



ACN: 149 622 319

Annual Financial Report 2015

CORPORATE DIRECTORY

DIRECTORS:	Merrill Gray Simon Heggen Dr David Craze
COMPANY SECRETARY:	Ian Gregory
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ACCOUNTANTS:	Red Consulting International Pty Ltd, Level 2, 371 Spencer St, Melbourne, VIC 3000.
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Company Website:

www.biosyngas.com.au

This annual report covers the Entity comprising BioSyngas Limited. The Entity's presentation currency is Australian Dollars (\$). The functional currency of BioSyngas Limited is Australian Dollars (\$). A description of the Entity's operations and of its Principal activities is included in the Review of operations and activities in the Directors' Report.

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DIRECTORS' REPORT

The directors of BioSyngas Limited ("BioSyngas" or the "Company") present their report including the Annual Financial Statements of the Company for the year ended 30 June 2015 and the Independent Audit Report for the 2014/2015 Annual Financial Statements of the Company.

Director details

The following persons were directors of BioSyngas during or since the end of the financial year:

Simon Heggen

B.Ec., LLB.

Independent Non-Executive Director and Chairman

Appointed: 8 May 2013 and continues in office.

Simon has 30 years' experience in strategic planning, corporate development, mergers and acquisitions and corporate finance primarily within the resources sector. He was an Investment Banker during the late 1980s and early 1990s before joining Wesfarmers' Business Development team. He later joined WMC Resources where he worked on a number of corporate transactions including the BHB Billiton Limited takeover. Afterwards he worked with Boral Limited in Sydney as General Manager, Business Development and Strategic Planning before moving into stockbroking then becoming Managing Director and CEO of a listed exploration company Resource Star Ltd between 2011 and early 2013. He is also a Non-Executive Director and member of the Remuneration committee for Metals X Limited.

Dr David Craze

BE, MEng, PhD.

Non-Executive Director

Appointed: 17 October 2012 and continues in office.

During his 40 year career David has worked on nuclear energy, Liquefied Natural Gas (LNG), natural gas and coal to liquids projects. These projects have included both the Domgas and LNG phases of the North West Shelf Project for Woodside Offshore Petroleum and work on the Qatargas LNG Project in the United States and Japan for Marubeni Corporation. He was part of the study team for the Gorgon LNG Project and was involved in the Alaska North Slope LNG Project. He currently provides expert technical consultancy advice to a number of Australian coal based value adding projects, particularly in the area of coal to liquids and coal to urea.

Merrill Gray

B.Sc, B.Min.Tech., M.B.A., MAICD, MAIE.

Managing Director and Chief Executive Officer

Appointed: 2 March 2011 and continues in office. *Appointed to the Board of Syngas Limited, BioSyngas' past parent company, on 15 January 2008, resigned from Syngas Limited's board on 8 May 2013.*

Merrill has 25 years' experience in the resources and energy sectors in Australia including 10 years with WMC Resources where she held engineering, business analysis, strategic planning and production management roles. She subsequently established a management consulting business which she managed until she was appointed Managing Director of Syngas Limited in January 2008 (then listed as GulfX Limited) after the acquisition of Syngas Energy Pty Ltd, a coal to liquids project development company she was founder of. In May 2013 Merrill moved to the role of Managing Director of BioSyngas Limited when the Company was demerged from Syngas, through an in specie pro-rata

DIRECTORS' REPORT

distribution of shares, to further progress the portfolio of energy projects and intellectual property that had been developed.

Company Secretary

Ian Gregory

B.Bus, FCSA, FCIS, F.Fin, MAICD.

Appointed: 28 June 2012

Ian Gregory is an experienced company secretary who worked as full time Secretary of Iluka Resources Limited from March 1999 to December 2004. He has over 30 years' of commercial experience during which time he has provided company secretarial and business administration services across a variety of industries, including exploration, mining, mineral processing, oil and gas, banking and insurance and aged care. He consults on secretarial matters to a number of listed companies and is a past Chairman of the WA State Council of Chartered Secretaries Australia.

DIRECTORS' REPORT

Principal activities

Overview

BioSyngas Limited is a public, unlisted Energy company. BioSyngas' core business is developing, owning and operating renewable and gas based energy generation projects in Australia. The power and thermal energy produced by these plants is directly sold to customers.

BioSyngas utilises proven-at-scale, reliably continuously operating, energy and carbon efficient co- or tri- generation technologies, plant designs and equipment, to develop projects that meet customers' power, hot water, steam or chilling requirements. The energy produced from these plants by BioSyngas is sold directly to customers at a lower cost than from their current sources. Typically for power, that means national electricity grid supplied power and on-site customer generated heat, using natural gas fired boilers for example, Where this lower cost energy can be sustainably supplied by BioSyngas into the future.

BioSyngas' focus is relatively small scale (1 to 10) MW_e plus thermal energy plants directly supplying power and heat to industrial customers in the food processing, manufacturing and sawmilling sectors. BioSyngas' typical customer is a relatively large energy consumer, operating continuously. BioSyngas meets the customers' baseload power and overall heat requirements through the installation of an onsite co-generation plant, with remaining power requirements supplied through and ongoing connection to the national electricity grid, which also mitigates against disruptions.

Increasingly, BioSyngas is being asked by its potential customers to deliver a fully integrated, overall or total lower cost energy solution. To achieve this BioSyngas has entered into a strategic alliance with a licensed power retailer, and has established links with commercial solar companies as well as with providers of sophisticated demand side management tools. Delivery of this total package allows BioSyngas to become the customers *Energy Partner* and work with them over the longer term to deliver further lower cost, energy efficient solutions.

