

**Synertec has adopted the Environmental, Social and Governance (ESG) framework of 21 key areas designed by the World Economic Forum.**

**We are dedicated to helping our customers to reduce their carbon footprint through our strategic focus on environmentally friendly and energy efficient technology solutions.**

**Technology is the key to achieving the ambition of rapidly reducing emissions in a way that supports economic growth.**

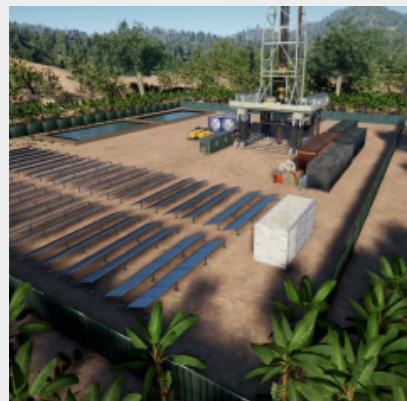


## Key events 20:21



### Melbourne Metro Tunnel

Synertec has been awarded further contracts to provide senior specialist consulting services, including systems, controls and automation engineering following on from several successful projects delivered over the last few years into Melbourne's Metro Tunnel Project. This represents clear validation of Synertec's strategic focus in developing best-in-class automation, controls and systems engineering.



### PowerHouse validated

Synertec's multi-channel clean technology strategy has been validated after signing a Memorandum of Understanding (MOU) with Santos and completing a strategic \$7m cap raise. Synertec is developing an AI driven renewable energy power system based on solar and battery inputs. The power system is being designed to meet the energy requirements for sustainable well de-watering at Santos' Myalla coal-seam-gas development in Qld.



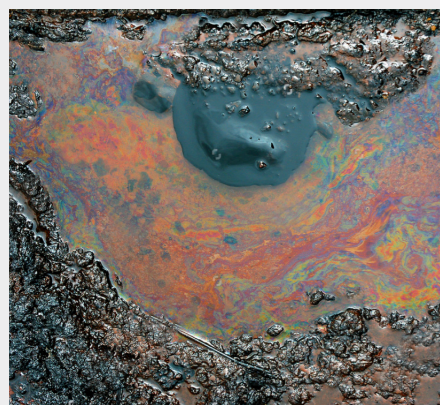
### Melbourne Water ETP

Synertec has grown its workforce by almost 50% since COVID-19 lockdown restrictions were lifted in Victoria in late CY20. This has allowed the Company to win new contracts to design, supply and construct automation control systems to support the likes of Melbourne Water's power plants with the objective to reduce operational costs associated with electricity usage and to reduce greenhouse gas emissions as per their pledge commitment to be net zero by 2030.



### CTS Progress

The Company's CTS technology development is progressing as planned with Synertec's strategic global partner first announced to the ASX on 23 November 2020, with the CTS technology design now complete. To assist with its CTS technology development Synertec was awarded a grant of \$50,000 under the Victorian Government Technology Adoption and Innovation Program.



### CDP Exclusive worldwide technology licence

MOU signed with US-Australian environmental services company BeneTerra Pty Ltd, whereby BeneTerra is assisting in the Australian environmental testing aspects of CDP and intends to promote Synertec as preferred supplier of treatment applications relating to drilling muds, cuttings and contaminated slurries.

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# Statement from The Chair

Despite the challenges and disruptions posed by the COVID-19 pandemic, FY21 was a success for Synertec in many ways. Thanks to our dedicated people, our actions have set us up for the future and we were able to stay on course in our strategy of becoming a global player in a low carbon future.

Dennis Lin. Chair



Dear Shareholders,  
As Chair and on behalf of the Board of Directors, I am pleased to present to you the 2021 Annual Report for Synertec Corporation Limited.

In presenting our year in review, we must first acknowledge COVID-19 and its ongoing impacts on the communities in which we operate and our stakeholders including our people, customers, suppliers and shareholders.

During the year, Governments around the world took steps to protect their citizens from the worst of the pandemic's effects. This was particularly evident in Australia, and especially the State of Victoria where Synertec and many of its key customers are based.

Although lockdown restrictions have presented some operating challenges and impacted demand in some of the Group's end markets, Synertec has maintained the health, well-being and safety of its people as the key priority, and maintained strong focus on providing a safe and inclusive work environment for all while continuing to deliver for our customers.

The business has continued to ensure flexible working from home solutions are efficient and suitably enabled by our technology platforms, and mental health support through

an Employee Assistance Program and local initiatives have been valuable to everyone.

We are proud of the way our Company has dealt with the COVID-19 pandemic and community lockdowns imposed by Governments across Australia, which have continued into calendar 2021. We believe this demonstrates our strong commitment to our people, our customers and their mission-critical projects, our alliance partners, our suppliers and our shareholders.

Synertec's philosophy continues to be to align all our activities to our Purpose and to make long term decisions for superior shareholder returns. During the COVID-19 pandemic, we applied this philosophy to key decisions regarding protection of our people, our customers and our capital structure. We successfully retained all of our employees during the pandemic, maintaining Synertec's strong capability and pursuit of innovation in our chosen markets, grew our revenue from existing customers to almost 100%, and successfully completed oversubscribed share placements in July 2020 (2.3 cents per share raising \$1.3 million before costs) and August 2021 (10.0 cents per share, raising \$7.1 million (before costs), substantially strengthening our capital structure.

Although we did not make any cuts to staff during lockdown periods, I am grateful to my fellow Directors who elected to take a reduction of 20% to their remuneration during the period from 1 May 2020 to 31 March 2021. This initiative helped to absorb some of the financial impact on the Group from the COVID-19 pandemic and combined with other cost reduction measures and assistance from the various Government support measures during this period, enabled Synertec to retain and support the well-being of all employees through this period.

It's important to note that our traditional business continues to be an important part of our strategy and our future, with a focus on sustainability and technology expected to deliver a higher rate of future growth.

Over the past year, we have rapidly accelerated our strategic transformation. Having built stable foundations for sustainable growth across earlier periods, our actions in FY21 have set us up for the future as we secured important commercial partnerships and gathered the resources we need to execute on multiple near-term environmentally-focused and technology-led growth opportunities, as well as increased demand for our specialist engineering capability across our target industries.

This brought renewal at a corporate level as we refined our strategy and operating levels. After almost 2 years as a Non-Executive Director, I was honoured to succeed Ms. Leeanne Bond as Synertec's Independent Non-Executive Chair from 1 April 2021. In this new role I have drawn on my experience as an advisor in corporate activity between Australia and Asia and executive directorships in other high growth ASX-listed companies to inform the direction of Synertec's technology-led growth strategy.

As outgoing Chair, Leeanne oversaw a period of great

transformation in the business as Synertec successfully developed into an ASX-listed company with significant growth aspirations. We are grateful that we will retain Leeanne's valuable counsel, strategic contributions and industry insight as a Non-Executive Director.

This year also marked the retirement of Independent Non-Executive Director, Mr. Kiat Poh, effective from 31 March 2021. Poh has provided the Company with outstanding advice and service as a Director since Synertec's 2017 ASX listing, and on behalf of my fellow Directors I thank him for his contributions.

We strengthened our Board in April 2021 by welcoming Synertec's CFO and Company Secretary, Mr. David Harris, joining the Board as Executive Director, Corporate Development and remaining as Company Secretary. David has served the Company since 2017 and this appointment reflects David's key role in developing the many technology-led growth opportunities identified by Synertec and helping to set and deliver our corporate strategy at a pivotal time for the Company.

As a diversified technology growth company, Synertec designs, develops and delivers technology that provides a viable transition for its commercial partners to a low carbon future. Our niche multi-disciplinary engineering expertise supporting our Tier-1 blue chip customer base has us uniquely positioned to generate scalable solutions to decarbonise industry globally.

Over the course of the year, our focus on developing innovative ESG-focused solutions culminated in a Technology division announced following our recent share placement that now houses a strong portfolio of market opportunities. Each of these technologies holds a different solution to achieving the widely-held ambition of rapidly





# Statement from The Chair



reducing emissions in a way that supports economic growth and is socially responsible.

Importantly, sustainability is now a growing part of our business, and we expect it to have more substantial profit margins and scale than conventional engineering services. We are supporting our customers as they address the magnitude of the transition to achieve a low carbon future, and the scale of the longer-term opportunities we have identified, particularly in energy and wastewater management technology, has presented us 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.

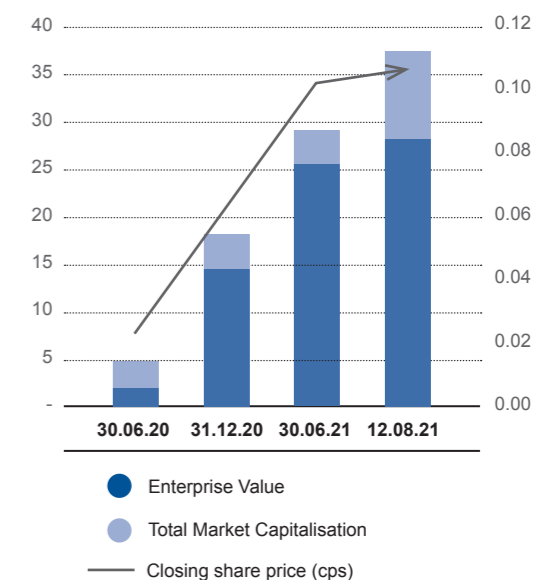
To secure these technology-led growth opportunities and maintain our strong capital structure, the Company successfully completed fully subscribed share placements in July 2020 and August 2021 providing a combined total of \$8.0 million (after costs) in important capital funding for further investment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

For shareholders entering 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%. As we have communicated consistently to our shareholders since listing on the ASX in 2017, 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, we expect the investments our 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.

I would like to thank each and every employee for their contribution. Their remarkable dedication has underpinned Synertec's success in earning further awards of projects and programs of work during the year from our existing customer base and in developing our portfolio of technologies.

**Market Capitalisation & Enterprise Value (\$m)**  
30 June 2020 to 12 August 2021



I would also like to thank our customers and partners for their support and loyalty to Synertec throughout the year and for the opportunities they have provided for us to continue to work together into FY22 and beyond.

Finally, I am grateful to our shareholders for supporting Synertec's vision, strategy and development ambitions. I look forward to your continued support.

**Mr. Dennis Lin**

Independent Non-Executive Chair  
Synertec Corporation Limited



# From the Managing Director

Our traditional business continues to be an important part of our future, with technology and sustainability providing a higher rate of future growth.

Michael Carroll, Managing Director



Dear Shareholders,  
 Welcome to the 2021 Annual Report for Synertec Corporation Limited. In the year to 30 June 2021 (FY21), our Company strengthened its position as a diversified technology development company with a sound foundation for growth providing highly engineered products and solutions to tier-1 customers in large global markets.  
 FY21 has been a transformative year for Synertec. The conditions of our operating environment have presented ongoing challenges, but I am pleased to report that these same conditions have provided opportunities for us to demonstrate value to our customers, partners and investors.  
 Although the COVID-19 pandemic continues to impact the business, our determined leadership, sound strategy and hardworking team have empowered us to position the Company for a strong post-COVID growth phase. We are proud that in FY21 we chose not to make a single employee redundant or force people to take leaves during the lockdown periods and continue to invest in our people and we restructured our business with an eye to the future which includes innovative, environmentally friendly and energy efficient technology for the energy sector. We have continued to execute on our strategy and invest for the benefit of our people, our customers and our shareholders.

### Financial Performance

The initiatives we delivered this year have seen Synertec make significant progress in establishing a sustainable growth platform. Overall, the business invested approximately \$1.5 million during the year in establishing a technology division in which the various technologies we announced throughout the year have progressed to bolster our growth platform, and we have restructured the business accordingly to accommodate this development from FY22 onwards.  
 Of particular note is that we have re-shaped and re-positioned the business for growth into a low carbon future while effectively maintaining our cash position throughout FY21. We believe this underscores our fiscal controls and our prudent approach to any application of funds.  
 Although our business continued to be impacted by COVID-19 during FY21, we saw the fruits of our hard work with growth in revenue during the second half of the year. The revenue of the Group for the period was \$8.4 million, growing by 40% from H1 (\$3.5 million) to H2 (\$4.9 million). This represents the strongest year of Engineering Consultancy Services revenue the Group has ever delivered, spurred by growing demand from major energy and critical

infrastructure customers for Synertec to commence important and long term programs of work on critical projects within their organisations. As a result, to grasp these immediate opportunities, we rapidly expanded our billable workforce through 2H FY21 by almost 50%.

Evident from our results is our focus on solid revenue diversification across our four target industries of energy, water, critical infrastructure and advanced manufacturing. With approximately 25% of revenue coming from each of these sectors it is fair to say we are building strong and integral foundations, through deep customer relationships, for further growth in the engineering solutions business, while providing a strong platform for our technology business to expand across all of these sectors.

Our refined philosophy of 'Projects, Programs, Technology', underscored by reputation, value, trust and partnerships, is reaping results. Appreciating the amazing quality of the Tier-1, blue-chip customer and our deep domain knowledge of their respective businesses and industries which we have developed over two decades, this year we consciously increased our focus on deepening those relationships and unlocking more opportunities to help them with their engineering challenges, and their transition to a low carbon future.

Synertec's gross margins continued to improve across calendar 2020 and 2021 to date, almost doubling the rate achieved in FY19. This improvement reflects our prioritisation of higher-value programs of consultancy work with our blue-chip customer base, creating a growing pipeline of opportunity and stable work in hand position.

This year the Group produced an EBITDA loss before corporate development costs of \$1.3 million, in line with FY20. While we continue striving to achieve near-term profitability through greater scale, and the commercialisation of our announced technologies, the operating result also reflects several significant strategic investments in both

project bidding and additional technology development opportunities. We firmly believe the combination of our engineering capabilities with the multiple "shots on goal" regarding our technologies will deliver sustainable long-term profitable growth and continue the exceptional shareholder returns our shareholders have enjoyed this year.

### Technology Development

We continue to explore a range of strategic inorganic growth opportunities across our target markets. The common theme uniting these opportunities is how they ignite our imagination to solve current sustainability challenges with our partners in their pursuit of a low carbon future. To this end, we see significant opportunities to add technology-led value in a range of subsectors of the global energy industry.

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. In FY21 Synertec provided critical funding to the owner of the technology, GreenTech, to complete important technology pilot programs with major Chinese State-Owned Enterprise customers responsible for most of China'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.

We also agreed to an exclusive worldwide licence (excluding China) for the technology and imported CDP to undertake testing under Australian conditions. As we've announced, the testing has so far revealed results consistent with those experienced by our partner in China, with the next step being to test the technology on a commercial scale, most likely in central Australia.

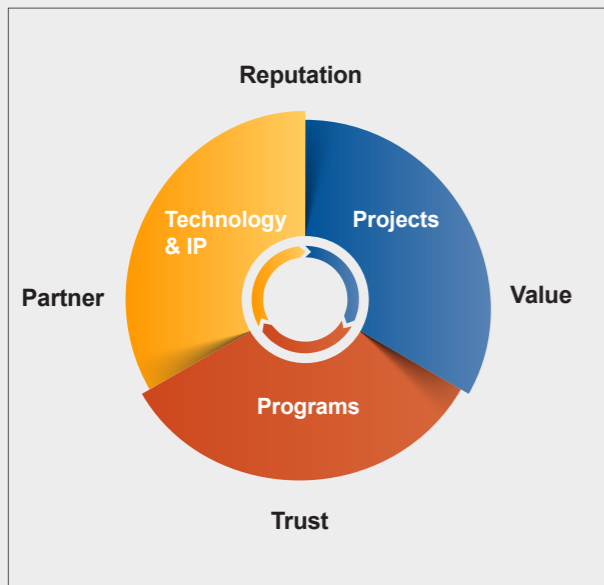
Our development of a world-leading Custody Transfer System (CTS) has positioned Synertec with precise, safe and environmentally friendly technology for LNG transfer, for both land and marine applications. This is a critical piece of LNG and gas sampling and metering technology, designed

### Synertec's Tier-1 customers driving growth and technology development





# From the Managing Director



## Health and Safety

Safety is Synertec's highest priority, and we continue to focus sharply on the ongoing safety, well-being and care of all people associated with Synertec.

