



SYNERTEC

Synertec Corporation Limited ARBN 161 803 032
Half-year report for the period ended 31 December 2021
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 2021 \$'000	31 Dec 2020 \$'000	Variance \$'000	Variance %
2.1	Revenue from ordinary activities	5,846	3,536	Up 2,310	Up 65%
2.2	Loss from ordinary activities after tax attributable to the owners of Synertec Corporation Limited	(1,556)	(1,916)	Up 359	Up 19%
2.3	Loss for the year attributable to the owners of Synertec Corporation Limited	(1,556)	(1,916)	Up 359	Up 19%
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 2021 - 'Review of Operations' section.			
3	Net tangible assets per share (cents)	0.02	0.01	Up 0.01	Up 83%
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 Company's Interim Financial Report and accompanying notes for the Half Year Ended 31 December 2021 has been reviewed by its 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 2021 is attached.			

Signed:

Mr. Michael Carroll
Managing Director
Melbourne, Australia
Date: 24 February 2022



SYNERTEC

Synertec Corporation Limited

ARBN 161 803 032

Interim Financial Report

**For the Half-Year Ended
31 December 2021**

Synertec Corporation Limited
Table of Contents
For the period ended 31 December 2021

Directors' Report	4
Statement of Profit or Loss and Other Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Statement of Cash Flows	14
Notes to the Financial Statements	15
Directors' Declaration	25
Independent Auditor's Review Report	26

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 2021 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 (Non-Executive Director, Chair) Ms. Leeanne Bond (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 Grosvenor Place Level 12, 225 George Street Sydney, NSW 2000 Australia Telephone: 1300 737 760 (within Australia) +(61 2) 9290 9600 (outside Australia) Facsimile: +(61 2) 9290 9655
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 2021

The Directors present their report together with the financial statements of the consolidated entity for the half-year ended 31 December 2021.

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 (Non-Executive Director, Chair)
 Ms. Leeanne Bond (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 2021.

3. Review of operations

Profit and loss performance

Synertec generated revenue for the half-year ended 31 December 2021 ("FY22 H1", or "Period") of \$5.8 million, up 65% on the prior comparable period ("pcp") (31 December 2020: \$3.5 million). This result was underpinned by strong growth in the engineering consultancy services revenue category, which generated \$4.3 million of revenue at strong gross margins, an increase of 97% on pcp (31 December 2020: \$2.2 million).

The Board assesses the underlying performance of the business based on measures of Adjusted EBITDA which exclude the effect of non-operating and non-recurring items. Outlined below is an analysis of Adjusted Earnings Before Income Tax Depreciation Amortisation ('EBITDA') and Adjusted Net Profit After Tax ('NPAT') in the current period which is calculated after excluding the effects of costs incurred and subsidies received but not related to underlying operations or expected to occur in the future.

Summary Profit & Loss Performance	FY22 H1 (\$'000s)	FY21 H1 (\$'000s)	% Change
Total Revenue	5,846	3,536	Up 65%
Engineering Consultancy Services Revenue	4,302	2,185	Up 97%
Adjusted EBITDA before R&D activities	(669)	(1,171)	Up 43%
Adjusted EBITDA	(844)	(1,171)	Up 28%
EBITDA	(1,329)	(586)	Down 123%
Adjusted NPAT	(1,126)	(1,654)	Up 32%
NPAT	(1,556)	(1,916)	Up 19%

The Adjusted EBITDA was a loss of \$0.8 million (31 December 2020: \$1.2 million loss), an improvement of 28%. Adjusted EBITDA excludes costs which are discretionary for the purposes of exploring strategic long term growth opportunities and/or activities and expenses which are not considered to be typical ongoing operational overheads for the business. Such items include corporate development costs of \$0.1 million (31 December 2020: \$0.2 million), share-based payments of \$0.4 million approved by the Company's shareholders at the 2021 Annual General Meeting (31 December 2020: \$nil), and Federal Government JobKeeper payments for which there were none received in the Period (31 December 2020: \$0.7 million).

Note; COVID-19 is reflected in Adjusted EBITDA only by the exclusion of government subsidies, with no attempt to include a corresponding adjustment for the abnormal (but difficult to measure) reduction in revenue and increase in costs.

