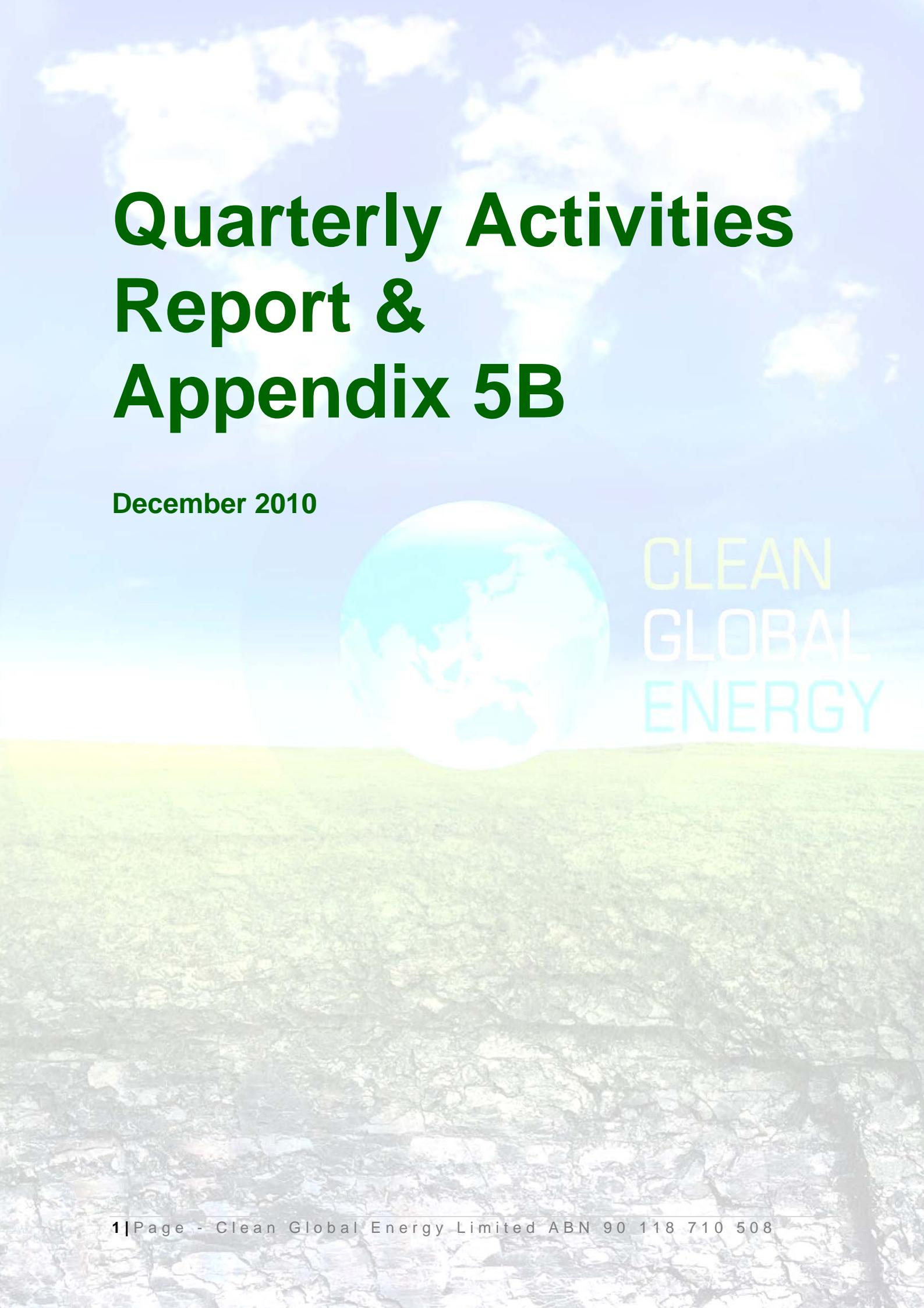


# Quarterly Activities Report & Appendix 5B

December 2010



CLEAN  
GLOBAL  
ENERGY

# Corporate Details

Clean Global Energy Limited | ABN 90 118 710 508 | And its controlled entities.

