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**CLEAN GLOBAL ENERGY LIMITED AND ITS SUBSIDIARIES**

**Consolidated Financial Statements**

**For the Half Year Ended 31 December 2010**

**ABN 90 118 710 508**

## Corporate Directory

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### Clean Global Energy Limited ABN 90 118 710 508

#### Directors

Mr John Charles Harkins (Chairman and Managing Director)

Mr Domenic Vincent Martino (Non-executive Director)

Ms Alison Coutts (Non-executive Director)

Mr Paul Hubbard (Non-executive Director)

Dr Michael Green (Technical Director)

#### Company Secretary

Mr Andrew John Whitten

#### Registered Office

Level 8, Bligh Chambers

25 Bligh Street

Sydney NSW 2000

#### Business Office

Level 8, Bligh Chambers

25 Bligh Street

Sydney NSW 2000

#### Bankers

Commonwealth Bank

Level 19, 111 Pacific Highway, North Sydney NSW 2060

National Australia Bank Limited

Level 3, 255 George Street, Sydney NSW

#### Share Registrar

Security Transfer Registrars Pty Limited

770 Canning Highway, Applecross WA 6953

#### Auditors

BDO Audit (NSW-VIC) Pty Ltd

2 Market Street, Sydney NSW 2000

#### Internet Address

[www.cleanglobalenergy.com.au](http://www.cleanglobalenergy.com.au)

## Directors' Report

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The Directors present their report of Clean Global Energy Limited and its controlled entities ("the Group" or "the Company") for the half year ended 31 December 2010 ("the period").

The consolidated entities consist of Clean Global Energy Limited and the entities controlled any time during the period.

### DIRECTORS

The following persons were Directors of Clean Global Energy Limited during the half year and up to the date of the report:

John Harkins

Michael Green

Domenic Martino

Alison Coutts

Paul Hubbard

### REVIEW OF OPERATIONS

During the period the Company undertook substantial changes, the highlights of which appear below:

#### a) USA Project

The Board of Clean Global Energy Limited 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 from Farrell Cooper Mining LLC (FCM) and the UCG Syngas produced at the mine site is to be sold to AES Shady Point's coal fired power station approximately 15 miles from the mine site.

The project is phased in three stages:

- 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 are in excess of \$US41M per year. Funding of the project is proposed through CGEI, and CGEI expects to reach full production by mid-2015.

CGEI has entered into an exclusive non-binding Memorandum of Understanding (MOU) with AES Shady Point LLC, an indirect, wholly-owned subsidiary of the AES Corporation (a US\$10B international energy utility listed on the New York Stock Exchange).

## Directors' Report

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CGEI has also agreed on terms with FCM to acquire an existing coal mine site, suitable for UCG and inclusive of existing approvals under which 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 coal assets adjacent to the existing site, containing 20M-30M tonnes of coal.

The Oklahoma Project will place Clean Global Energy 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.

### b) India

The Board of Clean Global Energy Limited advised the market on February 10 2011, that it had entered into a binding Heads of Agreement with Mumbai-based oil, gas and power multinational, Essar, to provide its UCG technology and expertise under a Technology Licence Agreement (TLA).

Essar, a \$20B Indian energy major, is one of India's largest private sector companies and is engaged in the business of oil and gas exploration and production, refining of crude oil, manufacturing, processing, transmission, distribution and marketing of petroleum products.

Key terms of the agreement are commercial-in-confidence, however under the agreement, CGE will be required to deliver and operate a pilot and subsequent commercial UCG plant. Under the TLA CGE will hand over operations of the plant to Essar within 3 years of commissioning the commercial plant. The TLA, and the associated revenue, is triggered if Essar is granted a UCG block/s by Coal India Limited, its subsidiaries or any other body corporate or government authority. While the final bidding approvals are not yet complete both Essar and CGE are confident of obtaining approved UCG blocks. CGE is currently assisting Essar to complete the bidding approval process during which time CGE will generate fee based income under the HOA.