In delivering BioSyngas' business model the Company's feedstock focus when in terms of renewables is Biomass. Specifically, waste wood from sawmilling and commercial forestry activities i.e. "bin wood", clean industrial wood waste and agricultural residues, specifically excess residual straw (post harvest of grain and soil renutrification). All biomass used is sourced in close proximity to customers, on a project-by-project basis. BioSyngas has invested in feedstock matched bio-energy technology identification, assessments and due diligence including operating site visits over the past few years and is now working with a preferred bio-energy technology provider. This provider is well established with a portfolio of reliably operating at scale bio-energy projects utilising waste wood feedstock located around the world. BioSyngas plans to bring this technology to Australia for the first time and successfully apply it.

BioSyngas also utilises natural gas as feedstock for projects, sourced from established gas supply networks/suppliers, particularly within States in Australia where natural gas makes up a significant proportion of the feedstock used for generation of baseload and peaking power that is transmitted and distributed to customers through the national electricity grid. Some of BioSyngas' customers through their routine business processes and operations produce biogas (which is predominantly methane gas and is produced as a result of fermentation of organic matter) that can be incorporated and used as a feedstock. The appropriate well established gas technologies by way of Gas engine or turbine are selected and applied on a project-by-project basis.

Over the financial year BioSyngas has continued to build a relationship and has more recently entered into a Project Development Agreement (PDA) with an established Australian co-generation project

DIRECTORS' REPORT

Engineering and Engineering, Procurement and Construction Management (EPCM) company that has successfully developed over 20 gas co-generation plants of around the (1 to 8) MW_e scale, over the past 20 years. This company is well aligned with the projects under development by BioSyngas and our relationship has allowed constructed, reliably operating plants to be visited by potential customers. The PDA contains a range of other benefits.

Significant power price increases have taken place in Australia over the past 10 years, providing the foundation for BioSyngas business model. While over the past year wholesale power prices have eased, as a result of reduced industrial demand bought about through energy efficiency improvements and reduced economic activity within the Australia's softening economic climate, network prices have continued to increase. Over the financial year east coast domestic natural gas prices were widely expected to increase as all three of the Queensland (Gladstone) Liquefied Natural Gas projects under development coming on-line and reaching full production capacity. However construction delays have meant that that over the coming year these increases are now expected. Total energy cost savings of up to 20% are available to customers, savings that are achievable as a direct result of electricity network charges now comprising a significant proportion of electricity costs in Australia. BioSyngas' business model centres on demand charge reductions, through the direct assumption of baseload demand for customers, network cost avoidance through direct supply, and energy efficiency gains through the use of co - and tri -generation technologies.

The benefits for BioSyngas' customers lie in reliable, sustained lower relative cost, energy efficient, lower carbon emission electrical power and thermal energy supplies. With reduced exposure to natural gas prices for customers particularly when it comes to BioSyngas' biomass based plants

BioSyngas has over the financial year progressed a portfolio of biomass and gas projects through various stages of the project development cycle, from Scoping through to early stage Bankable/Definitive Feasibility Study (BFS) work. As yet, BioSyngas has not delivered a project, that is, brought it through BFS into detailed engineering and construction and through to production and thus generate cashflow and profit. This is the Company's current priority and target.

The past 12 months have not been favourable in relation to BioSyngas' progress against its strategic and shorter term objectives. Withdrawal of the Carbon Tax in conjunction with extended political debate regarding the Renewable Energy Target (RET) created an uncertain market for investors. Moreover the ongoing impact of global economic conditions impacted Australian investor confidence in relation to investments that may be perceived as new or innovative.

Separately to its biomass and gas projects, BioSyngas also holds Intellectual Property relating to the integration of large scale liquid transportation fuel (diesel equivalent) conversion technologies using natural gas or coal in particular brown coal or lignite feedstock (referred to as Coal to Liquid (**CTL**) or gas to liquid (**GTL**)). Potential projects have been identified. Market conditions including the price of diesel and oil continue to be monitored in relation to specific opportunities being pursued.

The past year

The principal activities of the Company during the year were development of biomass and gas based energy generation projects in Australia, with the aim of successfully completing one or more BFS and bringing one project in BioSyngas' portfolio through to construction ready stage or into construction.

The basis for these activities and objectives was that at the end of the 2013/2014 financial year BioSyngas had two priority projects in its portfolio:-

DIRECTORS' REPORT

- (i) a natural gas based project located in an industrial park on the outskirts of Adelaide in South Australia for which a Preliminary Feasibility Study (PFS), identifying significant potential energy cost savings (12% of site energy costs annually) for the customer, had been completed covering design options and physical layouts. These potential benefits and options had been presented to the customer;
- (ii) a commercial forestry “bin wood” based bio-energy project to supply lower cost energy to a food processor located in regional Victoria, for which an application for grant funding of \$445,000 had been lodged with the Australian Renewables Energy Agency (ARENA) by the Company under the Emerging Renewables Program (ERP).

Firstly, in terms of the gas project, as part of the commercial negotiations expected to lead to BFS progression, a Heads of Agreement was provided to the customer in October 2014. A period of consideration by the potential customer then took place including two visits by representatives to operating co-generation plants. In June 2015 BioSyngas was advised that due to other site priorities, the BFS could not progress, with a decision on the project to be reviewed again in 2016.

In terms of the biomass (“bin wood”) based project, the grant application resulted a conditional offer of \$445,000 to BioSyngas on 1 June 2015, a condition of which was for the “matching” funding investment of \$792,000 to be secured within 60 days (this was later extended by 30 days, to 28 August 2015). Despite the Company’s fund raising efforts including use of external specialist facilitators and interest being expressed by both local and overseas investors, the “matching” funding were not raised in this timeframe and the grant could not be taken up.

