

QUARTERLY REPORT FOR THE PERIOD ENDING December 31st 2009

The Board of Syngas Limited ("Syngas" or "Company") is pleased to present the December 2009 Quarterly Report. During the quarter, the Company achieved the following:

HIGHLIGHTS

1. **The Clinton Project Bankable Feasibility Study (BFS) was further progressed with the following activities undertaken:**
 - a) **The commissioning of BFS "Basis of Design" engineering works packages with key technology providers were announced, namely with;**
 - **Rentech, Inc (Rentech) 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 the "downstream" (Rentech and UOP) preliminary engineering work to take place.**
 - c) **Peaking power and power line and connectivity specialist expertise was accessed through an agreement with VEMTEC Pty Ltd.**
 - 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 covering 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) Minerals and Petroleum staff, as well as other authorities and regulators, to establish the South Australia Governments expected Clinton Project approvals pathway.**
 - e) **Off take agreement discussions over diesel/jet fuels continued.**
2. **A potential Biomass to Liquid (BTL) Project development, in conjunction with Rentech, was announced with the aim of growing the Company's nearer term cash flow generation potential. Other shorter term cash flow opportunities continue to be pursued.**
3. **Corporately, funds to progress the Clinton Project BFS were raised (\$800,000 net) in December 2009. Options expired at 31st of December.**
4. **The Company's cash in bank was A\$1.8 million at the end of the December quarter.**

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Activities

During the December 2009 quarter the Clinton Project Bankable Feasibility Study (BFS) was progressed. Further key technology and specialist advisor relationships were established and various programs of work were scoped, detailed and commissioned.

Furthermore, by building on these and other already established relationships the Company's shorter term growth strategy was also progressed.

The activities undertaken during the quarter have been summarised in this report: **The Clinton Project, The BTL Project, The Victorian Joint Venture and Further Opportunities.**

1. The Clinton Project

a) Technologies and Engineering

In November, after a site visit to Rentech's synfuel production facility in Denver, Colorado, the progression by Rentech of a preliminary engineering Fischer-Tropsch (FT) fuel related package of work for Syngas was announced. This work will commence in February 2010 and is expected to be completed by June 2010. It will deliver:

- Heat and Material Balance (HMB) for the FT unit;
 - Battery limit stream data;
 - Utility requirements;
- Block Flow Diagram;
- Preliminary Plot Requirements; and
- Budget Level Cost Estimates for the FT Unit

This was followed on the 29th of January with the announcement that a feasibility engineering package of work covering post gasification synthesis ("syngas") clean-up and post FT synfuels production liquid clean-up will be undertaken by UOP.

This work will also commence in February 2010 and be completed by June 2010. It will deliver:

- Design process summaries and heat and material balances for various areas,
- Process Flow Diagrams (PFD's)
- Process Descriptions,
- Equipment lists,
- Typical plot plans, and
- A range of other engineering works outcomes

Further work was completed during the quarter, based on discussions between Siemens engineers and Syngas' engineers, around the anticipated Siemens gasifier discharge syngas quality for the Clinton Project i.e. the syngas feed quality for the "downstream" section of the plant. Discussions took place based on the outcomes of the Feasibility Engineering Study which was completed by Siemens during the September 2009 quarter.

In 2009 Rentech and UOP established a marketing alliance encompassing working in an integrated fashion on the "downstream" sections of various plants, such as the proposed Clinton Project. Syngas will benefit of this relationship, in terms of the co-ordination between the parties of the preliminary engineering work that will take place over the coming quarter.

Ongoing integration of work with Siemens and other upstream sections of the plant will be managed by Syngas' engineering consultants.

A site visit to a suitable commercial scale coal drying facility with the potential for use on the Clinton Project took place during the September 2009 quarter. Syngas established contact with the licensor of this technology at this time, and remains in contact.

Overall, significant progress has now been made in terms of Syngas' strategy around building relationships and progressing towards commercial agreements with established, proven capability technology providers as a successful part of the Clinton Project development.

b) Infrastructure

During the quarter the Company also made progress on a key infrastructural aspect of the Clinton Project, through the signing on January 18th 2010 of a Memorandum of Understanding (MoU) with VEMTEC Pty Ltd. VEMTEC is an independent integrated engineering, design, project management and construction business specialising in overhead and underground Electrical infrastructure, with a head office in Melbourne and operating nationally.