The partnership with Essar has the potential to generate major revenue through licensing fees, service fees to build and operate the UCG Syngas plant, and royalty income from delivered Syngas product to be sold by Essar. The potential value of this transaction to the Company over the term of the agreement is \$150M or more per project, with service fees and licensing revenues expected in the next six months.

Essar will free carry CGE for 20% equity through to a commercial UCG Syngas plant, at which time CGE will pay for that equity at cost (~US\$30M) which should have a valuation of at least US\$100M based on NPV modelling.

Anticipated revenue streams for each potential project are as follows:

- US\$50M-US\$60M: licensing and project management fees during design, construction and commissioning; and
- US\$15M-US\$20M: production royalties after achieving commercial production.

In addition, 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 which could result in a similar agreement as that agreed with Essar.

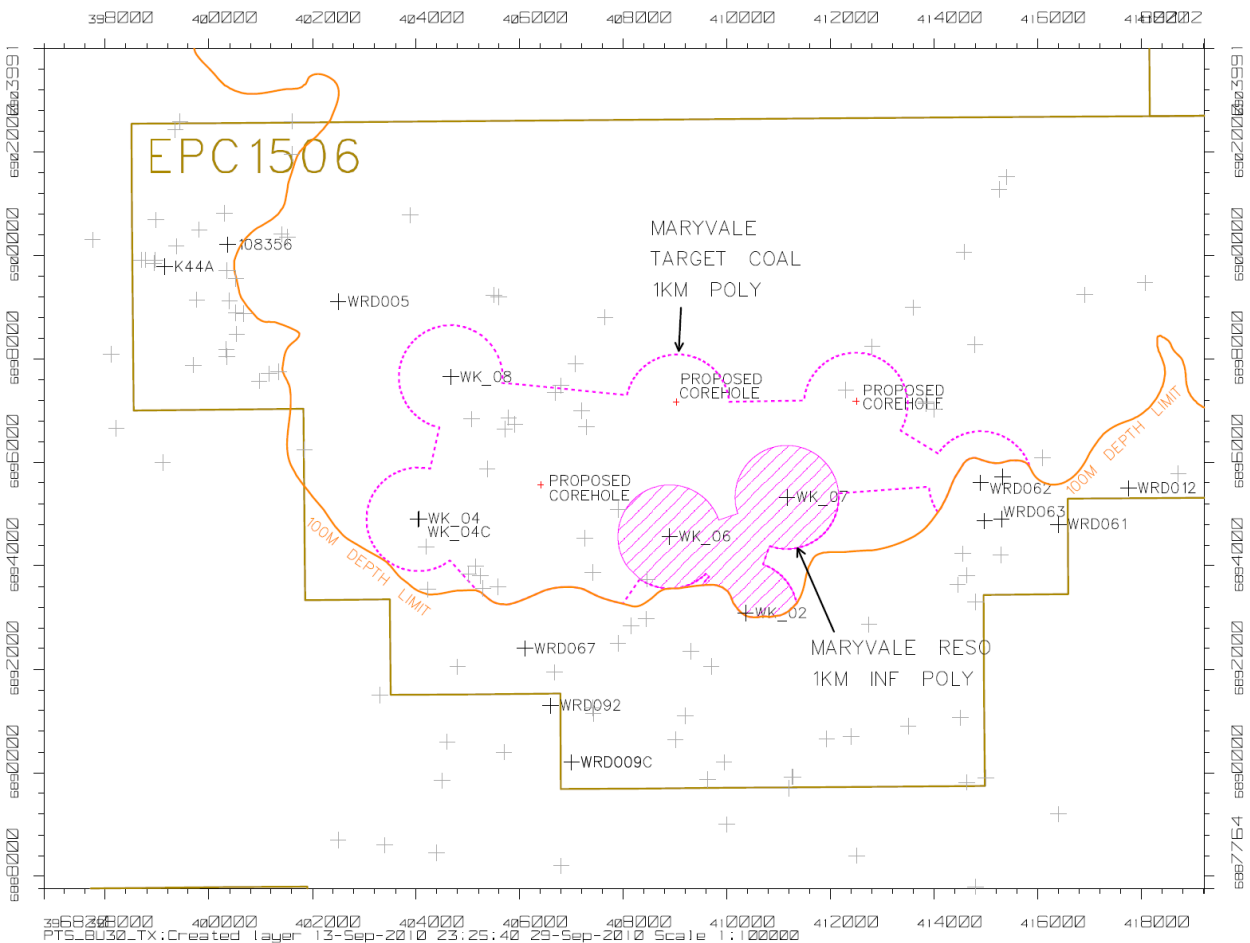
c) South East Queensland Project

The Company indicated in the prospectus that initial drilling activity would be in South East Queensland with EPC 1507 (Biloela), EPC 1506 (Maryvale) and EPC 1539 (Maryvale 2) and EPC 1508 (Leyburn) identified as the initial targets. This strategy was based on the following:

- Three trial plants were currently in operation in Queensland and therefore a clear regulatory environment existed; and
- Tenements were located near to power stations as potential end users of Syngas.

This project has been defined as the South East Queensland Project and initial drilling, focused on EPC 1506, has now been completed. This has identified a JORC compliant inferred resource of 38MT of coal suitable for UCG. Furthermore, an additional three holes will target 183MT with the target remaining open to the north. These coals may be suitable to generate Syngas for the nearby Millmerran and Swanbank power stations.

The figure below shows the JORC Inferred Resource covers an approximate area of 8.2km<sup>2</sup>.



However, the company elected to put this drilling programme on hold until the regulatory and permitting regime relating to UCG operations in Queensland becomes clearer. Due to issues relating to Cougar Energy's UCG operations, the state government has established an independent panel to review UCG more broadly in that state. The panel's findings are not due to be handed down until Q1 of 2012 after which CGE will make a final decision on its UCG drilling programme in Queensland. The company does however propose to pursue a drilling programme on its conventional coal assets in both Queensland and Victoria, with a view to a possible future trade sale.

### **c) Gippsland Project**

Clean Global Energy identified a potential UCG opportunity in Gippsland, Victoria. The premise of the project was based on known black coal deposits in the Wonthaggi area where more than 16MT of coal has been extracted historically.

