SYNGAS
LIMITED

ABN 41 062 284 084

Annual Financial Report 2012

CORPORATE DIRECTORY

DIRECTORS:	Merrill Gray Michael Cox Ernest Boswarva
COMPANY SECRETARY:	Ian Gregory
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This annual report covers the Consolidated Entity comprising Syngas Limited and its subsidiaries. The Consolidated Entity's presentation currency is Australian Dollars ($). The functional currency of Syngas Limited and its subsidiaries is Australian Dollars ($). A description of the Consolidated Entity's operations and of its principal activities is included in the review of operations and activities in the Directors' Report.

CONTENTS

The directors of Syngas Limited ("Syngas", "Parent Entity" or "Company") present their report including the consolidated Annual Financial Report of the Company and its controlled entities ("Consolidated Entity" or "Group") for the year ended 30 June 2012. The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

DIRECTORS

The names of the directors of the Company in office at any time during or since the end of the financial year and up to the date of this Annual Financial Report are as follows:

Merrill Gray (appointed 15 January 2008 and continues in office)

Michael Cox (appointed 27 April 2012 and continues in office)

Ernest Boswarva (appointed 30 September 2008 and continues in office)

Ian Kowalick AM (appointed 22 March 2010 and resigned 18 May 2012)

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the year were:

1. Renewable/clean power generation and supply business development within Syngas' wholly owned entity BioSyngas Pty Ltd ("BioSyngas"). The focus is the development of primarily Biomass based projects led by a 6 MWe project located in Wagga Wagga, New South Wales ("the Bomen Project") and

2. The development of Syngas' above ground clean coal technology based Coal to Liquid ("CTL") projects in Australia. The Consolidated Entity's focus during the year was on the Latrobe Valley CTL Project located approximately 150km east of Melbourne in Victoria. Some progress was also made in South Australia (with "the Clinton Project") and with a potential further project in Queensland.

Appropriate projects supported by parties with the capacity to contribute funding were assessed during the year for their potential fit within/progression within Syngas. Various assessments are continuing.

In late February 2012 Syngas' head office moved to Melbourne, closer to the Consolidated Entity's priority projects.

In December 2011 through a $800,000 cash placement in the Company, new majority shareholders were secured. Frid Energy Pty Ltd and Iron Mountain Pty Ltd now hold a combined total of 54.07% of Syngas' ordinary shares on issue. The new majority shareholders are supportive of Syngas moving forward.

A $500,000 capital raising for BioSyngas is underway. This could lead to significant progress being made on the Bomen Project, moving it to construction ready stage. The work completed utilising the funds currently being raised could provide the basis for a prospectus to be completed for BioSyngas to be "spun out" of Syngas, raising plant construction capital through an Initial Public Offering.

A number of other capital raising options are being progressed.

Project development and the continued operation of Syngas is subject to funds being secured. Sourcing of funds to progress projects has been a focus for the Consolidated Entity in the latter half of the financial year and every effort is being made to raise funds. Discussions are currently underway with several parties, however at the date of this report, funds have not been secured.

There were no other significant changes in the nature of the Consolidated Entity's principal activities during the financial year.

OPERATING RESULTS

The operating loss of the Consolidated Entity, after income tax expense, amounted to $(17,010,459) (2011: $1,000,167). The loss included charges for the impairment of exploration licences $13,498,200 (2011: Nil) and the impairment of deferred exploration and evaluation expenditure $2,959,517 (2011: Nil).

The loss (cents) per share over the last five years is:

2012	2011	2010	2009	2008
3.91	0.39	0.50	0.60	1.47

The principal activities, scale of operations, management and capital structure of the Company and Consolidated Entity have changed in this five year period.

REVIEW OF OPERATIONS

Syngas' focus during the year has been on developing a primarily Biomass based Renewable/clean power generation and supply business in Australia. Progress was also made on Syngas' above ground clean coal technology based Coal to Liquid business.

1. Biomass

Through one of Syngas' wholly owned entities, BioSyngas, a clean power generation and supply business focussing primarily on producing power from biomass, was further developed during the financial year.

BioSyngas' pipeline of projects and their current development status is as follows:-

a. For the 6 MWe Bomen power generation and supply Project in Wagga Wagga, New South Wales, a Heads of Agreement (HoA) covering the supply of power to Teys Australia's Wagga Wagga beef processing facility is being worked towards/under negotiation. Commercial arrangements around the plants' location/site, access to feedstock/plant feed material and the provision of engineering services and equipment/technology supply have been progressed during the year.

b. A 3 MWe power generation and supply project proposal was presented to a Northern Territory timber plantation operator and the owners of the plantation during the year. The engineering for this project leverages off work currently being completed for the Bomen Project. A HoA over feedstock supply is being worked towards. Power is currently supplied to the local area using diesel generators, outside of national electricity grid supply.

c. In terms of the Consolidated Entity's biomass activities in South Australia, the Logistics Management Field Trials, supported by a $300,000 grant from RenewablesSA and jointly progressed with the Yorke Peninsula Alkaline Soils farmers Group, were completed and closed out during the financial year. A report and film presenting the outcomes of this work are available at www.biosyngas.com.au and www.renewablessa.sa.gov .au/investor-information/case-studies. This work has led to a potential power plant development opportunity being identified, which would leverage off the engineering work currently being completed for the Bomen Project. Further work developing this opportunity is underway.

2. Coal

a. Victoria

During the year engineering meetings were held with Rentech Inc. representatives in the USA regarding Fischer-Tropsch processes and an RWE Group representative visiting Australia regarding coal drying. Discussions also took place with Siemens Gasification Technology GmbH & Co KG representatives. This led to improvements being made to the Latrobe CTL Project fully integrated flowsheet model that Syngas has developed for an around 3,600 bbl/d CTL project. In addition to the continued development of relationships with existing coal miners in the Latrobe Valley, Syngas is currently seeking a partner to work with on the forthcoming Latrobe Valley coal tender process, to secure access to significant coal resources and progress this project.

Work on increasing the commercial returns within the current market from the Latrobe Valley CTL Project through the production of specialist products (e.g. lubricants and waxes) in conjunction with diesel, is continuing.

b. Clinton

The Clinton Project is located 100km northwest of Adelaide, where during the year Syngas holds 558 million tonnes of JORC Coal Resources (273 million tonnes indicated and 285 million tonnes inferred) underpinning the Clinton Project within Mineral Exploration Lease 3896.

1. Salt removal/management options for the Clinton coal were assessed. Engineering studies/reviews of the wastewater treatment system designed for the Clinton Project were initiated at the University of Adelaide and a coal drying program of work is under development for progression during the 2012/2013 financial year.

2. A part time Clinton Project stakeholder relations manager was retained during the year as part of Syngas' long term commitment to this project/the area.

c. Moorlands

The Moorlands coal deposit is located 120 km southeast of Adelaide. It is held by Syngas under subsequent Mineral Exploration Licence 4785. Work completed on the Clinton Project is expected to be leveraged across Moorlands which contains coal with similar high salt content levels.

d. Queensland

Negotiations were maintained during the year with an established coal miner in Queensland around the securing of feedstock for a nominal capacity CTL project leveraging off the Latrobe Valley CTL Project work.

CORPORATE

Syngas' continued progress/operation depends on funding. Sourcing of funds has been a focus for the Consolidated Entity during the financial year.

Corporate activities for the year included:

1. A share placement was completed in December 2011, raising $800,000 cash before costs, through a shareholder approved share issue to Frid Energy Pty Ltd and Iron Mountain Pty Ltd. These parties now hold a combined 54.07% share of the Company.

2. A Research and Development (R&D) tax concession claim for $263,879 before costs for the 2009/2010 financial year was lodged and the refund was received during the year. The R&D tax concession claim for the 2010/2011 financial year of $204,609 was also lodged and received during the year.

3. A final RenewablesSA grant payment of $121,700 was received.

In June 2012, under section 708 of the Corporations Act 2001, a 5,000,000 ordinary share offer, at $0.10 cents per share, for a 40% share in BioSyngas Pty Ltd was launched. This offer is expected to raise A$500,000 to complete work on the Bomen Project Phase 1, bringing it to construction ready stage.

Two agreements with Chinese state owned enterprises lapsed during the year:

1. A Memorandum of Understanding with China National Electric Engineering Corporation ("CNEEC") over a potential Engineering, Procurement and Construction contract for the Clinton Project or other Syngas CTL projects signed in October 2010 lapsed. This agreement also potentially covered access to plant construction capital.

2. A Letter of Intent was signed with Kailuan Energy Chemicals Co. Ltd ("KEC") in July 2011 covering a potential investment by KEC in Syngas. Subsequent to a visit to Australia in November 2011 and further detailed discussions, KEC advised that they would not be investing at this time in Syngas' CTL business project developments or Biomass business, rather KEC would retain a 'watching brief' on the Company's progress into the future.

Competent Person Statement

The information in this report that relates to exploration results, mineral resources or ore reserves is based on information compiled by Merrill Gray who is a Member of the Australasian Institute of Mining and Metallurgy. Merrill Gray is a full-time employee of the Company. Merrill Gray holds a Bachelor of Science in Geology, Bachelor of Mineral Technology in Mineral Processing from Otago University and Masters in Business Administration from Melbourne Business School and has worked in the Coal to Liquid industry in Australia since 2005.

Merrill Gray has sufficient experience to be responsible and to be the "competent person" as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Merrill Gray is suitably experienced in collating and reviewing information relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person.

Merrill Gray consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.

CORPORATE AND FINANCIAL POSITION

The Consolidated Entity continues to progress the securing of value for shareholders from its past investment in Renewable/clean power generation and supply projects and above ground clean coal technology based Coal to Liquid projects. Project development involves the maintenance of exploration licences, development of commercial arrangements across various feedstocks, coal industry and regulatory body relationship development, equipment/technology and engineering service provider relationship development, in-house flowsheet modeling and design, and financial modeling. Appropriate projects supported by partners with the capacity to contribute funding were also assessed during the financial year in terms of potential to create value for shareholders.

Project development and the continued operation of Syngas are subject to funds being secured. Sourcing of funds is continuing across the Consolidated Entity, and every effort is being made to raise funds. Discussions are underway with several new investors and ongoing support has been expressed by the current majority shareholders. However at the date of this report, further funds have not been secured. In the context of the ongoing Global Financial Crisis the outcome of any fund raising activity is uncertain.

At the end of the financial year, the Consolidated Entity had cash reserves of $700,843 (2011: $375,674) and net assets of $1,189,939 (2011: $17,463,891).

DIVIDENDS

No dividends have been paid or declared since the start of the financial year.

The directors have recommended that no dividend be paid in respect of the year ended 30 June 2012.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Consolidated Entity since the previous Financial Report and during the financial year.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

It is the Board's current intention that the Consolidated Entity will focus on developing a Renewable/clean power generation and supply business and above ground technology based Coal to Liquid project development whilst assessing other projects/opportunities for their potential to create value for shareholders.

SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent financial years.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity's activities are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for the Consolidated Entity to achieve.

Instances of environmental non-compliance by an operation are identified either by internal compliance audits or inspections by relevant government authorities.

There have been no known breaches by the Consolidated Entity during the financial year.

INFORMATION ON DIRECTORS AND EXECUTIVES

MERRILL GRAY B.SC B.MINTECH MBA MAUSIMM, FAIM. (AGE 47)
DIRECTOR (EXECUTIVE)
APPOINTED: 15 JANUARY 2008

Experience and Expertise
Merrill Gray is a qualified geologist and process engineer with over 20 years' experience in the resources and energy sector, including 10 years with WMC Limited where she held a number of senior strategic planning and production management roles.

