

*Tobin Smith:* Tobin Smith with Next Big Thing Investor. We're here with Robert Rigdon from Synthesis Energy Systems. Now, I sort of always make fun about clean coal. You're actually in the business of taking coal, turning it into methanol in China.

*Robert Ridgon:* Yes, we are.

*Tobin Smith:* Could you choose something harder to do?

*Robert Ridgon:* Yeah, probably not.

*Tobin Smith:* Dance on a pin?

*Robert Ridgon:* Actually, it was a great demonstration of our technology, what we've done there in China, and we make methanol in China. Methanol is a huge commodity, chemical market in China. Huge demand for that, and the Chinese need to derive their methanol from coal, and they need to do it cleanly.

*Tobin Smith:* Sure, absolutely.

*Robert Ridgon:* And that's what we do.

*Tobin Smith:* The secret sauce here is your technology. This is not a Fischer-Tropsch derivative?

*Robert Ridgon:* Absolutely not. Correct. Yes, the secret sauce is the technology, and in fact, actually, the technology, what it does is it transforms coal in particular, in our case, it transform low quality, low cost coal into a very clean synthesis gas, which then –

*Tobin Smith:* Which they have a lot of in China, by the way.

*Robert Ridgon:* They have a lot of these projects that do this in China. However, they deploy technologies that must run on high quality coals, which are expensive coals, and so that's sort of the unique differentiator that we bring into this equation, is coming in and opening up coals that actually cannot be accessed now, such as lignite coals and lower quality subbituminous coals.

*Tobin Smith:* I love it when you say that, by the way.

*Robert Ridgon:* Really?

*Tobin Smith:* Yeah, it's hard to pull off, because remember, in China, they have this weird problem, as you say, that they will take an expensive

energy source to create a less valuable sauce, right? And in your case, you're creating something that's more valuable with less energy.

*Robert Ridgon:* Yes, with less energy, and China's got to fuel its economy, and then we can create methanol. We create fuels. We can create industrial synthesis gas for steel making. There's a lot of market segments that we serve. So our first projects that we built now in China actually now allow us to move forward and serve those markets, not just in China, but on a global basis.

*Tobin Smith:* All right. Last time we talked, the plant was gonna be built. You were financing, et cetera. Now you have a plant that is, what, built, and you're gonna start actually putting some money out.

*Robert Ridgon:* You got it. What we've done – it takes awhile to get these plants. These plants are large. They look like a chemical facility, essentially, and what we've done is taken about three and a half years to build the plant, and we started it in the late 2009, and we made our first methanol in December of last year, and we are now continuing to bring systems online. We're starting to bring our production up and starting to make the refined methanol products, and we anticipate that we'll be making full production rights, which is about 300,000 tons a year, around June, around mid-summer.

*Tobin Smith:* So, in your structure here, you provide the technology. You ran the project, and you own how much of the plant, and what's your economic interest in the plant?

*Robert Ridgon:* Okay, what we've done here in China, we've partnered with a large state-owned enterprise in Hunan province, called **Ima** Coal Industry Group, and they – and this project is \$250 million project. They own 75 percent of it. We own 25 percent of it, and the project's financed with 50 percent Chinese debt, and so that's how we structured the project very simply inside a joint venture.

*Tobin Smith:* So, we're gonna come back in a second and then talk about sort of how you take this global, 'cause this is not just a China story. This is a global story.

*Robert Ridgon:* Absolutely right.

*Tobin Smith:* All right, good. The next big thing in coal gasification – let's call it clean coal gasification – is right here.

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*Tobin Smith:* It's Tobin Smith, back with Next Big Thing Investor; Robert Ridgon from Synthesis Energy, and we talked about you building this – helping to build \_\_\_ technology, building a plant in China that actually takes low quality coal, turns it into high-value methanol.

You guys wanting \_\_\_\_ with 25 percent of a \$250 million plant that has to be worth a significant \_\_\_\_, that simply because of the cash flow, but you got to take over the world strategy here. You're not just gonna do this in China.

*Robert Ridgon:* That's correct. Absolutely right. Building our first two projects in China was necessary. These were empty-asset investments for us, but now as we move forward, our business model is a very low capital intensity model, where we deploy technology in terms of products – technology products, equipment, and services into market segments that need this low-cost synthesis and we do it cleanly.

These market segments will be markets such as the steel industry, chemicals, fuels, and power, just to name a few that are served by synthesis gas.

*Tobin Smith:* All right, so synthesis gas, for us simpletons at home, means that you're taking coal, you're processing it in a way where it actually turns into a – is this chemistry? What's the –

*Robert Ridgon:* Yes, there is a lot of chemistry involved, actually, and what it does is it processes the coal as a chemical reaction with a coal, and what you get as an outcome of that is an extremely basic building blocks of carbon monoxide and hydrogen, which then you can put back together \_\_\_\_ catalytic processes \_\_\_\_.

*Tobin Smith:* Ah, your putting the bonds together. See, chemistry would have been so much more interesting to me if I knew there were some applications other than making wine. Now I know you can do it for gas.

So, as this product comes out, it's sold into the essentially the wholesale market, or do you sell in contracts? Or how do you –

*Robert Ridgon:* What the way we will move our technology out is through selling the equipment, our propriety equipment, which is a significant – in these projects, depending on their size, can contain anywhere from

\$50 to \$150 million worth of equipment that would come from us with a nice margin on this equipment. This is not a capital intensive \_\_\_\_\_.

In regions of the world that are demanding this low-quality coal – of course, China; other parts of Asia; India; and in fact, it's still our belief that this will have applicability in the future back here at home.

*Tobin Smith:* Right, because we have coal prices going like this, because natural gas is going like this. So you have a huge amount of coal reserves in the United States that would fit your same model, right?

*Robert Ridgon:* And not only [*inaudible due to clanking sound*] because what's really one of the unique things about us is we can transfer coal mining wastes.

So it's a total environmental story at that same time it's an economic story.

*Tobin Smith:* So let's talk economics. Are we doing any forecasting in terms of revenues? In terms of \_\_\_\_\_?

*Robert Ridgon:* Well, what we're doing is with our Ima project is we had been discussing – we own 25 percent of that project, and we anticipate that the revenues from that prom at full rights at the current methanol prices had to be somewhere between \$100 to \$150 million a year annual basis.

Now, what happens for us is we'll end up having dividends flow back out, 'cause I'm doing the cash flow for my joint venture, and that's how that particular business was worth.

In our model going forward \_\_\_\_\_.

*Tobin Smith:* You're gonna sell stuff.

*Robert Ridgon:* We're gonna sell \_\_\_\_\_ –

*Tobin Smith:* \_\_\_\_\_.

*Robert Ridgon:* – and of course, then that's a very easy business. You'll have margins –

*Tobin Smith:* A hundred percent consolidated to your income \_\_\_\_\_.

*Robert Ridgon:* Exactly.

*Tobin Smith:* So here's how we're gonna end it. You're in a business now that is – just hit the inflection point, which we love. We want to have a company that is underfollowed, undervalued, and a \$60 million market cap.

As you build this business, this is a \$100, \$200, \$300 mill business, I think, when you add it all up, and this is a time you want to be in these type of companies. This is technology that enables countries to use, as you say, waste; use the coal resources, which are massive; and actually have an outcome that's good for the country. It's good the user, and it's good for you, the investor.

So, next big thing in coal gasification. Clean coal is right here.

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