

ASX Announcement

02 June 2021

Technology & Engineering Business Update: including Contract Awards

Melbourne, Australia: Diversified technology design and development growth company, Synertec Corporation Limited (ASX: SOP, "Synertec" or "the Company") is pleased to provide an update regarding strategic developments and operational progress across the Company's Technology and Engineering business units.

Highlights

Composite Dry Powder ("CDP") Technology

- Synertec has conducted more than 50 Australian laboratory tests of the Composite Dry Powder ("CDP") technology on Australian drilling mud and is pleased to advise that the outcome mirrors the Chinese experience, confirming transferability and scalability
- MoU signed with US-Australian environmental services company BeneTerra Pty Ltd, whereby BeneTerra is assisting Synertec in the Australian environmental testing aspects of the new treatment applications and intends to promote Synertec as preferred supplier of treatment applications relating to drilling muds, cuttings and contaminated slurries

Custody Transfer System ("CTS") Technology

- Development progressing with Synertec's Nasdaq-listed global partner first announced to the ASX on 23 November 2020, with the CTS technology design now complete
- A global marine certification process with world-leading independent marine classification and certification expert, DNV, commenced this month with completion of an international independent HAZOP study by DNV
- Synertec awarded Victorian Government Technology Adoption and Innovation Program grant for development of its CTS

Engineering Products and Solutions

- Contracts awarded of approximately \$4.0 million in aggregate value for works with long-standing customers
- Contract wins include high value engineering solutions with Melbourne Water and Metro Trains Melbourne (Rail Systems Alliance), representing clear validation of Synertec's strategic focus in developing best-in-class automation, controls and systems engineering technology for Australia's critical infrastructure projects in highly regulated industries

Environmental, Social & Governance (ESG) framework & measurement plan

- Committed to being an impact investment for shareholders and local communities, the Company has made solid progress in developing its detailed action plan, identifying high priorities across the four major areas of; Governance, People, Planet and Prosperity



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Technology Business Update

Synertec focuses its technology design and development activities on the global energy sector. Synertec is developing technologies that will increase the profitability of its partners while reducing their environmental footprint. The Company has identified attractive global economic and environmental trends, including (but not limited to) the environmentally sensitive and cost-effective means of treating and repurposing oil & gas drilling mud for beneficial and profitable applications, gas custody transfer and renewable green energy solutions. These macro trends present growth opportunities which Synertec is uniquely positioned to capture given its extensive experience supporting Australia's major Energy operators over the last decade.

Composite Dry Powder (CDP) Technology

As announced to the ASX on 9 September 2020, Synertec holds an exclusive worldwide license agreement with Sichuan GreenTech Environmental Co., Ltd ("GreenTech"), for the right to investigate and commercialise Greentech's novel environmentally friendly and cost-effective Composite Dry Powder ("CDP") technology for the treatment of hydrocarbon drilling mud and allied applications in all jurisdictions outside of China. The Company advises of the following recent progress in its technology development work program in partnership with GreenTech under the licence:

1. Following the Company's receipt of two tonnes of GreenTech's CDP chemicals into Melbourne, Australia (see ASX announcement of 25 February 2021), Synertec has conducted more than 50 tests of the CDP technology on Australian drilling mud in Australian laboratories. The Company is pleased to advise that the outcome mirrors the Chinese experience in terms of efficacy and commercial potential. This testing and validation has been an important step in Synertec independently confirming the transferability and global scalability of the CDP technology.
2. With these tests successfully completed, Synertec now plans to engage in commercial scale field testing with an Australian oil & gas operator as a pilot program partner. The Company is working towards local commercialisation of the CDP technology through the sale of chemicals, processing of drilling waste and transformation of drilling mud potentially into road base: a significant value-add in parts of Australia where roads to oil & gas sites can be rendered unsafe by dust, wind and rain.
3. Synertec has entered into a MoU with Brisbane and US-based environmental services company BeneTerra Pty Ltd (BeneTerra). BeneTerra assists clients in the energy, industrial, agricultural and public sectors in dealing with difficult wastewater by integrating fit-for-purpose, cost-effective solutions. Under the MoU, BeneTerra will assist Synertec in the Australian environmental testing aspects of the new treatment applications and intends to promote Synertec as preferred supplier of treatment applications relating to drilling muds, cuttings and other contaminated slurries to be treated either prior to disposal or as part of a waste management process on a well site. Synertec has agreed to promote BeneTerra as its preferred contractor for land and environmental services in industries including but not limited to the oil & gas sector in Australia.