Throughout FY21, the COVID-19 pandemic and the associated community restrictions imposed by Governments have continued to significantly influence market behaviour. Through this period, Synertec's priority has remained the health, well-being and safety of its people and continuing to provide a safe and inclusive work environment for all.

We have made a concerted effort to keep our people, and those who interact with us, safe and to support our continuing operations. We are therefore proud to have experienced no lost time injuries during the year, and we have endeavoured to support our workforce and their families by providing stable employment, an employee assistance program and various other activities to help people cope with these unprecedented conditions.

## Strategy

We made substantial progress on our strategic agenda during FY21, and the Group is now well-positioned to leverage its unique capabilities in high-tech engineering to generate scalable solutions to decarbonise industry. With that as our guiding principle, we are continuing to invest ambitiously and expect to benefit from the global economic recovery as we continue to execute our technology-led growth strategy. We are well-funded to execute this strategy, having successfully completed an oversubscribed \$7.1 million share placement in August 2021, cornerstoned by several high quality institutional investors.

The Group is now also appropriately structured to accelerate the development of our Technology initiatives, having appointed Mr. David Harris as Executive Director of Corporate Development with oversight of Technology and Future Business.

## Outlook

We are now seeing the benefits of several years of dedicated effort in developing both our Engineering and Technology arms. As a result of our experience and ability to replicate, expand and commercialise high-value proprietary intellectual property and increase our value to our customers, we are seeing close to 100% of revenue recurring from our existing customer base – an important and pleasing development in one of our key metrics.

Although the impacts of COVID-19 have resulted in the deferral of some projects, we are beginning to see signs of these projects restarting. We expect to see some larger project awards begin to flow through our target markets (many of which are with our existing customers) as economic conditions improve through FY22.

by Synertec to produce no fugitive greenhouse gas emissions. During the year, we secured a strategic partner to aid our commercialisation of CTS: one of the world's largest providers of LNG shipping and floating solutions and services, which also has interests in Australian projects.

We continue to see demand growing for this environmentally friendly technology, both in Australia and globally, as newly-imposed marine regulations are driving a long-term transition towards LNG as the marine fuel of choice for cleaner sea vessels and coastal LNG storage and regasification facilities. We see ourselves still in the early stages of a global mega-trend in LNG, and very few, if any, businesses globally can provide the systems, products and solutions of the quality which Synertec has delivered.

Elsewhere in the Energy sector, during FY21, we worked towards developing an AI-powered solar renewable base-load power system for oil & gas sites. We formalised this work through an MOU with Santos Limited (ASX:STO) that we announced subsequent to year-end. We expect this technology to be further developed and field tested throughout the coming year.

All three of the technologies in our current portfolio are now evenly poised to launch and offer exciting potential for commercialisation over the coming years.

To deliver the growth targeted in Synertec's strategic plan, we will continue working through these and other technology opportunities which have diverse global applications and fit within the Group's strategy to commercialise replicable and scalable solutions which enhance industrial clients' profitability, efficiency and safety, while reducing their environmental footprint.

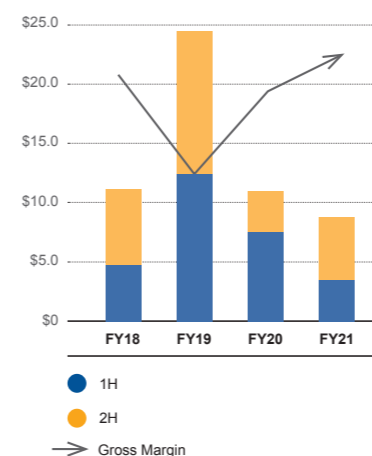
We believe that with our strong financial position, careful resource allocation, intensive sales focus, unique and scalable global IP and highly-regarded team of multi-disciplined engineering and technology experts, the Company remains on a firm and deliberate path to delivering the long term strategy and sustainable growth for its shareholders.

I would like to take this opportunity to thank our management and staff for their efforts over this past year, as well as my fellow Directors for their guidance and support. The Company's operational and strategic achievements are a direct result of the significant effort contributed by all of Synertec's people.

I would also like to thank our loyal customers, suppliers and shareholders for supporting Synertec through what has been a tumultuous and uncertain period in the world, particularly for smaller businesses. At the same time, we take confidence and are grateful for their continued backing as we remain sharply focused on executing our growth strategy in FY22 and beyond.

**Mr. Michael Carroll**  
Managing Director

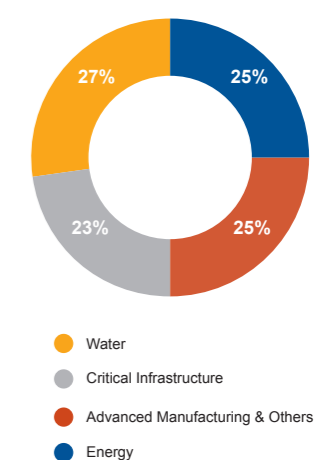
Annual Revenue by Half Year (\$m) & Gross Margin (%)



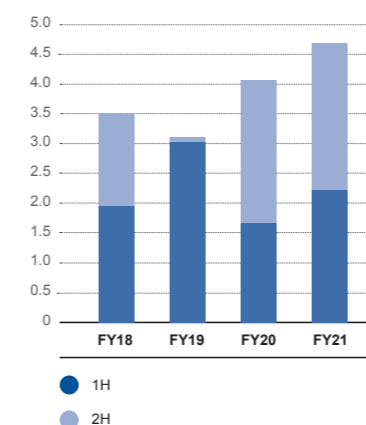
Revenue by Type



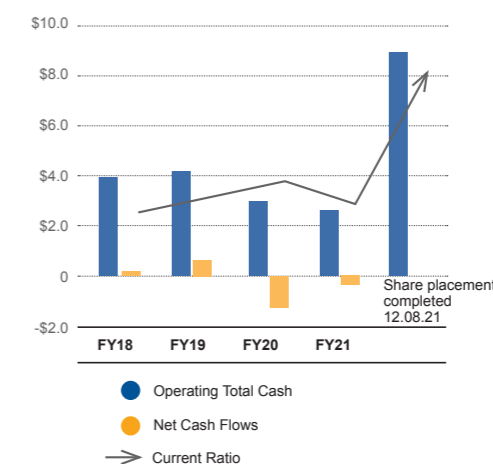
Revenue by Industry



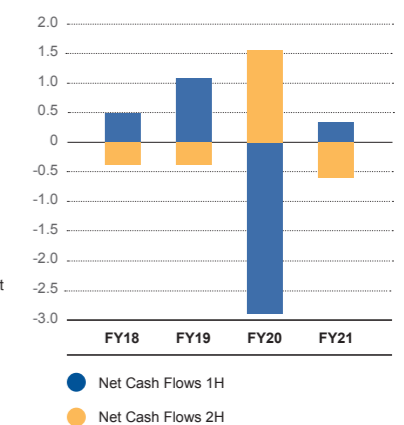
Engineering Consultancy Services Revenue (\$m)



Cash Balance (\$m), Annual Net Cash Flows (\$m) and Current Ratio (times)



Annual net cashflows (\$m) by Half Years





# Synertec: Environmental, Social and Governance

## A commitment to ESG reporting

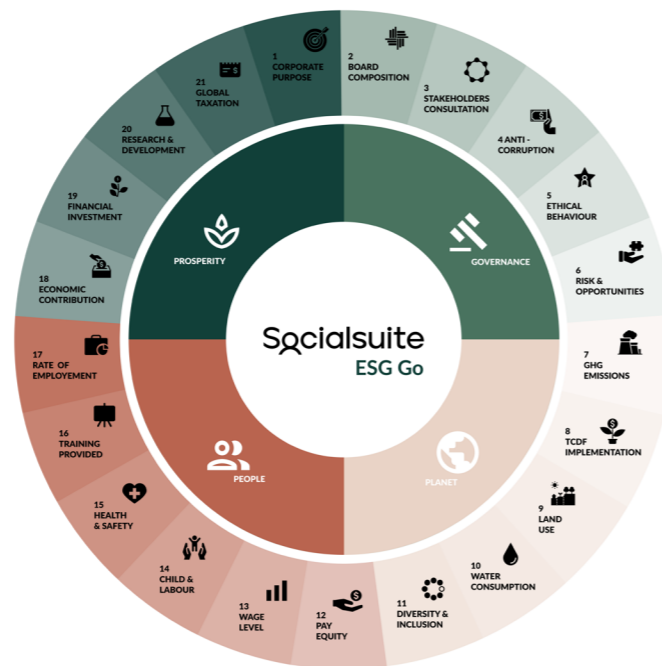
In FY21 Synertec made a commitment to commence Environmental, Social, and Governance (ESG) reporting as a tangible first step in building robust sustainability credentials. We are now working toward making disclosures against the World Economic Forum (WEF) universal ESG framework. We demonstrate our disclosure progress by providing quarterly ESG updates and make our disclosures available in the public domain.

## The universal ESG framework

The World Economic Forum has defined common metrics for sustainable value creation in a core set of 21 disclosures for organisations to align their mainstream reporting on performance against ESG indicators. The WEF metrics are based on existing standards, aiming to accelerate convergence and consistency in the reporting of ESG disclosures.

## Leading ESG disclosure technology

To track our disclosure progress and demonstrate our sustainability performance against the WEF ESG framework we utilise the ESG Go disclosure platform from Socialsuite. ESG Go enables us to demonstrate our ongoing commitment to ESG by providing a dedicated solution to track, report and share our ESG disclosures. With ESG Go we have started the journey of building robust ESG credentials.



We are responding to tightening environmental regulations with innovative green technologies.

## Governance

- Disclosing our corporate purpose which captures how we create solutions to economic, environmental and social issues in a way that creates value for all stakeholders, including shareholders.
- Disclosing the composition, capabilities and perspectives of our board in making robust decisions on an ongoing basis, with a focus on competencies relating to economic, environmental and social topics.
- Disclosing material issues impacting stakeholders, to ensure that organisational impact and long-term value align with the interests of a broad range of stakeholders and provide the foundation for trust in the business.
- Disclosing anti-corruption policies, training, initiatives, and incidents as well as its ongoing ability to both prevent and remedy ethical issues.
- Disclosing company-specific risks and opportunities (including material economic, environmental and social issues), board oversight, and management of the corporate response over time as they change.

## Planet

- Disclosing greenhouse gases (e.g. carbon dioxide, methane, nitrous oxide, F-gases etc.) in metric tonnes of carbon dioxide equivalent (tCO2e) for Scope 1 and Scope 2 emissions, and where appropriate material upstream and downstream (Scope 3) emissions.
- Disclosing a timeline for full implementation of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and whether or not the business has set, or committed to set, GHG emissions targets in line with the goals of the Paris Agreement.

## People

- Disclosing diversity and inclusion metrics, pay equality, and wage level ratios to demonstrate and promote social and economic inclusion, equal pay, and fair compensation and benefits.
- Disclosing the risk for incidents of child, forced or compulsory labour to demonstrate identification of significant human rights risks and approaches to risk management.
- Disclosing work-related injuries and rate of fatalities to demonstrate strong standards of health, and safety.
- Disclosing the average hours of training and development per full-time employee and average expenditure to demonstrate invest in training, education, skilling and reskilling of the workforce.

## Prosperity

- Disclosing rate of new employee hires and rate of employee turnover as indicator of employee satisfaction or dissatisfaction.
- Disclosing the direct economic value generated and distributed as a basic indication of how a company has created wealth for stakeholders.
- Disclosing total capital expenditures, investment and returns of capital to shareholders strategy to demonstrate the company's capacity to expand its operations and create additional employment.
- Disclosing total costs related to research and development as a basic indication of innovation, new offerings, and generation of social or environmental benefits.
- Disclosing total tax paid to demonstrate the company's contribution to governmental revenues through the different forms of taxation.

## Our ESG disclosure progress

Our ESG progress and disclosures are captured under the four pillars of the WEF ESG framework: Governance, Planet, People, and Prosperity. The ESG Go dashboard compares our starting point Baseline Dashboard with our quarterly progress and the change between each period highlights areas of progress and where disclosures have been made.

Synertec (ASX:SOP)		Socialsuite				
Action	Explanation	Development	Reported	Verified	Audited	
		Baseline, 2020/21	Period 2, Apr-Jun 2021			
ESG Go Dashboard		DISCLOSURE	MATURITY	DISCLOSURE	MATURITY	
		A1	A2	A3	A4	A5
<b>Governance</b>						
GO-01-A	Setting purpose	100%	100%	100%	100%	
GO-02-A	Governance body composition	100%	100%	100%	100%	
GO-03-A	Material issues impacting stakeholders	100%	100%	100%	100%	
GO-04-A	Anti-corruption practices	100%	100%	100%	100%	
GO-04-B	Mechanisms to protect ethical behaviour	100%	100%	100%	100%	
GO-05-A	Integrating risk and opportunity into business process	100%	100%	100%	100%	
<b>Planet</b>						
PL-01-A	GHG emissions	100%	100%	100%	100%	
PL-01-B	TCFD implementation	100%	100%	100%	100%	
PL-02-A	Land use and ecological sensitivity	100%	100%	100%	100%	
PL-03-A	Water consumption	100%	100%	100%	100%	
<b>People</b>						
PE-01-A	Diversity and inclusion	100%	100%	100%	100%	
PE-01-B	Pay equality	100%	100%	100%	100%	
PE-01-C	Wage level	100%	100%	100%	100%	
PE-01-D	Child forced or compulsory labour	100%	100%	100%	100%	
PE-02-A	Health and safety	100%	100%	100%	100%	
PE-03-A	Training provided	100%	100%	100%	100%	
<b>Prosperity</b>						
PR-01-A	Rate of employment	100%	100%	100%	100%	
PR-01-B	Economic contribution	100%	100%	100%	100%	
PR-01-C	Financial investment contribution	100%	100%	100%	100%	
PR-02-A	Total R&D expenses	100%	100%	100%	100%	
PR-03-A	Total tax paid	100%	100%	100%	100%	



## Members of the Synertec Board



### Dennis Lin

Chair

Mr. Lin is founding partner and Chair of Cortina Capital, an independent private equity firm focused on middle market businesses with great export potential to Asia. He is also Executive Chair of ASX listed companies, Bubs Australia Limited (ASX: BUB) and Health and Plant Protein Group Limited (ASX: HPP).

Mr. Lin is an Australian qualified Solicitor and Chartered Accountant and was formerly a partner of global accounting and advisory firm, BDO, for eleven years. He retired from his position as BDO's Lead Corporate Finance Partner, specialising in M&A and China, in June 2020.



### Michael Carroll

Managing Director and Chief Executive Officer

Mr. Carroll is a founding principal and Managing Director of Synertec and a significant beneficial owner of Synertec. He has successfully grown the business of Synertec since it was first established in 1996. His leadership style is 'hands-on' and visionary, ensuring efficient and robust internal processes that directly support the strategic direction of Synertec.

As Managing Director of Synertec, Mr. Carroll has negotiated complex agreements with a range of parties, such as large multinational energy conglomerates, water utilities, defence and pharmaceutical companies. Mr. Carroll has direct experience within the Asian engineering market, having established and sold successful companies in both Singapore and Malaysia.

Mr. Carroll is a member of the Australian Institute of Company Directors and holds a Degree in Applied Science (Applied Chemistry) and a postgraduate qualification in Chemical Engineering.



### Leeanne Bond

Non-Executive Director

Ms. Bond is a professional company director with Board roles in the energy, water and engineering services industries. She has qualifications in engineering and management, and 30 years' experience across a broad range of industrial sectors including energy, minerals, infrastructure and water.

