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**ABN 41 062 284 084**

**Half-Year Financial Report for the period ended  
31 December 2009**

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## CORPORATE DIRECTORY

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**DIRECTORS:** Merrill Gray  
Phil Thick  
Ernest Boswarva

**COMPANY SECRETARY:** Ian Gregory

**REGISTERED OFFICE:** Suite 8, 1327 Hay Street  
West Perth WA 6005

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**AUDITORS:** **Ernst & Young**  
11 Mounts Bay Road  
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Perth, Western Australia 6843

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**SHARE REGISTRY:** **Computershare Investor Services Pty Ltd**  
Level 2, Reserve Bank Building  
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This Half-Year Financial Report covers the Consolidated Entity comprising Syngas Limited ("Company") and its subsidiaries. The functional currency and presentation currency of the Company is Australian Dollars

A description of the Consolidated Entity's operations and its principal activities are included in the Review of Operations in the Directors' Report. The Directors' Report has not been reviewed by the auditors

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## DIRECTORS' REPORT

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The directors present the financial report of Syngas Limited ("Company") and its controlled entities ("Consolidated Entity") for the half-year ended 31 December 2009.

In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

### DIRECTORS

The names of the directors of the Company who held office during the half-year are:-

Merrill Gray

Phil Thick

Ernest Boswarva

Derek Lenartowicz resigned as a director and chairman on 15 September 2009.

Phil Thick assumed the chairman's role.

### OPERATING RESULTS

The after income tax loss for the Consolidated Entity amounted to \$585,947 (2008:\$505,964).

### REVIEW OF OPERATIONS

During the half-year ended 31 December 2009:

1. The Clinton Project Bankable Feasibility Study (BFS) was progressed further by the Company with the following activities undertaken:

a) The commissioning of BFS "Basis of Design" engineering work packages with key technology providers, namely with;

- Rentech, Inc (Rentech [NYSE AMEX: RTK]) over Fischer Tropsch (FT) Liquid Fuel production,
- UOP LLC (UOP), a Honeywell company, over gas conditioning and liquid fuel clean up.

b) Further post Siemens Feasibility Engineering Study work was completed in relation to gasifier discharge/syngas quality, providing the basis for this "downstream" (with Rentech and UOP) to take place.

c) Electricity grid connectivity and installed power line movement expertise for the Clinton Project was secured through an agreement with VEMTEC Pty Ltd. Peaking power options are to be investigated through the same agreement.

d) Socio-Environmental approvals work with landholders, the broader community and government regulators was progressed.

- The Australian Centre of Corporate Social Responsibility (ACCSR) was appointed to develop a Clinton Project stakeholder engagement framework and program for progression during the BFS and beyond.
- A Landholder meeting was held, with further meetings scheduled.
- Initial discussions were held with Primary Industry and Resources South Australia (PIRSA), with Minerals and Petroleum staff, as well as with other state government authorities, to establish the South Australian Government's requirements in relation to the Clinton Project approvals pathway.

e) Off-take agreement discussions over the ultra-clean diesel/jet fuels to be produced continued.

2. A potential Biomass-to-Liquid (BTL) Project development in Australia, in conjunction with Rentech, was announced, growing the Company's nearer term cash flow generation potential.

- With the project potentially utilising proprietary Rentech technology and leveraging off the engineering underway for Rentech's Rialto BTL project located in California.
- With the potential for carbon credits (enhancing project revenue) from the project to be assessed under an agreement secured with Sydney based trading company, COzero.
- With Syngas, through its established relationship with the Yorke Peninsula Alkaline Soils Group (YPASG) and potentially other relationships, seeking to secure commercially viable biomass supply agreements and cost effective

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## DIRECTORS' REPORT

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biomass delivery system over the coming twelve months.

3. Other biomass related shorter term cash flow opportunities continue to be pursued by the Company.

4. The Company entered into a joint venture with Resolve Geo Pty Ltd over areas prospective for coal in Victoria (two licensed areas). Through a cost effective, staged and structured process, these areas will be evaluated in terms of their potential to sustain a second, subsequent "Clinton type" CTL project.

### **AUDITORS 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 half-year ended 31 December 2009. This declaration has been included on page 3 and forms part of this report.

Signed in accordance with a resolution of the directors.



