



ACN: 062 284 084
ASX Code: SYS

ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE

31 August 2018

SYNGAS TERMINATES THE MINI HYDRO JOINT VENTURE AND EXPANDS INTO ENERGY EFFICIENCY SOLUTION TECHNOLOGIES.

1. INTRODUCTION

Further to the announcement on 31 July 2018, the Board of Directors of Syngas Limited ("Syngas" or the "Company") wishes to announce that Syngas has issued a Termination Letter to Centuries Andalas Ltd ("Centuries") and PT Cahaya Terang Makmur ("PT Cahaya") on the Joint Venture Agreement ("JVA") in relation to the equity/investment participation in PT Cahaya relating to the participation in a 10 MW mini-hydro run-of-river power plant located on Batang Toru 6 river in the Island of Sumatra, Republic of Indonesia to be constructed and operated by PT Cahaya. PT Cahaya was unable to secure a higher power tariff rate to give the internal rate of return required by Syngas.

The Board of Syngas is pleased to announce that on 31 August 2018, the Company has entered into a Conditional Share Sale Agreement ("SSA") with Mr Wong Wai Han ("Vendor") for the acquisition of 70% of PJ Paramount Sdn Bhd ("PJP") for a total consideration of AUD500,000.00 to be satisfied by the issuance new Syngas shares.

2. DETAILS OF PROPOSAL

2.1 Proposed Acquisition

The transaction involves the acquisition of a 70% equity interest or 1,085,000 shares in PJP ("Sale Shares") for a total consideration of AUD500,000.00 which will be satisfied by the issuance of 50,000,000 new Syngas shares at an issue price of AUD0.01 per Syngas share ("Consideration Shares"). The purchase consideration was determined on a willing-buyer and willing-seller basis after taking into consideration, amongst others, the profit guarantee to be provided by the Vendor, escrow of 50% of the Consideration Shares and issue price of the Consideration Shares.

The remaining 30% of PJP will be held by the Vendor after the acquisition.

PJP is a private limited company incorporated in Malaysia involved in the research and development and commercialisation of its energy conservation and efficiency solutions technology for commercial, industrial, and household sector. PJP's Energy Efficiency Solution technology helps client with energy management, control of energy demand, and contributes to environmental protection with optimal utilization of energy.

Syngas Limited

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2.2 Salient terms of the SSA

Profit Guarantee

The Vendor guarantees and undertakes that the aggregate profit after tax of PJP (“PAT”) for the subsequent three financial years ending 30 June 2019, 2020 and 2021 shall not be less than Ringgit Malaysia One Million (RM1,500,000) (“Profit Guarantee”). In the event that there is a shortfall, then the Vendor shall be liable to remit the amount of the shortfall (in Malaysian currency) in full into PJP’s Bank Accounts not later than fourteen (14) working days before the Audited Accounts for the financial year ending 30 June 2021 of PJP are signed by the PJP’s auditors.

Moratorium on dealing in new shares issued and allotted to vendor

The Vendor has undertaken not to sell, transfer, deal, assign a minimum of 50% of the Consideration Shares (“Escrow Shares”) until such time that PJP has achieved a full year of positive cashflow from operating activities after completion of the acquisition based on the following year’s audited financial statements for the year ending 30 June 2019. Otherwise, the Escrow Shares will continue to remain under moratorium until one full financial year of audited operating revenue is generated.

Conditions Precedent

The sale and purchase of the Sale Shares is conditional upon, amongst other, the following Conditions Precedent being fulfilled or obtained within 45 days from the date of the SSA (“Conditional Period”):-

- a comprehensive technical, legal and financial due diligence review be conducted on PJP to the satisfaction of Syngas;
- PJP has not been wound up, or in the process of a bankruptcy nor has been served with any court notices in relation to any bankruptcy proceedings that has been commenced or are to be commenced against PJP;
- the Sale Shares are free from any encumbrances;

Upon the request of Syngas, the Vendor shall grant Syngas an extension of a further period of thirty (30) days from the Conditional Period or any extended period as may be mutually agreed upon in writing by the parties for the fulfilment of the Conditions Precedent.

2.3 Consideration Shares

Syngas will issue 50,000,000 new Syngas shares to the Vendor pursuant to the SSA at an issue price of \$0.01 per share. Save and except for the moratorium restriction provision in the SSA, the Consideration Shares shall, upon issuance, rank pari passu in all respects with the then existing Syngas shares. The Considerations Shares (save for the Escrow Shares) will be listed on the ASX.

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2.4 Additional information

Syngas will not assume any liabilities, including contingent liabilities as a result of the SSA . Syngas is not expected to assume any additional financial commitment for the business of PJP as PJP is already in operations and is an on-going business. Notwithstanding the aforesaid, when the business of PJP grows in the future, Syngas as the holding company may need to contribute its share of financial assistance for the working capital and capital expenditure requirements, if required. However it is always the intention of the management of PJP to fund its operations from internally generated funds and project related bank borrowings.

3. RATIONALE FOR PROPOSAL

The Proposed Acquisition will enable Syngas to foray into the energy efficiency solution technology sector. The Board has identified this complementary sector to enable Syngas to expand its business portfolio and revenue sources. PJP is an established Energy Efficiency Solution Technology provider for several established Business and Industrial entities in Malaysia. The Board believes that the Proposed Acquisition will provide Syngas with a long term revenue source as PJP's business model involves entering into a long term energy saving sharing agreements (normally 10 years) with customers. This will be able to generate a consistent revenue and positive cashflow contribution in the future.

The Board felt that with its management network in the Asia Pacific region, a similar business model can also be developed in Australia and the Asia Pacific region where electric tariff rates are relatively high viz-a-viz a high business revenue source and great opportunities exist for clients to reduce energy costs as a direct and immediate positive impact on the clients' profitability.

It is the intention of the Board to further develop this business model in Australia taking into consideration the local conditions while further establishing research and development activities in Australia.

4. OTHER INFORMATION

Mr Wong Wai Han, the Vendor and founder of PJP will still hold a 30% shareholding in PJP and will remain as Chief Executive Officer of PJP.

The Proposed Acquisition has an expected completion date of 15 October 2018.

For Further Information contact:

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