This MoU covers the potential provision by VEMTEC of the following services to Syngas in relation to the Clinton Project:

- Peaking power offtake management/advisory services. VEMTEC may potentially assist Syngas progress with monetising options over the approximate 114 MW peaking power generation capacity of the Clinton Project, within the highly favourable peak power demand context that exists in South Australia.
- Electrical design, construction and commercial services related to providing connection to the National Grid for the Clinton project facility, and
- Electrical design and construction related services in relation to transmission lines, for the Clinton project facility.

The information that VEMTEC and Syngas generate working together under the MoU, namely potential by-product revenue streams for peaking power and construction costs, is expected to be incorporated into the Clinton Project BFS documentation.

Further work on other aspects of the Clinton Project infrastructure is expected to be progressed during the March quarter.

c) Socio-Environmental Approvals

In relation to the Clinton Project approvals process through the appropriate regulatory bodies within the South Australian Government, Syngas was provided feedback during the quarter on its submission to The Minister for Mineral Resources Development, Urban Development and Planning and Small Business, the Honourable Paul Holloway.

Syngas has been advised that the Clinton Project will likely be approved for various aspects of proposed activities under both the Mining Act 1973 and the Petroleum and Geothermal Act 2000.

Meetings were held during the quarter with Primary Industry and Resources (PIRSA) Mining & Petroleum staff as well as representatives from various South Australian agencies and regulatory bodies including the Environmental Protection Agency (EPA), The Department for Environment and Heritage (DEH), The Department for Transport, Energy and Infrastructure (DETI), and The Department of Water Land and Biodiversity Conservation (DWLBC), to establish in detail the requirements the Company must meet as part of the Clinton Project approvals process. A detailed Syngas schedule of work to meet these requirements including baseline studies, risk assessments, stakeholder engagement and management system development, as well as the associated budget is currently being worked on. Expected timings for submission/document assessments by various government departments are being developed based on advice from PIRSA who will take a co-ordinating role. This work will allow an overall approvals plan to be developed for the Clinton Project.

An important component of the project approvals process is community engagement.

During the December quarter Syngas appointed the Australian Centre for Corporate Social Responsibility (ACCSR) to provide stakeholder engagement specialist consulting services in relation to the development of the Clinton Project.

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ACCSR brings a track record of stakeholder engagement program success to Syngas, having worked effectively with a number of well known companies in Australia. ACCSR's proprietary, proven engagement processes (Stakeholder 360°® research and engagement framework), is designed to deliver both quantitative and qualitative stakeholder engagement measurements. This will allow Syngas to establish management processes which track and identify opportunities for Syngas to constantly improve the quality of relationships with its stakeholders throughout the project's development and, in the longer term, into project operation.

The ACCSR's interaction with stakeholders, which will include telephone interviews in February, is expected to lead to a Clinton Project stakeholder engagement framework and program being established, that is relevant, inclusive and effective and supported by the community and other stakeholders. The ACCSR's work builds on the Company's work to date with various stakeholder groups.

Landholders whose property may potentially be impacted through the Clinton Project development are a key stakeholder group for the Company. During the quarter a meeting was held with landholders, with further meetings to be held during the March quarter and beyond.

Further post harvest drill hole rehabilitation by Syngas, on the 2008 drilling program holes at Clinton, took place in conjunction with Landholders this quarter. A modified drilling mud mixing and water sump arrangement will be used for further drilling activities, eliminating further rehabilitation requirements of this nature.

Another key stakeholder group Syngas is working with is potential non-food biomass suppliers. During the quarter the Company held a biomass collection workshop, in conjunction with the Yorke Peninsula Alkaline Soils Group (YPASG). This was further to the workshop held in 2009 to establish potential biomass quantities available in the area around the Clinton Project. The biomass collection workshop was attended by landholders, materials handling experts, local business and transport/logistics business representatives. Practical options for large scale biomass collection have been identified. Achieving a cost effective collecting and transportation system to a central processing location will prove the key to project developments.

Finally, in terms of the Clinton Project progress during the quarter, discussions with appropriate partners interested in ultra clean diesel/jet fuel offtake continued.