Merrill Gray  
Managing Director

12 March 2010  
Perth, Western Australia

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## AUDITORS' DECLARATION

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### Auditor's Independence Declaration to the Directors of Syngas Limited

In relation to our review of the half-year financial report of Syngas Limited for the half-year ended 31 December 2009, 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

A handwritten signature in black ink, appearing to read "T S Hammond", is written over a horizontal line.

T S Hammond  
Partner  
Perth  
12 March 2010

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## DIRECTORS' DECLARATION

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The directors of Syngas Limited declare that:

- a) in their opinion the accompanying financial statements and notes of the Consolidated Entity;
  - i) give a true and fair view of the financial position as at 31 December 2009 and the performance for the half-year ended on that date of the Consolidated Entity; and
  - ii) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
- b) in their opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Merrill Gray  
Managing Director

12 March 2010  
Perth, Western Australia

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE  
HALF-YEAR ENDED 31 DECEMBER 2009**

**CONTINUING OPERATIONS**

Interest received from other persons

Other Income

Administrative expenses

Movement in fair value of investments held for trading

**LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAX**

Income tax expense

**LOSS FROM CONTINUING OPERATIONS AFTER INCOME TAX**

Other comprehensive income for the half-year

**TOTAL COMPREHENSIVE LOSS FOR THE HALF-YEAR**

**BASIC AND DILUTED LOSS PER SHARE (CENTS PER SHARE)**

Note	Half-Year 2009	Half-Year 2008
	\$	\$
	21,991	120,677
	—	7,072
2	(607,938)	(616,213)
	—	(17,500)
	<b>(585,947)</b>	<b>(505,964)</b>
	—	—
	<b>(585,947)</b>	<b>(505,964)</b>
	—	—
	<b>(585,947)</b>	<b>(505,964)</b>
	(0.28)	(0.29)

The accompanying condensed notes form part of this financial report

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2009**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents  
Trade and other receivables

**TOTAL CURRENT ASSETS**

**NON-CURRENT ASSETS**

Property, plant and equipment  
Deferred exploration and evaluation expenditure  
Exploration licences

**TOTAL NON-CURRENT ASSETS**

**TOTAL ASSETS**

**LIABILITIES**

**CURRENT LIABILITIES**

Trade and other payables

**TOTAL CURRENT LIABILITIES**

**TOTAL LIABILITIES**

**NET ASSETS**

**EQUITY**

Contributed equity  
Reserves  
Accumulated losses

**TOTAL EQUITY**

Note	31 December 2009	30 June 2009
	\$	\$
	1,789,958	1,884,279
	41,000	34,845
	<b>1,830,958</b>	<b>1,919,124</b>
	4,508	5,686
3	2,197,694	1,927,274
	13,998,200	13,998,200
	<b>16,200,402</b>	<b>15,931,160</b>
	<b>18,031,360</b>	<b>17,850,284</b>
	132,411	160,485
	<b>132,411</b>	<b>160,485</b>
	<b>132,411</b>	<b>160,485</b>
	<b>17,898,949</b>	<b>17,689,799</b>
4	33,968,378	33,173,281
5	1,789,126	1,789,126
	(17,858,555)	(17,272,608)
	<b>17,898,949</b>	<b>17,689,799</b>

The accompanying condensed notes form part of this financial report

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Payments to suppliers & employees  
Interest received  
Other

**NET CASH USED IN OPERATING ACTIVITIES**

**CASH FLOWS FROM INVESTING ACTIVITIES**

Loans to other entities  
Payments for exploration & evaluation  
Purchase of property, plant & equipment  
Proceeds from disposal of assets held for trading  
Proceeds from disposal of property, plant & equipment

**NET CASH USED IN INVESTING ACTIVITIES**

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from equity issues  
Capital raising expenses

**NET CASH FROM/(USED IN) FINANCING ACTIVITIES**

**NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at beginning of period

**CASH AND CASH EQUIVALENTS AT END OF PERIOD**

Half-Year 2009	Half-Year 2008
\$	\$
(633,306)	(625,603)
21,936	120,670
-	(8,250)
<b>(611,370)</b>	<b>(513,183)</b>
-	(7,894)
(282,124)	(1,336,830)
-	(3,260)
-	327,057
-	50
<b>(282,124)</b>	<b>(1,020,877)</b>
850,184	40,000
(51,011)	(119,296)
<b>799,173</b>	<b>(79,296)</b>
(94,321)	(1,613,356)
1,884,279	4,413,605
<b>1,789,958</b>	<b>2,800,249</b>