From 1996 to 2006, Ms. Bond held a number of management roles with Worley in Queensland, including General Manager (Qld, NT and PNG), where she negotiated project alliances and supervised contracts and projects with many Australian and international companies. From 2017 to 2019, Ms. Bond held the appointment of Executive for Diversity & Inclusion at Downer EDI. She has previously held board positions on a number of other energy and water businesses including Tarong Energy, the Queensland Bulk Water Supply Authority (Seqwater) and was Chair of Brisbane Water.

Ms. Bond is a Non-Executive Director of Snowy Hydro Limited, Aurecon, QADO group and a board member of the Clean Energy Finance Corporation. She is also the independent Non-Executive Director and chair of Mining3, an industry directed research and technology organisation formerly known as CRCMining in partnership with CSIRO.

Ms. Bond is the sole director and owner of Breakthrough Energy Pty Ltd, a project and business development consulting firm.



### David Harris

Executive Director and Company Secretary

Mr. Harris is an Executive Director and Company Secretary of Synertec. Mr. Harris oversees Future Business and Technology, as well as corporate development, investor relations and finance functions for the Group.

Mr. Harris is a graduate of the Australian Institute of Company Directors, an Australian Chartered Accountant, and fellow of both the Financial Services Institute of Australasia and the Governance Institute of Australia. He has over 25 years of local and international experience in senior leadership and board positions for global and ASX-listed companies and is also an experienced Board member and Audit Risk Committee Chair.



# Financial Report

for the financial year ended

## 30 June 2021

**Synertec Corporation Limited**

ARBN 161 803 032

[ASX:SOP]





<b>Directors</b>	Mr. Dennis Lin (Non-Executive Director, Chair) Ms. Leeanne Bond (Non-Executive Director) Mr. Michael Carroll (Managing Director) Mr. David Harris (Executive Director)
<b>Company Secretary</b>	Mr. David Harris 2-6 Railway Parade Camberwell VIC 3124
<b>Principal registered office in Bermuda</b>	Clarendon House 2 Church Street Hamilton HM11 Bermuda
<b>Registered agent office in Australia</b>	Synertec Corporation Limited 2-6 Railway Parade Camberwell VIC 3124 Australia Telephone: +(61 3) 9274 3000
<b>Share registry</b>	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
<b>Auditor</b>	Grant Thornton Audit Pty Ltd Collins Square Tower 5 727 Collins Street Melbourne VIC 3008 Australia
<b>Stock exchange listing</b>	Synertec Corporation Limited shares are listed on the Australian Securities Exchange (ASX) ASX Code: SOP (fully paid ordinary shares)
<b>Website address</b>	www.synertec.com.au

The Directors present their report together with the financial statements of the consolidated entity for the year ended 30 June 2021.

### 1. Directors

The following persons were directors of Synertec Corporation Limited during or since the end of the financial 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, appointed 1 April 2021)  
Mr. Kiat Poh (Non-Executive Director, resigned 31 March 2021)

#### 1.1 Information on Directors

##### Mr. Dennis Lin - Non-Executive Director, Chair

Mr. Lin is founding partner and Chair of Cortina Capital, an independent private equity firm focused on middle market businesses with great export potential to Asia. He is also Executive Chair of ASX listed companies, Bubs Australia Limited (ASX: BUB) and Health and Plant Protein Group Limited (ASX: HPP).

Mr. Lin is an Australian qualified Solicitor and Chartered Accountant and was formerly a partner of global accounting and advisory firm, BDO, for eleven years. He retired from his position as BDO's Lead Corporate Finance Partner, specialising in M&A and China, in June 2020.

##### Ms. Leeanne Bond - Non-Executive Director

Ms. Bond is a professional company director with Board roles in the energy, water and engineering services industries. She has qualifications in engineering and management, and 30 years' experience across a broad range of industrial sectors including energy, minerals, infrastructure and water.

From 1996 to 2006, Ms. Bond held a number of management roles with Worley in Queensland, including General Manager (Qld, NT and PNG), where she negotiated project alliances and supervised contracts and projects with many Australian and international companies. From 2017 to 2019, Ms. Bond held the appointment of Executive for Diversity & Inclusion at Downer EDI. She has previously held board positions on a number of other energy and water businesses including Tarong Energy, the Queensland Bulk Water Supply Authority (Seqwater) and was Chair of Brisbane Water.

Ms. Bond is a Non-Executive Director of Snowy Hydro Limited, Aurecon, QADO group and a board member of the Clean Energy Finance Corporation. She is also an independent Non-Executive Director and the Chair of Mining3, an industry directed research and technology organisation formerly known as CRCMining in partnership with CSIRO.

Ms. Bond is the sole director and owner of Breakthrough Energy Pty Ltd, a project and business development consulting firm.

##### Mr. Michael Carroll - Executive Director

Mr. Carroll is a founding principal and Managing Director and Chief Executive Officer of Synertec and a significant beneficial owner of Synertec. He has successfully grown the business of Synertec since it was first established in 1996. His leadership style is "hands on" and visionary, ensuring efficient and robust internal processes that directly support the strategic direction of Synertec.

As Managing Director of Synertec, Mr. Carroll has negotiated complex agreements with a range of parties, such as large multi-national energy conglomerates, water utilities, defence and pharmaceutical companies. Mr. Carroll has direct experience within the Asian engineering market, having established and sold successful companies in both Singapore and Malaysia.

Mr. Carroll is a member of the Australian Institute of Company Directors and holds a Degree in Applied Science (Applied Chemistry) and a postgraduate qualification in Chemical Engineering.

##### Mr. David Harris - Executive Director

Mr. Harris is an Executive Director and Company Secretary of Synertec. Mr. Harris oversees Future Business and Technology, as well as corporate development, investor relations and finance functions for the Group.

Mr. Harris is a graduate of the Australian Institute of Company Directors, an Australian Chartered Accountant, and fellow of both the Financial Services Institute of Australasia and the Governance Institute of Australia. He has over 25 years of local and international experience in senior leadership and board positions for global and ASX-listed companies and is also an experienced Board member and Audit Risk Committee Chair.



**1. Directors (continued)****1.2 Directors' interest in shares and options**

	Interest in Ordinary Shares	Interest in Options
Non-Executive Directors:		
Dennis Lin (Chair)	-	-
Leeanne Bond	2,785,576	-
Executive Directors:		
Michael Carroll (Managing Director)	49,398,496	-
David Harris (Executive Director/Company Secretary, appointed 1 April 2021)	2,137,733	-

Mr. Michael Carroll is the beneficial owner of 100% of the benefits and rights in the Pinnacle (MCGA) Retirement Fund, which in turn owns 100% of the ordinary shares in New Concept Corporation Limited. New Concept Corporation Limited is the registered holder of 49,398,496 shares in Synertec Corporation Limited and is the largest shareholder in the Company.

**2. Principal activities**

Synertec is a diversified 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. In doing so, Synertec is a provider of engineering products and solutions which typically incorporate complex automated and highly instrumented systems and processes designed to enhance clients' productivity, efficiency and safety. These services are provided across Australia and overseas through offices in Melbourne and Perth.

**3. Significant changes in the state of affairs**

No significant changes noted in the year ended 30 June 2021.

**4. Review of operations and results of those operations****Profit and loss performance**

Throughout FY21 Synertec's priority has remained the health, well-being and safety of its people and continuing to provide a safe and inclusive work environment for all.

The impacts of the ongoing COVID-19 pandemic and its restrictions during FY21 in Australia, and in particular the State of Victoria where Synertec and many of its key clients are based, continued to provide operating challenges and impact demand in some of the Group's end markets. The short term focus during the year has been getting through the crisis with an eye to the future, continuing to execute on our strategy and invest for the benefit of our customers, people and ultimately our shareholders.

The revenue of the Group for the period was \$8.4 million (30 June 2020; \$11.2 million), which constitutes revenue produced from both ongoing and new projects commencing during the period. Over the year, revenue grew by 40% from 1H FY21 (\$3.5 million) to 2H FY21 (\$4.9 million).

In response to growing work in hand and a steadily building opportunity pipeline, Synertec has grown its billable workforce through the 2H FY21 by 50%, despite further COVID-19 lockdown restrictions in Victoria and other States since December 2020. As a result, Engineering Consultancy Services revenue grew by 15% to \$4.7 million (30 June 2020; \$4.1 million). This represents the strongest year of Engineering Consultancy Services revenue the Group has delivered. This growth is expected to continue through FY22 as customer demand, work in hand and the near-term pipeline of opportunities continues to build. As a result, gross margin performance continued to improve in FY21 as the Group pivoted towards new higher-value programs of consultancy work with its blue-chip existing customer base.

Synertec is pleased to report that a significant revenue contribution continued from its highly regarded core expertise in the water, rail, energy and advanced manufacturing sectors, demonstrating the importance and value of well diversified revenue channels and long-term customer relationships. 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. Government has these and other industries targeted for significant funding stimulus in the short-term to accelerate public and private investment and in-turn, large-scale projects and employment.

**4. Review of operations and results of those operations (continued)****Profit and loss performance (continued)**

During the period, the Company publicly announced;

- Contracts awarded during 2H FY21 of approximately \$4.0 million in aggregate value for works with long standing customers including 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;
- Service contract extensions with key water infrastructure customers, Melbourne Water and Central Highlands Water;
- Award of a substantial contract with Beon Energy Solutions in our target markets of water and renewable energy, relating to specialist engineering support of a major energy upgrade project for Synertec's long-standing customer and one of Australia's major bulk water suppliers, Melbourne Water. Beon is a leader in the deployment of large-scale energy and infrastructure projects and is backed by global infrastructure leader CK Infrastructure with over \$100 billion market capitalisation. Such a strategic award builds upon Synertec's long-standing experience providing critical solutions to key Australian water infrastructure sites and provides for the opportunity to diligently grow its exposure to sustainability projects through major experienced partners such as Beon; and
- Renewal of engineering and construction panel inclusions with CSIRO and Australian Defence.

The Group produced an EBITDA loss before Corporate development costs of \$1.3 million (2020; \$1.3 million loss) 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).

**Summary of Operating Result**

*In Australian dollars (\$'000's)*

	30 June 2021	30 June 2020
<b>Revenue</b>	<b>8,436</b>	<b>11,228</b>
<b>Earnings before interest, income tax, depreciation and amortisation (EBITDA) and corporate development costs</b>	<b>(1,256)</b>	<b>(1,302)</b>
Corporate development costs	(554)	(168)
<b>EBITDA</b>	<b>(1,810)</b>	<b>(1,470)</b>
<b>Loss from operations before tax</b>	<b>(2,288)</b>	<b>(1,807)</b>
Income tax (expense) / benefit	(1,063)	551
<b>Loss from operations after tax</b>	<b>(3,351)</b>	<b>(1,255)</b>

The operating result reflects several significant strategic investments in project bidding and technology development across the Company's target sectors which are expected to deliver sustainable long-term profitable growth. These investments are yet to be endorsed by revenue as some large-scale bids for which Synertec is well-positioned are taking longer than expected to reach final decision.

As previously reported, the Group has identified approximately \$2.0 million in revenue during FY21 which can be attributed to project deferrals or delays with existing projects and customers and was expected to be delivered across FY21. This has naturally impacted on the operating performance of the Company this year.

However, some of these projects are beginning early-works discussions and nearing final investment decision which is now more positively supported by improving economic conditions from the situation faced in calendar 2020 when many of these project decisions and/or awards were deferred until the COVID-19 pandemic and its economic impacts on major long term asset investments could be better understood.

Synertec continued to heavily explore various strategic inorganic growth opportunities in its target markets. In particular, the opportunity with Composite Dry Powder ('CDP') continues to develop, with Synertec providing critical funding to the owner of the technology, Sichuan GreenTech Environmental Co., Ltd ('GreenTech'), to complete important technology pilot programs with major Chinese State Owned Enterprise customers responsible for most of China'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.



**4. Review of operations and results of those operations (continued)****Profit and loss performance (continued)**

In continuing to develop this potentially transformational opportunity, the Company incurred due diligence and exploratory costs during the period of approximately \$0.5 million for legal, advisory and other services which enabled the granting of an exclusive worldwide technology license to Synertec and contributed to the Company's ongoing assessment of the market opportunities both in China and other major global markets, such as Australia, America and Canada.

In addition to revenue impacts, Synertec experienced 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. In some cases, these restrictions significantly impacted the efficiency of project and service delivery for Synertec and its customers alike and presented various workforce, procurement and delivery challenges (particularly in the States of Victoria and New South Wales). While most of these challenges have been overcome, this was reflected most profoundly in the results for FY21, with this situation contributing to underperformance on a project in a non-core industry segment which negatively impacted revenue and profit for the period by approximately \$0.4 million.

Consistent across the engineering and related industries, the cost of the annual premium for the Group's professional indemnity insurance increased unexpectedly by approximately \$0.4 million in January 2020 as a result of global conditions in related insurance markets which was outside the control of Synertec. This increase is now fully reflected for the first time in annual operating results for FY21.

During the period 1 May 2020 to 31 March 2021 the Board elected to take a reduction of 20% to their remuneration to absorb some of the financial impact on the Group from the COVID-19 pandemic and enable the business to focus its resources on retaining talent and avoiding a program of stand-downs and/or retrenchments. This initiative, combined with other cost reduction measures and assistance from the various Government support measures during this period, enabled Synertec to retain and support the well-being of all employees through this period.

Synertec has a strong and proud record of retaining and developing a large group of long-serving employees, which is an integral part of the Group's ethos. Maintaining its pool of talent and the collective intellectual property for current and future engineering technology development and solutions was viewed by the Board and Executive as imperative for the Group to carry out its long term growth strategy, as well as ensuring it was well positioned for the anticipated turnaround and growth in the Australian economy and resulting demand from its blue-chip customer base, which eventuated during 2H FY21.

The global Coronavirus (COVID-19) pandemic and the associated community restrictions imposed by Governments has continued to significantly influence market behaviour, including multiple waves of the COVID-19 pandemic throughout 2020 and 2021 which have occurred within Victoria and other parts of Australia resulting in prompt implementation by Australian Governments of 'Stage 4' public lockdown restrictions or the like across most of these jurisdictions for varying periods of time, as determined by Government. Since the current global COVID-19 pandemic and the resulting short, medium and long term social and economic impacts on global economies and their recovery remains highly uncertain, the impact on future operations and financial results of the Group also remains uncertain and cannot be quantified reliably at this time.

While the Board remains confident and optimistic about the long term strategy of the Company and the economic fundamentals of the target markets in which it operates delivering long term sustainable and profitable growth for its shareholders, the Board resolved to adopt a prudent approach with respect to the judgements involved in determining the carrying value of the deferred tax asset. Accordingly, the deferred tax asset of \$1,062,631 carried forward from 30 June 2020 was reviewed during the year considering the current and potential pandemic and economic environment (including the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates) and written down to nil as at 31 December 2020, with the write down being 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 consolidated statement of profit and loss and other comprehensive income for the year ended 30 June 2021.

The deferred tax asset is not subject to any expiry date or limited to a certain type of taxable income and remains 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 30 June 2021 amounting to \$1,253,792. At the current Australian corporate income tax rate applicable to the Company of 26%, this equates to approximately \$4.8 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.

COVID-19 stimulus and support measures availed by the Group for the year ended 30 June 2021 include:

- (1) In response to the COVID-19 relief measures announced by the Federal Government in April 2020, the Group received the JobKeeper subsidy. During the half year, the Group was entitled to \$1,500 per employee per fortnight from 1 July 2020 to 30 September 2020, \$1,200 per employee per fortnight for the period 1 October 2020 to 31 December 2020 and \$1,000 per employee per fortnight for the period 1 January 2021 to 31 March 2021.
- (2) Under the Commercial Tenancies Code released and effective from 3 April 2020, the Group received a rental abatement of 50% related to the tenancy of its former head office, consisting of a 25% waiver and 25% deferral, for the period 1 July 2020 to 30 September 2020. Synertec also received a rental abatement to the tenancy of its former warehouse, consisting of a 17.5% waiver for the period 15 April 2020 to 14 July 2020, 16% deferral for the period 15 July 2020 to 14 October 2020 and 25.5% for the period 15 October 2020 to 17 March 2021.