In addition to the aforementioned projects, at outset of the financial year the Company had other projects at various stages of development with varying prospectivity including a biomass (plantation trimmings) based project in the Douglas Daly which is in the Northern Territory. The project concept was one of a demonstration 1 MW_e waste wood fed co-generation plant supplying power and heat to a co-located 20,000 tonnes per annum, export quality wood pellet plant. BioSyngas ceased work on this project during the year to ensure the Company’s limited resources were focussed on the two most prospective projects in the portfolio.

For much of 2014/2015 the Company’s limited working and project capital was consumed during highly protracted decision making on projects impacted on by the prevailing business environment..

Towards the end of the financial year, BioSyngas was introduced to two potential customers that leverage strongly off the development work completed on all other projects to date. They are:

- (i) a natural gas based project for a large abattoir located in an industrial area of Melbourne, Victoria, and
- (ii) a regional Victoria Bio-Energy project at a large sawmill, utilising sawmill and wood manufacturing wood waste as feedstock, sourced from site.

The Company’s short term focus is to establish the commercial basis and funding for one of these projects to proceed into BFS within the next 3 months.

Interest from private investors in relation to the sawmill based Bio-Energy project has increased, led partly by improved outlooks for Renewable Energy Certificates, now the RET has been finalised, supported by several recent initiatives announced through the Federal and Victorian Governments including grants focussed on the development of this type of project.

DIRECTORS' REPORT

Finally in terms of funding, last financial year, on 5 June 2014, a Replacement Prospectus detailing a non-renounceable rights issue of up to 25,000,000 new fully paid ordinary shares at an issue price of \$0.05 per share on the issue basis of 2 new shares for every 1 BioSyngas share held by shareholders on 6 June 2014, with 1 free attaching option issued for every 2 new shares issued, was released. This offer closed on 30 June 2014. It resulted in \$216,502.05 cash being raised through the issue of 6,330,041 shares being issued and 3,165,022 options on 4 July 2014. This Prospectus remained open during the 2014/2015 financial year under ASIC regulations, closing on 5 July 2015. An application was made to extend the Prospectus closing date make it easier for investors during the period the conditional grant was offered, however an extension was not granted and no further funds were raised through the Prospectus. Other options for investment in the Company remain available, subject to applicable regulatory and shareholder approvals.

While the Company continues to actively seek investment, BioSyngas' inability to raise further working capital and project development funds will significantly impact the Business ability to continue.

There was no CTL or GTL activity during the year, other than monitoring activities.

There were no significant changes in the nature of the Company's principal activities during the financial year.

Looking forward

Project development and the continued operation of BioSyngas Limited is subject to further funding being secured. Whilst the majority shareholder's support remains strong in the short term, BioSyngas' inability to raise further working capital and project development funds in the medium term will significantly impact the Business' ability to continue.

Financial results

The operating loss of the Company, after income tax, amounted to \$571,155 (2014: loss of \$496,170).

Review of Operations

During the financial year the following activities were progressed to establish the Company's current project portfolio and priority projects:

- Potential Customer analysis,
- Project feedstock identification and supply cost assessments,
- Technology provider and Engineering incl. EPCM service provider relationship development,
- Completion of three new initial project assessments (Project options/early engineering and financial return analyses),
- Responses (multiple) to ARENA ERP Grant application related requests,
- Stakeholder relations management including with state and federal government, and
- Fund raising activities – During the year BioSyngas engaged on a predominantly success fee an investment facilitator with international Bio-energy project experience and worked with other Corporate advisors on a low cost basis to open the potential investor channels as widely as possible.

DIRECTORS' REPORT

Corporately, on 22 April 2015 a \$47,580 Research and Development (R & D) tax concession rebate (before costs) for the 2013/2014 financial year was received. Preparation of the R & D rebate claim for the Company for the 2014/2015 is underway.

In June 2015 a bridging loan of \$20,000 was received from M Gray.

Significant changes in the state of affairs

Since 30 June 2014 the main change in the state of affairs of the Company has been a reduction in cash reserves without a project proceeding through BFS to construction ready.

There have been some changes to BioSyngas' shareholder register over the past year. With an off market ordinary share transfer leading to a new No. 2 ordinary shareholder coming onto the Register along with some other changes across the Top 6 shareholders of the Company. The Table below sets out the current Top 10 ordinary shareholders, which can be compared to last year's shown on p. 7 of the BioSyngas Annual Report 2014).

The Company's current Top 10 ordinary shareholders, by shareholding and by holding entity, including Options held at the date of signing of the Financial Report are listed in the table below.

	Shareholders by entity	No. of Shares	% of total shareholding	No of Options	% of total Options
1	Dr David Craze	10,000,000	53.11	2,500,000	78.99
2	TPG Australasia Pty Ltd	3,685,430	19.57		
3	Mr Mark Tkocz	1,007,739	5.35	500,000	15.80
4	Swann & Jenkins Pty Ltd	512,219	2.72		
5	Azalea Family Holdings Pty Ltd	380,244	2.02		
6	Citicorp Nominees Pty Limited	105,313	0.56		
7	Leet Investments Pty Ltd	83,844	0.45		
8	JEMPH Pty Ltd	64,495	0.34		
9	ATA Trading Pty Ltd	64,026	0.34		
10	Mr Keith Kahler	59,921	0.32		
	Sub Total	15,963,231	84.78	3,000,000	94.79
	Other Shareholders (Approximately 1264 other shareholders)	2,866,810	15.22	165,022	5.21
	Total	18,830,041	100	3,165,022	100

Unlisted

BioSyngas is not currently listed on the Australian Securities Exchange (ASX) and as a result its securities are not publicly traded. BioSyngas (BISU) shares can be sold or transferred at any time to any party at an agreed price. To proceed with such a transaction shareholders must complete a standard or 'off market' transfer form as the seller and have the purchasing party complete the appropriate sections of the same form. This form is available from Link Market Services, BioSyngas' share registry manager, and/or other sources.

