



ASX Announcement

31 January 2023

FY23 Q2 Trading & Business Update

Melbourne, Australia: Technology design and development growth company, Synertec Corporation Limited (ASX: SOP, "Synertec", "the Company" or "the Group") is pleased to provide an update on its activities for the quarter ended 31 December 2022 ("FY23 Q2" or the "Period"). All figures are unaudited unless stated otherwise.

Highlights

- **Powerhouse, a novel solar & battery power system with Predictive Intelligence providing reliable 100% renewable base load power for remote areas, continued to progress towards commercialisation with key milestones achieved during the Period including:**
 - Successful "cutover" and integration with Santos Limited's ("Santos", ASX: STO) production and operating systems
 - Now over 50-days operating live in the field successfully providing uninterrupted power supply
 - The cutover results in Powerhouse supplying 100% of power, emission-free, to a remote cluster of eight gas wells spread across an area of approx. 10km², replacing fossil-fuelled generators
 - Gas previously used to fuel the generators at the site is now directed into the Australian gas network, increasing gas supply and revenue for the field operator
 - The commercial scale field trial is the final stage of the testing process for Powerhouse
 - Following a successful field trial, it is expected the parties will migrate to a commercial contract for Synertec to provide Powerhouse units to Santos on a long-term rental basis
 - Plans for commercial scale production of Powerhouse units continue to advance, with component suppliers committing to key supply chain performance criteria
- Group revenue and other income for the Period in the range of \$3.1 to \$3.3 million, up circa 5% on the previous corresponding period ("pcp") – resulting in total FY23 H1 revenue and other income in the range of \$7.0 to \$7.4 million, up circa 25% on pcp
- Gross margins remain strong and in line with those achieved in FY22, with strategies in place to expand margins and enhance profitability in the Engineering business over the course of calendar 2023
- The Engineering Division continues to secure new contracts, increasing its work in hand position and providing a solid platform for future growth. Key activities include:
 - Award of a long-term contract with Melbourne Water with value of circa \$9.0 to \$10.0 million over 3-years (approximately \$3.0 million per annum over a 3-year term with an option for a 2-year extension), supporting project work across Melbourne Water's operational asset base. The nature of the contract provides potential for greater revenue than mentioned.
 - Other key new engineering services including work to improve current gas supply infrastructure with APA and Woodside and appointment to the engineering panel for Victoria's Suburban Rail Loop infrastructure project
- Group net cash as at 31 December 2022 of approximately \$7.1 million



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

“The Powerhouse field trials with Santos are progressing well and continue to demonstrate Powerhouse’s technical credentials as a reliable and commercial solution to reduce the carbon footprint of remote industrial operations. With a large addressable market both domestically and internationally, Powerhouse is poised to deliver transformational growth for the Company.

“With the continued positive financial and operational performance of our Engineering business and the commercialisation of our technologies that help the global energy transition to a low carbon future, Synertec is well positioned to deliver growth in FY23 and beyond.”

Technology Business Update

During the quarter Synertec’s Technology Business continued to progress its environmentally friendly technology solutions to help the global energy 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

Powerhouse, a Predictive Intelligence solar & battery system providing reliable 100% renewable base load power for remote areas, continued to progress towards commercialisation during the Period.

Powerhouse commenced the final stage of testing on a cluster of eight production wells spread across an area of approximately 10 square kilometres in remote central Queensland. The cutover of Powerhouse to Santos’ live operating and production systems to fully energise the equipment used for each of the wells, emission-free, follows successful and extensive factory and site testing programs over the past six months that delivered operational performance which exceeded expectations.

Importantly, the successful live operation of Powerhouse enables the removal of three gas fired electrical generators from the production process. Gas previously used to fuel the generators at the site can now be directed into the Australian gas network, increasing gas supply and revenue for the field operator. This also saves the operator operating costs such as fuel and maintenance and provides for safe operation with minimal site visits given Powerhouse’s integrated smart remote-control system.