Other Current Directorships
Nil

Former Directorships in the Last Three Years
Nil

Special Responsibilities
Managing Director and Chief Executive Officer

ERNEST BOSWARVA B.PROC B.COMM (HONS) LLM MBA (AGE 59)
DIRECTOR (NON-EXECUTIVE)
APPOINTED: 30 SEPTEMBER 2008

Experience and Expertise
Ernest Boswarva has extensive international oil industry experience, gained over his 26 year career in both upstream and downstream production encompassing both line and support roles within the industry. His career has included five years with Sasol Fuels Marketing, a subsidiary of Sasol Limited, a coal to liquid and gas to liquid production company and technology provider.

Other Current Directorships
None

Former Directorships in the Last Three Years
None

Special Responsibilities
Non-executive director

MICHAEL COX BSC (USYD), LLB(UTS), CERT ACC, DIP GEM, DIP DT, PNA, MAICD, FGAA (AGE 50)
CHAIRMAN & NON-EXECUTIVE DIRECTOR
APPOINTED: 27 APRIL 2012

Experience and Expertise
Michael Cox has extensive capital markets experience and knowledge, built through his years as a stock market analyst, in corporate advisory roles and in Chief Executive Officer, Managing Director and Non-Executive Chairman roles with listed companies.

Other Current Directorships
National Stock Exchange of Australia Limited

Former Directorships in the Last Three Years
None

Special Responsibilities
Non-executive director and Chairman

DEPARTING DIRECTORS

IAN KOWALICK AM BSC (HONS) B.EC.
CHAIRMAN & NON-EXECUTIVE DIRECTOR
APPOINTED: 22 MARCH 2010
RESIGNED: 18 MAY 2012

IAN GREGORY B.BUS, FCIS, F.FIN, MAICD
COMPANY SECRETARY
APPOINTED: 21 MAY 2009

Ian Gregory is an experienced company secretary who worked as full time Secretary of Iluka Resources Limited from March 1999 to December 2004. With more than 28 years' experience he has provided company secretarial and business administration services to a variety of industries, including exploration, mining, mineral processing, oil and gas, banking and insurance. He consults on secretarial matters to a number of listed companies and is a past Chairman of the WA State Council of The Institute of Chartered Secretaries and Administrators.

DIRECTORS' INTERESTS

The directors' interests in the securities of the Company are as follows:

At the date of this report

Current directors	Ordinary shares	Options	Performance shares
Merrill Gray[1, 2]	39,550,000	50,000,000	-
Ernest Boswarva	-	-	-
Michael Cox	-	-	-
	39,550,000	50,000,000	-

At the date of the previous report

Current directors	Ordinary shares	Options	Performance shares
Merrill Gray[1]	39,550,000	2,650,000	21,150,000
Ernest Boswarva	-	625,000	-
Ian Kowalick AM	-	-	-
	39,550,000	3,275,000	21,150,000

1. The performance shares lapsed during the year due to the 750 million tonne JORC resource milestone condition not being achieved, a precondition to the product offtake performance shares being issued;

2. Options were issued as part of remuneration during the year.

DIRECTORS' MEETINGS

The number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

	Number eligible to attend	Number attended
Merrill Gray	17	17
Ernest Boswarva	17	17
Ian Kowalick AM	15	15
Michael Cox	2	2

REMUNERATION REPORT - AUDITED

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Consolidated Entity in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purpose of this report, key management personnel of the Consolidated Entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Consolidated Entity, directly or indirectly, including any director (whether executive or otherwise) of the Company.

REMUNERATION POLICY

The Board has adopted a remuneration policy that takes into account the current size and nature of the Consolidated Entity's operations.

The names, positions, annual fees and remuneration of key management personnel of the Company and of the Consolidated Entity who have held office during the financial year are:

DIRECTORS	POSITION	ANNUAL FEES AND REMUNERATION
Merrill Gray	Managing Director Chief Executive Officer	\$30,000 inclusive of superannuation \$210,000 exclusive of superannuation
Ernest Boswarva	Non-executive director	\$40,000 inclusive of superannuation from 23 December 2011 (previously \$50,000)
Ian Kowalick AM	Non-executive director	\$45,000 inclusive of superannuation from 23 December 2011 (previously \$50,000)
Michael Cox	Non-executive director	\$45,000 inclusive of superannuation
EXECUTIVES		
Ian Gregory	Company Secretary	\$195 per hour

Non-executive director remuneration

The Board's policy is currently to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, primarily based on the nature and size of the Consolidated Entity's operations and also including market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at a General Meeting. Fees for non-executive directors are not linked to the performance of the Consolidated Entity.

Whilst share based payments can and have been made to non-executive directors, no options were issued to the non-executive directors during the current financial year. The primary purpose of the grant of options is to provide a market linked incentive package in the capacity as a director and the role of growing the business and sourcing new business opportunities for the Consolidated Entity.

A director may be paid fees or other amounts as the directors determine, where a director performs duties or provides services outside of the scope of their normal director's duties. A director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

There are no service agreements with the non-executive directors. They serve until they resign, are removed, cease to be a director or are prohibited from being a director under the provisions of the *Corporations Law 2001*, or are not re-elected to office. They are remunerated on a monthly basis with no termination payments payable.

Other executive – Company Secretary

The fees paid to the Company Secretary are based on market rates.

REMUNERATION REPORT – AUDITED (CONTINUED)

REMUNERATION POLICY (CONTINUED)

Managing Director and Chief Executive Officer Remuneration

The Consolidated Entity objective is to reward the Managing Director and Chief Executive Officer with a mix of remuneration commensurate with the position and responsibilities within the Consolidated Entity.

There is a current service contract (as varied) with the Managing Director and Chief Executive Officer, Merrill Gray, the details of which are:

- Effective date of employee agreement: 16 January 2008
- Position: Chief Executive Officer
- Term: Initial fixed term of 2 years, extended by a further 2 years, then by a further year to 16 January 2013
- Annual salary commencing at $180,000 exclusive of superannuation and director's fees (current annual salary $210,000)
- Annual leave: 4 weeks
- Performance Reviews: Tri-annual
- Termination: By the Company - 2 months written notice within the first 12 months from commencement, otherwise 4 months written notice. By the executive – 2 months written notice at any time or payment in lieu if the executive is not required by the Company to serve out any or part of the notice period.

There are operational milestones set out in the service agreement to align operational objectives with shareholder and overall business strategic objectives.

Retirement allowances and benefits for directors

There are no retirement benefits paid to directors other than statutory superannuation.

Relationship of remuneration to financial performance

There is no relationship between the Consolidated Entity's performance based on earnings or the impact on shareholder wealth within the Consolidated Entity for the current financial year or the previous financial year and either the remuneration of directors and executives or the issue of shares and options to directors. Remuneration is set at levels to reflect market conditions and encourage the continued services of directors and executives.

The Board considers that the prospects of the Consolidated Entity and resulting impact on shareholder wealth are largely linked to the success of the Consolidated Entity in developing a primarily Biomass based Renewable/clean power generation and supply business in Australia and an above ground clean coal technology based Coal to Liquid business, and in identifying, assessing and acquiring new business opportunities/projects. The Board considers that the prospects of the Consolidated Entity and resulting impact on shareholder wealth are largely linked to the success of this approach, rather than by referring to current or prior year earnings.

The Board may pay a bonus to key management personnel (including directors) based on the success in achieving project development milestones and generating suitable new business opportunities. A further bonus may also be paid upon the successful completion of a new business acquisition. No bonus was paid during the current or prior financial year.

The Board is of the opinion that the expiry dates and exercise prices of the options currently on issue or to be issued to the directors and the executive are sufficient to align the goals of the directors and executives with those of the shareholders to maximise shareholder wealth and as such, the Board has not set any performance conditions for the non-executive directors and executive directors.

REMUNERATION REPORT – AUDITED (CONTINUED)

REMUNERATION POLICY (CONTINUED)

Remuneration policy

The Board believes that this remuneration policy is appropriate given the stage of development of the Consolidated Entity and the activities which it undertakes, and is appropriate in aligning director and executive objectives with shareholder and business objectives.

To align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and may receive options. Options held by a director or executive on resignation from the role or from the Company continue to be held by that person to deal with as that person sees fit.

The amount of remuneration of the key management personnel (as defined in AASB 124 Related Party Disclosures) is set out in the following tables.

REMUNERATION OF KEY MANAGEMENT PERSONNEL – 2012

	Primary Compensation			
	Short Term Benefits[1]		**Post Employment Benefits[2]**	**Total**
	Cash Salary and Fees	Non-monetary benefits	Superannuation	
	$	**$**	**$**	**$**
DIRECTORS				
Merrill Gray	237,523	-	21,377	258,900
Ernest Boswarva	41,088	-	3,698	44,786
Ian Kowalick AM	38,574	-	3,472	42,046
Michael Cox	7,127		641	7,768
TOTAL PRIMARY COMPENSATION FOR DIRECTORS	**324,312**	**-**	**29,188**	**353,500**
EXECUTIVES				
Ian Gregory	10,000	-	-	10,000
TOTAL PRIMARY COMPENSATION FOR EXECUTIVES	**10,000**	**-**	**-**	**10,000**
TOTAL PRIMARY COMPENSATION	**334,312**	**-**	**29,188**	**363,500**

[1]Short Term Benefits consists of salary, director's fees, company secretarial fees and/ or consulting fees. No cash bonuses, non-monetary benefits or other benefits (other than directors' & officers' liability insurance) were provided that formed part of Short Term Benefits.

[2]Post Employment Benefits consists of superannuation. No other benefits were provided that formed part of Post Employment Benefits.

REMUNERATION REPORT – AUDITED (CONTINUED)

REMUNERATION OF KEY MANAGEMENT PERSONNEL – 2012 (CONTINUED)

Total Compensation 2012

	Primary Compensation	Equity Compensation	Total	Proportion of remuneration performance based	Value of options as proportion of remuneration
	$	$	$	%	%
DIRECTORS					
Merrill Gray	258,900	6,147	265,047	-	2.3
Ernest Boswarva	44,786	-	44,786	-	-
Ian Kowalick AM	42,046	-	42,046	-	-
Michael Cox	7,768	-	7,768	-	-
TOTAL COMPENSATION FOR DIRECTORS	**353,500**	**6,147**	**359,647**		
EXECUTIVES					
Ian Gregory	10,000	-	10,000	-	-
TOTAL COMPENSATION FOR EXECUTIVES	**10,000**	**-**	**10,000**		
TOTAL	**363,500**	**6,147**	**369,647**		

REMUNERATION OF KEY MANAGEMENT PERSONNEL – 2011

	Primary Compensation			
	Short Term Benefits[1]		Post Employment Benefits[2]	Total
	Cash Salary and Fees	Non-monetary benefits	Superannuation	
	$	$	$	$
DIRECTORS				
Merrill Gray	237,523	-	21,377	258,900
Ernest Boswarva	45,872	-	4,128	50,000
Ian Kowalick AM	45,872	-	4,128	50,000
TOTAL PRIMARY COMPENSATION FOR DIRECTORS	**329,267**	**-**	**29,633**	**358,900**
EXECUTIVE				
Ian Gregory	20,085	-	-	20,085
Thomas Newland	188,446	-	11,400	199,846
TOTAL PRIMARY COMPENSATION FOR EXECUTIVES	**208,531**	**-**	**11,400**	**219,931**
TOTAL PRIMARY COMPENSATION	**537,798**	**-**	**41,033**	**578,831**

[1]Short Term Benefits consists of salary, director's fees, company secretarial fees and/ or consulting fees. No cash bonuses, non-monetary benefits or other benefits (other than directors' & officers' liability insurance) were provided that formed part of Short Term Benefits.

[2]Post Employment Benefits consists of superannuation. No other benefits were provided that formed part of Post Employment Benefits.