## Quarterly Report for the period ended 31 December 2010

### **DIRECTORS**

Mr. John Harkins – Chairman and CEO  
Dr. Michael Green – Technical Director  
Mr. Domenic Martino – Non Executive Director  
Ms. Alison Coutts – Non Executive Director  
Mr. Paul Hubbard – Non Executive Director

### **COMPANY SECRETARY & GENERAL COUNSEL**

Mr. Andrew Whitten

### **CHIEF FINANCIAL OFFICER**

Mr. Wayne Rossiter

### **REGISTERED AND PRINCIPAL OFFICE**

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### **SHARE REGISTRY**

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
APPLECROSS WA 6150

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# Contents

<b>Corporate Highlights</b>	<b>Page</b>
1. CGE expands into North America for \$41M yearly revenue from UCG Plant	4
2. CGE enters into non binding MOU for the supply of Syngas to AES Shady Point	5
3. CGE agrees on terms to acquire a 20MT Oklahoma mine site	6
4. CGE delivers its first Annual General Meeting Presentation to Shareholders	7

<b>Ongoing Business Development Update</b>	
1. MOU with Nagarjuna Fertilisers to develop UCG projects in India	9
2. UCG projects in China	9

<b>Financial</b>	
1. Expenditure	10
2. Proposed Commitments	10
3. Appendix 5B	11

# Corporate Highlights

## 1. CGE expands into North America

The Board of Clean Global Energy Limited (CGE) advised the market on December 6, 2010, that it had established a new US entity, Clean Global Energy Inc. (CGEI), to target underground coal gasification (UCG) projects throughout North America.

CGEI's first project in Oklahoma will see the acquisition of an existing mine site that has been mined to where the coal now becomes more suitable for extraction by UCG.

The UCG Syngas produced at the mine site is proposed to be sold to AES Shady Point's coal fired power station approximately 15 miles from the mine site as per a separate announcement on December 6.

Stage 1 of the Oklahoma Project is for the first production on site of UCG Syngas at a rate equivalent to the feedstock requirements to generate up to 25MWe of electrical power by mid-to-late 2012.

Stage 2 will work towards expanding the UCG plant to generate enough UCG Syngas for a 100MWe of co-fired power at AES Shady Point power station.

Stage 3 will be the final expansion to generate enough UCG Syngas for 300MWe. This stage also envisages AES Shady Point adding a new combined cycle gas-fired generator to its existing generating capacity.

The estimated UCG project cost for the full 300MWe Syngas Plant is approximately \$US140M-\$US150M and projected revenues at full production in excess of \$US41M per year. Funding of the project is proposed through CGE's US entity, and CGE expects to reach full production by mid-2015.

The Oklahoma Project will place CGE at the forefront of commercialising UCG in the western world. This project will be one of only a few dedicated UCG Syngas commercial production facilities selling UCG Syngas from day one to an end user.

The CGE business plan to monetise the UCG Syngas by selling Syngas as a feedstock to an end user, is now being realised.

CGE's technological advantage and expertise in the UCG industry, globally, is again being recognised by major international companies and this is leading to CGE securing outstanding opportunities and projects like our Oklahoma project.

CGE is focused on the commercial development of UCG in a number of major overseas markets and is determined to lead the way for this environmentally friendly and commercially attractive process of coal exploitation in Australia and internationally.

## **2. CGE enters into non binding MOU for the supply of Syngas to AES Shady Point Power Station**

The Board of CGE advised the market on December 6 2010, that through a newly established US entity, Clean Global Energy Inc. (CGEI), CGE had entered into an exclusive non-binding Memorandum of Understanding (MOU) with AES Shady Point LLC, an indirect, wholly-owned subsidiary of the AES Corporation.

While the key terms of the MOU are confidential, CGEI will supply AES Shady Point's coal-fired power stations with UCG Syngas from a nearby mine site from Farrell Cooper Mining with whom CGE has entered into an MOU (see next announcement for details).

The MOU with AES proposes that CGEI initially produce Syngas for 25MWe of electrical power production with an option to further expand and supply up to 300MWe in a new, dedicated, UCG Syngas combined cycle gas turbine at the Shady Point power station.

The parties are working together towards formalising a binding agreement within 120 days, during which time, regulatory amendments and approvals to use the mine site for UCG production will be sought, along with easement access for a 15 mile pipeline and funding commitments.

CGE, subject to any required shareholder approvals, proposes to fund the majority of the project through CGEI.

CGE's Chairman and CEO, John Harkins, stated "these latest MOUs further signify that CGE is increasingly being recognised globally as a leader in the provision of UCG technology and the production of UCG Syngas."

### 3. CGE agrees on terms to acquire a 20MT Oklahoma Mine Site

The Board of CGE advised the market on December 6 2010 that through its US entity, CGEI, it had agreed on terms with Farrell Cooper Mining LLC of Arkansas (FCM) to acquire an existing coal mine site, suitable for UCG and inclusive of existing approvals.

Key terms of the agreement are confidential. However, CGEI will acquire, in stages, a coal mine site with a minimum resource suitable for UCG of at least 20 million tonnes of proven coal for \$US20M with an option to acquire additional mining sites adjoining the existing site, containing 20M-30M tonnes of coal.

The parties intend to work together to complete the transaction within 6 months, during which time, CGE intends to finalise funding for the acquisition of the FCM mine site, in addition to funding for Stage 1 of its Oklahoma Project.