As the data from the field trial is generated and both parties are satisfied all Key Performance Indicators (“KPIs”) have been achieved, it is expected that the successful field trial will lead to a commercial contract for Synertec to provide the Powerhouse system to Santos on a long-term rental basis. To this end, the parties continue to progress discussions regarding commercial terms for this site and future sites. Both parties are targeting FY23 H2 for this development.

Mr. Carroll said:

“The commencement of the field trial is a major milestone for the technology and our Company. I am proud to report we are now over 50 days into the last stage field trial, and it is six months since the system first energised at site following the extensive factory and site acceptance testing programs.

“In the field, the system has performed successfully through challenging conditions including two cyclonic weather events in northern Australia which impacted the field in Queensland, and a lightning strike which the system responded to smoothly with automatic protective measures that proved effective.

“Further, the extensive data and knowledge we have gathered over the development and operation of the system thus far has significantly de-risked the field trial and roll-out of Powerhouse units on a global scale over the medium term.”

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, many of the Santos gas wells rely on diesel, gas or hybrid electrical 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



Key Powerhouse Technical and Operational Milestones

Phase	Estimated Completion	Status
Concept design	Q4 FY21	Complete
Statement of requirements approved	Q1 FY22	Complete
Front End Engineering Design (FEED)	Q2 FY22	Complete
Procurement of key equipment inputs	Q3 FY22	Complete
Detailed design	Q3 FY22	Complete
Beta testing software & load management	Q3 FY22	Complete
Fabrication	Q4 FY22	Complete
Factory Acceptance Testing (FAT)	Q4 FY22	Complete
Commercial terms for prototype agreed	Q4 FY22	Complete
Site Acceptance Testing (SAT)	Q1 FY23	Complete
Field Trial commencement ('cutover' complete)	Q2 FY23	Complete
Commercial terms beyond prototype agreed	H2 FY23	In-progress
Completion/sign-off	H2 FY23	In-progress

Engineering Business Update

The Synertec Group generated revenue and other income (unaudited) in the range of \$3.1 to 3.3 million for the Period, up circa 5% on the pcp. With Q1 results, this will produce total FY23 H1 Group revenue and other income in the range of \$7.0 to \$7.4 million, up circa 25% on pcp.

During the Period, 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.

These awards in the Period further strengthen the Group's work in hand position, which includes the award in Q1 to perform the design, supply, manufacture, construction, installation, integration, testing and commissioning of the Melbourne Underground Rail Loop (MURL) Plant Management System (PMS) and Control and Monitoring System (CMS) upgrades. This engagement provides for payments for services on an ongoing basis (and if completed in full), with a total estimated price of circa \$2.5 million.

Mr. Carroll said:

"The contract award, which extends our 15-year engagement with Melbourne Water, delivers an expansion of our activities across their operational asset base. Melbourne Water have been a cornerstone customer of our Engineering business and the contract award reflects the ability of our team of automation and control specialists to execute and solve our customers complex operational problems."

"We are most pleased with the strategic growth of the Engineering business over the past couple of years, particularly in light of the challenging local and global conditions, including the contest for attracting and retaining talented people. The structure of our Group enables efficient development and expansion of our Technology business, and importantly, protection of our valuable intellectual property."

-ENDS-



Synertec Corporation Ltd
ABN 37 161 803 032

T +61 (0)3 9274 3000
info@synertec.com.au
www.synertec.com.au

Ground Floor
2-6 Railway Parade, Camberwell
Victoria, 3124, AUSTRALIA
www.synertec.com.au

For more information and all media enquiries, please contact:

Mr. David Harris

Executive Director & Company Secretary

Phone: +61 (3) 9274 3000

Email: david.harris@synertec.com.au

This ASX announcement is authorised by the Directors of Synertec Corporation Limited (ASX: SOP).

About Synertec:

Synertec Corporation Ltd (ASX: SOP) is a technology design and development growth company enabling a low carbon future through innovative technology solutions. Commercialising scalable, environmentally friendly and energy efficient technology for global markets in energy, critical infrastructure and advanced manufacturing through innovative partnerships with a portfolio of blue-chip customers, Synertec is proactively participating in the world's transition to a low carbon economy in a practical way for the benefit of future generations.