Included in the Adjusted EBITDA is applicable technology research and development ("R&D") costs of \$0.4 million primarily for development of the Powerhouse and LNG Custody Transfer System ('CTS') technologies, which has been expensed for tax and accounting purposes (31 December 2020: nil), enabling the Group to achieve tax credits for this expenditure which are expected to be refunded in cash to the Group following lodgement of its annual income tax return. The Group also recognised the anticipated tax refund as other income of \$0.3 million (31 December 2020: nil) 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 \$0.7 million (31 December 2020: \$1.2 million loss).

3. Review of operations (continued)

Profit and loss performance (continued)

The result from operations before tax was a loss of \$1.6 million (31 December 2020: \$0.9 million loss) and the result after tax (NPAT) was also a net loss of \$1.6 million (31 December 2020: \$1.9 million loss). The table below shows how FY22 H1 and FY21 H1 NPAT compare, allowing for items unique to the respective periods:

FY22 H1	FY22 H1 (\$'000s)	FY21 H1 (\$'000s)	Variance
NPAT	(1,556)	(1,916)	360
JobKeeper Payments	-	(737)	737
Write-down of Deferred Tax Asset	-	999	(999)
Technology R&D Expenditure	430	-	430
Comparable NPAT	(1,126)	(1,654)	528

Since 1 July 2021, as announced by the Company during the Period, the Group restructured the business 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.

FY22 H1	Engineering (\$'000s)	Technology (\$'000s)	Corporate (\$'000s)	Total (\$'000s)
Revenue	5,582	264	-	5,846
Adjusted EBITDA	(111)	(190)	(542)	(844)

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 two years, Engineering gross margins have continued to strengthen. During the Period, the gross margin increased a further 4 percentage points, was ahead of budgeted expectations, and is double the gross margin achieved in the financial year prior to COVID-19 (FY19).

Capital Management

Balance Sheet	31-Dec-21 (\$'000s)	30-Jun-21 (\$'000s)	\$ Change (\$'000s)
Total Assets	13,273	8,228	Up 5,045
Cash at Bank	7,140	2,626	Up 4,514
Net Assets	7,586	2,096	Up 5,490
Current Ratio (Current Assets / Current Liabilities)	2.8 times	1.6 times	Up 1.2 times

Total Assets of \$13.3 million (30 June 2021: \$8.2 million) and Net assets of \$7.6 million (30 June 2021: \$2.1 million) includes cash of \$7.1 million (30 June 2021: \$2.6 million). The increase in net assets and cash balance reflects the successful share placement ('Placement') completed in August 2021 (refer below for further commentary on this).

Synertec operates with no working capital debt or covenants from its bank.

3. Review of operations (continued)

Capital Management (continued)

Cash Flow	FY22 H1 (\$'000s)	FY21 H1 (\$'000s)	\$ Change (\$'000s)
Cash receipts from customers	6,005	4,392	Up 1,613
Net cash used in/from operating activities	(1,405)	448	Down 1,853
Net increase in cash	4,514	342	Up 4,171

Cash receipts from customers was \$6.0 million (31 December 2020: \$4.4 million), up 37% on pcp and debtor-days remain within the Group's 30-35 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 \$4.5 million. This included net proceeds of \$6.7 million from an oversubscribed Placement conducted in August 2021. The Placement of 71.4 million new shares at an issue price of \$0.10 per share represented a 9% discount to the last closing price and 5-day VWAP.

Net proceeds from the Placement will be principally used to provide balance sheet support to fund current growth initiatives within the Company's Technology business, and its rapidly growing portfolio of engineering solutions with its many Tier-1, 'blue-chip' customers. The Placement was corner-stoned by high quality institutional investors, Perennial Value Management and SG Hiscock, proving a strong endorsement for the Company and its ESG technology-led growth strategy.

The net cash flow outflow from operations of \$1.4 million (31 December 2020: \$0.4 million inflow) comprised net cash used in operations as follows:

FY22 H1	Engineering (\$'000s)	Technology (\$'000s)	Corporate (\$'000s)	Total (\$'000s)
Net operating cash flows	(493)	(430)	(482)	(1,405)

The net cash flows from operating activities during the Period do not include any JobKeeper payments, unlike the pcp (31 December 2020: \$0.7 million). The Group continues to avail of COVID-19 relief measures offered by both Federal and State Governments during 2020 for the deferral of payroll tax for FY21 and the ability to defer and spread Pay-As-You-Go ("PAYG") and Business Activity Statement ("BAS") payments related to the period April 2020 to September 2020 across 36 months with no interest or penalties. Synertec accepted these offers and accrued the costs accordingly in the FY20 and FY21 results and set aside the entire cash requirements for these commitments which it is currently fulfilling.