**4. Review of operations and results of those operations (continued)****Profit and loss performance (continued)**

- (3) 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, the Group's payroll tax liabilities for FY21 have been deferred until FY22 (payable quarterly across the financial year). Synertec has set aside the cash for this obligation.
- (4) In response to the COVID-19 relief measures announced by the Federal Government, the Australian Taxation Office has 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. The Group Synertec has set aside the cash for this obligation.
- (5) In response to the COVID-19 relief measures announced by the Federal Government in April 2020, the Group applied the "instant asset write off" available on new assets acquired and installed ready for use during the year ended 30 June 2021. The total cost of those qualifying assets amounted to \$286,816. This will be reflected in the Company's 2021 income tax return.

**Capital management**

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 it has continued to diligently manage working capital and focus on maintaining liquidity through a challenging economic period.

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 \$0.4 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).

The majority of the decrease in net assets is attributable to the write down of \$1.1 million in the deferred tax asset balance in the statement of financial position and a corresponding income tax expense recognised in the consolidated statement of profit and loss and other comprehensive income.

As noted in the FY20 financial statements, on 9 July 2020 the Company undertook a share placement and issued 55,175,346 ordinary shares at an issue price of \$0.023 per share, raising total proceeds of \$1.3 million. A further \$0.2 million was raised from the early exercise of 5,000,000 shareholder-approved broker options in March 2021. Placement funds raised provided important capital funding for further investment in key growth initiatives.

The Company provided technology partner, GreenTech, with a loan facility of up to AUD \$1.0 million to complete the pilot programs and develop commercial opportunities. The loan facility, to be repaid with interest by 31 December 2021 (subject to the satisfaction of certain conditions), is secured and subject to customary terms and conditions. As at 30 June 2021, GreenTech had drawn down \$0.8 million of the facility.

The new shareholders attracted to the Company since that share placement represent fresh support for Synertec's strategic focus on technology-led high growth engineering-based initiatives with scalable global application in the large and growing energy market, with a focus on efficiency and environmental impact. This supports the long term strategy of the business which is designed to deliver profitable and sustainable growth under normal global economic and social conditions. With a solid framework now established to commercialise exciting technology both in-house and through strategic partners, we expect that the investments the Company has made will deliver scalable growth in revenue and profitability in the medium-term.

On 1 July 2020, Synertec entered into a lease agreement for its new head office. The lease is for a period of five (5) years with the option to renew for a further five (5) years. The Group recognised a right-of-use asset and related lease liability of \$1.5 million each in connection with the new lease in the statement of financial position in accordance with IFRS 16.

The Group continued to operate with no working capital debt or covenants from its bank.



#### 4. Review of operations and results of those operations (continued)

##### Outlook

The cash position of the Company has strengthened substantially with a strategically important share placement completed on 12 August 2021, raising \$7.1 million (before costs). These funds will provide balance sheet support for execution of the dual strategy of commercialising several large near-term ESG-focused technology opportunities in the energy sector and growing out a high-end engineering solutions business as follows;

- \$5 million to drive technology development and commercialisation to assist in the decarbonisation of Synertec's large and prestigious customer base; and
- \$2 million to working capital to fund a growing portfolio of engineering solutions with the Company's blue-chip customer base.

Cash continues to flow from our customers on previously agreed, favourable short-cycle terms, which will enable the Group to continue to maintain its strong working capital position. Synertec's philosophy continues to be to align all our activities to our Purpose and to make long term decisions for superior profitability, rates of growth and shareholder returns. During the COVID-19 global pandemic, we have adopted this same philosophy towards key decisions regarding our people, our customers and our capital structure. These key decisions consider;

- (1) Our people underpin our long-term growth and profitability and we have protected all of our employees during the pandemic, maintaining Synertec's strong capability and pursuit of innovation in our chosen markets;
- (2) To support our customers and ensure we continue to provide seamless service, we continued to invest in numerous relief measures and benefited from past investments in our information technology systems and infrastructure to gradually improve the remote delivery of services and products securely and capture all revenue opportunities during the period as best we could under COVID-19 Government-imposed restrictions; and
- (3) To ensure we have funding flexibility, we managed discretionary costs and benefited from having successfully renegotiated our banking arrangements to free-up substantial cash reserves previously required for security and ensure Synertec remains free of working capital debt and covenants from its bank.

Our team has remained heavily focused on deploying our strategy over the course of FY21. As a result of our ability to replicate, expand and commercialise our high-value proprietary intellectual property in target growth markets and increase our value to our customers, we are continuing to experience unprecedented levels of revenue (almost 100%) recurring from our existing customer base – an important and pleasing development through such an economic environment.

Although the impacts of COVID-19 have resulted in the deferral of some projects, we are beginning to see signs of them restarting over the next year, and we anticipate some larger project awards will begin to flow in our target markets (many of which are with our existing customers) as economic conditions improve through FY22.

The business has continued to adapt and improve efficiency of delivery under remote working conditions, focusing on highly effective management of what is in our control, remaining agile and continuing to respond and deliver to our customers to our typical high standards. We believe this will provide the Company with a strong platform to grow as the impacts of COVID-19 slowly decline and markets and economies begin to respond more positively.

We believe that with;

- our strong financial position;
- a continuing program of careful resource allocation and intensive sales-driven initiatives;
- our established direction as a technology-led high growth business with scalable global IP application in the large and growing energy market focused on efficiency and environmental impact; and
- an innovative and highly regarded multi-disciplined engineering team of industry and technology experts in our chosen target markets;

the Company remains on a firm and deliberate path to delivering the long term strategy and sustainable growth for its shareholders.

#### 5. Litigation

There has been no litigation in the year 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.

#### 6. Dividends

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

#### 7. Subsequent events

During the year ended 30 June 2021, the global Coronavirus (COVID-19) pandemic and the associated community restrictions imposed by Governments has continued to significantly influence market behaviour and as a result, has impacted the operations and financial results of the Company. Subsequent to balance sheet date, Victoria entered into further lockdowns due to the COVID-19 pandemic after an outbreak of the "Delta variant" occurred in the State and other parts of Australia. The various Australian State Governments promptly implemented 'Stage 4' public lockdown restrictions or the like across most of these jurisdictions for varying periods of time, as determined by Government. While additional costs in relation to COVID-19 have been incurred by the Company during the year ended 30 June 2021, the longer term impacts on the operations of the Group remain uncertain and cannot be reliably quantified at this time. The Board remains confident and optimistic about the long term strategy of the Company and the economic fundamentals of the target markets in which it operates, delivering long term sustainable and profitable growth for its shareholders.

In order to fund and achieve its strategic objectives, 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, as announced by the Company on 4 August 2021.

Capital raised through the Offer will be used to provide balance sheet support for execution of the dual strategy of commercialising several large near-term ESG-focused technology opportunities in the energy sector and growing out a high-end engineering solutions business as follows;

- \$5 million to drive technology development and commercialisation to assist in the decarbonisation of Synertec's large and prestigious customer base; and
- \$2 million to working capital to fund a growing portfolio of engineering solutions with the Company's blue-chip customer base.

In an ASX announcement made on 4 August 2021, Synertec provided an update of its significant strategic developments and operational progress within its Technology business unit.

##### *Composite Dry Powder ("CDP") Technology*

Synertec currently 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 CDP technology for the treatment of hydrocarbon drilling mud and allied applications in all jurisdictions outside of China.

The recent progress in its technology development work program in partnership with GreenTech under the licence are as follows:

1. Synertec has exercised its right to extend the existing worldwide licence agreement for a further 12 months (to 4 September 2022).
2. Synertec has agreed to provide an extension to the repayment of the secured loan funding to GreenTech from 31 July 2021 to 31 December 2021 subject to the satisfaction of certain conditions.

##### *Powerhouse Technology*

Synertec has entered into an MOU with leading energy producer Santos Limited (ASX:STO) to develop a solar renewable energy power system to provide remote-site baseload energy for CSG well de-watering, utilising Artificial Intelligence and predictive analytics - the first-of-its-kind to be deployed in Australia. It is the intention of both parties to enter into field trials followed by a commercial agreement for long-term supply to other Santos facilities. Under the MOU, Synertec will progress the design, construction and field testing of the prototype solar energy power system. Santos will support these activities by providing pilot field site access, inputs into the project design, technical information pertaining to the pilot field sites, and technical and other engineering resources.

##### *LNG Custody Transfer System ("CTS") Technology*

World-leading independent marine classification and certification expert, DNV GL, has now completed an international Hazard and Operability study (HAZOP) based on Synertec's CTS technology design. The Company expects this design to be fully certified by DNV in early FY22. This certification covers approval work which will lead to a General Approval for Ship Application ("GASA") statement for an LNG sampling system to be installed onboard marine Gas Carriers.

#### 8. Likely developments

Aside from the subsequent events noted above, it is not foreseen that the Group will undertake any change in its general operations during the coming financial period.



## 9. Material business risks

The key challenges for the Group going into FY22 are:

- Maintaining and building balance sheet strength;
- Delivering commercialisation of the suite of technology solutions and profitability of its engineering projects and programs of work for its customers; and
- Selecting technology and projects that can deliver acceptable returns for commensurate risk.

Material risks that could adversely affect the Group include the following:

### Impact of COVID-19 and associated market risk on the Company

The global economic outlook is highly uncertain due to the current COVID-19 pandemic. The COVID-19 pandemic had, and will likely continue to have, a significant impact on global capital markets. In addition, the Company's projects and/or pipeline of opportunities may be impacted by our customers' decisions to delay existing work Synertec is involved in or defer or cancel projects for which Synertec has bid and/or positioned itself in anticipation of being awarded in the short term, as well as international supply issues and/or the inability for the Company's workforce to move between States or overseas.

### Synertec's exposure to economic cycles

The Company is exposed to the impact of economic cycles and, in particular, how these cycles increase and decrease future capital expenditure by States and Federal Government and by energy and resources companies and organisations involved in the development of critical infrastructure. These economic cycles are in turn impacted by a number of factors including: the fiscal condition of the economy; government policies on capital expenditure; and commodity prices.

### Profitability of contracts

A portion of the Group's contracts are 'fixed price' in nature and to the extent costs exceed the contracted price, there is a risk these amounts may not be recovered. From time to time, variations to the planned scope occur or issues arise during the design or construction phase of a project, not anticipated at the time of bid. This may give rise to claims under the contract with the principal in the ordinary course of business. Where such claims are not resolved in the ordinary course of business, they may enter formal dispute and the outcome upon resolution of these claims may be materially different to the position taken by the Company.

### Labour supply

Synertec's ability to remain productive, profitable and competitive and to affect its planned growth initiatives, depends on its ability to attract and retain skilled labour. Tightening of the labour market in key regions due to a shortage of skilled labour and competing employers for skilled labour, may inhibit Synertec's ability to hire and retain employees. Synertec is exposed to increased labour costs where the demand for labour is strong. A shortage of skilled labour could limit Synertec's ability to grow its business and lead to a decline in productivity and an increase in training costs and adversely affect its safety record. Each of these factors could materially adversely impact its revenue and, if costs increase or productivity declines, its operating margins.

### Continuing support of Synertec from its bank and insurers

The Company and its bank and insurers undertake an annual review of the business. These reviews could reveal matters that require the bank or the Company's insurers to review their current arrangements with the Company.

**During FY21, the Company continued to implement many initiatives to address the risks above. These initiatives included:**

- Streamlining of organisational structure and project delivery and contracting;
- Strengthened project targeting and contracting strategy, which has seen a comprehensive filter applied to all potential new projects, ensuring we select projects that can deliver acceptable returns for commensurate risk. The Company has also improved its targeting of potential projects through a more strategic view of business and corporate development efforts, which should deliver greater value from the resources allocated to growing the business;
- Balance sheet strengthening via resetting of bank facilities and share placements in July 2020 and August 2021;
- Maintenance of dedicated State-based workforces in Victoria, Western Australia and Queensland to support projects in those and other states so as to minimise the need for interstate travel; and
- Synertec management meets regularly with its banker, insurance brokers and insurers to discuss operations, performance and developments within the business.

## 10. Environmental legislations

The Group's operations are not currently subject to significant environmental regulations under both Commonwealth and State legislation.

## 11. Company Secretary

Mr. Harris is an Executive Director and Company Secretary of Synertec. Mr. Harris oversees Future Business and Technology, as well as corporate development, investor relations and finance functions for the Group.

Mr. Harris is a graduate of the Australian Institute of Company Directors, an Australian Chartered Accountant, and fellow of both the Financial Services Institute of Australasia and the Governance Institute of Australia. He has over 25 years of local and international experience in senior leadership and board positions for global and ASX-listed companies and is also an experienced Board member and Audit Risk Committee Chair.

## 12. Directors' meetings

The number of meetings of the Company's Board of Directors ("the Board") and of each Board committee held during the period 1 July to 30 June 2021, and the number of meetings attended by each Director were:

	Board Meetings		Audit and Risk Committee		Nomination and Remuneration Committee	
	A	B	A	B	A	B
<i>Directors</i>						
Dennis Lin	8	7	2	2	2	2
Leeanne Bond	8	8	3	3	2	2
Michael Carroll	8	8	3	3	2	2
Kiat Poh (resigned 31 March 2021)	5	5	2	2	2	2
David Harris (appointed 1 April 2021)	3	3	1	1	-	-
<i>Others</i>						
David Harris - Executive Director / Company Secretary	5	5	2	2	2	2

Where:

- **column A** is the number of meetings the Director/Company Secretary was entitled to attend
- **column B** is the number of meetings the Director/Company Secretary attended

## 13. Unissued shares under option

On 12 August 2020, the Group issued 396,846 fully ordinary shares upon conversion of listed options (ASX:SOPOA) at an issue price of \$0.053 per share with an expiry of 7 August 2020. The securities were part of a class of securities which were quoted on the Australian Securities Exchange (ASX:SOPOA). No other options have been granted or exercised.

On 22 March 2021, the Group issued 5,000,000 fully paid ordinary shares ("Shares") and received the sum of \$180,000 upon early exercise of unlisted options at an exercise price of \$0.036 per share with an expiry of 24 August 2021. These options were issued as settlement of the fee for the share placement ("Placement") undertaken in July 2020 and were approved by shareholders at the 2020 Annual General Meeting.

The fees payable to the Joint Lead Managers for the share placement undertaken by the Company in August 2021, include 10 million Facilitation and Lead Manager unlisted options, which will be subject to shareholder approval at the Company's 2021 Annual General Meeting. This equates to a ratio of approximately 1 for 7 on new shares issued in the share placement. The options will have a strike price of \$0.20, which is a 100% premium to the offer price under the share placement, and a 3-year expiry period from the date of issue.

The options will be spread to key contributors and stakeholders in the share placement. The metrics of the options are aligned to the continued success of the Company, with a strike price at a material premium to the Company's share price at the time of the share placement.

## 14. Remuneration report

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity.

Key management personnel are those persons having authority for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Additional disclosures relating to key management personnel

### Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns Executive reward with the achievement of strategic objectives and the creation of value for shareholders. The Board of Directors ("the Board") ensures that Executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage/alignment of executive compensation; and
- transparency.



**14. Remuneration report (continued)****Principles used to determine the nature and amount of remuneration (continued)**

The Board has established a Nomination and Remuneration Committee which operates in accordance with its charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the Directors and the Executive Team.

The Nomination and Remuneration Committee assess the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive Team.

The Group seeks to remunerate Directors and Executives in accordance with the general principles recommended by the ASX. The Group is committed to remunerating Executives in a manner that is market-competitive, reflects duties and supports the interests of shareholders.

The reward framework is designed to align Executive reward to shareholders' interest. The Board have considered that it should seek to enhance shareholders' interests by:

- focusing on sustained growth in shareholder wealth, consisting of growth in share price, and delivering constant or increasing return on assets as well as focusing the Executive on key non-financial drivers of value; and
- attracting and retaining high calibre people.

