

ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE:  
31<sup>st</sup> March 2011

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**QUARTERLY REPORT FOR THE PERIOD ENDING 31<sup>st</sup> March 2011**

The Board of Syngas Limited ("Syngas" or "Company") is pleased to present the March 2011 Quarterly Report. During the Quarter, the Company achieved the following:

**Highlights**

**COAL**

1. Established coal mine offtake negotiations have been progressed in Queensland and Victoria over the Quarter. Leveraging off Syngas' specialist Above Ground Coal to Liquid (CTL) accumulated knowledge base in integrated CTL plant design, built throughout the work completed to date on the Clinton CTL Project. Significant progress with these negotiations in the June Quarter is targeted.
2. Integrated overall plant flowsheet modelling across the six primary and four secondary sections of the Clinton plant, as part of the preliminary engineering for the Bankable Feasibility Study (BFS) for the project was completed during the Quarter. Additional capital and operating costs associated with the Clinton coal quality, in particular, its high salt content (which also make it highly reactive and suitable for gasification/CTL) as well as its moisture content, relative to the 2009 Pre-Feasibility Study (PFS) Clinton outcomes, were identified in this work.
3. The Clinton Project requires further work to enhance the Project's economics. This work is being scoped with the University of Adelaide, utilising resources extensively involved in Clean Power from Brown Coal research.

**BIOMASS**

1. The Bomen 3 MW Biomass to Power Project BFS is progressing well. Work on the identification and sourcing of suitable woody feedstock, establishing a plant location, technology assessment and selection, establishing power offtake agreements and regulatory approvals, including environmental, are underway. The Bomen Project's Net Present Value at a 7% discount rate is estimated as A\$25 million, at a 15% discount rate, A\$5 million. Net cashflows of around A\$2 million per annum are forecast. The Bomen Project could be operational by late 2012. It is expected to lead to several Bio-Power Project developments, generating shorter term cash flow for the Company.
2. Syngas has established a relationship with a dedicated Bio-Energy crop growing group which specialises in Arundo Donax (ADX or Enercane). ADX can yield 100 tonnes per annum per hectare of Biomass, depending on water supply and soil conditions, for example when planted on pre or post development mine tenements. Syngas' focus remains on the conversion of biomass, which does not compete with food production, to energy.
3. The Residual Straw (by-product from cereal cropping) Logistics Management Field Trials work is being written up. Eight (8) tonnes per hectare per annum of Biomass is potentially available for collection. Various mechanised collection methods have been assessed in practical and cost effectiveness terms. The results of this work, including a film of the in-field activities for presentation to farmers, will be finalised in June.

**CORPORATE**

1. Negotiations with two potential Chinese Strategic Development Partners were progressed during the Quarter. A Briefing Paper, covering the potential options for involvement with Syngas was provided to one party, along with a number of other translated documents. Further meetings have been requested in the June Quarter. Syngas' focus remains on

securing a Chinese CTL development partner to significantly move the Company's growing pipeline of projects forward.