CGE was granted EL 5270 in Gippsland, Victoria in June 2010. EL 5270 is approximately 900 km<sup>2</sup> and contains numerous exploration and other wells. An initial review of existing mining and borehole data has been completed and has identified numerous occurrences of black coal over the entirety of the lease. Nearby water bore data is inconclusive and is indicating that the geology is complex and structurally controlled. Regional studies are indicating that coals are better developed and thicker at depth towards the centre and north-east of the lease and are generally thinner towards the south west where the old workings are situated. Given the geological complexity of these coals CGE has suspended further activity on this project to focus on the lead USA project and other licensing opportunities such as those proposed in India.

The desktop review undertaken has however identified near surface brown coal deposits that may be amenable to traditional mining and above ground gasification.

### **d) China Project**

Negotiations to date with potential Chinese technical and financial partners have moved slower than expected and have yet to result in formalisation of a joint venture to develop or license a UCG project in China.

The company remains in discussions with a number of parties on the application of UCG in China and continues to receive independent enquiries from other China-based companies expressing interest in our UCG technologies. The potential these enquiries represent is currently being investigated and evaluated by the CGE Executive Team.

The Hong Kong entity, AuSino Energy, was formed to lead fund raising activities on this business venture and remains the mostly likely vehicle through which a China project would be financed and developed.

### **e) Underground Coal Gasification Plant Design**

Clean Global Energy has now substantially completed the initial design and layout of the surface facilities of a modular UCG plant that can be utilised on any of our designated UCG tenements. This initial design will form the basis of the configuration of customised site specific layouts which can be applied to any of our UCG projects.

## Directors' Report

This design work covers the above ground plant and equipment, including compressors, laboratory, control room, Syngas clean-up plant, site offices, amenities, pipelines, flares, and storage facilities. The underground UCG reactors will be engineered on a project specific basis.

### f) University collaboration to further research into applications of UCG

Clean Global Energy Limited has entered into agreements with Australian and United States based universities to undertake further research into the technical and environmental applications of underground coal gasification, carbon capture and storage.

