

4 March 2025

Synertec Announces Strategic Partnership and Investment in PHNXX

Melbourne, Australia: Technology design and development growth company, Synertec Corporation Limited (ASX:SOP, “Synertec,” “the Company” or “the Group”) is pleased to announce a strategic partnership and investment in PHNXX Pty Ltd (“PHNXX”), a Victorian company targeting low-cost, agricultural applications for its unique, containerized Battery Energy Solar System (“Strategic Partnership”).

Strategic Rationale

Since development and commercialisation of the Powerhouse technology, Synertec is focused on providing highly available ($\geq 99.9\%$ up-time), 100% renewable, standalone, grid-forming, micro-grid electrification power systems for industrial-scale applications in remote areas. Powerhouse is cost effective and streamlines client operations, improves operator safety and increases production output in our target markets.

PHNXX is focused on different target markets where there are smaller, less critical applications, that are either grid supported or have a generator back-up and are priced very competitively.

Synertec and PHNXX see significant benefits in the Strategic Partnership in the following areas:

1. **Software as a Services:** Synertec Engineering will adapt certain Powerhouse control system modules for use in PHNXX systems for a mixture of upfront and recurring revenue. Synertec expects Software as a Service to be a recurring income stream.
2. **Exposure to large market segments not targeted by Synertec:** PHNXX will target agriculture, including dairy farms and applications that have sizable cool rooms. Remote communities are also expressing interest in the PHNXX technology. The market opportunity for small applications is large and identifiable.
3. **Cross Company Sales Cooperation:** The collaboration will allow Synertec to refer and recommend PHNXX applications and earn upfront and recurring revenue from the licensing of the modified Powerhouse control system installed on each PHNXX unit sold (**Licensed Product**). Conversely, PHNXX will refer and recommend opportunities that are more suited to Powerhouse. This cross-referral arrangement will expand the opportunities for each company by having both company's sales teams focussed on selling the broader range of products.
4. **Cost-out of supply chain:** As Synertec looks to grow its Powerhouse orders, there are potential benefits in accessing the existing supply chain of PHNXX and leveraging its relationships and experience in low-cost manufacturing jurisdictions.

Summary of Strategic Partnership and Investment

Under the Strategic Partnership, Synertec will be entitled to:

- 50% of the gross profit that PHNXX earns from the sale or lease of the Licensed Products to a customer referred by Synertec; and
- a one-off integration fee and an ongoing annual subscription fee for each Licensed Product (whether referred or not) that is sold or leased,

The Strategic Partnership is an evergreen arrangement and has no fixed term.

Synertec has also entered into a convertible note agreement whereby it will co-invest and subscribe for convertible notes in PHNXX (**Convertible Notes**^{#1}) alongside French multinational utility group, Engie via Engie Factory, and the Victorian Government via LaunchVic

Following the investment, Synertec will own circa. 9%, Engie will own circa. 29%, the Victorian Government will own circa. 2% and each of the 3 founders of PHNXX will own circa. 17% each of PHNXX.

Synertec's investment is valued at A\$1million and comprises both cash payments of A\$500,000 (to be funded from cash on Synertec's balance sheet) and in-kind contributions of A\$500,000, as follows:

- A\$250,000 payable by Synertec on the Initial Completion Date, expected to be around mid-March 2025.
- A\$250,000 (in kind) representing the grant of an IP licence to PHNXX for the use of Synertec's microgrid control system under an IP licence agreement entered into between Synertec and PHNXX.
- A\$250,000 (in kind) credit in favour of PHNXX for engineering development work undertaken by Synertec in customising its control system to Phnxx's requirements.
- A\$250,000 payable by Synertec by 31 July 2025 or such other date as agreed by the parties.

Expanding microgrid solutions – Powerhouse by Synertec + PHNXX

The PHNXX product is designed for low power load applications such as dairies, rural water pumping stations, and other remote, small, and non-critical applications. It is supported by connection to the electricity grid or a diesel generator backup. In contrast, Powerhouse (by Synertec) is a standalone micro grid, addressing high electrical loads, critical applications demanding better than 99.9% availability without grid support or diesel generator backup.

Through the collaboration, Synertec will have an opportunity to expand its engineering offering from non-critical to critical microgrid applications.

Joint Business Development

As part of the Strategic Partnership, the gross-margin sharing arrangement between PHNXX and Synertec referred to above will incentivise each company to refer potential clients to each other and expand the combined sales network.

The PHNXX product will participate in a credit scheme offered by a major rural and agribusiness bank for PHNXX clients, typically farmers, over a 10-year period. This scheme is cost-neutral to the client, and after 10 years, the PHNXX unit is unencumbered, providing free electricity onwards.

Note #1: The Convertible Notes will be issued in three tranches, A\$500,000 by mid-March 2025, A\$250,000 5 days after completion of engineering development work and, A\$250,000 on 31 July 2025 or other such agreed date at a coupon rate of 8% and a maturity date of 24months from date of issue.

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Supply Chain Benefits

PHNXX and Synertec will cooperate to utilise common componentry and fabrication facilities to drive costs down.

PHNXX founders have significant history of manufacturing in China and relationships that will be beneficial for Powerhouse. Both companies will leverage these relationships to obtain competitive pricing based on larger volumes from joint procurement. Where possible, Synertec and PHNXX will use common componentry for further cost competitiveness.

In-country representation will ensure quality, compliance with Australian standards, and schedule efficiency.

Michael Carroll, Synertec's Managing Director, commented:

"This investment allows Synertec exposure to market sectors that we would not otherwise have. Powerhouse operates in the high-end, highly critical sectors typical of oil and gas, while PHNXX operates in the smaller, less critical sector, typical of say, the agricultural sector. PHNXX has great experience and relationships in China and a large target market in Australia. We will leverage their China based experience to drive our costs down and profit by supporting them in fulfilling their aspirations. Our sales teams are already collaborating on numerous opportunities and PHNXX is making introductions in southeast Asia that directly align with Powerhouse. By working together, we will be able to leverage the best of all companies. I am looking forward to working with Engie Factory and the PHNXX teams to our mutual success."

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

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

About Synertec:

Synertec Corporation Ltd (ASX: SOP) is a 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.