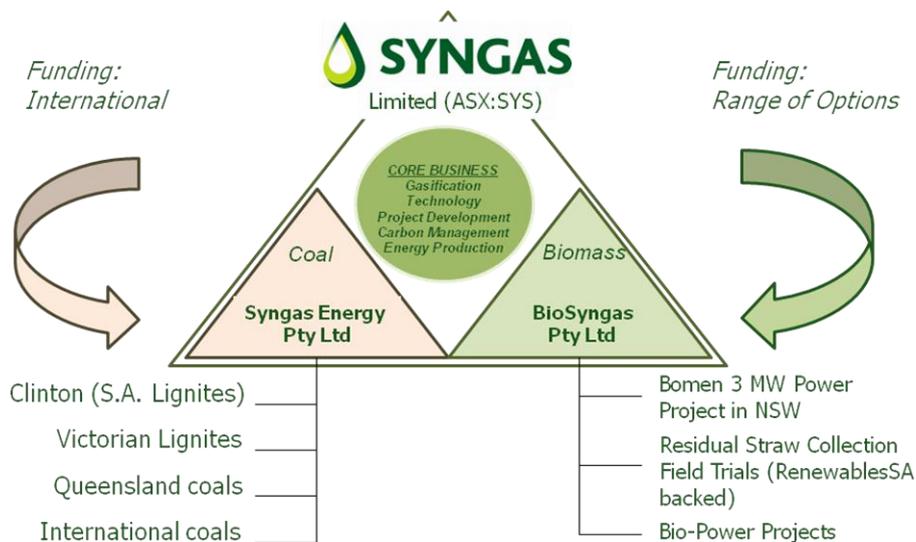
2. Syngas continues to maintain its relationships with China National Electric Engineering Corporation (CNEEC) which is important from an Engineering Procurement and Construction (EPC) perspective, as well as potentially in terms of construction funding.
3. During the Quarter, Syngas ceased its involvement in the Resolve Geo Pty Ltd (Resolve) Joint Venture in Victoria, in favour of other opportunities emerging in the La Trobe Valley/Victoria. Costs expended to date by Syngas on the Resolve held tenements (\$63,101) were reimbursed to Syngas.
4. Syngas' 2009/2010 Research & Development (R&D) tax claim for \$253,792 was lodged with the ATO during the Quarter, with reimbursement expected over the coming months.
5. Interest has been shown in the potential acquisition of the Copper rights on the South Australian mineral exploration licences held by Syngas. Negotiations will continue during the June Quarter, with a cash up front and percent free carry arrangement targeted.
6. Cash-in-bank at the end of the March Quarter was \$483,000, with a further \$37,000 expected to be reimbursed by RenewablesSA as part of the biomass field trials funding arrangement.

**Strategy**

Over the past twelve months Syngas has progressed the Clinton Coal to Liquid (CTL) Project BFS. Specifically, preliminary engineering on key plant modules has been completed with proven Technology Providers. The results of this work have then been integrated to provide an overall plant flowsheet model for Clinton. The knowledge accumulated while undertaking this work, contributed to by specialist consultants, has lead to the Company's expansion into biomass gasification, and more recently, negotiations with the potential to lead to access to other coal deposits and develop further into CTL projects.

The foundations are in place for Syngas to emerge as a multi project CTL and Biomass project development Company, as shown in Figure 1 below.

**Figure 1: Syngas' Corporate Structure and Projects**



Syngas' strategy is to deliver smaller capital expenditure, shorter time frame to cash flow Biomass Gasification to Power Projects, in combination with developing its CTL projects, while

constantly growing Syngas' gasification plant (core technology) engineering, plant delivery and operating expertise.

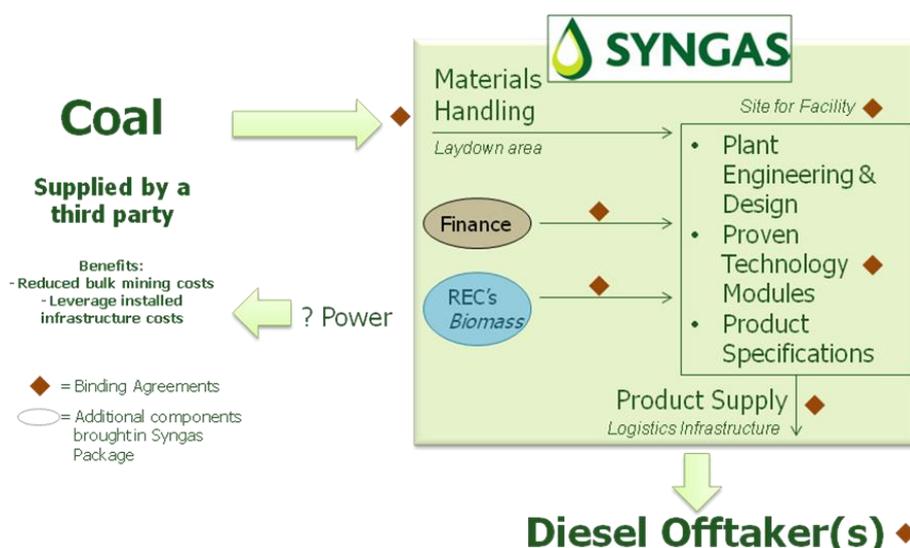
By splitting the Company into the two areas of Coal and Biomass, different funding sources become accessible and ultimately, based on the success of each business, two separate companies could be created. It does also, in practical terms, firmly establish the Company's 'clean coal' approach through the combination of clean coal technology and biomass/renewables project development.