These universities will focus on the further development of CGE's advanced Linear Controlled Retractable Ignition Point ("CRIP") UCG technology, in particular its application in deep coal seams where post UCG cavities may be suitable for CCS. Other areas of focus will be on advanced water management techniques surrounding the UCG reactors and disused cavities, hydrology, low carbon emissions, and on-line support to control the UCG process in our future commercial operations.

### g) Coal Tenements

A summary of Clean Global Energy's coal tenements (as of 31 December 2010) are as follows:-

| Tenement | State | Area km <sup>2</sup> | Project Name  | Status                |
|----------|-------|----------------------|---------------|-----------------------|
| EPC1506  | QLD   | 448                  | Maryvale      | Granted               |
| EPC1507  | QLD   | 490                  | Biloela       | Granted               |
| EPC1508  | QLD   | 429                  | Leyburn       | Granted               |
| EPC1751  | QLD   | 147                  | Capella       | Granted               |
| EPC2210  | QLD   | 102                  | Kooringa      | Granted               |
| EPC1539  | QLD   | 44                   | Maryvale2     | Granted               |
| EPC1864  | QLD   | 682                  | Pumpkin Hill  | Granted               |
| EL5270   | VIC   | 938                  | Wonthaggi     | Granted               |
| EPC1745  | QLD   | 166                  | Western Creek | Native Title          |
| EPC2091  | QLD   | 51                   | Parker Creek  | Priority Application  |
| EPC1748  | QLD   | 336                  | Kumbarilla    | Priority Application  |
| EPC1861  | QLD   | 182                  | Mt Hope       | Priority Application  |
| EPC2213  | QLD   | 48                   | Chinchilla    | Competing Application |
| EPC2110  | QLD   | 531                  | Cooyar Creek  | Competing Application |

## Directors' Report

|              |     |              |                 |                       |
|--------------|-----|--------------|-----------------|-----------------------|
| EPC1612      | QLD | 77           | Dalby           | Competing Application |
| EPC2185      | QLD | 64           | Fairhill        | Competing Application |
| EPC2027      | QLD | 147          | Mantuan         | Competing Application |
| EPC1592      | QLD | 118          | Mt Fort Cooper  | Competing Application |
| EPC2095      | QLD | 54           | Nine Mile       | Competing Application |
| EPC1637      | QLD | 192          | Pentland        | Competing Application |
| EPC2174      | QLD | 192          | Tamrookum       | Competing Application |
| EPC2209      | QLD | 90           | Taroom 1        | Competing Application |
| EPC2208      | QLD | 262          | Taroom 2        | Competing Application |
| EPC2009      | QLD | 61           | Washpool Lagoon | Competing Application |
| EL5282       | VIC | 108          | Bass Coast      | Competing Application |
| <b>Total</b> |     | <b>5,959</b> |                 |                       |

CGE has completed preliminary desktop reviews on the coal resource potential of the following tenements:

- EPC 1751 and EPC 1864 (QLD): CGE plans to drill two wells in EPC 1751 and one well in EPC 1864 to target an Early Permian coal sequence at depths in the order of 500 to 600m. Both EPCs are located in the western side of the Bowen Basin and close to existing infrastructure. EPC 1751 and EPC 1864 are a high risk exploration play with a large upside in coal resource.
- At EPC 1507: CGE plans to drill a stratigraphic drill hole to identify any coal packages within the permit area.
- EL 5270 (VIC): Regional studies are indicating that black coals of the Lower Cretaceous Strzelecki Group within the onshore Gippsland Basin are better developed and thicker at depth towards the centre and north-east of the lease and are generally thinner towards the south west where the old workings are situated. The likelihood of defining a laterally persistent black coal seam target of around 3m is remote with extensive drilling work required.

### h) Convertible Note

On 24 December 2010, the Company issued a convertible note to CTL Global LLC to raise \$600,000. This note had a term of 1 year extendable by a further year at the option of the note holder and accrued interest at a rate of 10% p.a. The note was convertible at the option of the note holder using a 20% discount to the 5 day volume weighted average share price immediately prior to issue of a conversion notice by the note holder.