REMUNERATION REPORT – AUDITED (CONTINUED)

REMUNERATION OF KEY MANAGEMENT PERSONNEL – 2011 (CONTINUED)

Total Compensation 2011

	Primary Compensation	Equity Compensation	Total	Proportion of remuneration performance based	Value of options as proportion of remuneration
	$	$	$	%	%
DIRECTORS					
Merrill Gray	258,900	175,950	434,850	-	40.5
Ernest Boswarva	50,000	-	50,000	-	-
Ian Kowalick AM	50,000	-	50,000		
TOTAL COMPENSATION FOR DIRECTORS	**358,900**	**175,950**	**534,850**		
EXECUTIVE					
Ian Gregory	20,085	-	20,085	-	-
Thomas Newland	199,846	-	199,846	-	-
TOTAL COMPENSATION FOR EXECUTIVE	219,931	-	219,931		
TOTAL COMPENSATION	**578,831**	**175,950**	**754,781**		

COMPENSATION OPTIONS: GRANTED AND VESTED

During the year, 50,000,000 fully vested options with an exercise price of $0.06 and an expiry date of 28 June 2013 were issued to the Managing Director and Chief Executive officer, Merrill Gray, subsequent to approval of the issue at the Company's Annual General Meeting held on 22 December 2011. The details in respect of the valuation of these options are disclosed in Note 23 to the financial statements.

2,650,000 options with an exercise price of $0.08 held by Merrill Gray and 625,000 options with an exercise price of $0.07 held by Ernest Boswarva expired on 30 December 2011.

(End of Remuneration Report)

ADDITIONAL INFORMATION

Shares Under Option

Unissued ordinary shares of Syngas Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Exercise price	Number under option
22 December 2011	28 June 2013	$0.06	50,000,000
			50,000,000

No person entitled to exercise any of these options had or has any right by virtue of the option to participate in any share issue. No shares were issued during the financial year ended 30 June 2012 by virtue of the exercise of options (2011: 45,000). No further shares have been issued by virtue of the exercise of options since the end of the financial year and to the date of this report.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the court under section 237 of the *Corporations Act 2001*.

ADDITIONAL INFORMATION (CONTINUED)

INDEMNIFYING AND INSURING DIRECTORS, OFFICERS OR AUDITOR

Directors' and officers' liability insurance and indemnity insurance premiums paid during or since the end of the financial year for any person who is or has been an officer of the Consolidated Entity totalled $10,268 (2011: $9,218). 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 Consolidated Entity and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the Consolidated Entity. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The auditor is not indemnified under any circumstance.

AUDITOR

Ernst & Young is the appointed auditor that remains in office in accordance with section 327B of the *Corporations Act 2001.*

AUDIT SERVICES

During the financial year, $39,000 (2011: $34,000) was paid or is payable for audit services provided by the auditor.

NON-AUDIT SERVICES

During the financial year $12,540 (2011: $15,618) was paid to the auditor for the non-audit service of tax compliance for the Company and relevant subsidiaries. The directors are satisfied that the provision of these non-audit services did not compromise the independence of the auditor. The non-audit services do not conflict with the provision of the audit services.

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the Corporations Act 2001 section 307C the auditors of the Company, Ernst & Young, have provided a signed Auditor's Independence Declaration to the directors in relation to the year ended 30 June 2012. This declaration has been included on page 15 and forms part of this report.

Signed in accordance with a resolution of the directors.

M Gray

Merrill Gray
Managing Director
27 September 2012
Melbourne, Victoria

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Auditor's Independence Declaration to the Directors of Syngas Limited

In relation to our audit of the financial report of Syngas Limited for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst + Young

Ernst & Young

T S Hammond
Partner
27 September 2012

TH:VP:SYNGAS:007

The Board has adopted a corporate governance framework for the Consolidated Entity which is underpinned by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("the Recommendations") applicable to ASX-listed entities.

For ease of comparison to the Recommendations, the following Section addresses each of the Corporate Governance Principles and, where the Consolidated Entity has not followed a Recommendation, this has been identified along with the reasons for not following the Recommendation.

Syngas's corporate governance policies adopted by the Board are available from the Consolidated Entity's registered office and website: www.syngas.com.au.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The Board is accountable to shareholders for the performance of the Consolidated Entity. The Board operates under the Board Charter that details its functions, responsibilities and powers and those delegated to management.

The Board is responsible for ensuring that the Consolidated Entity is managed in such a way to best achieve this desired result. Given the current size and operations of the business, the Board currently undertakes an active, rather than passive, role.

The Board is responsible for evaluating and setting the strategic directions for the Consolidated Entity, establishing goals for management and monitoring the achievement and risks of these goals. The Managing Director and Chief Executive Officer is responsible to the Board for the day-to-day management of the Consolidated Entity.

The Consolidated Entity has established the functions reserved for the Board and the Managing Director and Chief Executive Officer.

Broadly, the key responsibilities of the Board are:

1. Reviewing and approving corporate strategies, the annual budget and financial plans;
2. Overseeing and monitoring organisational performance and the achievement of the Consolidated Entity's strategic goals and objectives;
3. Monitoring financial performance and liaising with the Consolidated Entity's external auditor;
4. Appointing and assessing the performance of the Managing Director (or equivalent), and overseeing succession plans for the senior executives;
5. Ratifying the appointment and the removal of senior executives and the company secretary;
6. Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
7. Reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance;
8. Enhancing and protecting the reputation of the Consolidated Entity; and
9. Reporting to and communicating with shareholders.

All non-executive directors of the Consolidated Entity will, on appointment, receive a letter of appointment which sets out the terms and conditions of their appointment.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

The Board and the Managing Director monitor the performance of senior executives on a regular basis. The Managing Director conducts an annual evaluation of each senior executive's performance, at which the senior executive's performance during the previous 12 months is assessed against relevant performance indicators, and role expectations and goals are set for the following year.

The Board (in the absence of the Managing Director) also assesses the performance of the Managing Director at least once in each financial year. The Chairman will meet with the Managing Director and provide him or her with feedback on the Board's assessment.

Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.

The Board reviews executive performance annually as part of the Consolidated Entity's remuneration review process.

In accordance with the Guide to reporting on Principle 1, the Consolidated Entity's Board Charter is available from the corporate governance section of its website.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1: A majority of the board should be independent directors.

From 15 September 2009 to the date of this report the Board has had a majority of independent directors and an independent chair.

Set out in the following table are the directors that held office during the year and to the date of this report, their responsibilities and independence.

Directors in office during the year and to the date of this report		
	Responsibilities	**Independent**
Current Directors		
Merrill Gray	Managing Director & Chief Executive Officer	No – management responsibility and substantial shareholder
Michael Cox	Non-executive director from 27 April 2012 & chair from 18 May 2012	Yes
Ernest Boswarva	Non-executive director	Yes
Former Director		
Ian Kowalick AM	Non-executive director & chair from 30 June 2010 until 18 May 2012	Yes

The Board has assessed the independence of Mr Cox, Mr Boswarva and Mr Kowalick AM using defined criteria of independence and materiality consistent with the guidance and commentary for Recommendation 2.1.

The two current non-executive directors, Mr Cox and Mr Boswarva, are considered to be independent as they are not members of management and there is no relationship affecting that status. They are not substantial shareholders, past or present employees, professional advisers, consultants, suppliers or customers with or to the Consolidated Entity; or have any contractual relationship with the Consolidated Entity other than as a director.

The Board has determined that the composition of the current Board represents the best mix of directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management. Furthermore, each individual member of the Board is satisfied that all directors bring an independent judgment to bear on Board decisions. In addition, each director is entitled to seek independent professional advice (including but not limited to legal, accounting and financial advice) at the Consolidated Entity's expense on any matter connected with the discharge of his or her responsibilities, in accordance with the procedures and subject to the conditions set out in the Board Charter.

Board structure and composition will be reviewed as and when the Consolidated Entity's scale, strategic direction or activities change. The Consolidated Entity will only recommend the appointment of additional directors to the Board where it believes the expertise and value added outweighs the additional cost.

Directors are initially appointed by the full Board subject to election by shareholders at the next Annual General Meeting. Under the Company's Constitution the tenure of directors (other than the managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following the director's last appointment. Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. The Directors' Report provides the details of the date from which each director held office.

Recommendation 2.2: The chair should be an independent director.

The structure of the Board complies with Recommendation 2.2 as both of the non-executive Chairmen who held seats sequentially on the Board during the year, Mr Kowalick AM then Mr Cox, were and continue to be independent directors.

Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.

The roles of Chairman and Managing Director and Chief Executive Officer are not exercised by the same individual.

Recommendation 2.4: The board should establish a nomination committee.

The Consolidated Entity does not comply with Recommendation 2.4 in that it has not established a separate nomination committee. As the Board is currently comprised of only three directors, it has been decided that there are no efficiencies to be gained by, and, given the current size and composition of the Board, it is not practicable to, form a separate nomination committee. The Board considers that it is more appropriate to set aside time at Board meetings to specifically address matters that would ordinarily fall to a nomination committee.

The Board has adopted a formal Nomination and Remuneration Committee Charter. The current Board members will, when considering matters within the ambit of the Nomination and Remuneration Committee Charter, be guided by and, to the extent practicable, act in accordance with, that Charter.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

The Board has adopted a self-evaluation process to measure performance with an annual review undertaken in relation to the Consolidated Entity's objectives and the composition and skills mix of the directors of the Consolidated Entity. For the purposes of this evaluation, each director completes and submit an assessment of the Board's performance. A performance evaluation of the Board and individual directors was carried out during the year.

The Board has not formed a nomination committee as it considers that the Consolidated Entity is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing directors to enable identification of attributes required in new directors. When appropriate, independent consultants are engaged to identify possible new candidates for the Board.

Directors retire and are re-elected in accordance with the Company's Constitution, the *Corporations Act 2001* and their own engagement terms.

Before each annual general meeting, the Board reviews the performance of each director retiring in accordance with the Company's constitution before determining its recommendation to shareholders on the re-election of the director (in the absence of the director involved). The Board (excluding the Chairman) conducts the review of the Chairman.

The Board will, from time to time, utilise the services of an external party to review the performance of the Board.

Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.

The Consolidated Entity does not comply with Principle 2. No separate Nomination and Remuneration Committee has been appointed. The Board as a whole undertakes the selection and appointment of new directors and nomination for re-election of current directors by shareholders at shareholder meetings. The Board is also responsible for the appointment of the Managing Director. The Remuneration of directors and employees is benchmarked against industry practice and is subject to shareholder approval annually.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- ***the practices necessary to maintain confidence in the Consolidated Entity's integrity;***
- ***the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and***
- ***the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.***

The Board has adopted a Code of Conduct which applies to all directors, officers, employees, contractors and consultants of the Consolidated Entity. It sets out Syngas's commitment to successfully conducting its business in accordance with all applicable laws and regulations while demonstrating and promoting the highest ethical standards. The Code of Conduct reflects the matters set out in the commentary and guidance for Recommendation 3.1.

Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

The Consolidated Entity's policy regarding equal employment opportunity and diversity is set out on the Consolidated Entity's website. The Consolidated Entity's Equal Employment Opportunity and Diversity Policy does not include measureable objectives as the Board believes that the Consolidated Entity will not be able to successfully meet these given the size and stage of development of the Consolidated Entity.

Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

Given the size of the Consolidated Entity the Directors do not consider it appropriate to set measurable objectives in relation to diversity. Notwithstanding this the Consolidated Entity strives to provide the best possible opportunities for current and prospective employees of all backgrounds in such a manner that best adds to overall shareholder value and which reflects the values, principles and spirit of the Consolidated Entity's Equal Employment Opportunity & Diversity Policy.

Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

For the 2012 financial year, the Consolidated Entity had a total of 5 women employees out of a total of 20 employees and contractors, 1 women employee out of a total of 4 employees and contractors in senior executive positions and 1 woman on the Board of 3, comprising 33% female board representation level.

Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.

The Consolidated Entity is not aware of any departure from Recommendations 3.1, 3,2 or 3.4. The Consolidated Entity's Equal Employment Opportunity & Diversity Policy does not include measureable objectives as the Board believes that the Consolidated Entity will not be able to successfully meet these given the size and stage of development of the Consolidated Entity.

The Consolidated Entity's Code of Conduct and the Consolidated Entity's Equal Employment Opportunity & Diversity Policy are publicly available on the Consolidated Entity's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation 4.1: The board should establish an audit committee.