The Company remains focused on moving both the Technology and Engineering businesses towards consistent positive operating cash flow.

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 Project

During the Period, Synertec entered into a Memorandum of Understanding ("MOU") with leading independent energy producer Santos Limited (ASX:STO) to progress the Company's Powerhouse technology which centres around the design, construction and field testing of an innovative Artificial Intelligence (AI)-driven sustainable solar renewable energy and battery power system for remote-site application to coal seam gas (CSG) well de-watering. The system employs sophisticated AI and predictive analytics to optimise energy efficiency and power delivery.

3. Review of operations (continued)

Operations (continued)

Technology Business (continued)

Powerhouse Project (continued)

In addition to the signing of the MOU, a number of key milestones were achieved on the Powerhouse Project during the Period, including:

- Significant progress in detailed design, which is now close to completion
- Procurement of all key equipment inputs, with delivery secured for most items
- Commencement of fabrication

The Company is targeting the commencement of field trials in Q4 of FY22, with completion and sign-off expected later in the calendar year.

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, world-leading independent certification body DNV approved Synertec's marine Custody Transfer System for installation on LNG vessels. DNV is the world's leading Classification Society and a recognised advisor to the maritime industry, that provides certification services based on established standards and criteria for multiple sectors including the maritime industry, oil and gas and renewable energy.

Synertec also announced during the Period that it is partnering with GasLog on the development of Synertec's CTS technology. European-based 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, GasLog recently 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 for which Synertec is positioning as a key technology supplier.

Composite Dry Powder (CDP)

During the Period, Synertec and GreenTech entered 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 Licence Agreement replaced an existing arrangement between the two parties that was due to expire in September 2022.

With the Licence Agreement in place the Company will now look to commercialise CDP across some of the world's largest hydrocarbon markets including Australia, Canada, North America, Central America and South America. Field testing commenced during the year in Australia with technology partners, and Synertec is currently seeking commercial opportunities.

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.

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

3. Review of operations (continued)

Operations (continued)

Engineering Business

The Period saw an increased 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 \$6 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.

These awards included 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.

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 \$3 million (if completed in full), with provision for scope extensions, and a completion date of December 2024. This important contract will see Synertec deliver the Control and Monitoring System for the Metro Tunnel Project ("MTP").

The \$11 billion-dollar MTP is one the largest infrastructure projects in Victoria. Synertec was awarded contract for works to design and supply the Control and Monitoring System to allow the safe and reliable operation of the new Metro Tunnel. Synertec has a strong rail industry reputation having already delivered several projects including critical safety systems on the existing underground rail loop.

The Company was able to significantly grow its team of highly skilled and talented people across the period to approximately 75 people, representing the largest workforce in the company's history, and almost doubling billable capacity on pcp. While COVID-19 has presented challenges for human resourcing, Synertec is well placed and continues to further expand its engineering team to support new and expanded engagements, as well as the growing Technology arm of the Group.

ESG Reporting

Synertec is committed to building its Environmental, Social, and Governance ("ESG") credentials. 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 the quarterly "ESG Go" report.

Synertec's quarterly ESG activity summary is as follows:

- Sustainability integrated into company strategy and values: the Environment, Social and Governance (ESG)
- The Board skills matrix was reviewed and approved and incorporates ESG competencies
- The website has been expanded to include;
 - o an Environmental, Social and Governance page declaring Synertec's commitment to the framework
 - o expanded biographies of the Directors and their relevant experience
 - o ISO accreditations in Quality (ISO 9001), Occupational Health & Safety (ISO 45001) and Environment (ISO 14001)
- Risk management systems have been reviewed for inclusion of ESG factors
- Synertec has introduced, commenced and implemented ESG values and guidelines and structuring at Board level
- The company commenced inducting new employees under ESG guidelines and framework
- Synertec is developing and reviewing its social enterprise procurement strategy to ensure it is embedded firmly across the Group's businesses

3. Review of operations (continued)

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 progress the Powerhouse Project over the next 6 months, with plans to complete field testing, achieve sign-off and reach commercial terms with Santos Limited. The Company will continue to collaborate with its technology partner, GasLog, to progress CTS opportunities led by the Outer Harbour project in Australia, and progress field testing of the CDP technology with existing technology partners with activities in central Australia.