In light of these developments, Synertec plans to globally commercialise the novel environmentally-friendly and cost-effective CDP technology for the treatment of hydrocarbon drilling mud. Synertec also continues to explore other applications of the CDP technology, including the treatment of sludge from rivers, waterways and tunnelling waste, as well as novel recycled applications of the treated waste, and will provide further updates as progress is achieved.

The Company has previously announced having provided secured loan funding to GreenTech. The Company has agreed to provide an extension to the repayment date of this funding to 31 July 2021 for GreenTech to complete current key contracts afoot and for Synertec to advance and finalise its assessment of the efficacy and commercial potential of GreenTech's CDP technology and in order to explore future arrangements between GreenTech and Synertec.

The Company will keep shareholders updated regarding progress of GreenTech's CDP technology, the Company's assessment of it and any future arrangements between GreenTech and Synertec.



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Synertec Managing Director, Michael Carroll, said:

"We are delighted by the progress we have seen in CDP's commercial potential in 2021 and the validation of the lab tests completed in Australia gives us confidence to progress commercial trials of this technology across our extensive existing customer bases in the Energy and industrial sectors."

"In conjunction with GreenTech's recent mobilisation for five commercial contracts with SOE customers, this gave us comfort to advance a further \$100k in April under the existing loan facility to fund the working capital required to deliver these contracts. This takes the drawn balance of GreenTech's loan with Synertec to A\$800,000. Together with the initial success of local testing in Australia, we see the relationship stepping forward logically in line with the shared vision we set out on the commencement of our partnership."

LNG Custody Transfer System (CTS) Technology

The Company's CTS technology development is progressing as planned with Synertec's strategic Nasdaq-listed global partner first announced to the ASX on 23 November 2020 with the CTS technology design now complete. A global marine certification process with world-leading independent marine classification and certification expert, DNV, commenced in May with completion of an international independent Hazard and Operability study (HAZOP) conducted by DNV.

To assist with its CTS technology development and following a detailed submission by Synertec, the Company is pleased to announce it has been awarded a grant of \$50,000 (the maximum grant) under the Victorian Government Technology Adoption and Innovation Program. The \$5 million Program is specifically designed to support SMEs to on-board innovative technologies or develop innovative, new and commercial technology.

The Company sees growing demand for this technology, both in Australia and globally, with newly-imposed marine environmental regulations driving a long-term transition towards LNG as marine fuel for cleaner-burning vessels. According to standards agency DNV GL, there are approximately 200 LNG-fuelled ships currently on order and more than 170 vessels currently in operation. Each marine CTS award could be worth \$0.5m to \$2.0m in revenue to Synertec, with dozens of potential new projects to target globally each year.

Synertec Managing Director, Michael Carroll, said:

"We are achieving pleasing progress with our strategic partner in marine energy technology. We see demand building for marine custody transfer systems, not just in international markets where LNG-fuelled ships are shaping as the wave of the future, but also in Australia where several projects present support for potential applications of our technology – among them the planned Outer Harbour LNG project in Adelaide and LNG import terminal at Port Kembla. We also see demand continuing to grow for floating LNG storage, creating favourable market conditions for the application of Synertec's CTS."

"We are also grateful to the Victorian Government for their support and recognition of our work as a Victorian-based innovator of a truly global commercial technology."

Engineering Products & Solutions Business Update

Synectic has recently been awarded contracts with total aggregate contract value of approximately \$4.0 million for works with long-standing customers.

Contract wins and extensions include Melbourne Water and Metro Trains Melbourne (Rail Systems Alliance), representing clear validation of Synertec's strategic focus in developing best-in-class automation, controls and systems engineering technology for Australia's critical infrastructure projects in highly regulated industries.

Synertec's gross margin performance has continuously improved since early CY20 and remains strong, as noted in the Company's FY21 Half Year Financial Results. This is expected to continue into FY22.

In response to growing work in hand and a steadily building opportunity pipeline (particularly in the Infrastructure, Energy and Water sectors with existing customers), Synertec has grown its billable workforce by almost 50% since COVID-19 lockdown restrictions were lifted in Victoria in late CY20.