Recommendation 4.2: The audit committee should be structured so that it:

- ***consists only of non-executive directors;***
- ***consists of a majority of independent directors;***
- ***is chaired by an independent chair, who is not chair of the board; and***
- ***has at least three members.***

The Consolidated Entity does not comply with Recommendations 4.1 and 4.2 in that it has not established a separate audit committee comprised only of non-executive directors. As the Board currently comprises only three directors, it has been decided that there are no efficiencies to be gained by, and, given the current size and composition of the Board, it is not practicable to, form a separate audit committee. The Board considers that it is more appropriate to set aside time at Board meetings to specifically address matters that would ordinarily fall to an audit committee.

Recommendation 4.3: The audit committee should have a formal charter.

The Consolidated Entity does not comply with Recommendation 4.3 in that it has not adopted a formal Audit and Risk Committee Charter. The Board as a whole undertakes the role of a formal Audit and Risk Committee.

Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.

In accordance with the Guide to reporting on Principle 4, the Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Consolidated Entity's Continuous Disclosure Policy below sets out the key obligations of the Consolidated Entity's directors, officers, employees and consultants in relation to continuous disclosure to meet the Consolidated Entity's obligations under the Listing Rules and the Corporations Act. The Policy also contains procedures for internal notification and external disclosure, as well as procedures for promoting understanding of compliance with the disclosure requirements and for the monitoring of Consolidated Entity compliance.

The continuous disclosure policy requires all executives and directors to inform the chairman or in the chairman's absence, the company secretary, of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

Information is not material and need not be disclosed if:

a) A reasonable person would not expect the information to be disclosed or it is material but due to a specific valid commercial reason is not to be disclosed; and

b) The information is confidential; and

c) One of the following applies:

   (i) It would breach a law or regulation to disclose the information;
   (ii) The information concerns an incomplete proposal or negotiation;
   (iii) The information comprises matters of supposition or is insufficiently definite to warrant disclosure;

(iv) The information is generated for internal management purposes;
(v) The information is a trade secret;
(vi) It would breach a material term of an agreement, to which the Company is a party, to disclose the information;
(vii) It would harm the Company's potential application or possible patent application; or
(viii) The information is scientific data the release of which may benefit the Company's potential competitors.

The non-executive directors are responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board. The company secretary is responsible for all communications with the ASX.

The Policy reflects the matters set out in the commentary and guidance for Recommendation 5.1.

Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.

In accordance with the Guide to reporting on Principle 5, the Consolidated Entity's Continuous Disclosure Policy is also available from the corporate governance section of the Consolidated Entity's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Shareholder Communications strategy and approach of Consolidated Entity's is set out below providing the Consolidated Entity's aims and practices in respect to communicating with both current and prospective Shareholders.

The Consolidated Entity's strategy is based on open, regular and timely communications so that the market has sufficient information to make informed investment decisions on the operations and results of the Consolidated Entity.

Mechanisms employed include:

- Announcements lodged with ASX;
- ASX quarterly reports;
- Half-yearly report;
- Presentations at the annual general meeting/general meetings; and
- Annual report.

The Board encourages full participation of shareholders at the annual general meeting to engender a high level of understanding and engagement in relation to the Consolidated Entity's strategy and goals.

The Company also posts all reports, ASX and media releases and copies of significant business presentations on the Company's website.

The strategy and approach taken reinforces the Consolidated Entity's commitment to promoting investor confidence and reflects the matters set out in the commentary and guidance for Recommendation 6.1.

Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.

In accordance with the Guide to reporting on Principle 6, the Consolidated Entity's Continuous Disclosure Policy and Shareholder Communications approach and strategy are available in the corporate governance section of the Consolidated Entity's website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the Consolidated Entity's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Consolidated Entity's management of its material business risks.

The Consolidated Entity does not currently have a separate risk management committee. As the Board currently comprises only three directors, it has been decided that there are no efficiencies to be gained by, and, given the current size and composition of the Board, it is not practicable to, form a separate risk management committee. The Board considers that it is more appropriate to set aside time at Board meetings to specifically address matters that would ordinarily fall to a risk management committee.

The Company's risk management approach is based on the identification, assessment, monitoring and management of material risks that the Board and management believe that the Company may encounter. Once the risks have been identified, the risks are then classified in terms of their severity, their probability or likelihood of occurring and their potential impact or damage they may have if they occur. Once risks have been identified, the Company can then decide on whether to avoid, manage, insure or transfer these risks.

The Consolidated Entity's risk management framework has been developed by the Board and management. Risks to the Company, risk mitigation plans and their current status are reviewed at monthly Board meetings and set out in Business Plans and Project development documents. The Board is responsible for reviewing the frameworks ongoing currency and approving the updated Consolidated Entity's risk management framework quarterly. Management is responsible for monitoring that the appropriate processes and controls are in place and are maintained to effectively manage risk. The Board believes that it has a thorough understanding of the Consolidated Entity's key risks and is managing them appropriately.

Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The integrity of the Consolidated Entity's financial reporting relies upon a sound system of risk management and control. Accordingly, the persons performing the functions of Managing Director and Chief Financial Officer (or equivalent) will be asked to confirm that any declaration they provide in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Similarly, in a separate written statement, the Managing Director will also confirm to the Board whether the Consolidated Entity's risk management and internal control systems are operating effectively in relation to material business risks for the period, and that nothing has occurred since period-end that would materially change the position.

Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.

In accordance with the Guide to reporting on Principle 7, the Consolidated Entity's Continuous Disclosure Policy is also available from in the corporate governance section of the Consolidated Entity's website.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1: The board should establish a remuneration committee.

Recommendation 8.2: The remuneration committee should be structured so that it:

- ***consists of a majority of independent directors;***
- ***is chaired by an independent chair; and***
- ***has at least three members.***

The Consolidated Entity does not comply with Recommendations 8.1 and 8.2 in that it has not established a separate remuneration committee. As the Board currently comprises only three directors, it has been decided that there are no efficiencies to be gained by, and, given the current size and composition of the Board, it is not practicable to, form a separate remuneration committee. The Board considers that it is more appropriate to set aside time at Board meetings to specifically address matters that would ordinarily fall to a remuneration committee.

Recommendation 8.3: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The structure of non-executive directors' remuneration is clearly distinguished from that of executive directors and senior executives. Remuneration for non-executive directors is fixed. Total remuneration for all non-executive directors is not to exceed $300,000 per annum unless approved by shareholders at the Consolidated Entity's annual general meeting.

Neither the non-executive directors nor the executives of the Consolidated Entity received any retirement benefits, other than superannuation.

The Consolidated Entity has separate policies relating to the remuneration of non-executive directors as opposed to executive directors and senior executives. These policies provide a basis for distinguishing the type of remuneration which is suitable for the two classes.

The level of remuneration packages and policies applicable to directors are detailed in the Remuneration Report which forms part of the Directors' Report in this Annual Report.

Recommendation 8.4: Companies should provide the information indicated in the Guide to reporting on Principle 8.

Directors are prohibited from entering into transactions which limit the risk of participating in unvested entitlements under any equity based remuneration scheme.

In accordance with the Guide to reporting on Principle 8, the Consolidated Entity's Continuous Disclosure Policy is also available from in the corporate governance section of the Consolidated Entity's website.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

		Consolidated Entity	
		2012	**2011**
	Note	**$**	**$**
Revenue	2	29,257	23,228
Other income	2	2	126
Coal to Liquid project expenses		(69,217)	-
Impairment of exploration licences	9(b)	(13,498,200)	-
Impairment of deferred exploration and evaluation expenditure	9(a)	(2,959,517)	-
Other expenses	2	(776,663)	(1,230,957)
LOSS BEFORE INCOME TAX (EXPENSE)/BENEFIT		(17,274,338)	(1,207,603)
Income tax (expense)/benefit	3	263,879	207,436
LOSS AFTER INCOME TAX (EXPENSE)/BENEFIT		**(17,010,459)**	**(1,000,167)**
Other comprehensive income		**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(17,010,459)**	**(1,000,167)**
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS			
BASIC AND DILUTED LOSS PER SHARE (CENTS PER SHARE)	5	(3.91)	(0.39)

The accompanying notes form part of these financial statements

	Note	Consolidated Entity 2012 $	2011 $
CURRENT ASSETS			
Cash and cash equivalents		700,843	375,674
Trade and other receivables	6	26,756	303,828
TOTAL CURRENT ASSETS		727,599	679,502
NON-CURRENT ASSETS			
Plant and equipment	7	11,354	6,404
Intangibles	8	193,978	89,371
Deferred exploration and evaluation expenditure	9(a)	-	2,952,277
Exploration Licences	9(b)	500,000	13,998,200
TOTAL NON-CURRENT ASSETS		705,332	17,046,252
TOTAL ASSETS		**1,432,931**	**17,725,754**
CURRENT LIABILITIES			
Trade and other payables	10	218,513	236,576
Provisions	11	24,479	25,287
TOTAL CURRENT LIABILITIES		242,992	261,863
TOTAL LIABILITIES		**242,992**	**261,863**
NET ASSETS		**1,189,939**	**17,463,891**
EQUITY			
Contributed equity	12	35,766,571	35,034,422
Reserves	13	1,793,484	1,789,126
Accumulated losses	4	(36,370,116)	(19,359,657)
TOTAL EQUITY		**1,189,939**	**17,463,891**

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated Entity 2012 $	2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers & employees		(894,899)	(927,783)
Interest received		29,920	21,990
South Australian State government grant received		121,700	110,681
Research and development tax rebate received		468,488	265,111
NET CASH USED IN OPERATING ACTIVITIES	14	**(274,791)**	**(530,001)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(8,360)	(6,535)
Payments for intangibles		(104,607)	(89,371)
Payments for exploration and evaluation expenditure		(17,433)	(480,653)
NET CASH FROM/ (USED IN) INVESTING ACTIVITIES		**(130,400)**	**(576,559)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity issues		800,000	715,260
Redemption of performance shares		(4,700)	-
Payments for capital raising costs		(64,940)	(49,217)
NET CASH FROM/ (USED IN) FINANCING ACTIVITIES		**730,360**	**666,043**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS HELD		**325,169**	**(440,517)**
Cash and cash equivalents at beginning of year		375,674	816,191
CASH AND CASH EQUIVALENTS AT END OF YEAR		**700,843**	**375,674**

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
AT 30 JUNE 2011	35,034,422	1,789,126	(19,359,657)	17,463,891
Loss for the year	-	-	(17,010,459)	(17,010,459)
Total comprehensive income for the year	-	-	(17,010,459)	(17,010,459)
Shares issued	800,000	-	-	800,000
Options issued	-	6,147	-	6,147
Exercise of options	1,789	(1,789)	-	-
Redeem preference shares	(4,700)	-	-	(4,700)
Cost of share issues	(64,940)	-	-	(64,940)
AT 30 JUNE 2012	35,766,571	1,793,484	(36,370,116)	1,189,939
AT 30 JUNE 2010	33,968,379	1,789,126	(18,359,490)	17,398,015
Loss for the year	-	-	(1,000,167)	(1,000,167)
Total comprehensive income for the year	-	-	(1,000,167)	(1,000,167)
Shares issued	1,106,260	-	-	1,106,260
Exercise of options	9,000	-	-	9,000
Cost of share issues	(49,217)	-	-	(49,217)
AT 30 JUNE 2011	**35,034,422**	**1,789,126**	**(19,359,657)**	**17,463,891**

The accompanying notes form part of these financial statements

NOTE 1. BASIS OF PREPARATION OF THE FINANCIAL REPORT

Corporate Information

The Financial Report of Syngas Limited ACN 062 284 084 (“Parent Entity” or "Company") and its controlled entities (“Consolidated Entity” or “Group”) for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors dated 27 September 2012.

Syngas Limited is a for-profit company limited by shares incorporated in Australia whose shares are publically traded on the Australian Securities Exchange (“ASX”).

The nature of the operations and principal activities of the Consolidated Entity are described in the Directors’ Report.