While COVID-19 challenges remain, 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, engineering consultancy services and projects during the second half of FY22 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

During the half year period to 31 December 2021, the global Coronavirus (COVID-19) pandemic and the associated community restrictions imposed by Governments has continued to significantly influence market behaviour. Subsequent to balance date, the number of COVID-19 cases, largely as a result of the emergence of the 'Omicron' strain of the virus, surged in the Australian community and many of Synertec's employees and their families were affected. While additional costs in relation to COVID-19 have been incurred by the Company since 31 December 2021, management believes that the Group is well positioned to cope with most impacts from the pandemic. Factors contributing to the Group's strong position are that:

- it maintains strong cash reserves and working capital position;
- it does not operate with any working capital debt or covenants from its bank;
- the majority of the Group's revenue is derived from Tier-1, blue-chip organisations, in key growth sectors such as critical infrastructure, water, energy and advanced manufacturing, who have continued to undertake major projects and engage the services of Synertec; and
- it continues to grow its work in hand position, with significant recruitment of people throughout the period, growing billable staff to meet increasing customer demand and work in hand.

The Board remains confident and cautiously 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.

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
24 February 2022

Synertec Corporation Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2021

	Note	31 Dec 2021	31 Dec 2020
Revenue			
Revenue	4	5,581,599	3,517,392
Other income	4	264,586	18,747
		5,846,185	3,536,139
Expenses			
Materials and service expense		(732,105)	(593,282)
Employee benefits expense	5	(4,505,461)	(2,210,529)
Superannuation expense		(346,604)	(255,205)
Depreciation and amortisation expense	9,10	(186,117)	(198,212)
Business development expense		(218,180)	(108,624)
IT and telecommunication costs		(159,849)	(138,227)
Legal and professional fees		(58,376)	(57,304)
Other expenses		(554,441)	(533,503)
Directors fees		(67,500)	(74,000)
Technology research and development costs		(429,998)	-
Corporate development costs		(77,570)	(151,049)
Results from operating activities		(1,490,016)	(783,796)
Finance income		148	659
Finance costs		(66,614)	(70,186)
Net finance costs		(66,466)	(69,527)
Loss from operations before tax		(1,556,482)	(853,323)
Income tax expense	8	-	(1,062,631)
Loss from operations after tax		(1,556,482)	(1,915,954)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half-year		(1,556,482)	(1,915,954)
Earnings per share			
Basic loss per share - from continuing operations	15	(0.44)	(0.68)
Diluted loss per share - from continuing operations	15	(0.44)	(0.68)

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 2021

	Note	31 Dec 2021	30 Jun 2021
Assets			
Cash and cash equivalents	6	7,139,744	2,625,853
Trade and other receivables		1,703,204	1,746,872
Other assets	7	825,050	1,271,333
Contract assets		1,003,882	655,170
Total current assets		10,671,880	6,299,228
Non-current assets			
Other assets	7	5,295	5,295
Property, plant and equipment	9	1,851,286	1,923,555
Intangible asset	10	744,509	-
Total non-current assets		2,601,090	1,928,850
Total assets		13,272,970	8,228,078
Liabilities			
Trade and other payables	11	2,812,672	2,996,343
Warranty provision		18,986	18,989
Employee benefits		750,547	677,758
Lease liabilities	12	151,947	96,581
Contract liabilities		23,641	201,109
Total current liabilities		3,757,793	3,990,780
Non-current liabilities			
Lease liabilities	12	1,431,459	1,499,459
Trade and other payables	11	354,103	504,166
Employee benefits		144,047	137,235
Total non-current liabilities		1,929,609	2,140,860
Total liabilities		5,687,402	6,131,640
Net assets		7,585,568	2,096,437
Equity			
Issued capital	13	8,518,510	2,097,506
Share option reserve	14	624,609	-
Retained earnings		(1,557,551)	(1,069)
Total equity		7,585,568	2,096,437

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 2021

		Issued capital	Share option reserve	Retained earnings	Total
		\$	\$	\$	\$
Balance at 1 July 2020		596,139	-	3,349,927	3,946,066
Issue of shares		1,396,215	-	-	1,396,215
Capital raising costs		(103,493)	-	-	(103,493)
Unmarketed parcel offset		(63,683)	-	-	(63,683)
Loss for the half-year		-	-	(1,915,954)	(1,915,954)
Total comprehensive loss		-	-	(1,915,954)	(1,915,954)
Balance at 31 December 2020		1,825,178	-	1,433,973	3,259,151
Balance at 1 July 2021		2,097,506	-	(1,069)	2,096,435
Issue of shares	13	7,147,211	-	-	7,147,211
Capital raising costs	13	(726,207)	-	-	(726,207)
Employee share-based compensation	14	-	382,609	-	382,609
Broker options on issue	14	-	242,000	-	242,000
Loss for the half-year		-	-	(1,556,482)	(1,556,482)
Other comprehensive income		-	-	-	-
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