2. The Biomass to Liquid (BTL) Project

During the quarter Syngas announced the signing of an MoU with Rentech over a potential Biomass-to-Liquid (BTL) Project development in Australia. The agreement builds on Syngas' already established relationship with Rentech in relation to the Clinton Project. Importantly, a potential BTL development is a lower cost, nearer term cash flow generating opportunity for the Company. It involves:

- A twelve month joint assessment of the potential for a BTL project in Australia
- Potential access to the Rentech-SilvaGas gasification process for converting biomass to syngas
- Potential access to the Rentech-Fischer-Tropsch (FT) process for the BTL project, for the production of ultra clean, renewable transportation fuels.
- Leveraging Rentech's design and experience which is expected to be gained from Rentech's Rialto, California BTL project, which is currently under development.
- Syngas will develop its existing biomass feedstock relationships and partnerships to secure the sustainable, long term, cost effective supply of feedstock as a crucial component of moving to project development.

The BTL assessment work will take place separately, in parallel to development of the Clinton Project which remains Syngas' primary long term focus. A detailed assessment program, including, milestones will be developed during the next quarter.

Rentech is currently developing a biomass to energy project in Rialto, California, designed to utilise its proprietary gasification and FT technologies. This facility, which is targeted to be commissioned in late 2012, is designed to produce approximately 640 barrels per day of pure renewable synthetic fuels and export approximately 35 megawatts of renewable electric power. The design of the Rialto Project is expected to serve as the design basis for Syngas' potential BTL project in Australia, which will essentially be "Rialto 2".

Over the past 18 months Syngas has been working with YPASG, under an MoU which was signed on May 1st 2009, to establish the sustainable potential of non food biomass, that is biomass produced as a by-product or waste product from cropping, for use as a supplementary feed for the Clinton synfuels Project.

In 2009 Syngas completed an independent review of the potential sustainable biomass availability within a 100 km radius of the Clinton project. The results showed that at levels of 50 percent participation from the local crop farmers, approximately 1.3 million tonnes per annum of biomass could potentially be available. During the December quarter, work on options for cost effectively collecting and transporting biomass continued in conjunction with YPASG.

Syngas plans to work with YPASG members (local crop farmers) and other groups towards securing a firm supply arrangements over the approximately 400,000 t.p.a. required for a potential BTL plant, under suitable commercial terms, as part of the MoU which was signed, as well as establish appropriate and acceptable collection and transportation business processes and equipment requirements.

During the quarter Syngas attended the Paskerville Machinery Field Day to meet with and discuss biomass with local farmers.

3. The Victorian Coal Joint Venture

During the December quarter Syngas received a detailed 2010 exploration budget proposal from its Joint Venture (JV) partner Resolve Geo Pty Ltd (Resolve). The Company announced this JV over two prospective coal areas held under granted mineral exploration licenses (MELs 5210, known as 'Yalungah,' and 5212, known as 'Agnes' respectively) which lie within the highly prospective coal areas of the Moe and Alberton sub basins of the Gippsland Basin in Victoria.

Developing the Clinton Project continues to be the Company's primary focus. Staged access to Victorian lignites through the provisions set out in the JV with resolve provides a potential post Clinton Project growth path for Syngas.

Syngas expects to finalise the 2010 exploration expenditures with Resolve during the coming quarter.

4. Further Opportunities

Syngas is working on a range of biomass opportunities with the potential to generate shorter term cash flow streams for the company and looks forward to providing further information during the March quarter.

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Corporate

During the quarter the Company's Annual General Meeting was held in Perth (on November 17th 2009). The Chairman's address and presentation which focussed on the previous twelve months expenditure was lodged with the ASX and is available on Syngas' website.

During the quarter the company raised \$800,000 net of fees through a share placement of 26,568,250 shares at 3.2 cents per share took place. This placement raised \$850,184 for the company. The shares were placed with sophisticated investors, with strong support received from professional clients of various broking houses. This placement was completed on December 11th 2009, in accordance with the shareholder approval received at the Syngas AGM.

On the 31st of December 40,892,407 Syngas share with an exercise price of 20 cents each expired.

During the December quarter, exploration and evaluation expenditure totalled \$87,000 (Year-to-Date \$283,000). This expenditure was largely comprised of the costs from engineering growths. Administration, comprised primarily of project management costs and included costs associated with ASX compliance, audit/account fee and travel costs.

Exploration and evaluation expenditure for the coming quarter is forecast at \$350,000 comprised primarily of costs forecast from a drilling program at Clinton South. Progression of this will depend on all regulatory approvals being received in enough time for the work to be completed prior to the end of March 2010. To meet the landholders' requirements other expenditure will include engineering work and environmental approvals consulting advice.