Basis of Preparation of Accounts

The Financial Report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (“AASBs”) and other authoritative pronouncements adopted by the Australian Accounting Standards Board (“AASB”) and the *Corporations Act 2001*.

The Financial Report has been prepared on a historical cost basis and is presented in Australian dollars.

Going concern

The Consolidated Entity recorded a loss of $(17,010,459) for the year ended 30 June 2012, net cash inflows of $325,169 and has net current assets of $525,923 at 30 June 2012. The Consolidated Entity’s cash flow forecasts show that it will require additional funding to enable it to meet its minimum administration and project expenditure requirements and other expenditure commitments for at least twelve months from the date of signing these financial statements.

The financial report has been prepared on the basis that the Consolidated Entity can continue to meet its obligations as and when they fall due and can therefore continue normal activities, including the settlement of liabilities and the realisation of assets in the ordinary course of business. In arriving at this position the directors have had regard to the fact that they are actively pursuing further funding initiatives to provide additional working capital, including additional equity issues.

The directors believe that at the date of the signing of the financial statements there are reasonable grounds to believe that, having regard to the matters set out above, the Consolidated Entity will be able to raise sufficient funds to meet its obligations as and when they fall due and continue to proceed with the Consolidated Entity’s strategic objectives beyond the currently committed expenditure.

Should the directors not achieve the matters set out above, there is significant uncertainty whether the Consolidated Entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the Consolidated Entity not be able to continue as a going concern.

Statement of Compliance

The Financial Report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

New Accounting Standards and Interpretations

In the current year, the Consolidated Entity has adopted the following new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the Consolidated Entity’s accounting policies nor affected the amounts reported for the current or prior years.

NOTE 1. BASIS OF PREPARATION OF THE FINANCIAL REPORT (CONTINUED)

- AASB 124: Related Party Disclosures (revised)

The revised AASB 124 Related Party Disclosures (December 2009) simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:

a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other
b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other
c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other

A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.

- AASB 2010-4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project

This amendment emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.

- Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.
- Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions
- Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

- AASB 1054: Australian Additional Disclosures

This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard, with AASB 2011-1 relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas:

(a) Compliance with Australian Accounting Standards
(b) The statutory basis or reporting framework for financial statements
(c) Whether the financial statements are general purpose or special purpose
(d) Audit fees
(e) Imputation credits

At the date of authorisation of the Financial Report certain of the Australian Accounting Standards and Interpretations issued or amended but not yet effective have not been adopted by the Consolidated Entity for the financial reporting period ended 30 June 2012. These new or amended standards (to the extent relevant to the Consolidated Entity) and interpretations are as follows:

- 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applicable for annual reporting periods commencing on or after 1 July 2012).

These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate *SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets* into AASB 112.

NOTE 1. BASIS OF PREPARATION OF THE FINANCIAL REPORT (CONTINUED)

- AASB 2011-9: Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing from 1 July 2012).

  This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.

- AASB 10: Consolidated Financial Statements (applicable for annual reporting periods commencing on or after 1 July 2013).

  AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities.*

  The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.

  Consequential amendments were also made to other standards via AASB 2011-7.

- AASB 11: Joint Arrangements (applicable for annual reporting periods commencing on or after 1 July 2013).

  AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly-controlled Entities – Non-monetary Contributions by Ventures.* AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.

  Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.

- AASB 12: Disclosure of Interests in Other Entities (applicable for annual reporting periods commencing on or after 1 July 2013).

  AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

- AASB 13: Fair Value Measurement (applicable for annual reporting periods commencing on or after 1 July 2013).

  AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.

  AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

  Consequential amendments were also made to other standards via AASB 2011-8.

NOTE 1. BASIS OF PREPARATION OF THE FINANCIAL REPORT (CONTINUED)

- AASB 119: Employee Benefits (applicable for annual reporting periods commencing on or after 1 July 2013).

  The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets.

  The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

  Consequential amendments were also made to other standards via AASB 2011-10.

- Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine (applicable for annual reporting periods commencing on or after 1 July 2013).

  This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the ‘stripping activity asset’.

  The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate.

  Consequential amendments were also made to other standards via AASB 2011-12.

- Annual Improvements 2009-2011 Cycle: Annual Improvements to IFRSs 2009-2011 Cycle (applicable for annual reporting periods commencing on or after 1 July 2013).

  This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board’s Annual Improvements process. These amendments have not yet been adopted by the AASB.

  The following items are addressed by this standard:

  IFRS 1 First-time Adoption of International Financial Reporting Standards

  • Repeated application of IFRS 1
  • Borrowing costs

  IAS 1 Presentation of Financial Statements

  • Clarification of the requirements for comparative information

  IAS 16 Property, Plant and Equipment

  • Classification of servicing equipment

  IAS 32 Financial Instruments: Presentation

  • Tax effect of distribution to holders of equity instruments

  IAS 34 Interim Financial Reporting

  • Interim financial reporting and segment information for total assets and liabilities

NOTE 1. BASIS OF PREPARATION OF THE FINANCIAL REPORT (CONTINUED)

- AASB 9: Financial Instruments (applicable for annual reporting periods commencing on or after 1 July 2015).

  AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.

  These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.

  (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.
  (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
  (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
  (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
      - The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
      - The remaining change is presented in profit or loss

  If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

  Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.

The directors have not considered the financial impact, if any, of the adoption of these standards and interpretations on the financial statements of the Company or the Consolidated Entity.

NOTE 1. BASIS OF PREPARATION OF THE FINANCIAL REPORT (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies adopted by the Company and the Consolidated Entity in the preparation of these financial statements. The Company is a listed public company limited by shares, incorporated and domiciled in Australia. This Financial Report was authorised for issue in accordance with a resolution of the directors dated as at the date of the Directors' Report attached.

a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Syngas Limited ("Syngas", "Parent Entity" or "Company") and its subsidiaries ("Consolidated Entity").

Subsidiaries are all those entities (including special purpose entities) over which the Consolidated Entity has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Consolidated Entity controls another entity.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-Group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. Subsidiaries are consolidated from the date on which control is transferred to the Consolidated Entity and cease to be consolidated from the date on which control is transferred out of the Consolidated Entity. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Company has control.

b) Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

c) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

NOTE 1. BASIS OF PREPARATION OF THE FINANCIAL REPORT (CONTINUED)

c) Income Tax (continued)

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

d) Employee Benefits

Wages, salaries, bonus payments, annual leave and sick leave
Liabilities for wages, salaries, bonus payments, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

e) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with a maturity of three months or less. For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts.

NOTE 1. BASIS OF PREPARATION OF THE FINANCIAL REPORT (CONTINUED)

f) Revenue recognition

Revenue from services rendered is recognised to the extent that it is probable that the future benefits will flow to the Consolidated Entity and can be reliably measured.

Sales revenue is recognised when the significant risks and rewards of ownership have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of “delivery of goods to the customer”.

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except: where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from the investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

h) Impairment of non-financial assets

The Consolidated Entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Consolidated Entity makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are 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. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at the revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

i) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership. The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis. Contingent rentals are recognised as an expense in the financial year in which they are incurred.

j) Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

NOTE 1. BASIS OF PREPARATION OF THE FINANCIAL REPORT (CONTINUED)

k) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The assets currently comprise computer equipment which is depreciated at 30% per annum.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

l) Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

m) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible debts. An allowance for doubtful debts is made when there is objective evidence that the Consolidated Entity will not be able to collect the debts. A trade receivable is considered doubtful when the balance is outstanding for more than 120 days. Bad debts are written off when identified.

n) Trade and other payables

Trade payables and other payables are carried at amortised cost which represents liabilities for goods and services received, whether or not billed to the Consolidated Entity.

NOTE 1. BASIS OF PREPARATION OF THE FINANCIAL REPORT (CONTINUED)

o) Investments

Classification

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value though profit of loss, loan and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially they are measured at fair value, plus, in the case of investments not at fair value through profit of loss, directly attributable transaction costs. The Consolidated Entity determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Consolidated Entity provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

Recognition and de-recognition

Purchases and sales of investments are recognised on trade-date – the date on which the Consolidated Entity commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the net unrealised gains reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously reported in equity are included in the profit or loss as gains and losses on disposal of investment securities.

Impairment

The Consolidated Entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

p) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward where the rights to tenure of the area of interest are current and to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

q) Share-based payment transactions

The Consolidated Entity has met the consideration for services rendered in the form of share-based payment transactions, whereby suppliers render services in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions is measured by reference to value of the goods or services provided and the fair value of the options at the date at which they are granted. The fair value is determined using the Black-Scholes method.

The Consolidated Entity has also remunerated directors by the issue of options. The Company measures the cost of equity share based transactions with directors by reference to the fair value of the equity instruments at the date at which they are granted. The fair value at the grant date is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at the grant date, the expected price volatility of the underlying share, the expected dividend yield, and the risk-free interest rate for the term of the option. The fair value calculation and inputs to the Black-Scholes model are shown at Note 22.

NOTE 1. BASIS OF PREPARATION OF THE FINANCIAL REPORT (CONTINUED)

r) Loss per share

Basic loss per share is calculated as net loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted loss per share is calculated as net loss attributable to members of the parent, adjusted for costs of servicing equity (other than dividends); the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

s) Foreign currency translation

The presentation currency of the Consolidated Entity is Australian dollars. The functional currency of the Company and its Australian subsidiaries is Australian dollars. Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences in the consolidated Financial Report are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

t) Investments in controlled entities

All investments held by the parent entity as reflected in the parent entity disclosures are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. Subsequent to initial measurement, investments in controlled entities are carried at cost less accumulated impairment losses.

u) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Consolidated Entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Consolidated Entity for similar financial instruments.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Consolidated Entity's accounting policies, management has made judgements, estimates and assumptions that affect the reported amounts in the financial statements. The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are exploration and evaluation and share-based payment transactions.

Capitalisation of costs and life duration on intangibles

Development costs in respect of intangible assets are capitalised in accordance with the accounting policy in Note 1(l). Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and expected period of benefits. As at 30 June 2012, the carrying value of capitalised development costs was $193,978 (30 June 2011: $89,371). This amount relates solely to the design relating to the Bomen biomass project.

NOTE 1. BASIS OF PREPARATION OF THE FINANCIAL REPORT (CONTINUED)

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Exploration and evaluation assets

The Consolidated Entity's accounting policy for exploration and evaluation expenditure is set out at note 1(p) above. The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of the expectation that exploration costs incurred can be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. The estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is concluded that the expenditure incurred is unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the profit or loss.

Share based payment transactions

The Consolidated Entity's accounting policy for share-based payments is set out at note 1(q) above. The Consolidated Entity has remunerated directors by the issue of options. The Company measures the cost of equity share based transactions with directors by reference to the fair value of the equity instruments at the date at which they are granted. The fair value at the grant date is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at the grant date, the expected price volatility of the underlying share, the expected dividend yield, and the risk-free interest rate for the term of the option. The fair value calculation and inputs to the Black-Scholes model are shown at Note 23.

