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Synthesis Energy Systems, Inc., Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Our first question comes from the line of Benjamin Kallo with Stanford Group.

Benjamin Kallo - Stanford Group

Tim, you mentioned lower capacity at YIMA, could you go into any more depth there?

Timothy E. Vail

We don't have any more definition around that Ben, but we are as stated, we're looking to make sure we conserve capital resources where we can and coming in and looking at a project that is smaller than 500,000 tons per year probably makes sense in light of this market place.

David A. Eichinger

Ben, was your question around the reduced methanol production at Hai Hua or at YIMA?

Benjamin Kallo - Stanford Group

At YIMA.

David A. Eichinger

I'm sorry. Go ahead Tim.

Timothy E. Vail

We're looking at all alternatives to ensure that we have enough corporate cash to complete the project and get EBITDA positive. So, looking at a smaller project might make sense and we are currently working with the management team at YIMA and our engineering team to find out what makes the most sense there.

Benjamin Kallo - Stanford Group

Okay. I guess bringing in another equity partner; can you go into any more depth there?

Timothy E. Vail

We have had interest from a number of credible parties that would like to participate in the project. It's in great locations, great projects, and although we don't have any announcements now, we are

looking to see if there is an interested party that could come in and join us as an equity participant at the project level.

Benjamin Kallo - Stanford Group

Would it be an either/or; so reduce the capacity or bring in a partner, or are you looking at both of these?

Timothy E. Vail

I guess I have to say wait and see. We will take all those factors into consideration when we look at who the partner is, how much they want to participate, and what the current market demand and market price for methanol in that region is.

Benjamin Kallo - Stanford Group

As far as cash burn goes, if you guys have an internal target, what is your internal target or what do you think you can get down to on a quarterly basis?

Timothy E. Vail

We are not providing guidance on that target, but we are significantly reducing SG&A across the board primarily in the United States really to reflect the lesser activity here in the US market. We are also looking at reductions in China that makes sense just when we're focused on a lower activity level there, but we will continue to make those reductions here throughout this quarter, and you'll see those reductions coming through in future quarters.

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