The mine site, known as "Cavanaugh", is located only 15 miles (24.14 kms) from AES Shady Point power station, with which, CGEI has also entered into an MOU to supply UCG Syngas.

The site was previously mined to a point where the coal is now at a depth more suitable for extraction by UCG.

The parties are working towards formalising a binding agreement within the next 120 days, during which time regulatory amendments and approval to sue the mine site for UCG production will be sought, along with easement access for a 15 mile (24.14 km) pipeline, and funding commitments.

CGE, subject to shareholder approvals, if needed, proposes to fund the majority of the project through CGEI.

Securing an existing permitted mine site with all the historical mine data, gives CGEI certainty in undertaking UCG activities on the site, and being able to deliver UCG Syngas within a relatively short period of time, to the nearby AES Shady Point power station.

John Harkins, CGE Chairman and CEO, said "this is a great outcome for CGE and its shareholders and will allow CGE to fast track its Oklahoma UCG project aspirations."

#### **4. CGE delivers its first Annual General Meeting Presentation to Shareholders**

Clean Global Energy Limited held its first Annual General Meeting at 2pm on November 29 2010, at the Royal Automobile Club, 89 Macquarie Street, Sydney.

All resolutions were passed unanimously on a show of hands.

Results for voting for ordinary resolutions were:

1. Adoption of Remuneration Report for the year ended 30 June 2010.
2. Re-election of Ms A Coutts to the Board.
3. Re-election of Mr P Hubbard to the Board.
4. Change of Auditor – BDO Audit (WA) Pty Ltd resigned.

The Notice of Annual General Meeting and Proxy Form was distributed to all CGE Shareholders from October 26 2010.

Management delivered a power point presentation covering the period 2009-2010, made available to all shareholders through the ASX.

That presentation included prospectus promises that were delivered, including completing the IRH merger and raising \$6M in initial capital. As well, CGE confirmed a commercial UCG resource on coal tenement EPC 1506 Maryvale, near Warwick in Queensland, with that resource supported by an Inferred JORC as per the ASX announcement of October 7. CGE also signed and progressed a China joint venture, and completed design and pre-engineering work for pilot and commercial UCG plants.

CGE's 2011 focus, and beyond, included:

- Proposed exploration of EPC 1751/1864 and EL 5270 (early-mid 2011)
- Progress MDL application in QLD for UCG pilot plant (2012)
- Progress Vic UCG Project to approvals for pilot plant (mid-late 2011)
- Finalise Stage 1, capital raising for a China JV (late 2010-early 2011)
- Progress project work with Narajuna upon it being granted a UCG licence (late 2011)

CGE's proposed activities also included a focus on generating fee-based revenue from a licencing model for international projects, with a licencing model to include a one-off project licence fee (\$US5M), service fee for CGE Australia, equity and ongoing royalty upon commercial production of UCG Syngas.

CGE also proposed developing its Australian coal resources, through:

- CGE's desktop review of coal holdings across 6 granted tenements and 17 tenement applications, spanning 25,000km<sup>2</sup>, completed
- CGE's Maryvale coal tenement EPC 1506 in QLD given JORC inferred resource of 38Mt by independent geologists, with an exploration target of 150Mt-180Mt and a potential UCG target of 400Mt-500Mt. Further drilling to resume after the QLD Government's UCG review of current 3 pilot plants is completed
- Proposed drilling program completed for EPC 1751 and 1864 in Bowen Basin QLD, as well as EL 5270 in Gippsland Vic, to substantiate desktop review
- Subject to drilling results, potential to monetise EPC 1751/1864 and part of EL 5270 through a partial sale of these assets.

The presentation also outlined briefly, how Clean Global Energy would realise financial gains in 2011 and beyond.

Over the short term:

- re-rating of the CGV share price based on new projects;
- possible cash flows from licence fees, service fees and partial sale of traditional coal assets not needed for UCG Syngas projects.

Over the medium term:

- development of pipeline of new projects with business partners, globally.

And over the long term:

- cash flows from UCG Syngas production, licence fees, services fees and royalties from new projects.

# Ongoing Business Development Update

## 1. Nagarjuna Fertilisers to develop UCG projects in India with CGE

Clean Global Energy continues to monitor progress by Hyderabad-based Nagarjuna Fertilisers and Chemicals Ltd (“Nagarjuna”), in its bid for UCG coal blocks to develop, construct, commission and operate a UCG plant in India.

In August 24 2010, CGE announced to the market that under terms discussed with Nagarjuna, CGE would deliver and operate a UCG Syngas pilot plant and subsequent commercial plant, if one or more of the UCG blocks were granted to Nagarjuna or its nominees.