NOTE 2. REVENUE, OTHER INCOME AND EXPENSES

	Consolidated Entity	
	2012	**2011**
	$	**$**
REVENUE		
Interest revenue	29,257	23,228
TOTAL REVENUE	29,257	23,228
OTHER INCOME		
Sundry	2	126
TOTAL OTHER INCOME	2	126
OTHER EXPENSES		
Rental expense on operating lease	54,135	62,940
Depreciation of plant and equipment	3,410	3,974
Listed company costs	92,975	95,170
Consulting Fees	50,539	-
Employment expenses:		
Fees, wages and salaries	299,420	330,574
Superannuation	35,750	30,262
Share based payments	6,147	391,000
Recruitment	2,035	-
Annual leave	(808)	16,154
Amenities	1,842	2,186
Legal costs	39,153	8,687
Other	192,065	290,010
TOTAL OTHER EXPENSES	776,663	1,230,957

	Consolidated Entity 2012 $	2011 $
NOTE 3. INCOME TAX		
The major components of income tax expense are:		
INCOME STATEMENT		
Current income tax	-	-
Current income tax benefit	263,879	207,436
INCOME TAX BENEFIT REPORTED IN THE STATEMENT OF COMPREHENSIVE INCOME	263,879	207,436
A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Consolidated Entity's applicable income tax rate is as follows:		
ACCOUNTING LOSS BEFORE INCOME TAX	(17,274,338)	(1,207,603)
At the Consolidated Entity's statutory income tax rate of 30% (2011: 30%)	5,182,301	362,281
Expenditure not allowable for income tax purposes	(2,115)	(34)
Share based payments	(1,844)	(117,300)
Research and development tax concession	263,879	207,436
Deferred tax assets not brought to account as realisation is not considered probable	(5,178,342)	(244,947)
INCOME TAX BENEFIT REPORTED IN THE STATEMENT OF COMPREHENSIVE INCOME	263,879	207,436
DEFERRED INCOME TAX AT 30 JUNE RELATES TO THE FOLLOWING:		
DEFERRED TAX LIABILITIES		
Intangible asset	(58,193)	-
Exploration expenditure	(150,000)	(885,683)
Deferred tax assets used to offset deferred tax liabilities	208,193	885,683
DEFERRED TAX LIABILITIES	-	-
DEFERRED TAX ASSETS		
Losses available to offset against future taxable income	170,616	843,939
Accruals	7,500	7,500
Section 40-880 deductions	30,077	34,244
Deferred tax assets used to offset deferred tax liabilities	(208,193)	(885,683)
DEFERRED TAX ASSETS	-	-
NET DEFERRED TAX RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION	-	-

NOTE 3. INCOME TAX (CONTINUED)

Syngas Limited is the head entity of the Syngas Limited group, effective from 1 July 2009. The group has applied a group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. Tax balances transferred within the tax consolidated group are treated as equity transactions by the respective companies under UIG 1052 Tax Consolidation Accounting. Members of the tax consolidated group have not entered into a tax funding agreement. Hence no compensation is receivable or payable for any deferred tax asset or current tax payable (receivable) assumed by the head entity.

The Consolidated Entity has income tax losses of $13,153,384 (2011: $2,118,930) that arose in Australia for which no deferred tax asset is recognised on the balance sheet and are available indefinitely for offset against future Australian taxable income subject to meeting the relevant statutory tests.

In addition to these tax losses, the Consolidated Entity has income tax losses for which no deferred tax asset is recognised on the balance sheet that arose in the United States of America of US$3,620,279 (2011: US$3,620,279) and are available for a 20 year period for offset against future United States taxable income subject to meeting the relevant statutory tests. Given that operations in the United States have ceased, it is unlikely that these losses can or will be utilised.

	Consolidated Entity 2012 $	Consolidated Entity 2011 $
NOTE 4. ACCUMULATED LOSSES		
Accumulated losses at the beginning of the financial year	19,359,657	18,359,490
Net loss for the financial year	17,010,459	1,000,167
ACCUMULATED LOSSES AT THE END OF THE FINANCIAL YEAR	36,370,116	19,359,657

NOTE 5. LOSS PER SHARE

Loss from continuing operations used in the calculation of basic and diluted loss per share	(17,010,459)	(1,000,167)
Loss used in the calculation of basic and diluted loss per share	(17,010,459)	(1,000,167)
Weighted average number of ordinary shares outstanding during The year used in the calculation of basic and diluted loss per share	434,679,764	258,824,883

Diluted loss per share amount for the year was the same as the basic loss per share as instruments outstanding at 30 June 2012 which are considered to be potential ordinary shares had anti-dilutive effects on the basic loss per share.

	Consolidated Entity 2012 $	Consolidated Entity 2011 $
NOTE 6. TRADE AND OTHER RECEIVABLES (CURRENT)		
Prepayments	18,226	16,259
Accrued interest	575	1,238
Renewables Grant receivable	-	73,381
Research and Development Tax Concession receivable	-	204,609
Other	7,955	8,341
TOTAL TRADE AND OTHER RECEIVABLES	26,756	303,828

Receivables are non-interest bearing and are generally on 30-90 day terms.

	Consolidated Entity	
	2012	2011
	$	$

NOTE 7. PLANT AND EQUIPMENT

At cost	22,999	18,197
Accumulated depreciation	(11,645)	(11,793)
TOTAL PLANT AND EQUIPMENT	11,354	6,404

MOVEMENTS IN THE CARRYING AMOUNT OF EACH CLASS OF PLANT AND EQUIPMENT

PLANT AND EQUIPMENT		
At the beginning of the financial year	6,404	3,843
Additions	8,360	6,535
Disposals	-	-
Depreciation expense	(3,410)	(3,974)
AT THE END OF THE FINANCIAL YEAR	11,354	6,404

NOTE 8. INTANGIBLES

Intangible assets under development	193,978	89,371
TOTAL INTANGIBLE ASSETS	193,978	89,371

MOVEMENTS IN THE CARRYING AMOUNT OF INTANGIBLE ASSETS

At the beginning of the financial year	89,371	-
Additions – internally generated	104,607	89,371
AT THE END OF THE FINANCIAL YEAR	193,978	89,371

Intangible assets relate to development costs capitalised for the internal development of the Group’s primarily biomass based Bomen Project which has been assessed to have a finite life equivalent to the life of the Bomen Project. As the asset has not yet been completed, no amortisation has been recorded during the year. The carrying value is subject to impairment testing in line with the accounting policy described in Note 1(l) . No impairment loss was recognised in the 2012 financial year.

NOTE 9. EXPLORATION AND EVALUATION

(a) DEFERRED EXPLORATION & EVALUATION EXPENDITURE

Interest in Clinton Coal to Liquid Project	-	2,952,277
TOTAL DEFERRED EXPLORATION & EVALUATION EXPENDITURE	-	2,952,277

MOVEMENTS IN THE CARRYING AMOUNT OF DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

At the beginning of the financial year	2,952,277	2,534,867
Additions	7,240	417,590
Impairment	(2,959,517)	-
At the end of the financial year	-	2,952,277

During the period the Directors have agreed to defer any additional substantive work on the Clinton Project in order to focus the Group’s efforts and financial resources on its other potentially shorter time frame to cash flow and lower capital expenditure projects. As a result the Group has conducted an impairment assessment and an impairment loss of $2,959,517 was recognised to write-down the capitalised exploration and evaluation expenditure relating to the Clinton Project to fair value, less costs to sell of nil. The impairment loss has been recognised in the statement of comprehensive income in the line item “Impairment of deferred exploration and evaluation expenditure”. The Group will be able to reverse these impairment losses if tenure is maintained, work on the Clinton Project resumes and if the economics of the project are such that returns would be in excess of the value of costs previously impaired.

NOTE 9. EXPLORATION AND EVALUATION (CONTINUED)

(b) EXPLORATION LICENCES

	Consolidated Entity 2012 $	Consolidated Entity 2011 $
Exploration licences	500,000	13,998,200
TOTAL EXPLORATION LICENCES	500,000	13,998,200
MOVEMENTS IN THE CARRYING AMOUNT OF EXPLORATION LICENCES		
At the beginning of the financial year	13,998,200	13,998,200
Impairment	(13,498,200)	-
At the end of the financial year	500,000	13,998,200

During the period the Directors have agreed to defer any additional substantive work on the Clinton Project in order to focus the Group's efforts and financial resources on its other potentially shorter time frame to cash flow and lower capital expenditure projects. As a result the Group has conducted an impairment assessment and an impairment loss of $13,498,200 was recognised to write-down the value of exploration licences relating to the Clinton Project to their fair value less costs to sell. The impairment loss has been recognised in the statement of comprehensive income in the line item "Impairment of exploration licences". The recoverable amount was based on the value stated in an independent valuation, giving a value range of $100,000 to $500,000, and which considered recent transactions for similar assets within the industry. The Group will be able to reverse these impairment losses if tenure is maintained, work on the Clinton Project resumes and if the economics of the project are such that returns would be in excess of the value of costs previously impaired.

NOTE 10. TRADE AND OTHER PAYABLES (CURRENT)

	2012 $	2011 $
Creditors and accrued expenses	218,513	236,576
AT THE END OF THE FINANCIAL YEAR	218,513	236,576

Creditors are non-interest bearing and generally on 30 day terms.

Due to the short term nature of these payables, the carrying amounts recorded in the financial statements for trade payables are the fair value.

NOTE 11. PROVISIONS (CURRENT)

	2012 $	2011 $
Provision for employee entitlements	24,479	25,287
AT THE END OF THE FINANCIAL YEAR	24,479	25,287

NOTE 12. CONTRIBUTED EQUITY

	Consolidated Entity 2012 $	Consolidated Entity 2011 $
581,440,288 (2011: 295,725,702) fully paid ordinary shares	29,896,271	29,159,265
nil (2011: nil) fully paid discovery shares	-	157
nil (2011: 47,000,000) fully paid converting performance shares	5,870,300	5,875,000
AT THE END OF THE FINANCIAL YEAR	35,766,571	35,034,422

MOVEMENTS IN ORDINARY SHARES	Number of shares	Issue price $	$
1 July 2011 Opening Balance	295,725,702		29,159,265
Placement 4 January 2012	285,714,286	0.0028	800,000
Conversion of discovery shares	300	n/a	157
Transfer from options premium reserve	-	n/a	1,789
Cost of capital raising	-		(64,940)
AT THE END OF THE FINANCIAL YEAR	**581,440,288**		**29,896,271**

MOVEMENTS IN DISCOVERY SHARES	Number of shares	Issue price $	$
1 July 2011 Opening Balance	-		157
Conversion to ordinary shares	-		(157)
AT THE END OF THE FINANCIAL YEAR	-		-

DISCOVERY SHARES

Discovery shares automatically convert to ordinary shares on the basis of one ordinary share for every discovery share held on achievement of a commercial discovery within the Gulf of Mexico interests. "Commercial Discovery" means any discovery of hydrocarbons as declared by the operator in accordance with the prevailing definition of commerciality published as 30 CFR Section 250.116 in the Federal Register by the USA Minerals Management Service. Any reserves of oil or gas already discovered at the time of signing the Participation Agreement are specifically excluded from this definition.

Should a Commercial Discovery not be made during the initial 5 year term of the licences, the discovery shares will automatically be converted to Ordinary Shares on the basis of one Ordinary Share for every twenty five thousand discovery shares held.

On 4 April 2011, the 7,500,000 discovery shares expired. The shares automatically converted into 300 ordinary shares, which were subsequently issued in February 2012.

MOVEMENTS IN PERFORMANCE SHARES	Number of Shares	$
1 July Opening Balance	47,000,000	5,875,000
Redemption of converting performance shares	(47,000,000)	(4,700)
AT THE END OF THE FINANCIAL YEAR	-	**5,870,300**

CONVERTING PERFORMANCE SHARES

At 30 June 2012, there were no unissued ordinary shares for which performance shares were outstanding (2011: 47,000,000). However the value attributed to the original shares issued is retained in Contributed Equity.

NOTE 12. CONTRIBUTED EQUITY (CONTINUED)

CONVERTING PERFORMANCE SHARES (CONTINUED)

Upon the acquisition of Syngas Energy Pty Ltd in January 2008, the Company issued 77,000,000 performance shares to the vendors of Syngas Energy Pty Ltd, consisting of 30,000,000 Class A Performance Shares, 17,000,000 Class B Performance Shares and 30,000,000 Class C Performance Shares. The Class A Performance Shares converted into ordinary shares in the Company in April 2009. The Class B Performance Shares were to convert into ordinary shares in the Company if, within three and a half years from the settlement of the acquisition, Syngas Energy Pty Ltd delineated 750 million tonnes total resource of lignite/brown coal as defined by the Coal Industry Advisory Board and calculated under the applicable JORC guidelines.