DIRECTORS' REPORT

Dividends

No dividends have been paid or declared since the start of the financial year.
The directors have recommended that no dividend be paid in respect of the year ended 30 June 2015.

Options

There are 3,165,022 options on issue (issued on 4 July 2014) as a result of the Rights Issue completed 30 June 2014. These options have an exercise price \$0.05 each and expire on the 2 year (second) anniversary of the Issue i.e. 4 July 2016.

Events arising Subsequent to the end of the reporting period

On 5 July 2015 in accordance with ASIC regulations, the 5 June 2014 Rights Issue Replacement Prospectus closed.

On 20 July 2015 a further \$20,000 bridging loan was extended to the Company by M Gray.

On 28 August 2015 BioSyngas' management advised ARENA that it would not be taking up the \$445,000 conditional grant offered, as a result of matching funds not being secured within the timeframe provided.

The Company has a continued need for funds to meet working capital and to advance the projects under development.

No further matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Company, the results of its operations, or the state of affairs of the Company in subsequent financial years.

Likely developments and Expected results

It is the Board's current intention to continue to focus on the Company's principal activities and for business continuity to be maintained details of which are set out within this report.

However future activities are dependent on funding, hence no particular activities can be guaranteed at this stage. The Directors are continually reviewing:

- (a) the Company's ability to undertake its principal activities; and
- (b) the means of progressing the Company's strategy; and
- (c) the basis for timely and appropriate decision making.

Environmental Regulation and Performance

BioSyngas' activities are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for the Company to achieve.

Instances of environmental non-compliance by an activity, project or operation are identified either by internal compliance audits or inspections by relevant government authorities.

There have been no known breaches by the Company during the financial year.

DIRECTORS' REPORT

Directors' Meetings

The number of meetings of directors held during the year and the number of meetings attended by each director was as follows:

	Number eligible to attend	Number attended
Merrill Gray	11	11
Dr David Craze	11	11
Simon Heggen	11	11

Indemnifying and insuring Directors, Officers or Auditor

Directors' and officers' liability insurance and indemnity insurance premiums paid during or since the end of the financial year for any person who is or has been an officer of the Company totalled \$5,943 (2014: \$1,415). The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The auditor is not indemnified under any circumstance.

Proceedings on Behalf of the Company

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under s.307C of the *Corporations Act* is included in page 13 of this financial report and forms part of this Directors' report.

Signed in accordance with a resolution of the directors.



Merrill Gray
Managing Director

17 September 2015

DIRECTORS' DECLARATION

1. In the opinion of the directors of BioSyngas Limited :
 - a. The financial statements and notes of BioSyngas Limited are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of its financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - ii. complying with Accounting Standards (including the Australian Accounting Interpretations and the *Corporations Regulations 2001*); and
 - b. Subject to Note 3 to the Financial Report, there are reasonable grounds to believe that BioSyngas Limited will be able to pay its debts as and when they become due and payable.
2. The financial statements comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:



Merrill Gray
Managing Director

17 September 2015

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF BIOSYNGAS LTD**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015, there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



NEXIA MELBOURNE
ABN 16 847 721 257



GEORGE S DAKIS
Partner
Audit & Assurance Services

Melbourne

17 September 2015

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STATEMENT OF FINANCIAL POSITION

	Notes	2015 \$	2014 \$
Current assets			
Cash and cash equivalents	12	30,846	23,660
Other receivables	11	4,069	7,238
Total current assets		<u>34,915</u>	<u>30,898</u>
Non-current assets			
Intangible assets	7	284,320	545,619
Deferred tax assets	10	-	-
Total non-current assets		<u>284,320</u>	<u>545,619</u>
Total Assets		319,235	576,517
Current liabilities			
Trade and other payables	16	314,946	207,550
Provisions	15	27,737	9,270
Borrowings	9	20,000	100,000
Total current liabilities		<u>362,683</u>	<u>316,820</u>
Non-current liabilities			
Deferred tax liabilities	10	82,296	160,856
Total non-current liabilities		<u>82,296</u>	<u>160,856</u>
Total liabilities		444,979	477,676
Net assets		<u>(125,744)</u>	<u>98,841</u>
Equity			
Contributed equity	13.1	1,566,502	1,250,000
Options reserve	13.2	30,068	-
Accumulated losses		(1,722,314)	(1,151,159)
Total equity		<u>(125,744)</u>	<u>98,841</u>

The accompanying notes form part of these financial statements

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2015 \$	2014 \$
Other income	6	1,633	1,336
Employee benefits expense	14	(269,402)	(143,269)
Impairment of intangible assets	7	(268,944)	(186,449)
Issue of options		(30,068)	-
Other expenses		(130,514)	(213,776)
Loss before income tax		(697,295)	(542,158)
Income tax (expense)/benefit	18	126,140	45,988
Profit for the year attributable to shareholders of the company		(571,155)	(496,170)
Other comprehensive income:			
Income tax on items that may be classified to profit or loss		-	-
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income attributable to shareholders of the company		(571,155)	(496,170)

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

	Issued capital \$	Share Options Reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2014	1,250,000	-	(1,151,159)	98,841
Shares issued	316,502	-	-	316,502
Issue of share options	-	30,068	-	30,068
Loss for the year	-	-	(571,155)	(571,155)
Balance at 30 June 2015	1,566,502	30,068	(1,722,314)	(125,744)
Balance at 1 July 2013	1,250,000	-	(654,989)	595,011
Loss for the year	-	-	(496,170)	(496,170)
Balance at 30 June 2014	1,250,000	-	(1,151,159)	98,841