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 2021

	31 Dec 2021	31 Dec 2020
Cash flows from operating activities		
Cash receipts from customers	6,004,821	4,392,303
Cash paid to suppliers and employees	(7,409,948)	(3,944,244)
Cash generated from/(used in) operations	(1,405,127)	448,060
Net cash (used in)/from operating activities	6A(i) (1,405,127)	448,060
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	-	18,182
Payments for corporate development activities	(77,570)	(96,555)
Loan funds paid by/(to) technology partner	7 255,000	(800,000)
Payment for intangible asset associated costs	10 (159,915)	(33,519)
Payment for property, plant and equipment	(47,453)	(387,586)
Net cash from/(used in) investing activities	(29,937)	(1,299,478)
Cash flows used in financing activities		
Repayment of finance lease liabilities	(112,230)	(81,321)
Repayment of other liabilities	(601,820)	-
Payments for capital raising costs	(484,207)	(14,917)
Proceeds from issue of shares	7,147,211	1,290,066
Net cash from financing activities	5,948,954	1,193,828
Net increase in cash and cash equivalents	4,513,891	342,409
Cash and cash equivalents at beginning of the half-year	2,625,853	3,039,999
Cash and cash equivalents at end of the half-year	7,139,744	3,382,408

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 2021

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 Accounting Standards AASB 134: "Interim Financial Reporting".

These financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2021 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.

COVID-19 impact

During the half year period to 31 December 2021, the global Coronavirus (COVID-19) pandemic and the associated community restrictions imposed by Governments has continued to significantly influence market behaviour. Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Subsequent to balance date, the number of COVID-19 cases, largely as a result of the emergence of the 'Omicron' strain of the virus, surged in the Australian community and many of Synertec's employees and their families were affected. While additional costs in relation to COVID-19 have been incurred by the Company since 31 December 2021, management believes that the Group is well positioned to cope with most impacts from the pandemic. Factors contributing to the Group's strong position are that:

- it maintains strong cash reserves and working capital position;
- it does not operate with any working capital debt or covenants from its bank;
- the majority of the Group's revenue is derived from Tier-1, blue-chip organisations, in key growth sectors such as critical infrastructure, water, energy and advanced manufacturing, who have continued to undertake major projects and engage the services of Synertec; and
- it continues to grow its work in hand position, with significant recruitment of people throughout the period, growing billable staff to meet increasing customer demand and work in hand.

The Board remains confident and cautiously 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.

2. Significant accounting policies

Intangible Assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Employee benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

2. Significant accounting policies (continued)

Employee benefits (continued)

Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on grant date.

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

Since 1 July 2021, as announced by the Company during the Period, the Group restructured the business to form two key areas of operation, being Engineering Solutions ('Engineering') and Technology and Future Business ('Technology'). These two 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.

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 2021		
	Engineering	Technology	Total
Revenue and other income			
From external customers	5,581,599	9,586	5,591,185
Government incentives	-	255,000	255,000
Segment revenues and other income	5,581,599	264,586	5,846,185
Segment Adjusted EBITDA	(110,990)	(191,286)	(302,276)
Depreciation and amortisation	(169,835)	(15,407)	(185,242)
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

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2021

3. Operating segments (continued)

The Group's segment operating profit reconciles to the Group's profit before tax as presented in its financial statements as follows:

	Six months to 31 Dec 2021
Profit or loss	
Segment EBIT	(648,387)
Corporate expenses	(841,629)
Group operating loss	(1,490,016)
Finance income	148
Finance costs	(66,614)
Group loss before tax	(1,556,482)

4. Revenue

	31 Dec 2021	31 Dec 2020
Revenue streams		
Engineering services	4,302,124	2,184,572
Fixed price solutions & transfer of goods	1,279,475	1,332,820
	5,581,599	3,517,392
Other income		
Interest income	9,586	18,747
Government benefits - research and development tax credits ⁽¹⁾	255,000	-
	264,586	18,747
	5,846,185	3,536,139

- ⁽¹⁾ Research and development ('R&D') tax credits relate to technology projects, for which eligible R&D activities are being undertaken. 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% (FY21: 17.5%) of R&D expenditure and the timing benefit is 25% (FY21: 26%), 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 position, the Group is entitled to a refundable benefit of 43.5% on all its eligible research and development expenditure for the period.