Additionally, the reward framework should seek to enhance Executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of Non-Executive Directors and Executive remuneration is separate.

**Non-executive directors' remuneration**

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-Executive Directors' fees and payments are reviewed by the Board as a whole.

ASX Listing Rules require that the aggregate Non-Executive Directors' remuneration shall be determined periodically by a general meeting. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting.

During the period 1 May 2020 to 31 March 2021 the Board elected to take a reduction of 20% to their remuneration to absorb some of the financial impact on the Group from the COVID-19 pandemic and enable the business to focus its resources on retaining talent and avoiding a program of stand-downs and/or retrenchments. This initiative, combined with other cost reduction measures and the assistance of the various Australian Governments' support measures during this period, enabled Synertec to retain and support the well-being of all employees through this period. Synertec has a strong and proud record of retaining and developing a large group of long-serving employees, which is an integral part of the Group's ethos. Maintaining its pool of talent and the collective intellectual property for current and future technology development and engineering projects was viewed by the Board and Executive as imperative for the Group to carry out its long-term growth strategy, and ensuring it was well positioned for the anticipated turnaround and growth in the Australian economy and increased demand from its blue-chip customer base, which eventuated during the second half of the financial year.

**14. Remuneration report (continued)****Details of remuneration****Amounts of remuneration**

Details of remuneration of key management personnel of the consolidated entity are set out in the following tables.

2021	Short-term benefits		Post-employment benefits		Equity	Long-term benefits	
	Cash salary and fees	Bonus	Super-annuation	Termination	Shares & share rights	Long service & annual leave	
						Share rights	Long service & annual leave
	\$	\$	\$	\$	\$	\$	\$
<b>Non-Executive Directors</b>							
Dennis Lin (Chair, appointed on 1 April 2021)	46,804	-	4,446	-	-	786	52,036
Leeanne Bond*	63,500	-	-	-	-	-	63,500
Kiat Poh** (resigned 31 March 2021)	30,000	-	-	-	-	-	30,000
<b>Executive Directors</b>							
Michael Carroll (Managing Director)	286,594	-	27,226	-	-	6,110	319,930
David Harris - (Executive Director/ Company Secretary, appointed 1 April 2021)	255,708	-	24,292	-	23,972	27,797	331,769
<b>Other Key Management Personnel</b>							
Joern Buelter - (Chief Operating Officer)	181,500	-	17,243	-	14,383	6,015	219,141
Total remuneration of key management personnel	<b>864,106</b>	<b>-</b>	<b>73,207</b>	<b>-</b>	<b>38,355</b>	<b>40,708</b>	<b>1,016,376</b>

\* This was paid to Breakthrough Energy Pty Ltd

\*\* This was paid to Asiaphere Pty Ltd

2020	Short-term benefits		Post-employment benefits		Equity	Long-term benefits	
	Cash salary and fees	Bonus	Super-annuation	Termination	Shares & share rights	Long service & annual leave	
						Share rights	Long service & annual leave
	\$	\$	\$	\$	\$	\$	\$
<b>Non-Executive Directors</b>							
Leeanne Bond*	82,167	-	-	-	-	-	82,167
Kiat Poh**	48,333	-	-	-	-	-	48,333
Dennis Lin	36,530	-	3,470	-	-	-	40,000
<b>Executive Director</b>							
Michael Carroll (Managing Director)	325,930	-	30,963	-	-	7,790	364,684
<b>Other Key Management Personnel</b>							
David Harris - (Chief Finance Officer /Company Secretary)	255,708	-	24,292	-	-	4,898	284,898
Joern Buelter - (Chief Operating Officer)	181,500	-	17,243	-	-	2,301	201,044
Total remuneration of key management personnel	<b>930,168</b>	<b>-</b>	<b>75,968</b>	<b>-</b>	<b>-</b>	<b>14,990</b>	<b>1,021,126</b>

During the year, the Board approved the grant of 1,493,559 ordinary shares (which was the balance of shares held as treasury shares by the Company) to eligible and select senior employees for their contribution to the achievement of various strategic objectives and key performance criteria across the period 1 July 2019 to 31 December 2020. The attributed equivalent value of this award is accounted for as a share-based payment and reflected in the employee benefits expense for the year ended 30 June 2021.

As eligible participants in this award, with effect on 31 December 2021, 373,389 ordinary shares were granted to David Harris and 224,034 ordinary shares to Joern Buelter, relating to share-based payments. These shares were granted with no vesting conditions.



**14. Remuneration report (continued)****Details of remuneration***Amounts of remuneration (continued)***Additional disclosures relating to key management personnel***Shareholding*

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at 1 July 2020	Received as part of remuneration	Additions/ (Disposals)	Options Exercised	Balance at 30 June 2021
<i>Non-Executive Directors</i>					
Dennis Lin	-	-	-	-	-
Leeanne Bond <sup>1</sup>	2,785,576	-	-	-	2,785,576
<i>Executive Directors</i>					
Michael Carroll (Managing Director) <sup>2</sup>	49,398,496	-	-	-	49,398,496
David Harris (Executive Director/ Company Secretary) <sup>3</sup>	1,404,531	373,389	-	359,813	2,137,733
<i>Other Key Management Personnel</i>					
Joern Buelter (Chief Operating Officer)	250,000	224,034	-	-	474,034

Notes:

- Shares held by Bondatron Pty Ltd ATF Bondatron Super Fund A/C.
- Shares held by New Concept Corporation Limited ("New Concept") in which Michael Carroll is considered to have 100% interest in the shares in New Concept. All the issued share capital of New Concept is beneficially owned by TMF Trustees Singapore Limited as trustee of the Pinnacle (MCGA) Retirement Fund.
- Shares held by David Harris consist of 1,764,344 shares held by DDGG Harris Holdings Pty Ltd ATF DDGG Harris Superannuation Fund and 373,389 shares held directly by David Harris. Options exercised during the year, were purchased by Mr. Harris on-market and exercised accordingly upon expiry of the option term (7 August 2020).

	Balance at 1 July 2020	Received as part of remuneration	Additions/ (Disposals)	Options Exercised	Balance at 30 June 2021
<i>Non-Executive Directors</i>					
Dennis Lin	-	-	-	-	-
Leeanne Bond	-	-	-	-	-
Kiat Poh	-	-	-	-	-
<i>Executive Directors</i>					
Michael Carroll (Managing Director)	-	-	-	-	-
David Harris (Executive Director/ Company Secretary)	359,813	-	-	(359,813)	-
<i>Other Key Management Personnel</i>					
Joern Buelter (Chief Operating Officer)	-	-	-	-	-

**Additional disclosures relating to key management personnel**

There were no other transactions with key management personnel during the year.

**15. Indemnities given to, and insurance premiums paid for, officers and auditors****Officers**

During the year, Synertec Corporation Limited paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all Directors.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer of the Group against a liability incurred as such by an officer.

**Auditors**

The Group has not agreed to indemnify the auditor of the Group and any related entity against a liability incurred by the auditor.

During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Group or any related entity.

**16. Auditor**

Grant Thornton Audit Pty Ltd continues in office.

**17. Officers of the Group who are former audit partners of auditor**

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

**18. Non-audit services**

During the year, the firm of Grant Thornton, the Group's auditors, performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk Committee to ensure they do not impact upon the impartiality and objectivity of the auditor; and
- the non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditors of the Group, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out in Note 22 to the financial statements.



## 19. Proceedings on behalf of the Group

No person has applied to the Court for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

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

For and on behalf of the Directors,



Mr. Michael Carroll  
Managing Director  
Melbourne, Australia  
26 August 2021

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Synertec Corporation Limited and its controlled entities (the Group) have adopted the third edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The Group's Corporate Governance Statement for the financial year ending 30 June 2021 is dated as at 30 June 2021 and was approved by the Board on 23 August 2021. The Corporate Governance Statement is available on the Synertec Corporation Limited website [www.synertec.com.au](http://www.synertec.com.au).



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

In Australian dollars	Note	30 June 2021	30 June 2020
<b>Revenue</b>			
Revenue	5	8,385,690	11,120,178
Other income	6	50,000	107,326
<b>Expenses</b>			
Materials and service expense		(1,809,131)	(4,828,995)
Employee benefits expense	7	(5,390,842)	(5,513,203)
Superannuation expense		(520,774)	(525,720)
Depreciation and amortisation expense		(374,256)	(279,934)
Business development expense		(277,129)	(365,441)
IT and telecommunication costs		(283,086)	(292,029)
Legal, professional fees and insurances		(746,452)	(516,266)
Other expenses		(519,412)	(297,322)
Directors fees		(144,750)	(190,290)
Corporate development costs		(554,074)	(167,946)
<b>Results from operating activities</b>		<b>(2,184,216)</b>	<b>(1,749,642)</b>
Interest income	8	45,414	17,514
Finance costs	8	(149,563)	(74,587)
<b>Net finance costs</b>		<b>(104,149)</b>	<b>(57,073)</b>
<b>Loss before tax</b>		<b>(2,288,365)</b>	<b>(1,806,715)</b>
Income tax (expense)/benefit	9(i)	(1,062,631)	551,249
<b>Loss from operations</b>		<b>(3,350,996)</b>	<b>(1,255,466)</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the year</b>		<b>(3,350,996)</b>	<b>(1,255,466)</b>
<b>Earnings per share (cents)</b>			
Basic loss per share	20	(1.18)	(0.57)
Diluted loss per share	20	(1.18)	(0.57)

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

# Consolidated Statement of Financial Position

As at 30 June 2021

In Australian dollars	Note	30 June 2021	30 June 2020
<b>Assets</b>			
Cash and cash equivalents	10	2,625,853	3,039,998
Trade and other receivables	11	1,746,872	670,178
Other assets	12	1,271,333	484,392
Contract assets	13	655,170	1,386,911
<b>Total current assets</b>		<b>6,299,228</b>	<b>5,581,479</b>
<b>Non-current assets</b>			
Net deferred tax assets	9	-	1,062,631
Other assets	12	5,295	-
Property, plant and equipment	14	1,923,555	307,520
<b>Total non-current assets</b>		<b>1,928,850</b>	<b>1,370,151</b>
<b>Total assets</b>		<b>8,228,078</b>	<b>6,951,630</b>
<b>Liabilities</b>			
Trade and other payables	15	2,996,343	2,278,995
Warranty provision		18,989	18,989
Employee benefits	16	677,758	495,890
Contract liabilities	17	201,109	15,133
Lease liabilities	18	96,581	87,497
<b>Total current liabilities</b>		<b>3,990,780</b>	<b>2,896,504</b>
<b>Non-current liabilities</b>			
Trade and other payables	15	504,166	-
Lease liabilities	18	1,499,459	12,813
Employee benefits	16	137,235	96,247
<b>Total non-current liabilities</b>		<b>2,140,860</b>	<b>109,060</b>
<b>Total liabilities</b>		<b>6,131,640</b>	<b>3,005,564</b>
<b>Net assets</b>		<b>2,096,437</b>	<b>3,946,066</b>
<b>Equity</b>			
Issued capital	19	2,097,506	596,139
Retained earnings		(1,069)	3,349,927
<b>Total equity</b>		<b>2,096,437</b>	<b>3,946,066</b>

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



# Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

<i>In Australian dollars</i>	Note	Issued capital \$	Retained earnings \$	Total \$
<b>Balance at 1 July 2019</b>		641,113	4,607,415	5,248,528
Adjustment on transition to IFRS 16 - DTA on initial recognition of leases		-	(2,022)	(2,022)
Capital raising costs		(55,480)	-	(55,480)
Deferred tax on capital raising costs booked through equity		10,506	-	10,506
Loss for the year		-	(1,255,466)	(1,255,466)
<b>Total comprehensive income</b>		-	(1,255,466)	(1,255,466)
<b>Balance at 30 June 2020</b>		<b>596,139</b>	<b>3,349,927</b>	<b>3,946,066</b>
<b>Balance at 1 July 2020</b>		596,139	3,349,927	3,946,066
Issue of shares		1,608,412	-	1,608,412
Capital raising costs		(107,045)	-	(107,045)
Loss for the year		-	(3,350,996)	(3,350,996)
<b>Total comprehensive income</b>		-	(3,350,996)	(3,350,996)
<b>Balance at 30 June 2021</b>	19	<b>2,097,506</b>	<b>(1,069)</b>	<b>2,096,437</b>

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

# Consolidated Statement of Cash Flows

For the year ended 30 June 2021

<i>In Australian dollars</i>	Note	30 June 2021	30 June 2020
<b>Cash flows from operating activities</b>			
Cash receipts from customers		8,940,522	13,170,679
Cash paid to suppliers and employees		(8,744,986)	(15,539,833)
Cash generated from operations		195,536	(2,369,154)
Payments for corporate development activities		(554,074)	(167,946)
Interest received		933	17,514
Income taxes received		-	14,187
<b>Net cash used in operating activities</b>	10A(i)	<b>(357,605)</b>	<b>(2,505,399)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		18,182	-
Loan to GreenTech and associated costs		(849,189)	-
Receipt of funds from term deposit held as security		-	1,500,000
Purchase of property, plant and equipment		(437,493)	(41,949)
<b>Net cash (used in)/from investing activities</b>		<b>(1,268,501)</b>	<b>1,458,051</b>
<b>Cash flows from financing activities</b>			
Payments for capital raising costs		(107,045)	(55,480)
Proceeds from issue of shares		1,512,526	-
Payment of lease liabilities		(193,521)	(193,674)
<b>Net cash from/(used in) financing activities</b>		<b>1,211,960</b>	<b>(249,154)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(414,145)</b>	<b>(1,296,502)</b>
Cash and cash equivalent at beginning of the year		3,039,998	4,336,500
<b>Cash and cash equivalents at end of the year</b>	10A(iii)	<b>2,625,853</b>	<b>3,039,998</b>

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



## 1. General information and statement of compliance

The financial statements cover Synertec Corporation Limited as a consolidated entity consisting of Synertec Corporation Limited (referred as the 'Company' or 'Parent Company') and the entities it controlled at the end of, or during, the year ended 30 June 2021 (together referred to as the 'Group').

Synertec Corporation Limited is the Group's Ultimate Parent Company. It is a public company (limited by shares) incorporated in Bermuda, and listed on the Australian Securities Exchange (ASX:SOP).

Its registered office is: Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

Its registered office in Australia is Ground Floor, 2-6 Railway Parade, Camberwell, VIC 3124, Australia.

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report, which is not part of the financial statements.

The financial statements were approved and authorised for issue, in accordance with a resolution of directors, on 26 August 2021.

## 2. Significant accounting policies

### 2.1 Basis of accounting

The consolidated general purpose financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Synertec Corporation Limited is a for-profit entity for the purpose of preparing the financial statements.

### 2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis unless otherwise stated.

### 2.3 Functional and presentational currency

These financial statements are presented in Australian dollars, which is the Group's functional currency and presentation currency.

### 2.4 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2021. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition; or up to the effective date of disposal, as applicable.

### 2.5 Revenue and other income

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

The Group's main revenue streams are as follows:

#### Engineering services

The Group provides engineering services relating to the design and engineering of customised Systems, Process, Chemical, Mechanical Design, Automation, Safety, Electrical and Software Engineering solutions. Revenue from these services is recognised on a time-and-materials basis as the services are provided and the performance obligation is satisfied. Customers are invoiced monthly as work progresses. Any amounts remaining unbilled at the end of a reporting period are presented in the statement of financial position as Contract assets as only the passage of time is required before payment of these amounts will be due.

## 2. Significant accounting policies (continued)

### 2.5 Revenue and other income (continued)

#### Fixed price solutions

The Group enters into contracts for the design, engineering and construction of customised engineering solutions in exchange for a fixed fee and recognises the related revenue over time. Due to the high degree of interdependence between the various elements of these projects, they are accounted for as a single performance obligation. When a contract also includes a warranty period, the total transaction price is allocated to each of the distinct performance obligations identifiable under the contract on the basis of its relative stand-alone selling price.