On 20 January, 2011 CTL Global LLC issued a conversion notice. Approval of this conversion will be subject to shareholder approval.

### i) Change of Auditor

Following the completion of the reverse merger between Clean Global Energy and International Resource Holdings, CGE has now changed auditors from BDO Audit (WA) Pty Ltd to BDO Audit (NSW-VIC) Pty Ltd. This change was approved by shareholders at the annual general meeting held on 29 November 2010.

### j) Business Development

Opportunities within the UCG sector are rapidly emerging worldwide and the Company is actively pursuing these opportunities to further expand and build the company into a clean fuel and energy solution provider. These other opportunities are at an early stage in discussions, on a commercial-in-confidence basis, and do not merit disclosure at this point of time. However, as they come to fruition the Company will continue to keep its investors and the market informed.

### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out following this report.

This report is signed in accordance with a resolution of the Directors.

16<sup>th</sup> day of March 2011, at Sydney, New South Wales



**John Harkins**  
Executive Chairman and Managing Director

**DECLARATION OF INDEPENDENCE BY JEFF ABELA TO THE DIRECTORS OF  
CLEAN GLOBAL ENERGY LIMITED**

As lead auditor for the review of Clean Global Energy Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Clean Global Energy Limited and the entities it controlled during the period.



**Jeff Abela**  
Director



**BDO Audit (NSW - VIC) Pty Ltd**

Sydney, on this 16<sup>th</sup> day of March 2011.

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## Statement of Comprehensive Income

### Statement of Comprehensive Income

For the Half Year Ended 31 December 2010

|  |      | CONSOLIDATED       | CONSOLIDATED |
|--|------|--------------------|--------------|
|  |      | 2010               | 2009         |
|  | Note | \$                 | \$           |
| Interest revenue   |      | 29,803             | 30,521       |
| Other income   |      | 33,370             | 10,000       |
| <b>Total revenue and other income</b>  |      | <b>63,173</b>      | 40,521       |
| Accounting and audit   |      | (95,446)           | (2,962)      |
| Advertising and marketing  |      | (106,085)          | -            |
| Consultants  |      | (278,556)          | (270,460)    |
| Directors fees   |      | (77,250)           | (29,103)     |
| Depreciation   |      | (12,651)           | -            |
| Employee costs   |      | (365,023)          | (185,056)    |
| Legal  |      | (19,659)           | (30,197)     |
| Rent and occupancy   |      | (111,930)          | (29,866)     |
| Telephone and communications   |      | (36,003)           | (10,567)     |
| Travel and accommodation   |      | (186,814)          | (59,139)     |
| Office costs   |      | (67,014)           | (21,212)     |
| Other costs  |      | (331,516)          | (66,486)     |
| <b>Total expenses</b>  |      | <b>(1,687,947)</b> | (709,276)    |
| Share based payments   | 1(b) | -                  | (1,223,818)  |
| <b>Loss before tax</b>   |      | <b>(1,624,774)</b> | (1,933,094)  |
| Income tax expense   |      | -                  | -            |
| <b>Loss for the half year</b>  |      | <b>(1,624,774)</b> | (1,933,094)  |
| Other comprehensive income   |      | -                  | -            |
| <b>Total comprehensive income for the half year</b>                              |      | <b>(1,624,774)</b> | (1,933,094)  |
| Loss attributable to owners of Clean Global Energy Limited                       |      | (1,624,774)        | (1,933,094)  |
| Total comprehensive income attributable to owners of Clean Global Energy Limited |      | -                  | -            |
| Loss per share attributable to owners of the company:                            |      |                    |              |
| Basic and diluted loss per share (cents per share)                               | 4    | (1.15)/(1.15)      | (2.13/2.13)  |