The tax credits recognised for the period ended 31 December 2021 are expected to be fully refunded to the Group following lodgement of its annual income tax return.

5. Employee benefits expense

	31 Dec 2021	31 Dec 2020
Recognised in profit or loss		
Gross employee benefits expense	4,122,852	2,947,029
JobKeeper benefit	-	(736,500)
Share-based compensation ⁽¹⁾	382,609	-
Employee benefits expense in the statement of profit or loss and other comprehensive income	4,505,461	2,210,529

- ⁽¹⁾ During the period, at the Company's 2021 Annual General Meeting, shareholders approved the grant of unlisted options to the Company's Independent Non-Executive Director, Board and Nomination and Remuneration Committee Chair, Mr. Dennis Lin; and Executive Director, Chief Financial Officer and Company Secretary, Mr. David Harris; for their contribution to the achievement of various strategic objectives over preceding periods. A professional independent valuation of the options has been performed by accounting and advisory firm, RSM Australia. The attributed equivalent value of this award is accounted for as a share-based payment and reflected in the employee benefits expense for the period ended 31 December 2021.

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2021

6. Cash and cash equivalents

	31 Dec 2021	30 Jun 2021
Bank balances	7,138,439	2,624,522
Cash on hand	1,305	1,331
Cash and cash equivalents	7,139,744	2,625,853

6A. Cash flow information

(i) Reconciliation of cash flows from operating activities

Cash flows from operating activities	31 Dec 2021	31 Dec 2020
Loss for the half-year	(1,556,482)	(1,915,954)
Adjustments:		
Depreciation and amortisation	186,117	198,212
Net interest costs	66,466	69,527
Costs associated with intangible asset capitalised	159,915	-
Share-based compensation	382,609	-
Loss on disposal of fixed assets	-	16,758
Tax expense	-	1,062,631
	(761,375)	(568,826)
Decrease in contract assets	92,921	565,363
Decrease/(increase) in other assets	662,607	(1,558,186)
Increase in non current assets	(759,915)	-
Decrease/(increase) in trade and other receivables	(1,090,554)	1,838,447
Increase in trade and other payables	259,928	148,393
Increase in employee benefits	200,803	115,527
Decrease in finance liabilities	(6,391)	(82,388)
Decrease in contract liabilities	(17)	(31,254)
Cash generated (used in)/from operating activities	(1,401,993)	427,076
Interest paid net of interest received	(307)	18,752
Realised foreign currency (gains)/losses	(2,829)	2,232
Net cash from/(used in) operating activities	(1,405,127)	448,060

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2021

7. Other assets

Current

Prepayments and other debtors
Loan receivable ⁽¹⁾
Deposits
Stock on hand

31 Dec 2021	30 Jun 2021
790,981	391,850
-	845,414
21,807	21,807
12,262	12,262
825,050	1,271,333
5,295	5,295

Non-Current

Other receivables

- ⁽¹⁾ In July 2020, the Company provided Composite Dry Powder ('CDP') technology partner, GreenTech, with a loan facility of up to AUD \$1.0 million to complete extensive field pilot test programs with two of China's major oil and gas State Owned Enterprises. As announced by the Company to the ASX on 24 November 2021, Synertec and 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.

8. Net deferred tax assets

Movement in net deferred tax assets

Opening balance
Debited to profit and loss
Closing balance

31 Dec 2021	30 Jun 2021
-	1,062,631
-	(1,062,631)
-	-

Deferred tax assets not brought to account at reporting date

Temporary differences
Unused carry forward tax losses

549,252	369,015
1,392,625	1,253,792
1,941,877	1,622,807

The carrying amount of recognised and unrecognised deferred tax assets was reviewed at 31 December 2021. While the Board remains confident and cautiously 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 pandemic and 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 2021, which amount to \$1,392,625. At the current Australian corporate income tax rate applicable to the Company of 25% (FY21:26%), this equates to approximately \$5.6 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 2021

