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ASX Announcement

26 August 2021

Synertec's FY21 Financial Results & Key Achievements

Melbourne, Australia: Diversified technology design and development growth company, Synertec Corporation Limited (ASX: SOP, "Synertec" or "the Company") is pleased to provide the Company's financial results and summary of key achievements for the year ending 30 June 2021.

Highlights:

- **FY21 revenue of \$8.4 million with run-rate improving over the year: revenue grew 40% H1 to H2**
- **Strong cash position entering FY22 bolstered by successful over-subscribed share placement in August 2021 providing \$7.1 million (before costs) in capital funding for further investment in key growth initiatives**
- **Synertec has identified and developed highly scalable ESG-friendly technologies across its target sectors of energy and wastewater, leading to exciting partnerships with major Australian and international energy companies to address the transition to a low-carbon future**
- **Material contract awards and significant revenue contributions from Synertec's highly-regarded core expertise in the energy, water, rail and advanced manufacturing sectors, with increasing margins and >80% repeat business, indicating the increasing depth of relationships and value delivered to a Tier-1 blue-chip customer base**

Technology Division Strategic Investments

The Company's operating result reflects several significant strategic investments across the Company's target sectors which are expected to deliver sustainable long-term growth. The common theme uniting these opportunities is their potential to empower Synertec to solve current challenges with our partners in the pursuit of a low carbon future.

Synertec's Managing Director, Mr. Michael Carroll said: *"We have re-shaped and re-positioned the business for growth into a low carbon future. Overall, the business invested approximately \$1.5 million during the year establishing a technology platform, from which we expect the various ESG-focused technologies we announced throughout the year will progress further to bolster our growth."*

"Powerhouse" Technology - Agreement with Santos Limited (ASX:STO)

Envisaged to be the first of its kind to be deployed in Australia, Synertec announced in August 2021 that it entered into a Memorandum of Understanding ("MOU") with leading independent energy producer Santos Ltd (ASX: STO) ("Santos"). The MOU relates to the "Powerhouse Project" – an AI-driven solar renewable energy and battery power system for coal seam gas (CSG) well de-watering.

Mr. Carroll said: *"For every litre of diesel fuel eliminated from operations there is a reduction of around 2.7kgs of carbon dioxide produced. In our view, the Powerhouse solution has the potential to not only reduce emissions of carbon dioxide by millions of kilograms across the CSG sector alone, but also offers Synertec, its partners and customers the potential to participate in carbon trading markets."*

With the addition of "Powerhouse", Synertec's Technology division is strongly positioned and resourced with three opportunities evenly poised at the starting line. Each of these projects display strong Environmental, Social and Governance (ESG) credentials and offer exciting potential for commercialisation at scale over coming years.



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Composite Dry Powder (“CDP”) Technology

Synertec's opportunity with Composite Dry Powder (CDP) continues to develop toward its promise of an environmentally friendly and economic treatment of oil and gas drilling mud and cuttings. During FY21, Synertec provided critical funding to the owner of the technology, GreenTech, to complete important technology pilot programs at commercial scale with major State-Owned Enterprise customers responsible for much of Asia’s oil and gas production. These pilot programs, specifically designed to evaluate the technology with regard to cost competitiveness and environmental benefits, returned encouraging results, and as a result, Synertec commenced testing of the technology in Australia under its worldwide exclusive licence.

LNG Custody Transfer System (“CTS”) Technology

Synertec's development of a world-leading Custody Transfer System (CTS) has positioned the Company strongly with precise, safe and environmentally friendly technology for marine vessel LNG transfer. This critical piece of sampling and metering technology has been designed by Synertec to produce no fugitive greenhouse gas emissions. During FY21, Synertec filed for patent protection of the IP, secured a strategic partner to aid the Company's commercialisation of CTS (one of the world's largest providers of LNG shipping and floating solutions) and undertook a critical global marine certification process which is almost complete.

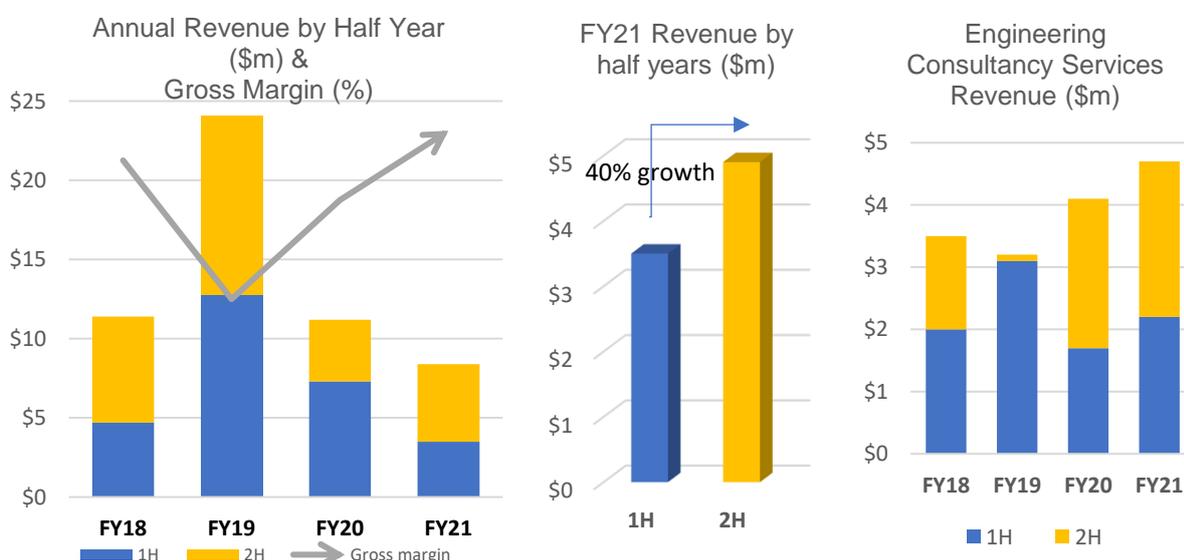
Engineering Products & Solutions Operating Activities