This strategy has been greatly enhanced by the relationship established with CNEEC in terms of EPC capacity and potentially plant construction fund access.

A cornerstone to this strategy has been quantifying the benefits of accessing lowest cost to mine, 'best quality' coal feedstock, owned by others, where Syngas can implement its integrated CTL plant delivery capabilities. This tightens Syngas' focus, practical project delivery capability, and opens up numerous opportunities with the potential to greatly enhance the Company's success.

For CTL it has been important to identify opportunities during the Clinton work completed and through market intelligence the Company maintains, that could minimise start up capital costs and accelerate the Company's progression into production. Syngas' CTL delivery model (which is similar for Biomass) is shown in Figure 2. It centres on end-to-end plant integration, based on proven technology modules, EPC construction through CNEEC, as well as potentially provision of significant funds.

**Figure 2: Syngas' Coal to Liquid Offering**



### Activities

The March Quarter was critically important for Syngas in terms of the strategy set out above.

The BFS Basis of Design fully integrated overall plant flowsheet modelling work was completed during the Quarter, along with a comparison of the outcomes with what was expected from the Clinton Project PFS.

This work established a significant variation from the Clinton Project PFS overall plant energy balance, which was based on the Wyoming Business Council Study Case 10 scenario, impacting plant capital and operating cost estimates and the Projects overall commercial attractiveness. The overall plant energy balance was established as significantly unfavourably altered as a result of the high salt content in the coal removal/management system (the post gasifier discharge quench selected).

A further program of Basis of Design preliminary engineering work for the Clinton Project is currently being scoped through the University of Adelaide. Options to be assessed will include the use of Kaolin (high salt absorbing clays) as additives at Gasifier feed. This is an option that has received focus and development funding in the past from other companies

Importantly, the work completed for Clinton to date has led to opportunities that were previously and would otherwise not have been available to the Company to be progressed. These opportunities include:

- a. Potentially establishing Syngas CTL plants '*across the fence*' from existing established coal mines, where Syngas becomes a coal offtaker from an established suitable coal quality miner under a commercial agreement that could include diesel supply back to the mine. This approach significantly reduces initial/'set up' capital costs and project development timelines relative to a separate new mine development by Syngas. From the coal miners' perspective, bringing highly focussed CTL expertise to monetising coal deposits held which are perhaps limited in their production rate/development due to transport/logistical constraints or are very large and currently focus on one product (e.g. export coal) where product diversification into diesel is sought.
- b. Taking a modular plant construction approach. The 15,800 bbl/d (PFS) flowsheet work completed for Clinton has led to the insight that a modularised 4,000 bbl/d plant (lower initial/'set up' Capital expenditure), expanded on in 4,000 bbl/d increments, may prove technically and commercially viable. Particularly given the latest commercial scale developments in the Methanol-to-Olefin plant back end process, which provides high diesel yields.

Syngas has built specific CTL module and integrated CTL plant engineering, flowsheet modelling and financial modelling knowledge and expertise. This has provided the basis for the Company to negotiate with existing coal mine operators/producers on coal offtake.

## Corporate

During the March Quarter exploration and evaluation expenditure by the Company totalled \$116,000, with a \$63,101 reimbursement received for past expenses paid on Victorian Leases on close out of the Joint Venture with Resolve (Year-to-Date \$319,000). This expenditure largely comprised of costs for the Clinton Project in relation to finalising the preliminary integrated flowsheet modelling and on specialist engineering advice.

On the biomass side of the business, costs related to Logistics Management Field Trials data analysis and write up of the final report as well as preparation of a presentation, including a film covering the in-field work, for presentation to farmers. This work will be completed in June 2011. Furthermore, with the commencement of the BFS for the 3 MW Bomen Bio-Power Project during the Quarter, costs related to initiation of Preliminary (Basis of Design) engineering, power offtake negotiations and feedstock sampling and negotiations were incurred.