Those terms included a technology licensing agreement for CGE which would provide CGE with licensing fees, per project.

CGE would also assist Nagarjuna to secure UCG coal blocks from government body, Rajasthan State Petroleum Corporation Ltd.

As discussed with CGE, Nagarjuna would use the Syngas to make fertiliser products.

## 2. UCG projects In China

CGE management returned to Beijing in November 2010 to progress funding negotiations on a joint venture for UCG projects, following slower than expected activity to develop opportunities for CGE in the China market.

It was clear from those meetings that interest in underground coal gasification by Chinese financiers and coal tenement owners had not diminished and subsequent communication with interested parties continue to push development of UCG Syngas projects with CGE into 2011.

CGE management’s experience with this market throughout 2010 has delivered numerous insights, including the multifaceted nature of doing business in China, and at this time, results and agreements from ongoing discussions have yet to be formalised.

# Financial

## 1. Expenditure

Key expenditure for the quarter was on development (\$319,000), exploration and evaluation (\$195,000) and administration (\$655,000). Business development expenditure in the current quarter was focussed on overseas opportunities, primarily in the United States of America and China. Exploration expenditure included desktop studies on the Gippsland project, completion of activities on the South East Queensland Project and general tenement administration costs. Cash at the end of the quarter was \$839,000 which includes \$600,000 proceeds on issue of a convertible note.

## 2. Proposed Commitments

Expenditure on development and exploration activities in the March 2011 quarter will be subject to successful completion of a capital raising. The Company intends to complete a capital raising which will include an opportunity for participation by existing shareholders by way of a rights issue or a share purchase plan. In addition the Company continues to evaluate the potential for disposal of non-core coal tenements.

Proposed capital commitments for the next quarter are focused on overseas business development, in particular in the United States of America. In addition, commitment will relate to the ongoing exploration commitments on the tenement portfolio held in Australia.

### 3. Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

CLEAN GLOBAL ENERGY LIMITED

ABN

90 118 710 508

Quarter ended ("current quarter")

31 DECEMBER 2010

### Consolidated statement of cash flows

		Current quarter \$A'ooo	Year to date (6 months) \$A'ooo
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	-	37
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(195) (319) - (655)	(888) (628) - (1,420)
1.3	Dividends received	15	43
1.4	Interest and other items of a similar nature received		
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>		(1,154)	(2,856)
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - -
1.9	Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - -
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	(8)
<b>Net investing cash flows</b>		-	(8)
1.13	Total operating and investing cash flows (carried forward)	(1,154)	(2,864)

1.13	Total operating and investing cash flows (brought forward)	(1,154)	(2,864)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	600	600
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	600	600
	<b>Net increase (decrease) in cash held</b>	(544)	(2,254)
1.20	Cash at beginning of quarter/year to date	1,383	3,093
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	839	839

### **Payments to directors of the entity and associates of the directors**

### **Payments to related entities of the entity and associates of the related entities**

Current quarter \$A'000
116
-

1.23 Aggregate amount of payments to the parties included in item 1.2

1.24 Aggregate amount of loans to the parties included in item 1.10

### **Explanation necessary for an understanding of the transactions**

Development expenditure increased in the quarter compared to the previous quarter which relates to increased overseas business development activity primarily in the United States of America.

During the quarter a convertible note was issued to raise \$600,000.

### **Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

## Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'ooo	Amount used \$A'ooo
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-
3.3 Convertible note	600	600

## Estimated cash outflows for next quarter

	\$A'ooo
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production	-
4.4 Administration	650
<b>Total</b>	<b>650</b>

## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'ooo	Previous quarter \$A'ooo
5.1 Cash on hand and at bank	653	54
5.2 Deposits at call	167	1,310
5.3 Bank overdraft	-	-
5.4 Other (provide details)	19	19
<b>Total: cash at end of quarter (item 1.22)</b>	<b>839</b>	<b>1,383</b>

## Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed		N/A		

6.2 Interests in mining tenements acquired or increased		N/A		
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### **Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities (description)</b>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	140,727,964	85,300,150		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities (description)</b>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options (description and conversion factor)</b>	2,735,417 791,667 125,000 125,000 1,250,000 375,000	- - - - - -	Exercise price \$0.40 \$0.40 \$0.60 \$0.80 \$1.00 \$1.00	Expiry date 30/11/2011 30/11/2011 30/11/2011 30/11/2011 31/08/2011 30/11/2011

7.8	Issued during quarter			
7.9	Exercised during quarter			
7.10	Expired during quarter			
7.11	<b>Debentures (totals only)</b>	A\$600,000 (Convertible note)	-	
7.12	<b>Unsecured notes (totals only)</b>			

## Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here:



(Chairman & CEO)

Date: 31 January 2011

Print name: John Harkins

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## Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* applies to this report.

5 **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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