Synertec maintains its strong reputation of delivering intelligent and pragmatic engineering products and solutions in complex environments both on time and budget for its customers. During the period, the Company announced several significant contract awards across its targeted sectors. These included high value engineering solutions with Melbourne Water and Metro Trains Melbourne (Rail Systems Alliance), service contract extensions with Melbourne Water and Central Highlands Water, specialist engineering support for Beon Energy Solutions' major energy upgrade project for Melbourne Water, and renewal of Synertec's engineering and construction panel inclusions with CSIRO and Australian Defence.

These awards represent 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.

Financial Highlights

Although Synertec's core business of Engineering Products & Solutions was impacted by COVID-19 during the year, the Company reaped the benefits of its hard work in establishing its sustainable growth platform and deepening its customer relationships and domain knowledge. Synertec grew revenue by 40% from H1 (\$3.5 million) to H2 (\$4.9 million) for total annual Group revenue of \$8.4 million, with over 80% of FY21 revenue derived from the Company's existing client base.





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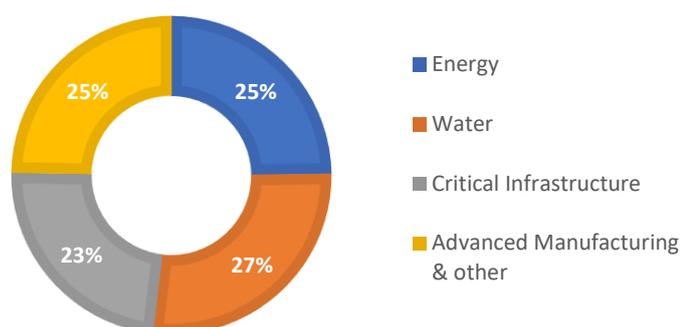
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FY21 has returned the strongest year of Engineering Consultancy Services revenue the Group has ever delivered, spurred by growing work in hand and a steadily building opportunity pipeline. To grasp these near-term opportunities, the Company expanded its billable workforce through 2H FY21 by 50%.

In FY21 Synertec derived a significant revenue contribution through its highly regarded core expertise in the water, rail, energy and advanced manufacturing sectors. Each of these sectors has been specifically identified by the Australian Government as industries which will lead Australia's economic recovery from the impacts of the COVID-19 pandemic.

Revenue by Industry



Synertec's gross margins continued to improve in FY21, with the Group achieving almost double the rate achieved in FY19. This improvement reflects Synertec's prioritisation of higher-value programs of consultancy work with its blue-chip customer base, enabled by a focused effort on deepening customer relationships and providing domain-specific engineering skills which the Company continues to invest in heavily. Importantly, sustainability is now a growing part of Synertec's business, and the Company expects this to yield more substantial profit margins and scale than conventional engineering services.

Synertec produced an FY21 EBITDA loss before corporate development costs of \$1.3 million, in line with FY20, and a net loss before tax of \$2.3 million (2020 : \$1.8 million loss). The net loss after tax was \$3.4 million (2020; \$1.3 million loss).

While the Company strives for near-term profitability through greater scale, the operating result also reflects several matters which impacted on the FY21 operating performance of the Company, including:

- Several significant strategic investments in project bidding across target sectors which were expected to have been awarded and delivered across FY21, some of which have been deferred until FY22;
- An increase in the cost (both direct and indirect) of doing business remotely through the COVID-19 pandemic as a result of the heavy community restrictions imposed by Australian Governments on the public and industry;
- A significant and unexpected annual increase in the cost of the annual premium for the Group's professional indemnity insurance as a result of global conditions in related insurance markets which was outside the control of Synertec;
- While the Board remains confident and optimistic about the long term strategy of the Company and the economic fundamentals of the target markets to deliver 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 Company's deferred tax asset. Considering the current and potential pandemic and economic environment, the deferred tax asset of \$1,062,631 carried forward from 30 June 2020 was written down to nil, recognised as a reduction of \$1,062,631 in the deferred tax asset balance in the statement of financial position and a corresponding income tax expense recognised in the statement of profit or loss and other comprehensive income for the year.