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

	Note	2015 \$	2014 \$
Operating activities			
Payments to suppliers and employees		(270,884)	(224,419)
Research and development tax rebate received		47,580	193,422
Interest received	17	1,633	1,336
Withholding taxes refunded		-	1,965
Net cash used in operating activities	20	<u>(221,671)</u>	<u>(27,696)</u>
Investing activities			
Payments related to other intangible assets	7	<u>(7,645)</u>	<u>(98,820)</u>
Net cash used in investing activities		<u>(7,645)</u>	<u>(98,820)</u>
Financing activities			
Proceeds from equity issues		216,502	-
Proceeds from borrowings		20,000	100,000
Net cash from financing activities		<u>236,502</u>	<u>100,000</u>
Net change in cash and cash equivalents		7,186	(26,516)
Cash and cash equivalents, beginning of year		23,660	50,176
Cash and cash equivalents at end of year	12	<u>30,846</u>	<u>23,660</u>

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 Nature of operations

BioSyngas Limited's principal activities are the development of relatively small scale (1 to 10) Megawatt electricity and thermal energy e.g. hot water or steam, energy generation plants in Australia using co-generation or tri-generation technologies. Supplying the energy produced directly to industrial customers, BioSyngas' projects utilise renewable feedstock, namely biomass (wood waste) or biogas, or natural gas. BioSyngas also holds intellectual property relating to the development of fully integrated, proven-at-scale equipment based, above ground Coal to Liquid (CTL) projects to produce diesel predominantly, at around 3,800 barrel a day scale.

2 General information and statement of compliance

These general purpose financial statements of the Company have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). BioSyngas Limited is a for-profit entity for the purpose of preparing the financial statements.

BioSyngas Limited is a public Company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is Suite 9.09, Level 9, 365 Collins Street, Melbourne, Australia.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded off to the nearest dollar unless stated otherwise.

The financial statements for the year ended 30 June 2015 (including comparatives) were approved and authorised for issue by the Board of Directors on 17 September 2015 (see Note 25).

3 Going concern

The Company recorded a loss after tax of \$571,155 for the year ended 30 June 2015 (2014: Loss after tax of \$496,170), net cash inflows of \$7,186. (2014: outflows of \$26,516) and has net current liabilities of \$327,768 at 30 June 2015 (2014: \$285,922). The Company's cashflow forecast shows it will require additional funding to enable it to meet its minimum administrative and project expenditure requirements and other expenditure commitments for at least 12 months from the date of signing these financial statements.

The financial report has been prepared on the basis that the Company can continue to meet its obligations as and when they fall due and can therefore continue normal activities, including the settlement of liabilities and the realisation of assets in the ordinary course of business. In arriving at this position the directors have had regard to the fact that they have actively pursued further funding initiatives to provide additional working capital.

On 4 July 2014 the Company completed a Rights Issue which raised capital of \$216,502 with the issue of 4,330,041 ordinary shares to participating shareholders. In addition, 2,000,000 ordinary shares were issued to Dr David Craze. Payment for these shares was settled by the conversion of the bridging loan provided by Dr. Craze into share capital in accordance with the terms and conditions of the Rights Issue Prospectus dated 5 June 2014. In total 6,330,041 ordinary shares were issued under the Rights Issue. In addition, 3,165,022 Options attached to the Rights Issue were issued to participating shareholders.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015 working capital of \$20,000 was loaned to the Company by Merrill Gray. Subsequent to year end a further \$20,000 was loaned by Merrill Gray for use as working capital and a commitment to fund further limited working capital was confirmed by her by way of a Letter of Support. In addition and subsequent to year end, a commitment to fund further limited working capital was confirmed by way of a Letter of Support from Dr David Craze. Both of these directors have also undertaken to forego ongoing or past outstanding directors' fees, salaries and loans until the Company has sufficient funds to pay the amounts outstanding in full or, alternatively, convert some or all of the amounts outstanding into shares in the Company or, enter into negotiations that may result in some or all of the amounts outstanding being reduced or forgone. Any conversion would be subject to regulatory requirements which would be met in relation to any conversion of outstanding fees, salaries and loans into equity.

The Directors continue to seek investment in the Company. The Company's status particularly in relation ASIC's Regulatory Guide 217, and under s588G of the Corporations Act 2001 is continually under review. Any future course of action taken by the Directors on behalf of the Company in terms of its continuity, direction or activities will take into consideration all relevant factors including the Company's income and capital requirements and the level of debt with the appropriate legal and accounting professional advice obtained.

Should the Directors not achieve the matters set out above, there is significant uncertainty whether the Company will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

4 Changes in accounting policy

4.1 Adoption of New and Revised Accounting Standards

During the current year, the Company adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these Standards has not significantly impacted the recognition, measurement and disclosure of any transactions.

4.2 New accounting Standards for Application in Future Periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Company, together with an assessment of the potential impact of such pronouncements on the Company when adopted in future periods, are discussed below:

AASB 9: *Financial Instruments* (December 2014) and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

These Standards will be applicable retrospectively (subject to the comment on hedge accounting below) and include revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS

The key changes made to the Standard that may affect the Company on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Company's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018).

This Standard, when effective, will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. The core principle of AASB 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step model:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognise revenue when (or as) the performance obligation is satisfied.

AASB 15 also requires enhanced disclosures regarding revenues.

This Standard will require retrospective restatement and is available for early adoption.

The directors anticipate that the adoption of AASB 15 will not have an impact on the Company's financial statements.

5 Summary of accounting policies

5.1 Overall considerations

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

5.2 Foreign currency translation

Functional and presentation currency

The financial statements are presented in Australian dollars (AUD), which is also the functional currency of the Company.

NOTES TO THE FINANCIAL STATEMENTS

5.3 Revenue

Revenue is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

Interest income

Interest income and expenses are reported on an accrual basis using the effective interest method.