During the year, the deadline for the delineation of the 750 million tonnes total resource expired unsatisfied and as a result the Class B Performance Shares were redeemed during the year. As the Class C Performance Shares required the prior conversion of the Class B Performance Shares in order for them to convert to ordinary shares, they were unable to convert into ordinary shares and therefore were also redeemed.

TERMS AND CONDITIONS OF CONTRIBUTED EQUITY

Rights attaching to ordinary shares
The rights attaching to fully paid ordinary shares (“shares”) arise from a combination of the Company's Constitution, statute and general law.

Shares issued following the exercise of options rank equally in all respects with the Company's existing shares.

Copies of the Company's Constitution are available for inspection during business hours at the Company's registered office. The clauses of the Constitution contain the internal rules of the Company and define matters such as the rights, duties and powers of its shareholders and directors, including provisions to the following effect (when read in conjunction with the *Corporations Act 2001* or ASX Listing Rules):

i) Shares
The issue of shares in the capital of the Company and options over unissued shares by the Company is under the control of the directors, subject to the *Corporations Act 2001*, ASX Listing Rules and any rights attached to any special class of shares.

ii) Meetings of Members
Directors may call a meeting of members whenever they think fit. Members may call a meeting as provided by the *Corporations Act 2001*. The Constitution contains provisions prescribing the content requirements of notices of meetings of members and all members are entitled to a notice of meeting. A meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of members is 2 natural persons, each of whom is or represents different shareholders who are eligible to vote. The Company holds annual general meetings in accordance with the *Corporations Act 2001* and the ASX Listing Rules.

iii) Voting
Subject to any rights or restrictions for the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents. On a poll each eligible member has one vote for each fully paid share held.

iv) Changes to the Constitution
The Company’s Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days’ written notice specifying the intention to propose the resolution as a special resolution must be given.

v) Listing Rules
Provided the Company remains admitted to the Official List, then despite anything in its Constitution, no act may be done that is prohibited by the ASX Listing Rules, and authority is given for acts required to be done by the ASX Listing Rules. The Company’s Constitution will be deemed to comply with the ASX Listing Rules as amended from time to time.

NOTE 13. RESERVES

	Consolidated Entity 2012 $	2011 $
Option premium reserve	1,793,484	1,789,126
	1,793,484	**1,789,126**

MOVEMENTS IN OPTION PREMIUM RESERVE	Number of options	$
1 July Opening Balance	52,480,000	1,789,126
Transfer to contributed equity	-	(1,789)
Issued during the period	50,000,000	6,147
Expired during the period	(52,480,000)	-
AT THE END OF THE FINANCIAL YEAR	**50,000,000**	**1,793,484**

At 30 June 2012 there were 50,000,000 (2011: 52,480,000) unissued ordinary shares for which options were outstanding. These options are made up of the following and entitle the holder to subscribe for one ordinary share in the Company for the exercise price:

- 50,000,000 at an exercise price of 6 cents per share expiring on 28 June 2013.

TERMS AND CONDITIONS OF OPTIONS ON ISSUE AT 30 JUNE 2012

The options are granted based upon the following terms and conditions:

- Each option entitles the holder to subscribe for one share upon exercise of each option.
- The exercise price and expiry date of the options are $0.06 for 50,000,000 options expiring 28 June 2013.
- The options are exercisable at any time prior to the expiry date.
- Shares issued on exercise of the options rank equally with the then shares of the Company.
- Application will be made by the Company to ASX for official quotation of the shares issued upon the exercise of the options.
- If there is any reconstruction of the issued share capital of the Company, the rights of the option holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction.
- Where applicable, application for quotation of the options will be made by the Company.
- Options are transferable.
- The option premium reserve is used to accumulate the fair value of options issued.

NOTE 14. CASH FLOW INFORMATION

	Consolidated Entity 2012 $	Consolidated Entity 2011 $
RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH LOSS AFTER INCOME TAX		
Loss after tax	(17,010,459)	(1,000,167)
Non-cash flows in loss		
Impairment of exploration licences	13,498,200	-
Impairment of deferred exploration and evaluation expenditure	2,959,517	-
Interest accrued but not received	663	(1,238)
Share based payments	6,147	391,000
Depreciation of property, plant and equipment	3,410	3,974
Annual leave provision	(808)	(1,439)
Other	-	(157)
Changes in assets and liabilities		
Decrease/(increase) in trade and other receivables	276,409	(21,815)
Increase/(decrease) in trade and other payables	(7,870)	99,211
NET CASH USED IN OPERATING ACTIVITIES	**(274,791)**	**(530,001)**

NOTE 15. EXPENDITURE COMMITMENTS

EXPLORATION LICENCES

	Consolidated Entity 2012 $	Consolidated Entity 2011 $
Commitments in relation to exploration licences at the reporting date but not recognised as liabilities:		
Within 1 year	43,900	204,000
Later than one year but not later than five years	263,400	1,105,000
Later than five years	-	-
AGGREGATE EXPLORATION LICENCE EXPENDITURE AT REPORTING DATE	**307,300**	**1,309,000**

Commitments are significantly lower at the end of the financial year due to Licence MEL 3896 being currently subject to a subsequent licence application. The subsequent licence will carry expenditure commitments but they have not been finalised at the time of this report.

EXPLORATION EXPENDITURE

	2012 $	2011 $
Contracted commitments in relation to exploration expenditure at the reporting date but not recognised as liabilities:	**-**	**-**
AGGREGATE EXPLORATION EXPENDITURE WITHIN 1 YEAR	**-**	**-**

LEASING EXPENDITURE

The Company has entered into a commercial lease for its registered office accommodation. The future payments under the lease are:

	2012 $	2011 $
Within 1 year	13,333	43,540
Later than one year but not later than five years	-	-
AGGREGATE LEASING EXPENDITURE AT REPORTING DATE	**13,333**	**43,540**

NOTE 16. KEY MANAGEMENT PERSONNEL DISCLOSURES

The names and positions of key management personnel of the Company and of the Consolidated Entity who have held office during the financial year are:

DIRECTORS
Merrill Gray (appointed 15 January 2008 and continues in office)
Michael Cox (appointed 27 April 2012 and continues in office)
Ernest Boswarva (appointed 30 September 2008 and continues in office)
Ian Kowalick AM (appointed 22 March 2010 and resigned 18 May 2012)

EXECUTIVES
Ian Gregory - Company Secretary (appointed 21 May 2009 and continues in office)

A) COMPENSATION OF KEY MANAGEMENT PERSONNEL

	Consolidated Entity 2012 $	Consolidated Entity 2011 $
COMPENSATION BY CATEGORY		
Short term	334,312	537,798
Post employment	29,188	41,033
Share based payments	6,147	175,950
TOTAL	**369,647**	**754,781**

B) EQUITY TRANSACTIONS OF KEY MANAGEMENT PERSONNEL

The key management personnel shown in the following tables are those that hold shares or options in the Company.

YEAR ENDED 30 JUNE 2012

Number of ordinary shares

	1 July 2011	Issued as consideration	Placements or net change trading	30 June 2012
Merrill Gray	39,550,000	-	-	39,550,000
	39,550,000	**-**	**-**	**39,550,000**

Number of performance shares

	1 July 2011	Expired	Placements or net change trading	30 June 2012
Merrill Gray	21,150,000	21,150,000	-	-
	21,150,000	**21,150,000**	**-**	**-**

Number of options

	1 July 2011	Granted as consideration	Expired	30 June 2012
Merrill Gray	2,650,000	50,000,000	2,650,000	50,000,000
Ernest Boswarva	625,000	-	625,000	-
	3,275,000	**50,000,000**	**3,275,000**	**50,000,000**

All options are vested and exercisable.

NOTE 16. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

YEAR ENDED 30 JUNE 2011

	Number of ordinary shares			
	1 July 2010 or appointment	Issued as consideration	Placements or net change trading	30 June 2011 or resignation
Merrill Gray	31,900,000	7,650,000	-	39,550,000
	31,900,000	7,650,000	-	**39,550,000**

	Number of performance shares		
	1 July 2010 or appointment	Placements or net change on conversion	30 June 2011 or resignation
Merrill Gray	21,150,000	-	21,150,000
	21,150,000	**-**	**21,150,000**

	Number of options			
	1 July 2010 or appointment	Granted as consideration	Placements or net change trading	30 June 2011 or resignation
Merrill Gray	2,650,000	-	-	2,650,000
Ernest Boswarva	625,000	-	-	625,000
	3,275,000	**-**	**-**	**3,275,000**

C) LOANS TO KEY MANAGEMENT PERSONNEL

There were no loans made to any key management personnel during the year ended 30 June 2012 (2011: Nil).

D) OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

There were no other transactions with key management personnel and their related entities during the year ended 30 June 2012 (2011: Nil).

NOTE 17. SEGMENT INFORMATION

During the financial years ended 30 June 2012 and 30 June 2011, the Consolidated Entity was engaged in the energy sector, including oil and gas, and operated in Australia.

Management monitors the operating results of its projects separately for the purposes of making decisions about resource allocation and performance assessment.

NOTE 18. INVESTMENTS IN CONTROLLED ENTITIES

	% Owned		Book value of shares held		Contribution to consolidated profit/(loss)	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
			$	**$**	**$**	**$**
Parent Entity						
Syngas Limited						
Entities controlled by Syngas Limited						
GulfX Holdings Inc	100%	100%	-	-	-	-
Syngas Energy Pty Ltd	100%	100%	501,800	14,000,000	-	-
BioSyngas Pty Ltd	100%	100%	100	100	-	-
Entities controlled by GulfX Holdings Inc						
GulfX LLC	100%	100%	-	-	-	-
			501,900	**14,000,100**	**-**	**-**

Syngas Limited is the parent and ultimate parent company and is incorporated in Australia.

GulfX Holdings Inc and GulfX LLC are registered in Delaware in the United States of America. Filings were made in the jurisdiction for dissolution of the companies in 2009 in three years' time.

BioSyngas Pty Ltd and Syngas Energy Pty Ltd (formerly Syngas Energy Limited) are incorporated in Western Australia.

An impairment charge of $13,498,200 was charged against the carrying value of the investment in Syngas Energy Pty Ltd to reflect the impairment of exploration licences and exploration and evaluation expenditure based on current Australian accounting standards and practices. The directors believe that the value of the Company's investments to date in above ground CTL engineering and technology will be recovered and impairment losses reversed if tenure is maintained, work on the Clinton Project resumes and if the economics of the project are such that returns would be in excess of the value of costs previously impaired.

NOTE 19. SUPERANNUATION COMMITMENTS

The Company makes contributions to complying defined contribution superannuation funds based on the requirements of the Australian Superannuation Guarantee Charge or such higher amount as has been agreed with individual employees. There is a legally enforceable obligation on the Company to contribute to the superannuation plan for those contributions that have been agreed with individual employees as part of their conditions of employment.

NOTE 20. FINANCIAL RISK MANAGEMENT

The Consolidated Entity's accounting policies in respect of financial instruments, including the terms and conditions of each class of financial asset, financial liability and equity instrument at 30 June 2012 are as follows:

Financial Instruments	Terms and Conditions and Interest Rate Risk
Cash and cash equivalents	Bank deposits are either held at call, subject to notice of withdrawal or subject to maturity after a specified period of time. All cash held is subject to floating interest rate risk. The year end interest rate on the Australian bank account balance was 2.00% (2011: 4.20%).
Trade and other receivables	There are no specific terms and conditions that may affect the amount, timing and certainty of future cash flows as they are all managed on a case by case basis. These are non interest bearing and there is no exposure to interest rate risk.
Accounts Payable	There are no specific terms and conditions that may affect the amount, timing and certainty of future cash flows as they are all managed on a case by case basis. These are non interest bearing and there is no exposure to interest rate risk.