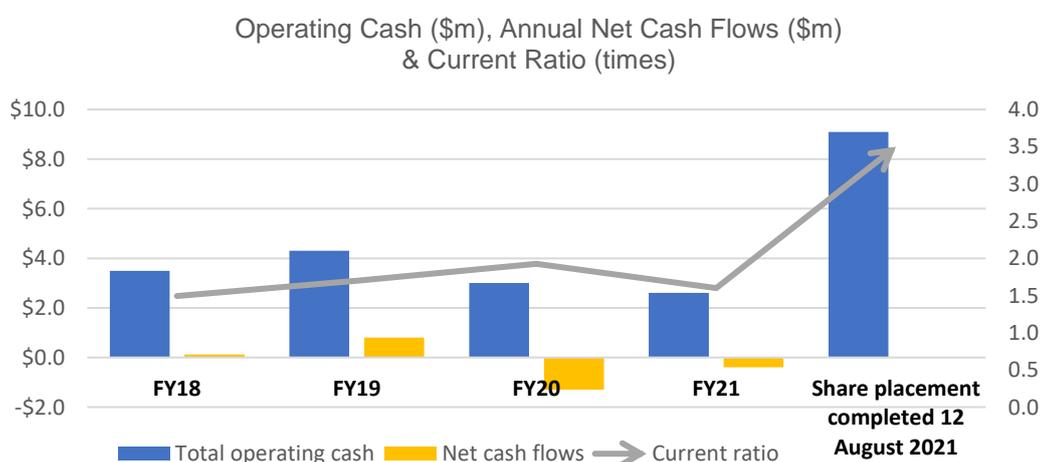
Corporate Development & Capital Management

To secure Synertec's technology-led growth opportunities and maintain a strong capital structure, the Company successfully completed fully subscribed share placements in July 2020 and August 2021 providing a combined total of \$8.0 million (after costs) in important capital funding for further investment in key growth initiatives. This activity attracted many new investors to Synertec, including several high-quality institutions.

For shareholders investing in the Company in the July 2020 placement, the return on their investment to 12 August 2021 (closing share price of 10.5 cents when the second placement was completed) was 357%. Despite the challenging conditions, and with support from shareholders and COVID-19 stimulus and support measures announced by Australia's Federal and State Governments, the Group's balance sheet remains solid and the Company is well-placed to execute its strategy with a significantly strengthened cash balance. Importantly, the Company continues to operate with no working capital debt or covenants from its bank.



Net assets of \$2.1 million (30 June 2020; \$3.9 million) includes cash of \$2.6 million (30 June 2020; \$3.0 million). The Group continued to manage cash prudently and maintain a stable liquidity position, achieving positive net cash generated from operations (before Corporate development costs) of \$0.2 million (30 June 2020; \$2.4 million outflow/used in operations), and limited the net cash outflow from overall operations to \$0.2 million (30 June 2020; \$2.5 million outflow/used in operations), and the total net decrease in cash to \$0.4 million (30 June 2020; \$1.3 million outflow/decrease in cash and cash equivalents). Following the share placement completed on 12 August 2021, the Group's cash balance improved to approximately \$9 million and the current ratio increased to 3.5 times.





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Outlook

The Company is now experiencing the benefits of several years of dedicated effort in developing both Synertec's Technology and Engineering arms. Although the impacts of COVID-19 have resulted in the deferral of some work, Synertec is beginning to see signs of projects restarting, and expects to see some larger project awards begin to flow through the Company's target markets (many of which are with existing customers) as economic conditions improve through FY22.

Synertec Chair, Mr. Dennis Lin, said:

"We are proud of the way our Company is dealing with the COVID-19 pandemic. Synertec's philosophy continues to be to align our objectives to our Purpose and to make long term decisions for superior shareholder returns. During the pandemic, we have applied this philosophy to key decisions regarding our people, our customers and our capital structure, maintaining Synertec's strong capability and the pursuit of innovation and commercialisation of technology in our chosen markets."

The scale of the longer-term opportunities Synertec has identified, particularly in energy and wastewater management technology, has presented the Company with exciting opportunities to partner with companies during the year in Asia, Europe and Australia, each seeking to expand their offering across the Asia Pacific region. Synertec will continue to support its customers as they address the magnitude of the transition to achieve a low-carbon future.

With a solid framework becoming established for a technology-led growth strategy, commercialising exciting ESG-focused technology through strategic partners and growing out a high-end engineering solutions business, Synertec expects the investments its long-term shareholders and the Company have made will drive outstanding returns from a business delivering scalable growth in revenue and profitability from a sustainability mega-trend in the years ahead.

The Company is future-fit and has the balance sheet to support these growth initiatives, and continues to focus and deliver on its key stated priorities: Safety, Shareholder Value, Industry Focus, High Performing Teams, and Innovation.

-ENDS-

For more information and all media enquiries, please contact:

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

About Synertec:

Synertec Corporation Ltd (ASX: SOP) is a 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.