5.4 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin. Expenditure for warranties is recognised and charged against the associated provision when the related revenue is recognised.

5.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in 'finance costs'.

5.6 Intangible assets

Recognition of intangible assets

Acquired intangible assets

Acquired intangible assets are capitalised on the basis of the costs incurred to acquire the asset.

Internally developed technology

Expenditure on the research phase of projects to develop new technology is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Company intends to and has sufficient resources to complete the project
- the Company has the ability to use or sell the technology
- the technology will generate probable future economic benefits.

Costs that are directly attributable to the Knowledge Base of the Company in its development of projects are recognised as intangible assets provided the criteria listed above are met.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs incurred on technology development along with an appropriate portion of relevant overheads and borrowing costs.

NOTES TO THE FINANCIAL STATEMENTS

Subsequent measurement

All intangible assets, including internally developed technology, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 5.8. The useful life of technology is considered to be 8 - 10 years.

Any capitalised internally developed technology that is not yet complete is not amortised but is subject to impairment testing as described in Note 5.8.

Amortisation has been included within depreciation, amortisation and impairment of non-financial assets.

Subsequent expenditures on the maintenance of technology are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

5.7 Leased assets

Operating leases

All other leases are treated as operating leases. Where the Company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

5.8 Impairment testing of intangible assets and plant and equipment

For impairment assessment purposes, assets are Companyed at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units are charged pro rata to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

5.9 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- o other receivables

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a Company of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in Companies, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified Company.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS

5.10 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Company's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

5.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

5.12 Equity, reserves and dividend payments

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Retained earnings includes all current and prior period retained profits.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

All transactions with owners of the parent are recorded separately within equity.

NOTES TO THE FINANCIAL STATEMENTS

5.13 Employee benefits

Short-term employee benefits

Short-term employee benefits, including annual leave entitlement, are current liabilities included in employee benefits, measured at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

5.14 Provisions, contingent liabilities and contingent assets

Provisions for legal disputes, onerous contracts or other claims are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

5.15 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

5.16 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

Capitalisation of Internally developed technology

Distinguishing the research and development phases of a new technology project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired (see Note 5.8).

NOTES TO THE FINANCIAL STATEMENTS

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions (see Note 10).

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment

The Group assesses impairment at the end of each reporting period by evaluation of conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations, which incorporate various key assumptions. (see Note 5.8).

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

6 Revenue

The Company's revenue may be analysed as follows:

	2015	2014
	\$	\$
Other income		
Interest received	1,633	1,336
	<u>1,633</u>	<u>1,336</u>

NOTES TO THE FINANCIAL STATEMENTS

7 Intangible assets

Details of the Company's intangible assets under development and their carrying amounts are as follows:

	Knowledge Base	Bomen Project \$	Coal to Liquid Project \$	Morwell Project	Geelong Project	Douglas Daly Project	Salisbury South Projects			National Foods	Total \$
							General Costs	Mayne Pharma	Michelles		
Gross carrying amount											
Balance at 1 July 2014	438,630	-	10,000	33,884	6,273	14,485	1,745	12,000	23,802	4,800	545,619
Addition, internally developed	-	-	-	98	2,700	39	3,475	1,333	-	-	7,645
Transfer (to)/from other projects	-	-	-	-	-	-	-	-	-	-	-
Impairment	(212,065)	-	-	-	-	(14,524)	(5,220)	(13,333)	(23,802)	-	(268,944)
Balance at 30 June 2015	226,565	-	10,000	33,982	8,973	-	-	-	-	4,800	284,320
Gross carrying amount											
Balance at 1 July 2013	-	623,248	10,000	-	-	-	-	-	-	-	633,248
Addition, internally developed	1,831	-	-	33,884	6,273	14,485	5,220	13,329	23,798	-	98,820
Transfer (to)/from other projects	436,799	(436,799)	-	-	-	-	-	-	-	-	-
Impairment	-	(186,449)	-	-	-	-	-	-	-	-	(186,449)
Balance at 30 June 2014	438,630	-	10,000	33,884	6,273	14,485	5,220	13,329	23,798	-	545,619

Intangible assets relate to the development costs capitalised for the internal development of projects which have been assessed to have a finite life equivalent to the life of the projects. As the assets have not yet been completed, no amortisation has been recorded during the year. The carrying values are subject to impairment testing in line with the accounting policy described in Note 5.8. Impairment losses of \$268,944 were recognised in the 2015 financial year (2014: \$186,449).

NOTES TO THE FINANCIAL STATEMENTS

8 Operating lease as lessee

The Company leases an office under an operating lease on a 'month-to-month' basis. Therefore the future minimum lease payments represent only one month of future rental.

At 30 June 2015 the Company did not hold any other operating leases.

	2015 \$	2014 \$
Minimum lease payment due within 1 year	8,216	18,076

9 Financial assets and liabilities

9.1 Categories of financial assets and liabilities

The carrying amounts presented in this statement of financial position relate to the following categories of assets and liabilities:

	2015 \$	2014 \$
Financial assets		
Cash and cash equivalents	30,846	23,660
	<u>30,846</u>	<u>23,660</u>
Financial liabilities		
Trade and other payables	314,946	207,550
Current borrowings	20,000	100,000
	<u>334,946</u>	<u>307,550</u>

See note 5.9 for a description of the accounting policies for each category of financial instruments. Information relating to fair values is presented in the related notes. The methods used to measure fair value are described in Note 5.10. A description of the Company's financial instrument risk, including risk management objectives and policies is given in Note 23.