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

## Statement of Financial Position

### Statement of Financial Position

As at 31 December 2010

|   |      | CONSOLIDATED              | CONSOLIDATED          |
|---|------|---------------------------|-----------------------|
|   | Note | 31 December<br>2010<br>\$ | 30 June<br>2010<br>\$ |
| <b>ASSETS</b>   |      |                           |                       |
| <b>Current Assets</b>                                 |      |                           |                       |
| Cash and cash equivalents                             |      | 878,176                   | 3,093,432             |
| Trade and other receivables                           |      | 176,354                   | 245,173               |
| <b>Total current assets</b>                           |      | <b>1,054,530</b>          | <b>3,338,605</b>      |
| <b>Non-Current Assets</b>                             |      |                           |                       |
| Property, plant & equipment                           |      | 68,214                    | 65,098                |
| Exploration, evaluation & UCG development expenditure | 2    | 3,308,888                 | 2,583,890             |
| <b>Total non-current assets</b>                       |      | <b>3,377,102</b>          | <b>2,648,988</b>      |
| <b>Total assets</b>                                   |      | <b>4,431,632</b>          | <b>5,987,593</b>      |
| <b>LIABILITIES</b>                                    |      |                           |                       |
| <b>Current Liabilities</b>                            |      |                           |                       |
| Trade and other payables                              |      | 180,230                   | 827,709               |
| Other liabilities                                     |      | 127,274                   | 44,289                |
| Provisions  |      | 33,307                    | -                     |
| Financial liabilities                                 | 3    | 600,000                   | -                     |
| <b>Total current liabilities</b>                      |      | <b>940,811</b>            | <b>871,998</b>        |
| <b>Net assets</b>                                     |      | <b>3,490,821</b>          | <b>5,115,595</b>      |
| <b>Equity</b>   |      |                           |                       |
| Contributed equity                                    | 4    | 8,267,495                 | 8,267,495             |
| Accumulated losses                                    |      | (4,776,674)               | (3,151,900)           |
| <b>Total Equity</b>                                   |      | <b>3,490,821</b>          | <b>5,115,595</b>      |

The above statement of financial position should be read in conjunction with the accompanying notes.

## Statement of Changes in Equity

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### Statement of Changes in Equity

For the Half Year Ended 31 December 2010

| <b>CONSOLIDATED EQUITY</b>                     | <b>Issued<br/>Capital<br/>\$</b> | <b>Accumulated<br/>Losses<br/>\$</b> | <b>Total<br/>Equity<br/>\$</b> |
|--|----------------------------------|--------------------------------------|--------------------------------|
| <b>At 1 July 2010</b>                          | 8,267,495                        | (3,151,900)                          | 5,115,595                      |
| Loss for the year                              | -                                | (1,624,774)                          | (1,624,774)                    |
| <b>Total comprehensive income for the year</b> | -                                | (1,624,774)                          | (1,624,774)                    |
| <b>At 31 December 2010</b>                     | 8,267,495                        | (4,776,674)                          | <b>3,490,821</b>               |
| <br>   |                                  |                                      |                                |
| <b>At 1 July 2009 (Unaudited)</b>              | 690,004                          | (366,431)                            | 323,573                        |
| Loss for the year                              | -                                | (2,785,469)                          | (2,785,469)                    |
| <b>Total comprehensive income for the year</b> | -                                | (2,785,469)                          | (2,785,469)                    |
| Contribution of new equity                     | 6,000,000                        | -                                    | 6,000,000                      |
| Share based payment                            | 2,400,000                        | -                                    | 2,400,000                      |
| Flotation costs paid                           | (822,509)                        | -                                    | (822,509)                      |
| <b>At 30 June 2010</b>                         | 8,267,495                        | (3,151,900)                          | 5,115,595                      |

The above statement in changes in equity should be read in conjunction with the accompanying notes.