Administration costs for the Quarter comprised of activities relating to project management across the Company's three current projects, costs in relation to early Queensland and Victorian CTL project work, strategic partner relationship building in China, including facilitation and document translation costs for various documents which were requested post the Managing Directors' January 2011 visit.

Exploration and evaluation expenditure for the June Quarter is forecast to be \$51,000 comprising primarily of costs associated with progressing the Bomen BFS. Administration costs are forecast to be \$198,000 comprising of ongoing office and company regulation related costs, including annual insurance renewals, as well as project management and ongoing strategic development partner relationship building costs.

During the March Quarter Syngas received \$78,825 from RenewablesSA as a retrospective payment for expenses relating to the Logistics Management Field trial incurred by the Company

up to 11 February 2011. During the June Quarter a further payment of around \$75,000 is forecast, on conclusion of the project.

In terms of the Company's current corporate structure, as set out in the attached Appendix 5B, the following clarifications relate to 'B and C Class Performance Shares'. At the Syngas Limited Annual General Meeting (AGM), held on 16 November 2010, shareholders approved the issue of Ordinary Shares in place of the B Class Performance Shares (refer to the AGM Notice of Meeting issued 12/10/2010 for details of the basis for this) on the understanding that the B Class Shares will expire (i.e. these shares will not convert to ordinary shares at any time in the future). It was stated in Note 4: Equity on p.12 of Syngas' Half Yearly Report, that this expiry process had been completed. It will, in fact, be completed on 15 July 2011. Because the issue of the C Class Performance Shares is dependent on the issue of the B Class Performance Shares, they will also expire on 15 July 2011. The B and C Class Performance Shares will be removed from the Syngas issued share capital records after 15 July 2011, after all regulatory and other processes have been completed.

The Company had \$483,000 cash-in-bank at the end of the March 2011 Quarter with a further \$37,000 expected to be reimbursed by RenewablesSA as part of the biomass field trials funding arrangement.

Media coverage of Syngas' activities during the Quarter included the following:

- *Syngas completes a \$530,000 capital raise to continue developing its clean diesel production facility, 5<sup>th</sup> January 2011*
- *Syngas proceeds to Bankable Feasibility Study for 3 MW Biomass Gasification to Power Project, 17<sup>th</sup> January 2011*
- *Merrill Gray Interview with The Australian Investor re: Positive outlook announcement*
- *Positive outlook for Above Ground Coal to Liquid, 2<sup>nd</sup> March 2011*
- *Syngas makes progress on 3 MW Biomass to Power Project in Wagga Wagga, 24<sup>th</sup> March 2011*
- *Syngas Limited – Insider Buying, 3<sup>rd</sup> April 2011*

Conferences attended and presentations carried out in the Quarter included the following:

- *6<sup>th</sup> Annual AJM CTL & Coal Gasification Conference, Brisbane, 28<sup>th</sup> February 2011 – 1<sup>st</sup> March 2011*
- *Mid North and Yorke Peninsula Managing Heavy Stubble Day, Yorke Peninsula, 11<sup>th</sup> March 2011*

## June Quarter

During the June Quarter the following activities are expected to be progressed:

- Coal offtake negotiations in Queensland and Victoria will be progressed, with formalisation of agreements and initial CTL plant scoping study work commencement targeted.
- The Bomen Project BFS will continue to be progressed:
  - With an on-site preliminary engineering design meeting with the offtaker in May 2011
  - Visits to 'short listed' operating Bio-Power plants (established technology provider plants) in the US and Europe by Syngas' design engineer are planned for June/July 2011
  - Regulatory approvals including environmental approval work will commence
  - Stakeholder relationship management will commence

- The Residual Straw Logistics Field Management work will be completed, including an assessment of the commercial opportunities for Syngas.
- A revised engineering program for Clinton will be developed.
- Chinese Strategic Development Partner discussions will continue to focus on Syngas' CTL business, as well as European based party discussions focussing on Biomass business.

## Summary and Outlook

The March 2011 Quarter has seen important developments for the Clinton Project and the Company generally.

The Clinton Project requires further work to enhance the Project's economics due to the high salt levels in the Clinton coal.