9.2 Current borrowings

Current borrowings include the following financial liabilities

	2015 \$	2014 \$
Financial liabilities measured at amortised cost:		
Loan from Director	20,000	100,000
Total current borrowings	<u>20,000</u>	<u>100,000</u>

The loan from the Director is unsecured and non-interest bearing. Repayment is contingent on the Company having sufficient funds to repay the loan or, as otherwise agreed, convert all or part of the loan into equity. Further details are outlined Note 3.

NOTES TO THE FINANCIAL STATEMENTS

10 Deferred tax assets and liabilities

	2015 \$	2014 \$
Deferred tax assets		
Tax losses	239,657	160,432
Leave provisions	7,256	2,781
s40-880 costs	1,591	7,519
Accruals	3,132	10,141
Derecognition of deferred tax asset balances	(251,636)	(180,873)
	-	-
Deferred tax liabilities		
Intangible assets	82,296	160,686
Prepayments	-	170
	82,296	160,856

11 Other receivables

	2015 \$	2014 \$
Other receivables consist of the following:		
Prepayments	3,272	4,503
GST receivable	797	2,706
Other	-	29
	4,069	7,238

All amounts are short term and have been reviewed for indicators of impairment. No impairment losses have been recorded.

12 Cash and cash equivalents

	2015 \$	2014 \$
Cash and cash equivalents consist of the following:		
Cash at bank and on hand	30,846	23,660
	30,846	23,660

13 Equity

13.1 Contributed Equity

	No. of Shares	Issue Price \$	\$
Ordinary shares	12,500,000	0.10	1,250,000
	6,330,041	0.05	316,502
	<u>18,830,041</u>		<u>1,566,502</u>

NOTES TO THE FINANCIAL STATEMENTS

13.2 Options Reserve

On 4 July 2014 the Company completed a Rights Issue which raised capital of \$216,502 with the issue of 4,330,041 ordinary shares to participating shareholders. In addition, 2,000,000 ordinary shares were issued to Dr David Craze. Payment for these shares was settled by the conversion of the bridging loan provided by Dr. Craze into share capital in accordance with the terms and conditions of the Rights Issue Prospectus dated 5 June 2014. In total 6,330,041 ordinary shares were issued under the Rights Issue. In addition, 3,165,022 Options attached to the Rights Issue were issued to participating shareholders.

No. of Options	Exercise Price \$
3,165,022	0.05

The fair values of options granted were determined using a variation of the binomial option pricing model that takes into account factors specific to the share incentive plans, such as the vesting period, underlying volatility and a risk free interest rate.

The underlying expected volatility was determined by reference to historical data of the Company's shares over a period of time. No special features inherent to the options granted were incorporated into measurement of fair value.

In total, \$30,068 has been included in the Profit and Loss and credited to share option reserve.

14 Employee benefits expense

	2015 \$	2014 \$
Expenses recognised for employee benefits are analysed below:		
Wages and salaries	187,162	113,879
Directors' fees	60,530	60,778
Superannuation entitlements	21,710	20,453
Transferred to Intangible Asset	-	(51,841)
	<u>269,402</u>	<u>143,269</u>

15 Provisions

	2015 \$	2014 \$
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The carrying amounts and movements are as follows:

Current

Provision for annual leave

Carrying amount at the beginning of the financial period	9,270	2,935
Movement in provision	(4,405)	6,335
Carrying amount at the end of the financial period	<u>4,865</u>	<u>9,270</u>

Provision for long service leave

Carrying amount at the beginning of the financial period	-	-
Movement in provision	22,872	-
Carrying amount at the end of the financial period	<u>22,872</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

16 Trade and other payables - current

2015
\$

2014
\$

Current trade and other payables recognised consist of the following:

Trade payables	9,695	3,402
Credit cards	(1,398)	1,227
Other payables	2,130	5,032
Accrued expenses	304,519	197,889
	<u>314,946</u>	<u>207,550</u>

17 Finance income

2015
\$

2014
\$

Finance income for the reporting periods consists of the following:

Interest income from cash and cash equivalents	1,633	1,336
	<u>1,633</u>	<u>1,336</u>

18 Income tax benefit

The major components of tax benefit and reconciliation of the expected tax benefit based on the effective tax rate of BioSyngas Limited at 30% (2014: 30%) and the reported tax benefit in profit or loss are as follows:

	2015 \$	2014 \$
Loss before tax	(697,295)	(542,158)
Tax rate for BioSyngas Limited	30%	30%
Expected income tax benefit	<u>(209,189)</u>	<u>(162,648)</u>
Adjustments:		
Expenditure not allowable for tax purposes	7,705	261
Research and development tax concession	(47,580)	(193,422)
Prior year under/over	-	128,948
De-recognition of deferred tax asset balances	122,924	180,873
Income tax benefit reported	<u>(126,140)</u>	<u>(45,988)</u>

19 Auditor remuneration

2015
\$

2014
\$

During the year the following fees were paid or payable for services provided by the auditor of the Company:

Audit or review of financial reports	8,900	8,500
	<u>8,900</u>	<u>8,500</u>

NOTES TO THE FINANCIAL STATEMENTS

20 Reconciliation of cash flows from operating activities

	2015	2014
	\$	\$
Cashflows from operating activities		
Loss for the period	(571,155)	(496,170)
Adjustments for non-cash items	299,012	186,449
Net changes in working capital:		
Changes in other receivables	1,938	5,759
Changes in deferred tax assets	-	173,707
Changes in prepayments	1,231	4,784
Changes in trade and other payables and provisions	125,863	124,048
Changes in deferred tax losses	(78,560)	(26,273)
Net cash used in operating activities	(221,671)	(27,696)

21 Related party transactions

The company's related parties include its key management personnel.