## Statement of Cash Flows

### Statement of Cash Flows

For the Half Year Ended 31 December 2010

|   | CONSOLIDATED       | CONSOLIDATED     |
|---|--------------------|------------------|
|   | 31 December        | 31 December      |
| Note  | 2010               | 2009             |
|   | \$                 | \$               |
| <b>Cash flows from operating activities</b>                             |                    |                  |
| Payments to suppliers and consultants                                   | (1,712,029)        | (421,238)        |
| Interest received   | 29,803             | 43,565           |
| Sundry income   | 33,370             | 10,000           |
| <b>Net cash (outflow) from operating activities</b>                     | <b>(1,648,856)</b> | <b>(367,673)</b> |
| <b>Cash flows from investing activities</b>                             |                    |                  |
| Payments for property, plant and equipment                              | (15,767)           | (3,589)          |
| Payments for exploration and evaluation expenditure                     | (818,178)          | (13,071)         |
| Payments for development expenditure                                    | (332,455)          | -                |
| Payments for security deposits  | -                  | -                |
| Cash obtained on reverse acquisition                                    | -                  | 44,682           |
| <b>Net cash (outflow) from investing activities</b>                     | <b>(1,166,400)</b> | <b>28,022</b>    |
| <b>Cash flows from financing activities</b>                             |                    |                  |
| Proceeds from issue of shares   | -                  | 5,918,000        |
| Flotation costs paid  | -                  | (773,854)        |
| Proceeds from borrowings  | 600,000            | -                |
| <b>Net cash inflow from financing activities</b>                        | <b>600,000</b>     | <b>5,144,146</b> |
| <b>Net increase in cash and cash equivalents</b>                        | <b>(2,215,256)</b> | <b>4,804,495</b> |
| <b>Cash and cash equivalents at the beginning of the financial year</b> | <b>3,093,432</b>   | <b>5,045</b>     |
| <b>Cash and cash equivalents at the end of the financial year</b>       | <b>878,176</b>     | <b>4,809,540</b> |

The above statement of cash flows should be read in conjunction with the accompanying notes.

## Notes to the financial statements

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements for the half year reporting period ended 31 December 2010 have been prepared in accordance with AASB Standard 134 "Interim Financial Reporting" and the Corporations Act 2001. The historical cost basis has been used.

These interim financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2010 and any public announcements made by Clean Global Energy Limited during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half year financial statements as those employed in the Consolidated Entity's 30 June 2010 annual financial statements.

#### (a) Going concern

The Group has incurred a net loss after tax for the half year ended 31 December 2010 of \$1,624,774 (2009: loss \$1,933,094) and has experienced net cash outflows from operating activities of \$1,648,856 (2009: outflows \$367,673). The Company has also experienced cash outflows from investing activities of \$1,166,400 (2009: outflow \$28,022). As at the 31 December 2010, the Group had net current assets of \$113,720 (2009: net current assets of \$4,884,440).

The solvency of the company, as at the date of this report relies on the financial support provided by two directors and the current convertible note holder.

The Directors have prepared the financial statements on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. As is typical of junior explorers the ability of the company to continue its exploration and evaluation activities as a going concern and realise its assets and settle its liabilities at amounts stated in the financial statements, is dependent upon obtaining additional cash through capital raising.

#### (b) Correction of comparatives

During the year ended 30 June 2010 Clean Global Energy Pty Limited's original shareholders obtained a majority share in Clean Global Energy Limited. As disclosed in the 30 June 2010 financial report this transaction was accounted for under AASB 2 "Share-Based Payments" recording an expense of \$1,223,818. In the half year financial report for the year ended 31 December 2009 the transaction was accounted for as part of the reverse acquisition and the amount was recorded as an adjustment to equity. The comparative balances in the Statement of Comprehensive Income for the half year ended 31 December 2009 have been amended. A share based payment expense of \$1,223,818 has been recognised in the comparative. This was fully disclosed in the audited 30 June 2010 financial report.

## Notes to the financial statements

### 2. NON-CURRENT ASSETS – EXPLORATION, EVALUATION AND UCG DEVELOPMENT EXPENDITURE

|                                      | CONSOLIDATED<br>31 December 2010 | CONSOLIDATED<br>30 June 2010 |
|--------------------------------------|----------------------------------|------------------------------|
|                                      | \$                               | \$                           |
| <b>Exploration and evaluation</b>    |                                  |                              |
| Balance at beginning of the period   | 1,726,552                        | 148,533                      |
| Exploration expenditure incurred     | 644,091                          | 1,578,019                    |
| Balance at the end of the period     | 2,370,643                        | 1,726,552                    |
| <b>Development of UCG technology</b> |                                  |                              |
| Balance at beginning of the period   | 857,338                          | 689,759                      |
| Exploration expenditure incurred     | 80,907                           | 167,579                      |
| Balance at the end of the period     | 938,245                          | 857,338                      |