The accompanying condensed notes form part of this financial report

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

**Half-Year to 31  
December 2009**

*At 1 July 2009*

**TOTAL COMPREHENSIVE INCOME  
FOR THE PERIOD**

**SHARES ISSUED**

**OPTIONS EXERCISED**

**COSTS OF SHARE ISSUES**

**At 31 DECEMBER 2009**

	<b>Issued Capital</b>	<b>Option Premium Reserve</b>	<b>Options Exercised Reserve</b>	<b>Accumulated Losses</b>	<b>Total Equity</b>
	\$	\$	\$	\$	\$
<i>At 1 July 2009</i>	33,173,281	1,789,126		(17,272,608)	17,689,799
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	—	—	—	(585,947)	(585,947)
<b>SHARES ISSUED</b>	850,184	—	—	—	850,184
<b>OPTIONS EXERCISED</b>	—	(1,789)	1,789	—	—
<b>COSTS OF SHARE ISSUES</b>	(55,087)	—	—	—	(55,087)
<b>At 31 DECEMBER 2009</b>	<b>33,968,378</b>	<b>1,787,337</b>	<b>1,789</b>	<b>(17,858,555)</b>	<b>17,898,949</b>

**Half-Year to 31  
December 2008**

**At 1 JULY 2008**

**TOTAL COMPREHENSIVE INCOME  
FOR THE PERIOD**

**SHARES ISSUED**

**OPTIONS ISSUED**

**At 31 DECEMBER 2008**

	<b>Issued Capital</b>	<b>Option Premium Reserve</b>	<b>Options Exercised Reserve</b>	<b>Accumulated Losses</b>	<b>Total Equity</b>
	\$	\$	\$	\$	\$
<b>At 1 JULY 2008</b>	33,133,281	1,761,126	—	(16,195,926)	18,698,481
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	—	—	—	(505,964)	—
<b>SHARES ISSUED</b>	40,000	—	—	—	40,000
<b>OPTIONS ISSUED</b>	—	28,000	—	—	28,000
<b>At 31 DECEMBER 2008</b>	<b>33,173,281</b>	<b>1,789,126</b>	<b>—</b>	<b>(16,701,890)</b>	<b>18,260,517</b>

The accompanying condensed notes form part of this financial report

**NOTE 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES****Basis of preparation**

This general purpose condensed financial report for the half-year ended 31 December 2009 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2009 and considered together with any public announcements made by the Company during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations of the ASX listing rules.

The financial statements have been prepared on the basis of historical cost. All amounts are presented in Australian dollars, unless otherwise noted.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

**Going concern**

The financial report has been prepared on a going concern basis. In arriving at this position the directors have had regard to the fact that the consolidated entity has sufficient cash and other assets to fund administrative and other committed expenditure for a period of not less than 12 months from the date of this report. The directors do note however that in order to proceed with the company's strategic objectives, additional funding will be required. The directors are currently pursuing a number of options in order to secure the required funding.

**Changes in accounting policy**

From 1 July 2009 the Consolidated Entity has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2009. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Consolidated Entity.

The following standards and interpretations have also been adopted from 1 July 2009:

**AASB 8: *Operating segments***

AASB 8 has superseded AASB 114: *Segment reporting*. AASB 8 specifies the use of a "through the eyes of management" approach to an entity's reporting of information relating to its operating segments in annual financial reports. This approach is significantly different from that prescribed by AASB 114. However, this change in segment reporting will only become applicable to the Consolidated Entity if and when it enters into transactions outside of its current activities.

**AASB 101: *Presentation of financial statements***

AASB 101 prescribes the basis for presentation of general purpose financial reports to ensure comparability with both the entity's prior period reports and with other entities financial reports by setting out the overall requirements for the presentation of financial reports, guidelines for their structure and minimum requirements for their content. The Consolidated Entity presents this condensed half-year report in accordance with AASB 101.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

### NOTE 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

#### Changes in accounting policy (continued)

AASB 127: *Consolidated and separate financial statements*

AASB 127 defines subsidiaries and prescribes the circumstances in which a parent is required to prepare consolidated statements, the rules for the preparation of separate financial statements of the parent to the consolidated financial statements and the disclosure requirements in respect of investments in subsidiaries.