With \$1.8 million cash in the bank at the end of the December quarter, the Company is solidly positioned to continue developing the Clinton Project and assess the viability of an Australian BTL project.

Finally, during the March quarter the Syngas head office will move to Adelaide. This move is expected take place before March 15th 2010 with suitable offices currently being sourced.

Media coverage of Syngas's activities provided during the quarter was as follows:

- **Syngas signs MOU with Rentech to assess of biomass-to-liquid project**, Business Speculator, 29th January 2010.
- **Syngas working with VEMTEC for Clinton UCG**, Petroleum News.net, Monday 18th January 2010.
- **Syngas signs Vemtec to service SA gas-fired facility**, Gas Today, Wednesday 20th January 2010.
- **Syngas engages diesel production experts**, Yorke Peninsula Country Times, 22 December 2009.
- **Diesel developer in SA move**, Plains Producer, Wednesday December 9th 2009.
- **Syngas Corporate Profile**, Minesite, December 8th 2009.
- **Syngas in High-Tech Link for Clinton Project**, Adelaide Advertiser, 26 November 2009.
- **Syngas working with Rentech**, Petroleum News.net, Monday 23rd November 2009.
- **Syngas Has Ambitious Plans For Its Coal-To-Liquids Projects In South Australia**, Mindstie.com, 27th October 2009.
- **Syngas ties up with GE**, Petroleum News.net, Tuesday 20 October .
- **Syngas takes diesel message to the field**, Plains Producer, Thursday October 8th 2009.

March Quarter

During the March quarter the Clinton Project Bankable Feasibility Study will continue to be progressed, the Australian BTL project assessment will be progressed with Rentech, and other potentially shorter term cash flow generating projects will be assessed. Specifically, the following activities will be undertaken:

- Rentech and UOP preliminary engineering works.
- Baseline environmental studies will be established, scoped and budgeted, based on the project approvals framework as finalised with the S.A. Government.
- Drilling at Clinton South, dependent on all approvals being received, in time to complete the work and be off the landholder's property by the end of March 2010.
- Stakeholder surveys (by telephone) will be conducted by ACCSR on behalf of Syngas. A stakeholder engagement framework and program covering the BFS, and beyond, for the Clinton Project will be developed based on the survey. Feedback will be sought as part of the framework development process from stakeholders.
- Further Clinton Project landholder meetings will take place.
- Further work on infrastructure transportation options is expected to be progressed.
- Off-take Agreement negotiations with suitable parties for the purchase of diesel will continue.
- Development of an overall approvals plan for the Clinton Project.
- A detailed project assessment program, including milestones, will be developed and assessment work will take place.
- Further meetings and discussions will be held with YPASG.
- The Syngas head office will move to Adelaide.
- The 2010 Victorian Coal JV exploration expenditure will be finalised.
- Discussions with Strategic and cornerstone funding partners will continue.

Longer Term

The Company's long term vision remains to establish a large scale, long term, highly profitable coal and non-food biomass-to-liquid (ultra clean diesel/jet fuel) project in South Australia.

In addition to developing the Clinton Project, the Company is currently assessing the potential for a BTL project in Australia. Whilst reviewing other shorter term cash flow generating biomass opportunities.

The Company's future is very positive, with solid progress continuing to be made, and new opportunities to grow the company being identified and secured.

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Competent Person

The information in this report which 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 (C.T.L.) 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.

About Syngas Limited

Syngas Limited, incorporating the Clinton Project following the acquisition of Syngas Energy Limited in January 2008, is an ASX listed oil and gas business with, as a core project, a large, long term premium diesel production project located in South Australia at Bankable Feasibility Study stage of development.

One of Syngas's granted mineral exploration licences covers an area of 288 km² north-west of Adelaide, over known coal deposits within the Clinton Coal Measures, located in the Northern St Vincent Basin Coalfields, north of the Gulf Saint Vincent. Syngas also holds a granted mineral exploration licence over a 143 km² area, south-east of Adelaide, covering the known coal deposit of Moorlands and a petroleum exploration licence over the Moorlands deposit and surrounding area.

Syngas recently entered into a joint venture arrangement over two potentially coal bearing licences held by Resolve Geo Pty Ltd in Victoria, within the Gippsland Basin.

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