This has allowed the Company to pitch for, and win, new contract awards across its target sectors, including a contract with Melbourne Water to provide significant upgrades to the advanced integrated control system, delivering improved reliability of operations to the Eastern Treatment Plant (ETP).

Melbourne Water's ETP is their largest facility and processes approximately 45% of Melbourne's wastewater. The ETP uses an advanced control system to provide automatic control, monitoring and historian functions to govern the complex treatment process. The control system is a critical plant asset for operation of the facility, which Synertec has been supporting for the past 14 years through 24/7 support and project services.

This project of significant software upgrades will bring the following benefits to Melbourne Water:

- Increased system reliability
- Improved operator experience
- Modernisation and standardisation of software library
- Improved maintainability

Synertec will leverage its extensive knowledge of advanced process control systems to deliver this critical upgrade project, which it plans to deliver over the coming 18 months.

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 Melbourne Water.

Synertec Managing Director, Michael Carroll, said:

"We are proud of our commercial relationship with Melbourne Water which has continued to develop for mutual benefit over 14 years. This award follows our recent service contract extension at their Eastern Treatment Plant, which we announced in June 2019, and is complementary to our support of Melbourne Water's major energy upgrade project, the contract for which we announced in January 2021.

"Through this project, we will provide Melbourne Water with a solution to a complex issue that could unlock significant potential cost savings for their organisation, as well as improve environmental impact and safety. It is pleasing to demonstrate yet another illustration of our proven ability to provide highly intelligent solutions which integrate closely with our customers' systems and have an environmental, social and governance (ESG) motivation."

Further to this award, Synertec is pleased to advise that its ongoing scope of work with Metro Trains Melbourne (MTM) and the Rail Systems Alliance (RSA) is continuing to expand. Following on from several successful projects delivered by Synertec over the last few years into the Melbourne's Metro Tunnel Project (MTP), RSA engaged Synertec in 2020 to provide senior specialist consulting services, including systems, controls and automation engineering for further works related to the MTP, one of the largest infrastructure projects in Victoria's history.

Comprising new twin nine-kilometre rail tunnels and five new underground stations to enable a new end-to-end rail line across metropolitan Melbourne, the MTP will increase peak capacity by more than 500,000 passengers per week across the city's rail network. RSA is responsible for the design, installation, integration and commissioning of control, communications and signalling systems for the MTP. RSA will deliver Australia's first brownfield, high-capacity signalling project to be based on Communications Based Train Control (CBTC).

Synertec Managing Director, Michael Carroll, said:

“Under the extension of the contract with the RSA, Synertec’s specialist rail team will continue to provide critical support to RSA through FY22, ensuring a systemised approach across the Metro Tunnel Project’s disciplines. We are excited that RSA have requested our team continue this important collaboration to ensure their specified system meets the true needs of the MTP and is built as nominated.

“The status of our Engineering business as a self-sustaining, cash-generative profit centre stands as a positive example and leading indicator of what we foresee for our Technology Development business. With this as our goal, Synertec’s recent appointment of Mr. David Harris as Executive Director has seen the Company formalise a distinct structure which will foster the commercialisation of key technology opportunities which we are currently developing. Across both arms of our business, we will continue to develop and provide value-added solutions for critical customer processes in a way that generates high gross margins that our management team can convert to free cash flow.”

Environmental, Social and Governance (ESG) framework & measurement plan

As announced to the ASX on 4 May 2021, the Company adopted an Environmental, Social and Governance (ESG) framework developed by the World Economic Forum (WEF), encompassing 21 core metrics and disclosures. Working with independent impact monitoring technology company Socialsuite to become best-in-class and ensure it can effectively measure, monitor and report on its progress across ESG metrics, Synertec is streamlining measurements and the Company’s ongoing ESG reporting process.

This month the Company has made solid progress in developing its detailed action measurement plan and independent verification process, identifying its high priorities across the four major areas of: Governance, People, Planet and Prosperity.

Synertec is committed to being an impact investment for shareholders and local communities, and to ensuring we are supporting our partners in the collective endeavour to improve ESG performance.

-ENDS-

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

About Synertec:

Synertec Corporation Ltd (ASX: SOP) is a diversified technology design and development growth company commercialising scalable, environmentally friendly and energy efficient technology for global markets in energy, infrastructure and water 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.