



February 6, 2013

Synthesis Energy Systems, Inc. Announces Financial Results for the Second Quarter of Fiscal 2013

HOUSTON, Feb. 6, 2013 /PRNewswire/ -- Synthesis Energy Systems, Inc. (Nasdaq: SYMX), a global energy and gasification technology company that provides products and solutions to the energy and chemicals industries, today announced financial and operating results for the second quarter of fiscal 2013, ended December 31, 2012.

"We are keenly focused on delivering key objectives for the Company intended to provide revenue, earnings and operating cash flows in 2013," stated Robert Rigdon, President and CEO. "Our Yima JV plant is now in the very early stages of producing methanol, which is a much anticipated milestone for SES. Through our cooperation with Crystal Vision Energy, we are actively engaged in financing and M&A activities in China designed to deliver near term financial results. We have also completed two important technology engineering agreements with potential partners related to applying our technology into business vertical segments of steel and waste feedstocks to chemicals, and we believe we are successfully positioning ourselves to turn the corner toward profitability during calendar 2013."

Second Quarter 2013 Financial Results (Unaudited)

Total revenue for the three months ended December 31, 2012, was \$13,000 versus \$183,000 for the three months ended December 31, 2011.

Technology licensing and related services revenues for the three months ended December 31, 2012 were \$13,000 versus \$164,000 for the three months ended December 31, 2011 due to less technology related services performed during the period. The Company has recently received orders from customers totaling \$850,000 for technology services that are expected to be recognized as revenue for the quarters ending March and June of 2013.

There were no product sales for the three months ended December 31, 2012 as the Company has continued to keep the ZZ joint venture plant idle since September 2011 to resolve nonpayment of contractual capacity fees of approximately \$6.8 million owed by Xuecheng Energy (previously Hai Hua) and to restructure the commercial arrangements for the joint venture. Discussions regarding the nonpayment and restructuring are ongoing. In the event that the Company is not successful reaching agreement with Xuecheng Energy, the Company will seek to recover the outstanding capacity fees through binding arbitration.

The operating loss for the second quarter of fiscal 2013 was \$3.9 million versus an operating loss of \$4.8 million for the second quarter of 2012. The improvement in operating loss was primarily due to holding the ZZ Joint Venture plant idle.

The net loss attributable to stockholders for the second quarter of fiscal 2013 was \$4.4 million, or \$0.07 per share, versus a loss of \$5.0 million, or \$0.10 per share, for the prior year's second quarter.

At December 31, 2012, the Company had cash and cash equivalents of \$23.3 million and working capital of \$15.6 million.

Corporate Highlights

- | After over three years of development and construction, the Yima Joint Venture plant achieved a very significant milestone by producing its first methanol in late December 2012 and also its first simultaneous operation of two of the three gasification systems. The plant is designed to produce 300,000 tonnes per year of methanol from two operating gasifiers. Successful operating achievements such as these are moving the plant much closer to full scale, steady-state operation and methanol production, which is expected to occur by early summer.
- | On December 21, 2012, the Company entered into an agreement with a global leader in iron ore processing and steel production to define a product that integrates the SES gasification technology into production of steel. The integration of SES technology with this process would allow use of low cost, low quality coal as the energy feedstock for steel production in an environmentally favorable way. The Company will be assisted in this effort by Fluor Enterprises.

- Effective January 1, 2013, the Company entered into a new agreement to continue and expand our relationship with Crystal Vision Energy Limited ("CVE"), which provides leadership and management services for our China operations. The Company and CVE will focus on growth of SES China, the Company's China business platform including the operations of the Yima Joint Venture plant and the ZZ Joint Venture plant, capital raising, M&A, and management services.
- On January 15, 2013, the Company announced an agreement with a U.S.-based customer to assess the feasibility and optimal uses of SES' gasification technology for the production of valuable 'green' chemicals. The Company will lead an engineering study, commissioned and funded by the customer, which will define an optimal use of potential feedstock combinations that may include used tires, auto shredder residue and refuse-derived fuel to efficiently and cost-effectively produce commercially viable chemicals such as methanol and methanol derivatives. Fluor Enterprises will also be assisting the Company in this effort.

Conference Call Information

Senior management will hold a conference call to review the Company's financial results for the second quarter of fiscal 2013 and provide a corporate update this morning at 8:30 a.m. Eastern Time.

To access the live webcast, please log on to the Company's website at www.synthesisenergy.com. Alternatively, domestic callers may participate in the live telephone conference call by dialing (800) 860-2442 and international callers should dial (412) 858-4600.

An archived version of the webcast will be available on the Company's website through March 6, 2013. A telephone replay of the conference call will be available beginning approximately one hour after the completion of the call and will be available through March 6, 2013. Domestic callers can access the telephonic replay by dialing (877) 344-7529. International callers should dial (412) 317-0088. The PIN access code for the live call and the replay is 10024318#.

About Synthesis Energy Systems, Inc.

SES provides technology, equipment and engineering services for the conversion of low rank, low cost coal and biomass feedstocks into energy and chemical products. Its strategy is to create value through providing technology and equipment in regions where low rank coals and biomass feedstocks can be profitably converted into high value products through its proprietary U-GAS[®] fluidized bed gasification technology, which SES licenses from the Gas Technology Institute. U-GAS[®] gasifies coal cost effectively, without many of the harmful emissions normally associated with coal combustion plants. The primary advantages of U-GAS[®] relative to other gasification technologies are (a) greater fuel flexibility provided by the ability of SES to use all ranks of coal (including low rank, high ash and high moisture coals, which are significantly cheaper than higher grade coals), many coal waste products and biomass feed stocks; and (b) the ability of SES to operate efficiently on a smaller scale, which enables the construction of plants more quickly, at a lower capital cost, and, in many cases, in closer proximity to coal sources. SES currently has offices in Houston, Texas, and Shanghai, China. For more information on SES, please visit www.synthesisenergy.com or call (713) 579-0600.

