Group has leases for its head office and warehouse in Camberwell, an office in Perth and office equipment. The lease liabilities are secured by the related underlying assets.

Future minimum lease payments at 31 December 2022 were as follows:

| | Minimum lease payment due | | | | | | Total |
|---------------------------|----------------------------------|-------------------------|---------------------------|----------------------------|---------------------------|-------------------------|------------------|
| | Within one year | One to two years | Two to three years | Three to four years | Four to five years | After five years | |
| Lease payments | 280,111 | 245,624 | 234,542 | 223,297 | 226,538 | 595,096 | 1,805,209 |
| Finance charges | (81,773) | (70,895) | (60,205) | (49,997) | (39,243) | (44,237) | (346,352) |
| Net present values | 198,338 | 174,729 | 174,337 | 173,300 | 187,295 | 550,858 | 1,458,857 |

Out of the total finance costs of \$65,111, an amount of \$44,973 is attributable to the lease liabilities during the half year ending 31 December 2022.

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2022

13. Issued capital

| | 31 Dec 2022 | 30 Jun 2022 | 31 Dec 2022 | 30 Jun 2022 |
|------------------------------|--------------------|--------------------|-------------------|------------------|
| | Shares | Shares | \$ | \$ |
| Ordinary shares - fully paid | 395,132,299 | 357,360,560 | 14,001,119 | 9,244,717 |
| Capital raising costs | - | - | (600,923) | (726,207) |
| | 395,132,299 | 357,360,560 | 13,400,196 | 8,518,510 |

In September 2022, Synertec undertook a share placement to various institutional and sophisticated investors and successfully raised \$5.0 million (before costs) through a placement of 31,250,000 new fully paid ordinary shares at \$0.16 per share.

During the Period, Mr. Dennis Lin (Independent Non-Executive Director and Chair) and Mr. David Harris (Executive Director, Chief Financial Officer and Company Secretary) exercised the options (6,521,739) which were granted to them in 2021 (refer to Note 14).

Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

14. Share option reserve

| | 31 Dec 2022 | 30 Jun 2022 |
|--|----------------|----------------|
| Balance at 1 July 2022 | 624,609 | - |
| Employee share-based compensation | - | 382,609 |
| Exercised options ⁽¹⁾ | (382,609) | - |
| Broker options on issue ⁽²⁾ | 252,000 | 242,000 |
| Balance at 31 December 2022 | 494,000 | 624,609 |

⁽¹⁾ During the Period, the Company's Directors, Mr. Dennis Lin (Independent Non-Executive Director and Chair) and Mr. David Harris (Executive Director, Chief Financial Officer and Company Secretary) exercised the options (6,521,739) which were granted to them at the Company's 2021 Annual General Meeting. Shareholders approved the grant of unlisted options with a 1-year term expiry to these Directors for their contribution to the achievement of various strategic objectives over preceding periods. Proceeds received by the Company from the exercise of the options amounted to \$0.1 million.

⁽²⁾ During the Period, at the Company's 2022 Annual General Meeting, shareholders approved the grant of 3,600,000 unlisted options with an exercise price of \$0.32 and term expiry of 2 years, to its Joint Lead Managers and Brokers in the share placement conducted by the Company in September 2022.

The fair value of share-based payment transactions was determined using the Black Scholes valuation model. The model requires certain inputs in order to determine an appropriate fair value. These inputs include share price at grant date, risk free rate, volatility factor, exercise price, time to maturity and expected dividend yield.

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2022

15. Earnings per share

In accordance with IAS 33 'Earnings Per Share', as potential ordinary shares may only result in a situation where their conversion results in an increase in loss per share or decrease in profit per share from continuing operations, no dilutive effect has been taken into account for the half-year ended 31 December 2022.

| Earnings per share from continuing operations | 31 Dec 2022 | 31 Dec 2021 |
|---|--------------------|--------------------|
| Loss after tax | (2,445,067) | (1,556,482) |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 377,458,918 | 357,360,560 |
| Basic loss per share (cents per share) | (0.65) | (0.44) |
| Diluted loss per share (cents per share) | (0.65) | (0.44) |

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

16. Contingent liabilities

The Group has potential contingent liabilities with respect to the perpetual and exclusive Intellectual Property Licence agreement ("Licence Agreement") with CDP technology partner, GreenTech.

The Licence Agreement is exclusive within the stated Territories, however if:

- 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 million 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 Synertec has not received an amount of revenue equal to more than \$5 million from services or sales associated with the GreenTech IP within the Territories (or with the consent of GreenTech, from outside the Territories) ("Second Milestone");

then GreenTech may convert the licence from an exclusive licence to a non-exclusive licence.

As additional consideration for the grant of the licence, Synertec will issue the following securities to GreenTech (or its nominee):

- 2.5 million fully paid ordinary shares in Synertec 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.

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.

17. Subsequent events

No matter or circumstance has arisen since 31 December 2022 that has significantly affected or may significantly affect the consolidated entity's operations, the results from those operations, or the consolidated entity's state of affairs in future years.

Synertec Corporation Limited
Directors' declaration
31 December 2022

In the Directors' opinion:

1. The attached financial statements and notes comply with the International Financial Reporting Standard IAS 34 'Interim Financial Reporting'; as appropriate for for-profit oriented entities;
2. The attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
3. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors



Mr. Michael Carroll
Managing Director

27 February 2023

Grant Thornton Audit Pty Ltd

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Independent Auditor's Review Report

To the Members of Synertec Corporation Limited

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Synertec Corporation Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Synertec Corporation Limited does not give a true and fair view of the financial position of the Group as at 31 December 2022 and of its performance for the half-year ended on that date in accordance with IAS 34 *Interim Financial Reporting*.

Basis for Conclusion

We conducted our review in accordance with ISRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with International Accounting Standards and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ISRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report does not give a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard IAS 134 *Interim Financial Reporting*. As the auditor of Synertec Corporation Limited, ISRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Grant Thornton Audit Pty Ltd
Chartered Accountants



B A Mackenzie
Partner – Audit & Assurance

Melbourne, 27 February 2023