

\$3b Plant=380 jobs



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Journalist: Nick Perry — Oil and gas company Syngas (formerly Gulf X) Ltd has confirmed it plans to continue developing a (Aus) \$3 billion on-site coal mining operation and premium diesel production plant in the Port Clinton area.

Based on the West Perth company's recently completed base case prefeasibility study (PFS), it predicts the plant will produce 15,800 barrels of diesel per day over a mine life of 33 years and create 380 full-time jobs, with up to 1,500 jobs to be available during construction.

The completion of the PFS validates Syngas's belief the construction and profitable operation of a brown coal mine and premium diesel production plant is viable. The company is now commencing a full feasibility study, which will take until around 2012, with full operation to commence in 2015.

Syngas Executive Director Merrill Gray says the company is very pleased to be able to confirm the good news, but still has a lot of work to do before full funding is secured, plant construction begins and production can commence.

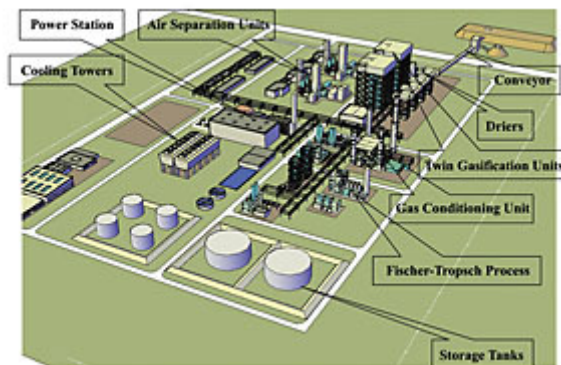
"The entire purpose of our PFS was to ask, 'should we move to our next stage and go ahead with further developing the project?' and this confirms our answer is yes," said Ms Gray.

"We will now get straight into our full feasibility study, which will involve more drilling to get higher confidence levels on the feed material, working with landholders, commencing environmental studies and work with the government and community, and of course, detailed design and operation planning."

Syngas has made Clinton its clear priority and plans to move its office to either Adelaide or YP next year.

Syngas hopes to produce over 15,800 barrels of fuel each day for 33 years, producing a total of around 150 million barrels of oil equivalent.

The project has the potential to provide many benefits to the area, with



A plan of what Syngas hopes Port Clinton's premium diesel production plant will look like, and what stages of the coal-liquid process happen where.

Syngas looking to source workers locally.

"We will look to source workers from the local community, as well as attracting new people into the region," Ms Gray said.

"We plan to train locals in many jobs, though specialist gasification engineers and other qualified staff may even have to be sourced from overseas."

Ms Gray says Syngas will also look to source waste biomass such as residual cereal straw and organic waste locally whenever possible, and slag produced from operation may be used in local roads.

"The plant can produce additional power, and we are hoping to put any power back into the national grid during peak demand periods when blackouts are experienced in South Australia," said Ms Gray.

"The brown coal is also going to have a lot of water when we mine it, and we believe that when we use heat to remove this water, we will be able to collect the water and make it potable (drinkable) for consumption in the community."

How it works

Syngas plans, as a base case, to strip mine 170 million tonnes of brown coal from its local deposits, which altogether hold 558 million tonnes.

Once mined, around 18,000 tonnes of the coal, supplemented with 10 per cent waste biomass (plant material, such as residual straw stubble which reduces the project's carbon footprint), will be fed into a "gasification chamber" which turns the coal and biomass into synthetic gas (energy in the form of hydrogen), at high temperatures of around 1,400C.

Oxygen is added as part of this process.

The gas will then be used to create clean, premium diesel, through another stage called Fischer Tropsch, with some of the gas being fed into an onsite power generation plant.

Although brown coal has not been widely used in the past due to its low energy value, its high oxygen content make it highly suited to the gasification technology.

Each barrel is expected to cost (US) \$33, so profit to be made will depend on the price of oil. Based on a conservative long term oil price of (US) \$66 per barrel, Syngas looks to make around (Aus) \$240 million per year, with any oil increases to significantly increase cash flow.

If the oil price were to stay at (US) \$66 per barrel for the life of the project, Syngas would break even, that is achieve around a 10% return, whilst covering all costs (operating and capital) though estimates suggest oil prices

and demand will rise.

Syngas history

Syngas purchased the rights to its local deposits in January 2008 and began drilling midway through last year.

Then named Gulf X, the company also holds land rights in the Gulf of Mexico, though it has made it clear Clinton is now its top priority, and as such changed its name to Syngas late last year.

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