SES Forward-Looking Statements

This press release includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements are subject to certain risks, trends and uncertainties that could cause actual results to differ materially from those projected. Among those risks, trends and uncertainties are the development stage of the SES operations, its estimate of the sufficiency of existing capital sources, its ability to successfully develop its licensing business, its ability to raise additional capital to fund cash requirements for future investments and operations including its China platform initiative, its ability to reduce operating costs, the limited history and viability of its technology, commodity prices and the availability and terms of financing opportunities, its results of operations in foreign countries, its ability to diversify, its ability to complete the restructuring of the ZZ Joint Venture, its ability to obtain the necessary approvals and permits for its future projects, the estimated timetables for achieving mechanical completion and commencing commercial operations for the Yima project as well as the ability of the Yima project to produce revenues and earnings, the sufficiency of internal controls and procedures and the ability of SES to grow its business and generate revenues and earnings as a result of its proposed China and India platform initiatives and its relationship with Crystal Vision Energy, as well as its joint venture with Midas Resource Partners. Although SES believes that in making such forward-looking statements its expectations are based upon reasonable assumptions, such statements may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. SES cannot assure you that the assumptions upon which these statements are based will prove to have been correct.

Important Notice from SES

In connection with the proposed ZJX/China Energy transaction, SES has filed a preliminary proxy statement, and intends to file a definitive proxy statement, with the SEC and intends to mail the definitive proxy statement to the stockholders of SES. SES and its directors and officers may be deemed to be participants in the solicitation of proxies from the stockholders of SES in connection with the transaction. Information about the transaction is set forth in the preliminary proxy statement filed, and will be set forth in the definitive proxy statement to be filed by SES with the SEC.

You may obtain the preliminary statement and, when available, the definitive proxy statement, for free by visiting EDGAR on the SEC website at www.sec.gov. Investors should read the definitive proxy statement carefully before making any voting or investment decision because that document will contain important information.

SYNTHESIS ENERGY SYSTEMS, INC.
(A Development Stage Enterprise)

Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2012	2011	2012	2011
Revenue:				
Product sales and other — related parties	\$ —	\$ 19	\$ —	\$ 2,121
Technology licensing and related services	13	164	84	471
Other	—	—	—	86
Total revenue	13	183	84	2,678
Costs and Expenses:				
Costs of sales and plant operating expenses	133	881	264	4,085
General and administrative expenses	3,141	3,174	6,223	6,199
Stock-based compensation expense	109	292	272	359
Depreciation and amortization	570	641	1,146	1,281
Total costs and expenses	3,953	4,988	7,905	11,924
Operating loss	(3,940)	(4,805)	(7,821)	(9,246)
Non-operating (income) expense:				
Equity in losses of joint ventures	400	402	917	834
Foreign currency gains	(85)	(202)	(48)	(615)
Interest income	(15)	(26)	(28)	(63)
Interest expense	78	142	174	326
Net loss	(4,318)	(5,121)	(8,836)	(9,728)
Less: net (income) loss attributable to noncontrolling interests	(85)	74	(52)	141
Net loss attributable to stockholders	\$ (4,403)	\$ (5,047)	\$ (8,888)	\$ (9,587)
Net loss per share:				
Basic and diluted	\$ (0.07)	\$ (0.10)	\$ (0.16)	\$ (0.19)
Weighted average common shares outstanding:				
Basic and diluted	61,899	50,862	57,116	50,860

SYNTHESIS ENERGY SYSTEMS, INC.
(A Development Stage Enterprise)

Consolidated Balance Sheets
(In thousands)
(Unaudited)

	December 31, 2012	June 30, 2012
ASSETS		

Current assets:		
Cash and cash equivalents	\$ 23,303	\$ 18,035
Accounts receivable	102	316
Prepaid expenses and other current assets	2,449	2,015
Inventory	<u>23</u>	<u>23</u>
Total current assets	25,877	20,389
Property, plant and equipment, net	33,115	33,942
Intangible assets, net	1,060	1,126
Investment in Yima joint ventures	33,164	33,340
Other long-term assets	<u>3,830</u>	<u>4,050</u>
Total assets	<u>\$ 97,046</u>	<u>\$ 92,847</u>

LIABILITIES AND EQUITY

Current liabilities:		
Accrued expenses and accounts payable	\$ 7,780	\$ 8,080
Current portion of long-term bank loan	<u>2,450</u>	<u>2,435</u>
Total current liabilities	10,230	10,515
Long-term bank loan	<u>1,161</u>	<u>2,372</u>
Total liabilities	11,391	12,887

Equity:

Common stock, \$0.01 par value: 200,000 shares authorized: 62,577 and 52,022 shares issued and outstanding, respectively	626	520
Additional paid-in capital	221,590	207,345
Deficit accumulated during development stage	(140,696)	(131,808)
Accumulated other comprehensive income	<u>4,976</u>	<u>4,802</u>
Total stockholders' equity	86,496	80,859
Noncontrolling interests in subsidiaries	<u>(841)</u>	<u>(899)</u>
Total equity	<u>85,655</u>	<u>79,960</u>
Total liabilities and equity	<u>\$ 97,046</u>	<u>\$ 92,847</u>

SOURCE Synthesis Energy Systems, Inc.

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