9. Property, plant and equipment

	Computers	Furniture and equipment	Leashold improvements	Motor vehicles	Right-of-use assets	TOTAL
Cost						
Balance at 1 July 2020	600,949	156,081	21,157	201,096	283,157	1,262,440
Additions	133,461	4,525	299,507	-	1,591,670	2,029,163
Disposals	(316,757)	(130,565)	(21,157)	(38,000)	-	(506,479)
Balance at 30 June 2021	417,653	30,041	299,507	163,096	1,874,827	2,785,124
Balance at 1 July 2021	417,653	30,041	299,507	163,096	1,874,827	2,785,124
IFRS16 Lease additions	-	-	-	-	51,660	51,660
Additions	47,452	-	-	20,810	-	68,262
Disposals	(1,290)	-	-	(51,322)	-	(52,612)
Balance at 31 December 2021	463,815	30,041	299,507	132,584	1,926,487	2,852,433
Accumulated depreciation						
Balance at 1 July 2020	521,216	120,316	19,858	114,113	179,416	954,918
Disposals	(312,662)	(104,406)	(19,923)	(30,615)	-	(467,606)
Depreciation/amortisation	75,633	5,963	22,993	16,581	253,086	374,256
Balance at 30 June 2021	284,187	21,873	22,928	100,079	432,502	861,568
Balance at 1 July 2021	284,187	21,873	22,928	100,079	432,502	861,568
Disposals	(617)	-	-	(30,512)	-	(31,129)
Depreciation/amortisation	41,601	1,639	15,098	6,347	106,023	170,711
Balance at 31 December 2021	325,171	23,513	38,026	75,914	538,525	1,001,150
Carrying amounts						
at 1 July 2020	79,733	35,766	1,299	86,983	103,741	307,520
at 30 June 2021	133,466	8,168	276,579	63,017	1,442,325	1,923,555
at 1 July 2021	133,466	8,169	276,579	63,017	1,442,325	1,923,555
at 31 December 2021	138,644	6,528	261,481	56,670	1,387,962	1,851,286

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2021

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 July 2021	-
Additions, separately acquired	600,000
Additions, associated costs capitalised	159,915
Disposals	-
Balance at 31 December 2021	759,915
Amortisation and impairment	
Balance at 1 July 2021	-
Amortisation	15,406
Impairment losses	-
Disposals	-
Balance at 31 December 2021	15,406
Carrying amounts	
at 1 July 2021	-
at 31 December 2021	744,509

As announced by the Company to 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 also 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 will be amortised over the initial exclusivity period of the Licence Agreement and based on the timeframes of the milestones. The carrying value of the Licence will be reviewed for impairment at the end of each reporting period.

The Licence has been assessed by the Group for impairment at 31 December 2021 based on the net present value of estimated future cashflows. Since its recoverable amount exceeds its carrying amount as at 31 December 2021, there is no indication of impairment.

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2021

11. Trade and other payables

	31 Dec 2021	30 Jun 2021
Current		
Trade payables	1,284,008	1,228,178
Other payables	969,830	985,938
Deferred tax obligations ⁽¹⁾	434,614	570,470
Fixed price project accruals	124,220	211,757
Current	2,812,672	2,996,343
Non-Current		
Other payables	123,124	117,960
Deferred tax obligations ⁽¹⁾	230,979	386,206
	354,103	504,166

⁽¹⁾ In response to the COVID-19 relief measures announced by the Victorian State Government, deferral of payroll tax liabilities for eligible employers was announced by the Victorian State Revenue Office in August 2020 and updated in February 2021. As a result, Synertec's payroll tax liabilities for FY21 were deferred accordingly until FY22 (payable quarterly across the financial year). Synertec accepted this offer and has accrued for this arrangement accordingly in the FY21 results and set aside the cash for this commitment.

In response to the COVID-19 relief measures announced by the Federal Government, the Australian Taxation Office offered to Synertec the ability to defer and spread its Pay-As-You-Go (PAYG) and Business Activity Statement (BAS) payments related to the period April 2020 to September 2020 across 36 months commencing from October 2020, with no interest or penalties. Synertec accepted this offer and has accrued for this arrangement accordingly in the FY20 and FY21 results and set aside the cash for this commitment.

12. Leasing

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

	31 Dec 2021	30 Jun 2021
Lease liabilities (current)	151,947	96,581
Lease liabilities (non-current)	1,431,459	1,499,459
	1,583,406	1,596,040

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

Future minimum lease payments at 31 December 2021 were as follows:

	Minimum lease payment due						
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	After five years	Total
Lease payments	242,707	253,304	244,411	234,542	223,297	821,634	2,019,895
Finance charges	(90,757)	(81,158)	(70,891)	(60,205)	(49,997)	(83,481)	(436,489)
Net present values	151,950	172,146	173,520	174,337	173,300	738,153	1,583,406

Out of the total finance costs of \$66,614, an amount of \$47,761 is attributable to the lease liabilities during the half year ending 31 December 2021.