NOTE 20. FINANCIAL RISK MANAGEMENT (CONTINUED)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Consolidated Entity's principle financial instruments comprise cash, short-term deposits and financial assets held for trading. The Consolidated Entity also has trade receivables and trade payables, which arise directly from its operations. The Consolidated Entity's policy is that no trading in financial instruments shall be undertaken. The main risks arising from the Consolidated Entity's financial instruments are cash flow interest rate risk and credit risk. The Board reviews each of these risks on an on-going basis.

The Consolidated Entity holds the following financial instruments:

	Consolidated	
	2012	2011
Financial assets	$	$
Cash and cash equivalents	700,843	375,674
Trade and other receivables	26,756	286,174
Total Financial Assets	**727,599**	**661,848**
Financial liabilities		
Trade and other payables	218,513	236,576
Total Financial Liabilities	**218,513**	**236,576**

FOREIGN CURRENCY RISK

At 30 June 2012, the Consolidated Entity had no assets or liabilities denominated in foreign currencies (2011: Nil).

INTEREST RATE RISK

The only exposure of the Consolidated Entity to interest rate risk is that arising from the variable interest rate movements on cash deposits held by the Consolidated Entity in recognised financial institutions and classified on the balance sheet as cash and cash equivalent assets. The Consolidated Entity has no other assets or liabilities subject to interest. The Consolidated Entity's income and operating cash flows are subject to changes in the market rates. The Consolidated Entity does not use derivative instruments to mitigate exposure as market changes in interest rates will not have a material impact on the profitability or operating cash flows of the consolidated entity. The Consolidated Entity adopts a policy of ensuring that it maintains excess cash and cash equivalents in variable interest bearing accounts. If interest rates had moved at 30 June and all other variables held constant, the loss before tax, cash flow and equity would be affected as illustrated in the following table.

The 100 basis points sensitivity is based on reasonably possible movements over a financial year, after observation of historical rate movements during the past 5 year period and expectations of future movements.

	Loss before tax and equity	
	2012	2011
Consolidated Entity	$	$
+1% (100 basis points)	7,008	3,757
-0.5% (50 basis points)	(3,504)	(1,878)

NOTE 20. FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK

The Consolidated Entity has no significant concentration of credit risk other than its cash is held with one financial institution. The maximum exposure to credit risk, excluding the value of any collateral or security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes in the financial statements.

Surplus cash is invested with ANZ Banking Group Limited to mitigate any credit risk in regard to the Consolidated Entity's cash reserves.

CAPITAL RISK MANAGEMENT AND LIQUIDITY RISK

Capital is the funding required to continue the activities of the Company and the Consolidated Entity. The Company and Consolidated Entity objective in managing capital is to safeguard the ability to continue as a going concern to provide a return to shareholders and reduce the cost of capital. In order to maintain the capital structure, the Company has undertaken capital raisings.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Consolidated Entity manages liquidity risk by continuously monitoring forecast and actual cash flows and requirements for future capital raisings. The consolidated entity does not have committed credit lines available, which is appropriate given the nature of the Consolidated Entity's operations. Surplus funds are invested in a cash management account and are available as required.

The material liquidity risk for the Consolidated Entity is the ability to raise equity in the future. The Consolidated Entity's cash flow forecast show that current funds are not sufficient to fund the operations past March 2013. The Consolidated Entity has historically raised sufficient capital to fund its operations. However, the Consolidated Entity is at the risk of financial markets which dictate the ability to fund operations beyond exhaustion of the current cash funds past March 2013. It is noted that the Consolidated Entity is able to reduce costs to preserve cash resources.

The only financial liabilities of the Consolidated Entity at balance date are trade and other payables. The amounts are unsecured and usually paid within 30 days of recognition.

FAIR VALUES

The aggregate net fair value of the Consolidated Entity's financial assets and financial liabilities approximates their carrying amounts in the financial statements. Cash assets are carried at amounts approximating fair value because of their short term nature to maturity. Receivables and payables are carried at amounts approximating fair value. Financial assets held for trading are restated to fair value at year end.

NOTE 21. RELATED PARTY TRANSACTIONS

The Company is not controlled by any other entity.

The Company has loaned monies to its subsidiaries. Loans to controlled entities are non-interest bearing and repayable on demand. The amount of loan funds advanced during the financial year was $111,847 (2011: $506,961). Controlled entities made no repayments of the loan monies during the year (2011: Nil), leaving a balance due at year end of $7,701,775 (2011: $7,526,893). At 30 June 2012, an allowance for impairment loss of the loan of $2,966,225 (2011: $4,541,572) has been made in the accounts.

The directors in office at 30 June 2012, and their related entities, held directly, indirectly or beneficially 39,550,000 ordinary shares in the Company (2011: 39,550,000), no discovery shares (2011: Nil) and no performance shares (2011: 13,500,000) and 50,000,000 options (2011: 3,275,000) over ordinary shares in the Company.

NOTE 22. DIVIDENDS

No dividends have been paid or proposed during the year (2011: Nil).

NOTE 23. SHARE BASED PAYMENTS

Year ended 30 June 2012

50,000,000 fully vested unlisted options to acquire ordinary shares with an exercise price of 6 cents per share with an expiry date of 28 June 2013 were issued to the Managing Director as approved by shareholders at the annual general meeting held on 22 December 2011.

The following table lists the inputs to the model used for the options issued during the financial year:

Dividend yield (%)	Nil
Expected volatility (%)	96.50%
Risk-free interest rate (%)	4.25%
Expected life of share options (years)	1.48
Model used	Binomial

The expected life of the share options is based on current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

Year ended 30 June 2011

17,000,000 ordinary shares were issued to holders of B class performance shares at a price of 2.3 cents per share as approved by shareholders at the 2010 AGM in lieu of 17,000,000 B class performance shares which expired on 17 July 2011.

NOTE 24. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to the end of the financial year an application for the subscription of 5,000,000 BioSyngas Pty Ltd shares, equivalent to a 40% shareholding in BioSyngas Pty Ltd, at $0.10 per share was made under the terms and conditions set out in the BioSyngas Pty Ltd Information Memorandum dated 1 June 2012 under Section 708 (8) (c) of the Corporations Act 2001. Subject to the funds being deposited in BioSyngas Pty Ltd's account the Syngas Board of Directors have resolved to accept this offer. Funds are expected to be received in October 2012.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Company and Consolidated Entity in future financial years.

NOTE 25. CONTINGENT LIABILITIES

There are no contingent liabilities at 30 June 2012 (2011: Nil).

NOTE 26. PARENT COMPANY DISCLOSURES

Financial position	**2012**	**2011**
	$	**$**
Assets		
Current assets	727,599	679,345
Non-current assets	705,332	17,055,561
Total assets	**1,432,931**	**17,734,906**
Liabilities		
Current liabilities	242,992	261,864
Total liabilities	**242,992**	**261,864**
Equity		
Issued capital	35,766,571	35,036,211
Option Premium Reserve	1,793,484	1,787,337
Retained earnings	(36,370,116)	(19,350,506)
Total equity	**1,189,939**	**17,473,042**

Financial performance	**Year ended 30 June 2012 $**	**Year ended 30 June 2011 $**
Loss for the year	(17,019,610)	(1,000,167)
Other comprehensive income	-	-
Total comprehensive income	**(17,019,610)**	**(1,000,167)**

The Company has not provided guarantees in relation to the debts of its subsidiaries.

For details on commitments, see Note 15.

NOTE 27. REMUNERATION OF AUDITOR

During the year the following fees were paid or payable for services provided by the auditor of the Company and Consolidated Entity:

	Consolidated 2012 $	**Consolidated 2011 $**
Services		
Audit or review of financial reports	39,000	34,000
Non-audit services – tax compliance	12,540	15,618
Total remuneration	**51,540**	**49,618**

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Syngas Limited ACN 062 284 084 ("Company"), I state that:

1) In the opinion of the directors:

   (a) The financial statements, notes and the additional disclosures included in the Directors' Report designated as audited, of the Consolidated Entity are in accordance with the Corporations Act 2001, including:

      (i) Complying with Accounting Standards and the Corporations Regulations 2001; and

      (ii) Giving a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the Consolidated Entity;

   (b) Subject to achievement of the matters set out in Note 1 to the Financial Report, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

   (c) The financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2012.

On behalf of the board of directors.

Merrill Gray
Director

27 September 2012
Melbourne, Victoria

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Independent auditor's report to the members of Syngas Limited

Report on the financial report

We have audited the accompanying financial report of Syngas Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

TH:VP:SYNGAS:008

Opinion

In our opinion:

a. the financial report of Syngas Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, attention is drawn to the following matter. As a result of the matters disclosed in Note 1 in the financial report, there is significant uncertainty whether the entity will continue as a going concern, and therefore whether it will pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

Report on the remuneration report

We have audited the Remuneration Report included in pages 9 to 13 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Syngas Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Ernst + Young

Ernst & Young

T S Hammond
Partner
Adelaide
27 September 2012

TH:VP:SYNGAS:008

Additional Information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

The shareholder information was applicable as at 31 August 2012.

(a) Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	Number held	Percentage
FRID Energy Pty Ltd	210,214,286	36.15%
Iron Mountain Pty Ltd	104,228,537	17.92%
Swann & Jenkins Pty Ltd	39,550,000	6.80%

(b) Voting rights

Ordinary shares

On a show of hands every member present at a meeting of shall have one vote and, upon a poll, each share shall have one vote.

Options

There are no voting rights attached to the options.

(c) Distribution of ordinary shares

Category	No of Shares	No of holders
1 – 1,000	14,812	51
1,001 – 5,000	527,454	169
5,001 – 10,000	1,137,452	134
10,001 – 100,000	27,096,826	600
100,001 and over	552,663,744	367
Total	**81,440,288**	**1,321**

There were 872 holders of less than a marketable parcel of ordinary shares.

(d) Distribution of 6 cent options expiring 28 June 2013

Category	No of Options	No of holders
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,001 and over	50,000,000	1
Total	**50,000,000**	**1**

Equity Security Holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted ordinary shares are listed below:

Name	Number Held	% of Issued Shares
FRID Energy Pty Ltd	210,214,286	36.15
Iron Mountain Entertainment Pty Ltd	75,500,000	12.98
Swann & Jenkins Pty Ltd	39,550,000	6.80
Iron Mountain Pty Ltd	28,728,537	4.94
Citicorp Nominees Pty Limited	8,104,480	1.39
Leet Investments Pty Ltd	6,500,000	1.12
Dahele Pty Ltd	5,200,000	0.89
Ata Trading Pty Ltd	4,963,635	0.85
Cappafield Pty Ltd <Cappafield Super A/C>	4,500,000	0.77
Mr John Malcolm Burrell & Mrs Judith Maree Burrell <Burrell Family S/F A/C>	3,857,670	0.66
Mr Keith Raymond Kahler	3,645,385	0.63
Mr David Michael Wilson	3,167,232	0.54
WR Hill Pty Ltd	3,010,417	0.52
Mr Milivoj Stupar	3,000,000	0.52
Mr Mathew Murphy	2,450,000	0.42
HSBC Custody Nominees (Australia) Limited	2,132,500	0.37
JP Morgan Nominees Australia Limited <Cash Income A/C>	2,035,000	0.35
Mrs Maria Takla Glavas	2,000,000	0.34
UBS Wealth Management Australia Nominees Pty Ltd	1,996,429	0.34
Zenco Limited	1,980,000	0.34
Sub-Total Twenty Largest Holders	**412,535,571**	**70.95**
Remaining Holders	168,904,717	29.05
Total	**581,440,288**	**100.00**

Unquoted equity securities

	Number on Issue	Number of Holders
Options – exercisable at 6 cents expiring 28 June 2013	50,000,000	1

Holders of 20% or more of unquoted securities are:

	Number Held	% of Issued Category
Options – exercisable at 6 cents expiring 28 June 2013		
Swann & Jenkins Pty Ltd	50,000,000	100%

INTERESTS IN TENEMENTS

	Description	Status	Interest
Syngas Energy Pty Ltd			
MEL 3895 (subsequently MEL 4785)	Moorlands	Granted	100%
MEL 3896	Clinton	Granted	100%