The Consolidated Entity has elected not to early adopt any other new standards or amendments before the operative dates or periods.

### NOTE 2. ADMINISTRATIVE EXPENSES

Staff and consultants  
Travel and accommodation expenses  
Rental expenses  
Depreciation of plant and equipment  
Other

	Half-Year to 31 December 2009	Half-Year to 31 December 2008
	\$	\$
	(372,668)	(343,284)
	(62,352)	(34,079)
	(17,992)	(17,747)
	(1,178)	(837)
	(153,748)	(220,266)
	<b>(607,938)</b>	<b>(616,213)</b>

### NOTE 3. EXPLORATION AND EVALUATION EXPENDITURE

Opening Balance  
Additions  
At the end of the period

	Half-year ended 31 December 2009	Year ended 30 June 2009	Half-year ended 31 December 2008
	\$	\$	\$
	1,927,274	350,947	350,947
	270,420	1,576,327	1,217,412
	<b>2,197,694</b>	<b>1,927,274</b>	<b>1,568,359</b>

Capitalised exploration and evaluation expenditure incurred on the Syngas project has been capitalised as there is reasonable certainty of recovery from future exploitation or sale.

### NOTE 4. EQUITY

Ordinary shares

Discovery shares

Converting performance shares

AT THE END OF THE FINANCIAL PERIOD

	31 December 2009		30 June 2009	
	Number of Shares	\$	Number of Shares	\$
	230,996,691	28,093,221	204,428,441	27,298,124
	7,500,000	157	7,500,000	157
	47,000,000	5,875,000	47,000,000	5,875,000
		<b>33,968,378</b>		<b>33,173,281</b>

A placement of 26,568,250 ordinary shares was made on 11 December 2009 to raise \$850,184 before costs for working capital. No capital raisings were made in the half-year ended 30 December 2008.

### NOTE 5. RESERVES

Option premium reserve  
Options exercised reserve  
Total reserves

	31 December 2009	30 June 2009
	\$	\$
	1,787,337	1,789,126
	1,789	-
	<b>1,789,126</b>	<b>1,789,126</b>

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

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45,000 options that were due to expire on 31 December 2009 were exercised at 20 cents immediately before that date. The banking of the funds received and the allotment of the shares occurred after 31 December 2009. 40,847,407 and 750,000 options that had exercise prices of 20 cents and 4 cents respectively expired on 31 December 2009.

No options were issued during half-year ended 31 December 2009. During the half-year ended 31 December 2008, 500,000 options were exercised and 625,000 options were issued to each of the directors, Philip Thick and Ernest Boswarva (1,250,000 options in total) following shareholder approval at the annual general meeting held on 26 November 2008.

The total number of options outstanding at 31 December 2009 was 52,525,000 (30 June 2009: 94,167,407).

**NOTE 6. EVENTS SUBSEQUENT TO BALANCE DATE**

No events have occurred after balance date that impacts the financial statements.

**NOTE 7. DIVIDENDS**

No dividends have been paid or declared in the half-year ended 31 December 2009.

**NOTE 8. COMMITMENTS & CONTINGENCIES**

There has been no material movement in the commitments disclosed in the annual financial report for the year ended 30 June 2009. At 30 June 2009 the commitments in relation to the exploration licences totalled \$931,960 over 5 years (2008: \$1,057,450).

**NOTE 9. SEGMENT REPORTING**

The Consolidated Entity has:

1. currently only one operating segment, being exploration, and the segment operations and results are the same as the Consolidated Entity results; and
2. based its operating segment reporting on the internal reports that are reviewed and used by executive management on a monthly basis in assessing performance and in determining the allocation of resources.



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To the members of Syngas Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Syngas Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' Responsibility for the half-year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Syngas Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

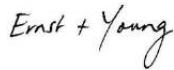
### Independence

In conducting our review, 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.

### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Syngas Limited is not in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A stylized, handwritten-style logo for Ernst & Young.

Ernst & Young

A handwritten signature in black ink, appearing to read "T S Hammond".

T S Hammond  
Partner  
Perth  
12 March 2010