Transactions with key management personnel

The key management personnel of the Company include the Chief Executive Officer and members of the Board of Directors. Key Management personnel remuneration includes the following expenses:

	2015	2014
	\$	\$
Short-term employee benefits		
Salaries and wages	168,000	159,385
Directors' fees	60,530	60,779
	228,530	220,164
Post employment benefits		
Superannuation	21,710	20,452
	21,710	20,452
Total remuneration	250,240	240,616

22 Capital commitments

Capital commitments relate to items of intangible asset development where funds have been committed but the assets not yet received.

As at the reporting date there were no capital commitments.

NOTES TO THE FINANCIAL STATEMENTS

23 Financial risk management

The Company's accounting policies in respect of financial instruments, including the terms and conditions of each class of financial asset, financial liability and equity instrument at 30 June 2015 are as follows:

Financial Instruments	Terms and Conditions and Interest Rate Risk
Cash and cash equivalents	Bank deposits are either held at call, subject to notice of withdrawal or subject to maturity after a specified period of time. All cash held is subject to floating interest rate risk. The year end interest rate on the Australian bank account balance was 1.4% (2014: 2.25%).
Other receivables	There are no specific terms and conditions that may affect the amount, timing and certainty of future cash flows as they are all managed on a case by case basis. These are non interest bearing and there is no exposure to interest rate risk.
Accounts Payable	There are no specific terms and conditions that may affect the amount, timing and certainty of future cash flows as they are all managed on a case by case basis. These are non interest bearing and there is no exposure to interest rate risk.

Financial Risk Management Objectives And Policies

The Company's principle financial instruments comprise cash and short-term deposits. The Company also has trade payables, which arise directly from its operations. The Company's policy is that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are cash flow interest rate risk and credit risk. The Board reviews each of these risks on an on-going basis.

The Company holds the following financial instruments:

	2015 \$	2014 \$
Financial assets		
Cash and cash equivalents	30,846	23,660
	<u>30,846</u>	<u>23,660</u>
Financial liabilities		
Trade and other payables	314,946	207,550
Current borrowings	20,000	100,000
	<u>334,946</u>	<u>307,550</u>

NOTES TO THE FINANCIAL STATEMENTS

Interest Rate Risk

The only exposure of the Company to interest rate risk is that arising from the variable interest rate movements on cash deposits held by the Company in recognised financial institutions and classified on the balance sheet as cash and cash equivalent assets. The Company has no other assets or liabilities subject to interest. The Company's income and operating cash flows are subject to changes in the market rates. The Company does not use derivative instruments to mitigate exposure as market changes in interest rates will not have a material impact on the profitability or operating cash flows of the Company. The Company adopts a policy of ensuring that it maintains excess cash and cash equivalents in variable interest bearing accounts. If interest rates had moved at 30 June and all other variables held constant, the loss before tax, cash flow and equity would be affected as illustrated in the following table.

The 100 basis points sensitivity is based on reasonably possible movements over a financial year, after observation of historical rate movements during the past 5 year period and expectations of future movements.

	Loss before tax and equity	
	2015	2014
	\$	\$
+1% (100 basis points)	(576,523)	(495,969)
-0.5% (50 basis points)	(577,438)	(496,679)

Credit Risk

The Company has no significant concentration of credit risk other than its cash is held with one financial institution. Surplus cash is invested with ANZ Banking Group Limited to mitigate any credit risk in regard to the Company's cash reserves.

Capital Risk Management And Liquidity Risk

Capital is the funding required to continue the activities of the Company. The Company objective in managing capital is to safeguard the ability to continue as a going concern to provide a return to shareholders and reduce the cost of capital. In order to maintain the capital structure, the Company has undertaken capital raisings.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and requirements for future capital raisings. The Company does not have committed credit lines available, which is appropriate given the nature of the Company's operations. Surplus funds are invested in a cash management account and are available as required.

The material liquidity risk for the Company is the ability to raise equity in the future. The Company has historically raised sufficient capital to fund its operations. It is noted that the Company is able to reduce costs to preserve cash resources.

The only financial liabilities of the Company at balance date are trade and other payables. The amounts are unsecured and usually paid within 30 days of recognition.

NOTES TO THE FINANCIAL STATEMENTS

24 Post-reporting date events

Subsequent to the end of the financial period M. Gray advanced \$20,000 to the Company in the form of a working capital loan. The loan is interest free and is payable out of future Research and Development tax incentive refunds received by the company, or as otherwise negotiated. A commitment to fund further limited working capital was confirmed by way of a letter of support from Dr Dave Craze.

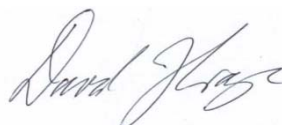
No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

25 Authorisation of the financial statements

The financial statements for the year ended 30 June 2015 (including comparatives) were approved by the Board of Directors on 17 September 2015.

A blue ink signature consisting of a stylized 'S' followed by a 'D' and a horizontal line.

Simon Heggen
Chairman

A blue ink signature in cursive script that reads 'David Craze'.

Dr David Craze
Non-Executive Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BIOSYNGAS LIMITED

We have audited the accompanying financial report of BioSyngas Limited (the company), which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of the auditor's report.

Nexia Melbourne

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Auditor's Opinion

In our opinion:

- a. the financial report of BioSyngas Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter - Material Uncertainty Regarding Continuation as a Going Concern & Recoverability of Intangible Assets

Without qualification to our opinion expressed above, we draw attention to the following matter. As a result of the matter describe in Note 3 *Going Concern* of the financial report, there is significant uncertainty whether the entity will be able to continue as a going concern, and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business in the amounts stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts, in particular the intangibles assets of \$284,320 (2014: \$545,619) in Note 7, or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.



NEXIA MELBOURNE
ABN 16 847 721 257



GEORGE S DAKIS
Partner
Audit & Assurance Services

Melbourne

17 September 2015