Importantly, the Company's work to date has further demonstrated that the technologies and integrated flowsheet proposed and developed for Clinton can readily be adapted to other coals. This has led to extensive negotiations with existing coal producers in Queensland, and early stage discussions with coal producers in Victoria, regarding the securing of coal offtake agreements at existing mines. The Board anticipates that the next Quarter will see one or more agreements with coal miners seeking to advance a CTL project/business, in conjunction with their existing business, working with Syngas.

With regards to Biomass, the Bomen Project will be further advanced over the next 6 months, with the key deliverables:

- Plant Basis of Design (Preliminary Engineering) completion
- Plant Technology (module and/or integrated flowsheet) selection
- Construction option and EPC(M) scope of work and schedule development
- Regulatory, including environmental approvals, progression
- Firming of feedstock and power offtake agreements/relationships

A commercial opportunity assessment including further work recommendations arising from the Logistics Management Field Trial work will be delivered during the Quarter.

In terms of funding, the Company is considering various options, including a Rights Issue, which all shareholders will be advised of in due course.

## Ends

### For further information contact:

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**Syngas ... Fuelling a cleaner, more secure energy future**



## Appendix 5B

### Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

**SYNGAS LIMITED**

ABN

**41 062 284 084**

Quarter ended ("current quarter")

**31 March 2011**

*Consolidated statement of cash flows*

	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(61)	(319)
(b) development	-	-
(c) production	-	-
(d) administration	(325)	(933)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	5	18
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – R&D Grant, Renewables SA Grant	79	379
<b>Net Operating Cash Flows</b>	<b>(302)</b>	<b>(855)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(3)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>(3)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(302)</b>	<b>(858)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(302)	(858)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	28	558
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Return of Bond	-	-
1.19	Other – Share issue expenses	(33)	(33)
	<b>Net financing cash flows</b>	(5)	525
	<b>Net increase (decrease) in cash held</b>	(307)	(333)
1.20	Cash at beginning of quarter/year to date	790	816
1.21	Exchange rate adjustments to item 1.20		-
1.22	<b>Cash at end of quarter</b>	483	483

*Payments to directors of the entity and associates of the directors*  
*Payments to related entities of the entity and associates of the related entities*

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	82
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Directors' fees, salaries and superannuation.

*Non-cash financing and investing activities*

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

*Financing facilities available*

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

*Estimated cash outflows for next quarter*

	\$A'000
4.1 Exploration and evaluation	51
4.2 Development	-
4.3 Production	-
4.4 Administration	198
<b>Total</b>	249

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	181	603
5.2 Deposits at call	339	187
5.3 Bank overdraft	(37)	
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	483	790

*Changes in interests in mining tenements*

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Nil		
6.2	Interests in mining tenements acquired or increased	Nil		

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

*Issued and quoted securities at end of current quarter*

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	285,241,691	285,241,691	Not applicable	Not applicable
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	37,245,000	37,245,000	Fully paid	Fully paid
7.5 <b>+Discovery Shares</b>	7,500,000	Nil	Not applicable	Not applicable
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>+B Class Performance Shares</b>	17,000,000	Nil	Not applicable	Not applicable
7.8 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.9 <b>+C Class Performance Shares</b>	30,000,000	Nil	Not applicable	Not applicable
7.10 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.11 <b>Options</b> <i>(description and conversion factor)</i>	51,275,000 1,250,000	Nil Nil	<i>Exercise price</i> 8 cents <i>Exercise price</i> 7 cents	<i>Expiry date</i> 31-Dec-2011 <i>Expiry date</i> 31-Dec-2011
7.12 Issued during quarter	150,000	Nil	<i>Exercise price</i> 7 cents	<i>Expiry date</i> 31-Mar-2011
7.13 Exercised during quarter				
7.14 Expired during quarter	150,000	Nil	<i>Exercise price</i> 7 cents	<i>Expiry date</i> 31-Mar-2011
7.15 <b>Debentures</b> <i>(totals only)</i>				
7.16 <b>Unsecured notes</b> <i>(totals only)</i>				

**Compliance statement**

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does ~~does not~~\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:



Date: 29 April 2011

(Managing Director)

Print name: Merrill Gray

+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity quarterly report

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#### Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.