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2021

13. Issued capital

	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
	Shares	Shares	\$	\$
Ordinary shares - fully paid	357,360,560	285,888,449	9,244,717	2,204,552
Capital raising costs	-	-	(726,207)	(107,045)
	357,360,560	285,888,449	8,518,510	2,097,506

In August 2021, Synertec undertook a share placement to various professional, sophisticated and institutional investors and successfully raised \$7.1 million (before costs) through a placement of 71,472,111 new fully paid ordinary shares at \$0.10 per share, which represented a 9% discount to the last closing price and 5-day VWAP at the time of the placement.

Dividends

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

14. Share option reserve

		31 Dec 2021	30 Jun 2021
Balance at 1 July 2021		-	-
Employee share-based compensation ⁽¹⁾	5	382,609	-
Broker options on issue ⁽²⁾		242,000	-
Balance at 31 December 2021		624,609	-

⁽¹⁾ During the period, at the Company's 2021 Annual General Meeting, shareholders approved the grant of unlisted options with a 1-year expiry to the Company's Independent Non-Executive Director, Board and Nomination and Remuneration Committee Chair, Mr. Dennis Lin (2,173,913 options, strike price \$0.023); and Executive Director, Chief Financial Officer and Company Secretary, Mr. David Harris (2,173,913 options, strike price \$0.023; and 2,173,913 options, nil strike price); for their contribution to the achievement of various strategic objectives over preceding periods. A professional independent valuation of the options has been performed by accounting and advisory firm, RSM Australia. The attributed equivalent value of this award is accounted for as a share-based payment and reflected in the employee benefits expense for the period ended 31 December 2021.

⁽²⁾ During the period, at the Company's 2021 Annual General Meeting, shareholders approved the grant of 10,000,000 unlisted options with an exercise price of \$0.20 (a 100% premium to the share placement price of \$0.10) and term expiry of 3 years, to its Joint Lead Managers and Brokers in the share placement conducted by the Company in August 2021.

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 2021.

Earnings per share from continuing operations	31 Dec 2021	31 Dec 2020
Loss after tax	(1,556,482)	(1,915,954)
Weighted average number of ordinary shares used in calculating basic earnings per share	357,360,560	279,784,564
Basic loss per share (cents per share)	(0.44)	(0.68)
Diluted loss per share (cents per share)	(0.44)	(0.68)

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, exclusive and royalty-free 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"), the Company 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 the Company 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, the Company will issue the following securities to GreenTech (or its nominee):

- 2.5 million fully paid ordinary shares in the Company 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 the Company occurs or if the milestone fees are unable to be paid by way of issue of shares in the Company when payable, the milestone fees will be paid in cash in the amount of \$250,000 each.

17. Subsequent events

During the half year period to 31 December 2021, the global Coronavirus (COVID-19) pandemic and the associated community restrictions imposed by Governments has continued to significantly influence market behaviour. Subsequent to balance date, the number of COVID-19 cases, largely as a result of the emergence of the 'Omicron' strain of the virus, surged in the Australian community and many of Synertec's employees and their families were affected. While additional costs in relation to COVID-19 have been incurred by the Company since 31 December 2021, management believes that the Group is well positioned to cope with most impacts from the pandemic. Factors contributing to the Group's strong position are that:

- it maintains strong cash reserves and working capital position;
- it does not operate with any working capital debt or covenants from its bank;
- the majority of the Group's revenue is derived from Tier-1, blue-chip organisations, in key growth sectors such as critical infrastructure, water, energy and advanced manufacturing, who have continued to undertake major projects and engage the services of Synertec; and
- it continues to grow its work in hand position, with significant recruitment of people throughout the period, growing billable staff to meet increasing customer demand and work in hand.

The Board remains confident and cautiously 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.

Synertec Corporation Limited
Directors' declaration
31 December 2021

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 2021 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

24 February 2022

Independent Auditor's Review Report

To the Members of Synertec Corporation Limited

Report on the review of 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 2021, 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 2021 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 2021 and its performance for the half year ended on that date, and comply with International Accounting Standard IAS 34 *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, 24 February 2022