To depict the progress by which the Group transfers control of the systems to the customer, and to establish when and to what extent revenue can be recognised, the Group measures its progress towards complete satisfaction of the performance obligation by comparing actual input costs (hours and purchases) spent to date with the total estimated costs required to design, engineer, and construct each solution. The percentage complete basis provides the most accurate depiction of the transfer of goods and services to each customer due to the Group's ability to make reliable estimates of the total number of costs required to complete the Project, arising from its significant historical experience constructing similar solutions.

#### Transfer of goods

Revenue from the sale of custom products engineered by the Group for a fixed fee is recognised when or as the Group transfers control of the assets to the customer and fulfills their performance obligation. Invoices for goods transferred are due after receipt of the invoice by the customer.

For sales of engineered products that are not subject to significant integration services, control transfers at the point in time the customer takes undisputed delivery of the goods.

#### Advanced receipt

When payments received from customers exceed revenue recognised to date on a particular contract, any excess (a contract liability) is reported in the statement of financial position as Contract liabilities.

#### Warranty period

The Group provides warranty on some of its engineering solutions. Under the terms of this warranty customers can request rectification or replacement works if the solution provided by the Group fails to perform in accordance with the agreed contract and specifications. These warranties are accounted for under IFRS 137 Provisions, Contingent Liabilities and Contingent Assets.

### 2.6 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

### 2.7 Finance income and lease finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- finance costs as a result of IFRS 16; and

Interest income or expense is recognised using the effective interest method.

### 2.8 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group at the exchange rates at the dates of the transactions (spot exchange rate).

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

### 2.9 Income taxes

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and under and over provision in prior periods, where applicable.

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income (OCI).



**2. Significant accounting policies (continued)****2.9 Income taxes (continued)****(i) Current tax**

Current income tax assets and / or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

**(ii) Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax liabilities are always provided for in full.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if the Group has a right and intention to set-off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Synertec Corporation Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Synertec Holdings Pty Ltd is responsible for recognising the current tax liabilities of the Australian tax consolidated group. The tax consolidated group has entered into an agreement whereby each component in the Group contributes to income tax payable in proportion to their contributions to the taxable profit of the tax consolidated group.

**2.10 Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Tangible Assets)**

During the financial year the International Financial Reporting Interpretations Committee IFRIC identified that various approaches to customisation and configuration costs for cloud computing arrangements were utilised by companies depending on internal policy. These policies varied from expensing all costs in full to capitalisation of all costs in full, with most entities taking a more nuanced approach in their capitalisation policy and differentiating between expenditure with different underlying fact patterns.

The Agenda Decision requires that management capitalise those elements of expenditure that meet the definition of an "Intangible Asset" as defined by IAS 38 Intangible Assets and recognise any additional amounts as an expense as the entity benefits from the expenditure – either by applying IAS 38 or applying another accounting standard.

The impact of this decision has not had a material impact on the consolidated entity's financial statements.

**2. Significant accounting policies (continued)****2.11 Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**2.12 Property, plant and equipment****(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

**(ii) Subsequent expenditure**

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

**(iii) Depreciation**

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives of property, plant and equipment are as follows:

• Motor Vehicles	10 years
• Furniture and Equipment	16 years
• Computers	3 years

In the case of leasehold improvements, expected useful lives are determined by reference to comparable owned assets or over the term of the lease if shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**2.13 Impairment****(i) Non-derivative financial assets**

Financial assets not classified as at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security.

**(ii) Financial assets measured at amortised cost**

The Group considers evidence of impairment for these assets measured at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.



**2. Significant accounting policies (continued)****2.13 Impairment (continued)****(iii) Non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than stock on hand and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amount of assets in the CGU on a pro rata basis. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**2.14 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed the reimbursement is recognised as a separate but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the unwinding of the discount is recognised as finance cost.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow is remote in which case, no liability is recognised.

**2.15 Employee benefits****(i) Defined contribution plans**

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

**(ii) Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(iii) Other long-term employee benefits**

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value using high quality corporate bond rates. Remeasurements are recognised in profit or loss in the period in which they arise.

**2.16 Leases**

For any new contracts entered into on or after 1 July 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

1. the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.
2. the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
3. the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

**2. Significant accounting policies (continued)****2.16 Leases (continued)****Measurement and recognition of leases as a lessee**

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in lease liabilities.

**2.17 Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**2.18 Financial instruments**

The Group does not hold derivative financial assets. Where required the Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, and loans and receivables.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

**(i) Non-derivative financial assets and financial liabilities - recognition and derecognition**

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.



**2. Significant accounting policies (continued)****2.18 Financial Instruments (continued)****(ii) Non-derivative financial assets - measurement****Loans and receivables**

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

**Cash and cash equivalents**

In the statement of cash flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

**(iii) Non-derivative financial liabilities - measurement**

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

**(iv) Share capital****Ordinary shares**

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

**3. Use of judgements and estimates**

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

**3.1 Judgements**

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 2.5 – Revenue and other income.

Judgement is required to determine whether deferred tax assets are recognised in the balance sheet. Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate sufficient taxable earnings in the future periods in order to recognise and utilise those deferred tax assets. Judgement is also required in respect of the expected manner of recovery of the value of an asset or liability (which will then impact the quantum of the deferred tax assets or deferred tax liabilities recognised) and the application of existing laws.

Estimates of future taxable income are based on forecast cash flows from operations and existing tax laws in each jurisdiction. These assessments require the use of estimates and assumptions such as exchange rates, commodity prices and operating performance over the life of the assets. To the extent that cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets reported at the reporting date could be impacted.

Additionally, future changes in tax laws in which the Group operates could limit the ability of the Group to obtain tax deductions and recover/utilise deferred tax assets in future periods.

While the Board remains confident and optimistic about the long term strategy of the Company and the economic fundamentals of the target markets in which it operates delivering long term sustainable and profitable growth for its shareholders, the Board resolved to adopt a prudent approach with respect to the judgements involved in determining the carrying value of the deferred tax asset. Accordingly, the deferred tax asset of \$1,062,631 carried forward from 30 June 2020 has been reviewed considering the current and potential pandemic and economic environment (including the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates) and was written down to nil during the financial year. No further deferred tax assets have been recognised for the year.

**3.2 Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the year ended 30 June 2021 are included:

**Note 13 - Contract assets - recognition of project revenue**

Recognising project revenue requires judgement in determining milestones, actual work performed and/or the estimated costs to complete the work.

**Note 14 - Property, Plant and Equipment - useful lives of depreciable assets**

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of assets. Uncertainties in these estimates relate to potential obsolescence that may change the utility of certain equipment.

**3. Use of judgements and estimates (continued)****3.2 Assumptions and estimation uncertainties (continued)****Measurement of fair values**

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in note 23 - financial instruments.

**Coronavirus (COVID-19) pandemic**

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.

**4. Operating segments**

The Group has a single reportable segment in which it operates, being engineering based technology and services, and this is based on information that is internally provided to the Chief Operating Decision Makers ('CODM') for assessing performance and making operating decisions. Therefore, no additional disclosures in relation to the revenues, profit or loss, assets and liabilities and other material items have been made. The operating entity is based in Australia. The demand for engineering products and solutions services is not subject to seasonal fluctuations.

The Group earned \$4.7 million of its \$8.4 million revenues from its top three customers. Of all other clients, no single client contributes more than 10 per cent to total revenue. All revenues from external customers are attributable to the Group's country of domicile and all physical assets are located within Australia.

**5. Revenue**

Engineering consultancy services  
Fixed price solutions and transfer of goods

Note	30 June 2021	30 June 2020
	4,696,765	4,073,998
	3,688,925	7,046,180
	<b>8,385,690</b>	<b>11,120,178</b>
<b>6. Other income</b>		
Government grant	50,000	100,000
Other	-	7,326
	<b>50,000</b>	<b>107,326</b>

During the year, Synertec was awarded a grant of \$50,000 under the Victorian Government Technology Adoption and Innovation Program for development of its Custody Transfer System (CTS) technology.

During the year ended 30 June 2020, the Company received the "cashflow boost" subsidy provided via the Australian Tax Office in response to the COVID-19 relief measures announced by the Federal Government in April 2020.



**7. Employee benefits expense**

In response to the COVID-19 relief measures announced by the Australian Federal Government in April 2020, the Group received the JobKeeper subsidy. During the year, the Group was entitled to \$1,500 per employee per fortnight from July to September 2020, \$1,200 per employee per fortnight from October to December 2020 and \$1,000 per employee per fortnight from January to March 2021.

During the year, the Board approved the grant of 1,493,559 ordinary shares (which was the balance of shares held as treasury shares by the Company) to eligible and select senior employees for their contribution to the achievement of various strategic objectives and key performance criteria across the period 1 July 2019 to 31 December 2020. The attributed equivalent value of this award is accounted for as a share-based payment and reflected in the employee benefits expense for the year ended 30 June 2021.

Below is a reconciliation of the employee benefits expense recognised in the statement of profit or loss and other comprehensive income.

	30 June 2021	30 June 2020
<b>Recognised in profit or loss</b>		
Gross employee benefits expense	6,289,455	5,846,203
JobKeeper benefit	(994,500)	(333,000)
Share-based payments	95,887	-
Employee benefits expense in the Statement of Profit or Loss and Other Comprehensive Income	<b>5,390,842</b>	<b>5,513,203</b>

**8. Finance income and finance costs****Recognised in profit or loss**

	30 June 2021	30 June 2020
Interest income	45,414	17,514
<b>Finance income</b>	<b>45,414</b>	<b>17,514</b>
Facility interest & charges	(51,907)	(63,759)
Leases finance costs	(97,582)	(10,828)
Interest expense	(74)	-
<b>Finance costs</b>	<b>(149,563)</b>	<b>(74,587)</b>
<b>Net finance costs recognised in profit or loss</b>	<b>(104,149)</b>	<b>(57,073)</b>

8(i) Interest income comprised of interest receivable on loan provided to GreenTech.

8(ii) The Group incurred finance costs during the year related to its bank guarantee facility provided by ANZ.

**9. Taxes****(i) Tax recognised in profit or loss****Deferred tax (expense)/benefit**

Origination and reversal of temporary differences	(1,062,631)	551,249
Income tax (expense)/benefit	<b>(1,062,631)</b>	<b>551,249</b>

**(ii) Reconciliation of effective tax rate**

Loss before tax	<b>(2,288,373)</b>	<b>(1,806,715)</b>
Income tax benefit using the Group's domestic tax rate (26%)	(594,977)	(496,847)
Non-deductible expenses	9,938	(36,476)
Carried forward section 40-880 ITAA expenditure not booked in prior year	-	(17,926)
Current year DTA movement not recognised	648,496	-
Prior year DTA derecognised	999,174	-
Income tax expense/(benefit)	<b>1,062,631</b>	<b>(551,249)</b>

**(iii) Movement in deferred tax assets**

Opening balance	1,074,779	1,074,779
Charged to profit and loss	(999,174)	-
Closing balance	<b>75,605</b>	<b>1,074,779</b>

**9. Taxes (continued)****(iv) Movement in deferred tax liabilities**

	30 June 2021	30 June 2020
Opening balance	(12,148)	(12,148)
Charged to profit and loss	(63,457)	-
Closing balance	<b>(75,605)</b>	<b>(12,148)</b>

**(v) Movement in net deferred tax asset/(liability)**

Opening balance	1,062,631	(1,062,631)
Charged to profit and loss	(1,062,631)	-
Closing balance	<b>-</b>	<b>(1,062,631)</b>

The carrying amount of recognised and unrecognised deferred tax assets was reviewed at 31 December 2020 and 30 June 2021. While the Board remains confident and optimistic about the long term strategy of the Company and the economic fundamentals of the target markets in which it operates delivering long term sustainable and profitable growth for its shareholders, the Board resolved to adopt a prudent approach with respect to the judgements involved in determining the carrying value of the deferred tax asset. Accordingly, the deferred tax asset of \$1,074,779 carried forward from 30 June 2020 was reviewed considering the current and potential pandemic and economic environment (including the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates) and written down to \$75,605 as at 30 June 2021 (being an amount equal to the deferred tax liability as at 30 June 2021), with the write down being recognised as a reduction of \$999,174 in the deferred tax asset balance in the statement of financial position and a corresponding income tax expense recognised in the consolidated statement of profit and loss and other comprehensive income for the year ended 30 June 2021. No further deferred tax assets have been recognised for the year. The remaining income tax expense of \$63,457 which has been recognised in the consolidated statement of profit and loss relates to the increase in the deferred tax liability, from \$12,148 as at 30 June 2020 to \$75,605 as at 30 June 2021.

Since the current global COVID-19 pandemic and the resulting short, medium and long term social and economic impacts on global economies and their recovery remains highly uncertain, the impact on future operations and financial results of the Company also remains uncertain and cannot be quantified reliably at this time.

**(vi) Deferred tax assets not brought to account at reporting date**

Temporary differences	360,015	-
Unused carry forward tax losses	1,253,792	-
	<b>1,622,807</b>	<b>-</b>

Deferred tax asset is 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 30 June 2021 amounting to \$1,253,792. At the current Australian corporate income tax rate applicable to the Company of 26%, this equates to approximately \$4.8 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.

**(vii) Movement in deferred tax balances during the year**

	Balance 30-Jun-2019	Recognised in profit or loss	Recognised in other compre- hensive income	Balance 30-Jun-2020	Recognised in profit or loss	Recognised in other compre- hensive income	Balance 30-Jun-2021
<b>Deferred tax assets</b>							
Employee benefits	159,405	3,432	-	162,837	(87,232)	-	75,605
Deferred income	(2,901)	2,901	-	-	-	-	-
Corporate transaction costs	111,473	1,822	(6,128)	107,167	(107,167)	-	-
Other payables	63,600	(5,860)	-	57,740	(57,870)	-	-
Carry forward tax losses	171,316	575,589	-	746,905	(746,905)	-	-
Total Deferred tax assets	<b>502,893</b>	<b>577,884</b>	<b>(6,128)</b>	<b>1,074,779</b>	<b>(999,174)</b>	<b>-</b>	<b>75,605</b>
<b>Deferred tax liabilities</b>							
Prepayments	-	-	-	(130)	115	-	(15)
Fixed assets	-	(11,074)	-	(11,074)	(52,708)	-	(63,782)
Leases	-	-	(944)	(944)	944	-	-
Accrued interest	-	-	-	-	(11,808)	-	(11,808)
Total Deferred tax liabilities	<b>-</b>	<b>(11,074)</b>	<b>(944)</b>	<b>(12,148)</b>	<b>(63,457)</b>	<b>-</b>	<b>(75,605)</b>
<b>Net Deferred taxes</b>	<b>502,893</b>	<b>566,810</b>	<b>(7,072)</b>	<b>1,062,631</b>	<b>(1,062,631)</b>	<b>-</b>	<b>-</b>

**10. Cash and cash equivalents**

	Note	30 June 2021	30 June 2020
Bank balances		2,624,522	3,038,651
Cash on hand		1,331	1,347
Cash and cash equivalents		2,625,853	3,039,998

**10A. Cash flow information****(i) Reconciliation of cash flows from operating activities****Cash flows from operating activities**

Loss for the year		(3,350,996)	(1,255,466)
Adjustments:			
Depreciation and amortisation	14	374,256	279,934
Interest costs		104,149	57,073
Share-based payments	7	95,887	-
Loss on sale of property, plant and equipment		16,758	-
Tax expense/(benefit)	9(i)	1,062,631	(551,249)
		(1,697,315)	(1,469,708)
Change in contract assets		731,741	(153,971)
Change in other assets		431,401	(242,459)
Change in trade and other receivables		(1,237,694)	861,133
Change in trade and other payables		1,009,987	(1,290,583)
Change in employee benefits		222,856	12,483
Change in contract liabilities		185,976	(190,236)
Cash used in operating activities		(353,049)	(2,473,341)
Interest paid net of interest received		(6,567)	(46,245)
Realised foreign currency gains		2,011	-
Income taxes received		-	14,187
<b>Net cash used in operating activities</b>		<b>(357,605)</b>	<b>(2,505,399)</b>

**(ii) Credit standby arrangement**

The Company has the following credit standby facilities which are subject to bank review annually:

Bank guarantee <sup>(1)</sup>		700,000	600,000
Credit Card		50,000	50,000
<b>Total</b>		<b>750,000</b>	<b>650,000</b>
<b>Utilised</b>			
Bank guarantee		346,226	440,584
Credit Card		20,311	9,817
<b>Total</b>		<b>366,537</b>	<b>450,401</b>

(1) Effective from 1 May 2021, Synertec received an extension of its existing bank guarantee facility with ANZ, from \$0.6 million to \$0.7 million. The Company is not subject to any covenants on its facilities with ANZ.

**(iii) Reconciliation of cash and cash equivalents at end of year**

Synertec Pty Ltd		2,267,665	3,013,300
Synertec Corporation Limited		358,188	26,698
		<b>2,625,853</b>	<b>3,039,998</b>

**11. Trade and other receivables****Current**

Trade receivables		1,746,872	509,178
Other receivables		-	161,000
<b>Current</b>		<b>1,746,872</b>	<b>670,178</b>

The Company's exposure to credit and market risks, and impairment losses related to trade and other receivables, are disclosed in Note 23.

**12. Other assets**

	30 June 2021	30 June 2020
<b>Current</b>		
Prepayments and other debtors	391,850	428,485
Loan receivable <sup>(a)</sup>	845,414	-
Deposits	21,807	43,645
Stock on hand	12,262	12,262
<b>Current</b>	<b>1,271,333</b>	<b>484,392</b>
<b>Non-Current</b>		
Other receivables	5,295	-

## Note: (a)

In July 2020, the Company entered into an agreement to provide Sichuan Greentech Environmental Co. Ltd ('GreenTech') with a secured loan facility of AUD \$1.0 million at an interest rate of 7% and subject to customary terms and conditions, to complete a pilot program of its Composite Dry Powder ('CDP') technology with two major Chinese State Owned Enterprises. The secured loan facility has been extended from 31 July 2021 to 31 December 2021 subject to the satisfaction of certain conditions. As at 30 June 2021, the amount due from GreenTech was \$845,414 including interest.

**13. Contract assets**

Work in progress	655,170	1,386,911
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Determining when to recognise contract revenue requires a degree of judgement. Contract revenue and expenses are recognised in accordance with the percentage of completion method (input) unless the outcome of the contract cannot be reliably estimated. The percentage of completion is estimated by assessing milestones, actual work performed and the estimated costs to complete the work.

At 30 June 2021, aggregate costs incurred under open contracts and recognised profits earned, net of recognised losses, amounted to \$655,170 (2020: \$1,386,911).

**14. Property, plant and equipment**

	Computers	Furniture and equipment	Leasehold improvements	Motor vehicles	Right-of-use assets	TOTAL
<b>Cost</b>						
<b>Balance at 1 July 2019</b>	559,000	156,081	21,157	201,096	-	937,333
<b>Adjustment on transition to IFRS16</b>	-	-	-	-	280,516	280,516
Lease modifications	-	-	-	-	(2,609)	(2,609)
Additions	41,949	-	-	-	5,250	47,199
Disposals	-	-	-	-	-	-
<b>Balance at 30 June 2020</b>	<b>600,949</b>	<b>156,081</b>	<b>21,157</b>	<b>201,096</b>	<b>283,157</b>	<b>1,262,439</b>
<b>Balance at 1 July 2020</b>	600,949	156,081	21,157	201,096	283,157	1,262,439
Additions	133,461	4,525	299,507	-	1,591,670	2,029,163
Disposals	(316,757)	(130,565)	(21,157)	(38,000)	-	(506,479)
<b>Balance at 30 June 2021</b>	<b>417,653</b>	<b>30,041</b>	<b>299,507</b>	<b>163,096</b>	<b>1,874,827</b>	<b>2,785,123</b>
<b>Accumulated depreciation</b>						
<b>Balance at 1 July 2019</b>	456,743	108,923	19,534	89,785	-	674,985
Disposals	-	-	-	-	-	-
Depreciation/amortisation expense	64,473	11,393	325	24,327	179,416	279,934
<b>Balance at 30 June 2020</b>	<b>521,216</b>	<b>120,316</b>	<b>19,858</b>	<b>114,113</b>	<b>179,416</b>	<b>954,918</b>
<b>Balance at 1 July 2020</b>	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 expense	75,633	5,963	22,993	16,581	253,086	374,256
<b>Balance at 30 June 2021</b>	<b>284,187</b>	<b>21,873</b>	<b>22,928</b>	<b>100,079</b>	<b>432,502</b>	<b>861,568</b>
<b>Carrying amounts</b>						
<b>at 1 July 2019</b>	<b>102,257</b>	<b>47,159</b>	<b>1,623</b>	<b>111,310</b>	<b>-</b>	<b>262,349</b>
<b>at 30 June 2020</b>	<b>79,733</b>	<b>35,766</b>	<b>1,299</b>	<b>86,983</b>	<b>103,741</b>	<b>307,520</b>
<b>at 1 July 2020</b>	<b>79,733</b>	<b>35,766</b>	<b>1,299</b>	<b>86,983</b>	<b>103,741</b>	<b>307,520</b>
<b>at 30 June 2021</b>	<b>133,466</b>	<b>8,168</b>	<b>276,579</b>	<b>63,017</b>	<b>1,442,325</b>	<b>1,923,555</b>



## Notes to the financial statements

For the year ended 30 June 2021

## 14. Property, plant and equipment (continued)

Net carrying amount of right-of-use assets is comprised of the following:

	30 June 2021	30 June 2020
Furniture and equipment	8,118	12,546
Buildings	1,434,207	91,195
	<b>1,442,325</b>	<b>103,741</b>

The amount of depreciation that has been recognised on the right-of-use assets at 30 June 2021 is \$253,086.

## 15. Trade and other payables

## Current

Trade payables	1,228,178	1,272,544
Other payables	985,938	647,939
Deferred tax obligations <sup>(1)</sup>	570,470	-
Fixed price project accruals	211,757	358,512
	<b>2,996,343</b>	<b>2,278,995</b>

## Non-Current

Other payables	117,960	-
Deferred tax obligations <sup>(1)</sup>	386,206	-
	<b>504,166</b>	<b>-</b>

(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 have been deferred 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 FY21 results and set aside the cash for this commitment.

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 23.

## 16. Employee benefits

Annual leave	466,522	318,368
Long service leave	211,236	177,522
<b>Current</b>	<b>677,758</b>	<b>495,890</b>
Long service leave	137,235	96,247
<b>Non-Current</b>	<b>137,235</b>	<b>96,247</b>

## 17. Contract liabilities

Billing in advance of work completed	201,109	15,133
	<b>201,109</b>	<b>15,133</b>

Where progress billings and recognised losses exceed costs incurred plus recognised profits earned, the Group recognises these amounts as billing in advance of work completed.

## Notes to the financial statements

For the year ended 30 June 2021

## 18. Leases

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

	30 June 2021	30 June 2020
Lease liabilities (current)	96,581	87,497
Lease liabilities (non-current)	1,499,459	12,813
	<b>1,596,040</b>	<b>100,310</b>

Under the Commercial Tenancies Code released and effective from 3 April 2020, Synertec received a rental abatement of 50% related to the tenancy of its former head office, consisting of a 25% waiver and 25% deferral, for the period 1 July 2020 to 30 September 2020. Synertec also received a rental abatement to the tenancy of its former warehouse, consisting of a 17.5% waiver for the period 15 April 2020 to 14 July 2020, 16% deferral for the period 15 July 2020 to 14 October 2020 and 25.5% for the period 15 October 2020 to 17 March 2021.

Synertec also engaged with the Perth office landlord during April 2020 and negotiated a reduction in rent as from 1 May 2020 and an extension of the lease until August 2021. This lease has been renewed for a further 12 months to August 2022.

Future minimum lease payments at 30 June 2021 were as follows:

	Minimum lease payment due						Total
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	After five years	
Lease payments	189,101	248,523	245,093	243,580	216,864	933,259	2,076,420
Finance charges	(92,520)	(85,266)	(75,408)	(65,137)	(54,878)	(107,171)	(480,379)
<b>Net present values</b>	<b>96,581</b>	<b>163,257</b>	<b>169,685</b>	<b>178,443</b>	<b>161,986</b>	<b>826,088</b>	<b>1,596,040</b>

Out of the total finance costs of \$149,563, an amount of \$97,582 was attributable to the lease liabilities during the year ending 30 June 2021.

On 1 July 2020, the Group entered into a lease for a new head office in Camberwell, Victoria. The Group received lease incentives from the lessor which have been applied across the first 5-year term of the lease. The Group has the option, at its discretion, to renew the lease for a further 5-year term.

## 19. Issued capital

	30 June 2021 Shares	30 June 2020 Shares	30 June 2021 \$	30 June 2020 \$
Ordinary shares - fully paid	285,888,449	220,701,389	2,204,552	641,113
Capital raising costs	-	-	(107,045)	(55,480)
Deferred tax on capital raising costs booked through equity	-	-	-	10,506
	<b>285,888,449</b>	<b>220,701,389</b>	<b>2,097,506</b>	<b>596,139</b>

On 9 July 2020, the Group issued 55,175,346 fully paid ordinary shares ("Shares") at an issue price of \$0.023 per share to various professional and sophisticated investors in a share placement ("Placement").

On 12 August 2020, the Group issued 396,846 fully paid ordinary shares upon conversion of listed options (ASX:SOPOA) at an issue price of \$0.053 per share. The securities are part of a class of securities which were quoted on the Australian Securities Exchange (ASX:SOPOA). The balance of the listed options (15,779,012) expired on 7 August 2020.

In December 2020, following approval by shareholders at the 2020 Annual General Meeting held on 25 November 2020, the Group issued:

- 2,690,521 fully paid ordinary shares at an issue price of \$0.023 per share to TayCol Nominees Pty Ltd and 620,000 fully paid ordinary shares at an issue price of \$0.023 per share to Indian Ocean Corporate Pty Ltd in lieu of cash payable for services provided by the parties in relation to the share placement successfully completed in July 2020; and

- 1,304,347 fully paid ordinary shares at an issue price of \$0.023 per share to TayCol Nominees Pty Ltd in lieu of cash payable in relation to a monthly retainer fee for corporate services.

## Notes to the financial statements

For the year ended 30 June 2021

**19. Issued capital (continued)**

On 22 March 2021, the Group issued 5,000,000 fully paid ordinary shares ("Shares") and received the sum of \$180,000 upon early exercise of unlisted options at an exercise price of \$0.036 per share with an expiry of 24 August 2021. These options were issued as settlement of the fee for the share placement ("Placement") undertaken in July 2020 and were approved by shareholders at the 2020 Annual General Meeting.

**Capital raising costs**

As detailed in the Directors' report, the Company undertook a successful share placement and issued 55,175,347 shares on 9 July 2020. As a result, legal and other related costs associated with the share placement and issue of shares incurred during the year ended 30 June 2021 have been deducted from contributed equity. The net proceeds of \$1.3 million from the share placement were received by the Company on 8 July 2020.

**Dividends**

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

**20. Earnings per share**

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Parent Company as the numerator.

In accordance with the principles of reverse acquisition accounting, the weighted average number of ordinary shares outstanding during the year ended 30 June 2021 has been calculated as:

(a) the weighted average number of ordinary shares of Synertec Pty Ltd outstanding during the period before acquisition multiplied by the exchange ratio established in the acquisition accounting, and

(b) the actual number of ordinary shares of Synertec Corporation Limited outstanding during the period after acquisition.

The basic earnings per share for the comparative period before the acquisition date presented in the consolidated statements following a reverse acquisition is calculated by dividing (a) by (b):

(a) the profit or loss of Synertec Corporation Limited attributable to ordinary equity holders of the Company in the period.

(b) Synertec Corporation Limited's historical weighted average number of ordinary shares outstanding multiplied by the exchange ratio established in the acquisition accounting.

In accordance with IFRS 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.

	30 June 2021	30 June 2020
<b>Earnings per share</b>		
Loss after income tax (in Australian dollars)	(3,350,996)	(1,255,466)
Weighted average number of ordinary shares used in calculating basic earnings per share	282,929,628	220,701,389
Weighted average number of ordinary shares used in calculating diluted earnings per share	282,929,628	220,701,389
Basic loss per share (cents per share)	(1.18)	(0.57)
Diluted loss per share (cents per share)	(1.18)	(0.57)

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.

## Notes to the financial statements

For the year ended 30 June 2021

**21. Related parties**

The key management personnel compensation comprised:

	30 June 2021	30 June 2020
Short-term employee benefits	864,106	930,168
Post-employment benefits	73,207	75,968
Equity	38,355	-
Other long-term employment benefits	40,708	14,990
	<b>1,016,376</b>	<b>1,021,126</b>

Compensation of the Company's key management personnel includes salaries, accrued leave balances, non-cash benefits and contributions to an employee defined contribution plan.

During the period 1 May 2020 to 31 March 2021 the Board elected to take a reduction of 20% to their remuneration to absorb some of the financial impact on the Group from the COVID-19 pandemic and enable the business to focus its resources on retaining talent and avoiding a program of stand-downs and/or retrenchments. This initiative, combined with other cost reduction measures and the assistance of the various Australian Governments' support measures during this period, enabled Synertec to retain and support the well-being of all employees through this period. Synertec has a strong and proud record of retaining and developing a large group of long-serving employees, which is an integral part of the Group's ethos. Maintaining its pool of talent and the collective intellectual property for current and future technology development and engineering projects was viewed by the Board and Executive as imperative for the Group to carry out its long-term growth strategy, and ensuring it was well positioned for the anticipated turnaround and growth in the Australian economy and increased demand from its blue-chip customer base, which eventuated during the second half of the financial year.

**22. Auditor's remuneration****Audit and review services**

Auditors of the Company - Grant Thornton Audit Pty Ltd  
Audit and review of financial statements

78,314	72,000
78,314	72,000

**Other services**

Auditors of the Company - Grant Thornton Australia Limited  
In relation to taxation  
In relation to other services

11,049	10,000
-	13,686
<b>89,363</b>	<b>95,686</b>



**23. Financial Instruments****Financial risk management****Overview**

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

**Risk management framework**

The Group's Directors have overall responsibility for the establishment and oversight of the risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

**(i) Credit Risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

**Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

	Carrying amount		
	Note	30 June 2021	30 June 2020
Trade and other receivables	11	1,746,872	670,178
Cash and cash equivalents	10	2,625,853	3,039,998
Loan receivable	12	845,414	-
Deposits	12	21,807	43,645
		<b>5,239,946</b>	<b>3,753,821</b>

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

As the Group provides services under contract, each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

The Group historically has had negligible bad debts and as such does not consider it necessary to establish an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

**23. Financial Instruments (continued)****(i) Credit risk (continued)**

The Group does not require collateral in respect of trade and other receivables. The maximum exposure to credit risk for trade and other receivables at the reporting date by type of counterparty was as follows:

	Note	Carrying amount	
		30 June 2021	30 June 2020
Australia		1,746,872	670,178
		<b>1,746,872</b>	<b>670,178</b>

The Group's most significant balance outstanding to a single customer, accounts for \$725,372 of the trade and other receivables carrying amount at 30 June 2021 (2020: \$135,249). The amount was received subsequent to year end within the agreed terms.

**Impairment losses**

The aging of the trade and other receivables balance at the end of the reporting period that were not impaired was as follows:

Neither past due nor impaired	1,746,872	426,145
Past due 1 - 30 days	-	83,034
	<b>1,746,872</b>	<b>509,179</b>

**Cash and cash equivalents (including deposits)**

The Group held cash and cash equivalents of \$2,625,853 at 30 June 2021 (2020: \$3,039,998) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with a reputable bank and financial institution counterparties.

**(ii) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses detailed project plans, which assists it in monitoring cash flow requirements and optimising its cash return on projects delivered. The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the succeeding 60 days. The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. At 30 June 2021, the expected cash flows from trade and other receivables maturing within two months are \$1,746,872 (2020: \$509,178). This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

## Notes to the financial statements

For the year ended 30 June 2021

## 23. Financial Instruments (continued)

## (ii) Liquidity risk (continued)

The following are the remaining contractual maturities at the end of the reporting period of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

## 30 June 2021

Non-derivative financial liabilities	Carrying amount	Total	Contractual cashflows		
			0-1 years	1-2 years	2-5 years
Lease liabilities	1,596,040	1,596,040	96,581	163,257	1,336,202
Trade and other payables	3,500,509	3,500,509	2,996,343	504,166	-
	<b>5,096,549</b>	<b>5,096,549</b>	<b>3,092,924</b>	<b>667,423</b>	<b>1,336,202</b>

## 30 June 2020

Non-derivative financial liabilities	Carrying amount	Total	Contractual cashflows		
			0-1 years	1-2 years	2-5 years
Lease liabilities	100,310	100,310	88,028	8,254	4,028
Trade payables	2,278,995	2,278,995	2,278,995	-	-
	<b>2,379,305</b>	<b>2,379,305</b>	<b>2,367,023</b>	<b>8,254</b>	<b>4,028</b>

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

## Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales and purchases and cash and cash equivalents are denominated. The currencies in which these transactions are primarily denominated are AUD, GBP, EUR and USD.

At any point in time, the Group typically holds EUR, GBP and USD in anticipation of future purchase orders. The Group reviews the market regularly to evaluate if the cost of obtaining derivatives outweighs the risk of currency movement. They have not invested in any derivative financial assets. The Group has reviewed contract terms with customers where significant currency risk on purchase orders may occur, and have enforceable provisions protecting them from adverse currency movements.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

## Notes to the financial statements

For the year ended 30 June 2021

## 23. Financial Instruments (continued)

## (iii) Market risk (continued)

## Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows.

	30 June 2021			30 June 2020		
	USD	GBP	EURO	USD	GBP	EURO
Trade and other receivables	3,849	-	-	11,298	-	-
Cash and cash equivalents	-	28	5,525	42,599	2	13,657
<b>Financial assets</b>	<b>3,849</b>	<b>28</b>	<b>5,525</b>	<b>53,897</b>	<b>2</b>	<b>13,657</b>
Trade and other payables	-	-	28	558	-	-
<b>Financial liabilities</b>	<b>-</b>	<b>-</b>	<b>28</b>	<b>558</b>	<b>-</b>	<b>-</b>
<b>Net exposure</b>	<b>3,849</b>	<b>28</b>	<b>5,552</b>	<b>54,455</b>	<b>2</b>	<b>13,657</b>

## Currency risk sensitivity analysis for currencies in which monetary assets are held

A reasonably possible change of 10% in exchange rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes an increase/(decrease) in the value of the Australian dollar against the currencies shown below.

	Profit or loss, net of tax		Equity, net of tax	
	10% increase	10% decrease	10% increase	10% decrease
<b>30 June 2021</b>				
USD	(238)	291	(238)	291
GBP	-	-	-	-
Euro	(222)	271	(222)	271
<b>Currency exchange risk (net)</b>	<b>(460)</b>	<b>562</b>	<b>(460)</b>	<b>562</b>
<b>30 June 2020</b>				
USD	(2,711)	3,313	(2,711)	3,313
GBP	-	-	-	-
Euro	(869)	1,062	(869)	1,062
<b>Currency exchange risk (net)</b>	<b>(3,580)</b>	<b>4,375</b>	<b>(3,580)</b>	<b>4,375</b>

## Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows.

Variable rate instruments	Nominal amount	
	30 June 2021	30 June 2020
ANZ Chatel mortgage	7.30%	-



**23. Financial Instruments (continued)****(iii) Market risk (continued)****Cash flow sensitivity analysis for variable rate instruments**

A reasonably possible change of 1% in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity, net of tax	
	1% increase	1% decrease	1% increase	% decrease
<b>30 June 2021</b>				
Variable rate instruments	5,600	(5,600)	5,600	(5,600)
<b>Cash flow sensitivity (net)</b>	<b>5,600</b>	<b>(5,600)</b>	<b>5,600</b>	<b>(5,600)</b>
<b>30 June 2020</b>				
Variable rate instruments	-	-	-	-
<b>Cash flow sensitivity (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Capital Management**

The Board's policy is to maintain a strong capital base to sustain future development of the business. Capital consists of total equity. The Directors monitor the return on capital as well as the level of dividends to ordinary shareholders.

The Directors seek to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the year.

**Accounting classifications and fair values vs carrying amount**

The fair values of financial assets and liabilities, together with the carrying amounts (which approximate fair value) shown in the statement of financial position are as follows:

	Note	Loans and receivables	Other financial assets	Other financial liabilities	Total carrying amount
<b>30 June 2021</b>					
Cash and cash equivalents	10	2,625,853	-	-	2,625,853
Trade and other receivables	11	1,746,872	-	-	1,746,872
Loan receivable	12	-	845,414	-	845,414
Deposits	12	-	21,807	-	21,807
		<b>4,372,725</b>	<b>867,221</b>	<b>-</b>	<b>5,239,946</b>
Finance lease liabilities	18	-	-	1,596,040	1,596,040
Trade and other payables	15	-	-	3,500,509	3,500,509
		<b>-</b>	<b>-</b>	<b>5,096,549</b>	<b>5,096,549</b>

	Note	Loans and receivables	Other financial assets	Other financial liabilities	Total carrying amount
<b>30 June 2020</b>					
Cash and cash equivalents	10	3,039,998	-	-	3,039,998
Trade and other receivables	11	670,178	-	-	670,178
Deposits	12	-	43,645	-	43,645
		<b>3,710,176</b>	<b>43,645</b>	<b>-</b>	<b>3,753,821</b>
Finance lease liabilities		-	-	100,310	100,310
Trade and other payables	15	-	-	2,278,995	2,278,995
		<b>-</b>	<b>-</b>	<b>2,379,305</b>	<b>2,379,305</b>

**24. Interest in subsidiaries**

Composition of the Group

Name of subsidiary	Country of incorporation / principle place of business	Principal activity	Group proportion of ownership interests	
			30 June 2021	30 June 2020
Synertec Holdings Pty Ltd	Australia	Holding company	100%	100%
Synertec Pty Ltd	Australia	Engineering products and solutions	100%	100%

**25. Contingent liabilities**

The consolidated entity does not have any contingent liabilities at reporting date.

**26. Subsequent events**

During the year ended 30 June 2021, the global Coronavirus (COVID-19) pandemic and the associated community restrictions imposed by Governments has continued to significantly influence market behaviour and as a result, has impacted the operations and financial results of the Company. Subsequent to balance sheet date, Victoria entered into further lockdowns due to the COVID-19 pandemic after an outbreak of the "Delta variant" occurred in the State and other parts of Australia. The various Australian State Governments promptly implemented 'Stage 4' public lockdown restrictions or the like across most of these jurisdictions for varying periods of time, as determined by Government. While additional costs in relation to COVID-19 have been incurred by the Company during the year ended 30 June 2021, the longer term impacts on the operations of the Group remain uncertain and cannot be reliably quantified at this time. The Board remains confident and optimistic about the long term strategy of the Company and the economic fundamentals of the target markets in which it operates, delivering long term sustainable and profitable growth for its shareholders.

In order to fund and achieve its strategic objectives, 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, as announced by the Company on 4 August 2021.

Capital raised through the Offer will be used to provide balance sheet support for execution of the dual strategy of commercialising several large near-term ESG-focused technology opportunities in the energy sector and growing out a high-end engineering solutions business as follows:

- \$5 million to drive technology development and commercialisation to assist in the decarbonisation of Synertec's large and prestigious customer base; and
- \$2 million to working capital to fund a growing portfolio of engineering solutions with the Company's blue-chip customer base.

In an ASX announcement made on 4 August 2021, Synertec provided an update of its significant strategic developments and operational progress within its Technology business unit.

**Composite Dry Powder ("CDP") Technology**

Synertec currently 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 CDP technology for the treatment of hydrocarbon drilling mud and allied applications in all jurisdictions outside of China.

The recent progress in its technology development work program in partnership with GreenTech under the licence are as follows:

1. Synertec has exercised its right to extend the existing worldwide licence agreement for a further 12 months (to 4 September 2022).
2. Synertec has agreed to provide an extension to the repayment of the secured loan funding to GreenTech from 31 July 2021 to 31 December 2021 subject to the satisfaction of certain conditions.

**Powerhouse Technology**

Synertec has entered into an MOU with leading energy producer Santos Limited (ASX:STO) to develop a solar renewable energy power system to provide remote-site baseload energy for CSG well de-watering, utilising Artificial Intelligence and predictive analytics - the first-of-its-kind to be deployed in Australia. It is the intention of both parties to enter into field trials followed by a commercial agreement for long-term supply to other Santos facilities. Under the MOU, Synertec will progress the design, construction and field testing of the prototype solar energy power system. Santos will support these activities by providing pilot field site access, inputs into the project design, technical information pertaining to the pilot field sites, and technical and other engineering resources.

**LNG Custody Transfer System ("CTS") Technology**

World-leading independent marine classification and certification expert, DNV GL, has now completed an international Hazard and Operability study (HAZOP) based on Synertec's CTS technology design. The Company expects this design to be fully certified by DNV in early FY22. This certification covers approval work which will lead to a General Approval for Ship Application ("GASA") statement for an LNG sampling system to be installed onboard marine Gas Carriers.

1. In the opinion of the Directors of Synertec Corporation Limited ("the Group"):
- the financial statements and notes thereto, set out on pages 32 to 57:
    - present fairly the financial position of the Group as at 30 June 2021 and its performance, as represented by the results of its operations and its cash flows, for the year ended on that date;
    - comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements; and
  - there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. In respect of the year ended 30 June 2021, the persons performing the roles of Chief Executive Officer and Chief Financial Officer have declared that the Company has:
- kept such accounting records as correctly record and explain its transactions and financial position;
  - kept its accounting records such that financial statements of the Group that are presented fairly can be prepared from time to time; and
  - kept its accounting records accordingly so that the financial statements of the Company can be conveniently and properly audited.

Signed in accordance with a resolution of the Directors:  
Dated at 26 August 2021



Mr. Michael Carroll  
Director  
Melbourne, Australia



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## Independent Auditor's Report

### To the Members of Synertec Corporation Limited

#### Report on the audit of the financial report

##### Opinion

We have audited the financial report of Synertec Corporation Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, 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 year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group gives us a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the year ended on that date and is in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements and 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Key audit matter

#### How our audit addressed the key audit matter

##### Revenue (Note 2.5 and 5)

Synertec Corporation Limited recognised a large portion of their revenue using the percentage completion input method for fixed price projects. In addition, hourly rate projects are recognised as the associated labour expense is incurred. As these projects may be ongoing at year end, there is significant estimation required when recognising the work in progress (Contract Asset) or deferred revenue (Contract Liability) and ensuring that the appropriate amount of revenue has been recognised under IFRS 15 *Contracts with Customers*.

The engagement team has identified this area as a significant risk due to the significant judgement involved in estimating the percentage completion method for fixed price projects and in appropriately capturing the time and material costs for hourly rate projects to recognise revenue under IFRS 15.

Due to the significant estimation involved and recognition under IFRS 15, the engagement team has determined this as a key audit matter.

Our procedures included, amongst others:

- Obtaining an understanding the process and controls implemented around revenue recognition with customers, including the development of estimates involved in determining percentage of completion;
- Analytically assessing revenue for all significant revenue categories;
- Testing a sample of revenue transactions to supporting documentation and assessed whether revenue has been accurately recorded in the correct period;
- Testing a sample of contracts to ensure compliance with IFRS 15;
- Reviewing the progress of fixed price contracts to gain an understanding of the project stage of completion and progress against project budget, including the recalculating of contract asset and liability balances; and
- Assessing the adequacy of disclosures for compliance in accordance with International Accounting Standards.

#### Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Directors for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



#### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards of Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/auditors\\_responsibilities/ar1\\_2020.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf). This description forms part of our auditor's report.

Grant Thornton Audit Pty Ltd  
Chartered Accountants

A C Pitts  
Partner – Audit & Assurance

Melbourne, 26<sup>th</sup> August 2021

## Analysis of Holdings

## Securities

Fully Paid Ordinary Shares

Holdings Ranges	Holders	Total Units	%
1-1,000	75	17,203	0.000
1,001-5,000	47	132,769	0.040
5,001-10,000	47	377,171	0.110
10,001-100,000	383	16,199,360	4.530
100,001-9,999,999,999	253	340,634,057	95.320
<b>Totals</b>	<b>805</b>	<b>357,360,560</b>	<b>100.000</b>

The number of unmarketable parcel holders as at 24 August 2021 based upon a share price of \$0.100 (10.0 cents) is 120 shareholders holding in aggregate 139,972 ordinary shares. The number of unmarketable parcel holders as at 25 August 2020 (date of last report) based upon a share price of \$0.056 (5.6 cents) was 117 shareholders holding in aggregate 176,912 ordinary shares.

## Top 20 Holdings

Name	Number held	%
NEW CONCEPT CORPORATION LIMITED	49,398,496	13.823%
NORTHWEST NONFERROUS AUSTRALIA MINING PTY LTD	39,375,000	11.018%
MRS KERRY ABDALLAH	38,218,496	10.695%
NATIONAL NOMINEES LIMITED	20,000,000	5.597%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,228,713	5.101%
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	6,735,711	1.885%
GP SECURITIES PTY LTD	6,727,160	1.882%
KIPBERG PTY LTD <EDP FAMILY A/C>	5,582,240	1.562%
FIRST TRUSTEE COMPANY (NZ) LIMITED <IAN ROGER MOORE A/C>	5,500,000	1.539%
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	5,404,340	1.512%
CALAMA HOLDINGS PTY LTD <MAMBAT SUPER FUND A/C>	5,000,000	1.399%
PONDEROSA INVESTMENTS (WA) PTY LTD <PONDEROSA INVESTMENT A/C>	4,117,308	1.152%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,817,958	1.068%
TAYCOL NOMINEES PTY LTD <211 A/C>	3,717,694	1.040%
LYNTER PTY LTD <HERFORT SUPER FUND A/C>	3,500,000	0.979%
MR ANDREW MACBRIDE PRICE <EST JOHN AM PRICE A/C>	3,500,000	0.979%
MR SIMON CHARLES DOHERTY	3,027,174	0.847%
BONDATRON PTY LTD <BONDATRON SUPER FUND A/C>	2,785,576	0.779%
PUNTERO PTY LTD	2,500,000	0.700%
MR STEPHEN HAROLD BAKER	2,500,000	0.700%
Total Securities of Top 20 Holdings	229,635,866	64.259%
<b>Total of Securities</b>	<b>357,360,560</b>	<b>100.000%</b>

## Substantial shareholders of the Company are set out below:

NEW CONCEPT CORPORATION LIMITED	49,398,496	13.823%
NORTHWEST NONFERROUS AUSTRALIA MINING PTY LTD	39,375,000	11.018%
MRS KERRY ABDALLAH	38,218,496	10.695%
NATIONAL NOMINEES LIMITED (PERENNIAL VALUE MANAGEMENT FUND)	20,000,000	5.597%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,228,713	5.101%

## Voting rights attached to ordinary shares

Upon poll each share shall have one vote, and on a show of hands every member present at a meeting in person or by proxy shall have one vote.

## Unissued equity securities Securities exchange

There were no unissued securities at the date of this report.

## Securities exchange

The Company is listed on the Australian Securities Exchange (ASX:SOP).