The balance carried forward represents capitalised exploration expenditure and UCG development costs regarding areas of interest where either exploration activities are ongoing or where recoupment of exploration costs and capitalised expenditure regarding design and engineering of underground and surface facilities in relation to underground coal gasification and surface handling, treatment and storage of syngas product is expected. A proportion of employment costs of the key staff are considered to be directly related to exploration and development activities. The proportion of salary and other expense attributable to exploration is based upon time allocation and the nature of their work activities. The carrying forward of capitalised exploration and evaluation costs and UCG development costs is dependent on the successful recoupment of these costs through commercial exploitation, or alternatively, the sale of the Group's area of interest.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

Political developments in Queensland has result in drilling being suspended on UCG specific tenements in this state, until completion of an expert panel report into the environmental impact of underground coal gasification. Our expectation is that drilling will recommence in 2012 following the completion of this report.

### 3. FINANCIAL LIABILITIES

|                             |         |   |
|-----------------------------|---------|---|
| Convertible note            | 600,000 | - |
| Total financial liabilities | 600,000 | - |

On 24 December the Company issued a convertible note to CTL Global LLC with a face value of \$600,000. This note had a term of 1 year extendable by a further year at the option of the note holder and accrued interest at a rate of 10% p.a. The note was convertible at the option of the note holder using a 20% discount to the 5 day volume weighted average share price immediately prior to issue of a conversion notice by the note holder.

On 20 January 2011 CTL Global LLC issued a conversion notice. Approval of this conversion will be subject to shareholder approval. No equity value has being recognised on this note.

## Notes to the financial statements

### 4. CONTRIBUTED EQUITY

#### (a) Issued Share capital

|                            | CONSOLIDATED                  |                        | CONSOLIDATED              |                    |
|----------------------------|-------------------------------|------------------------|---------------------------|--------------------|
|                            | 31 December<br>2010<br>Shares | 30 June 2010<br>Shares | 31 December<br>2010<br>\$ | 30 June 2010<br>\$ |
| Fully Paid Ordinary shares | 140,727,964                   | 140,727,964            | 8,627,495                 | 8,627,495          |

#### (b) Options (not quoted on ASX)

|   | CONSOLIDATED           | CONSOLIDATED       |
|---|------------------------|--------------------|
|   | 31 December 2010<br>\$ | 30 June 2010<br>\$ |
| Balance at beginning of the year                | 5,402,079              | -                  |
| Issued to former IRH Directors and contractors* | -                      | 5,402,079          |
| Balance at the end of the year                  | 5,402,079              | 5,402,079          |

\*These related to options issues to former Directors and employees of International Resource Holdings limited which was acquired by Clean Global Energy Pty Limited by way of a reverse merger on 9 October 2009.

### 5. INDIVIDUALLY SIGNIFICANT ITEMS

There are no items in the financial statements which the directors consider significant.

### 6. SEGMENT INFORMATION

The company has adopted AASB 8 *Operating Segments* from 1 July 2009 whereby segment information is presented using a 'management approach', that is segment information is provided on the same basis as information used for internal reporting purposes by management to the board in making strategic decisions. The board have determined that there are no operating segments because no discrete information is provided to them and no segment information has therefore been disclosed. The board only receive consolidated financial information for the group. This is consistent with the group's consolidated financial statements.

The group is currently not selling products and as such no information has been provided on a product basis for 2010 or 2009. The group has no sales revenue and no customers. As such no information has been disclosed for sales revenue on a geographic basis, nor are there any major customers that comprise more than 10% of the group's revenue.

All the group's non-current assets are based in Australia. UCG development costs are incurred by entities domiciled in Australia.

## Notes to the financial statements

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### 7. CONTINGENT LIABILITIES

There have been no changes in contingent liabilities or contingent assets since the end of the previous annual reporting period.

### 8. EVENTS AFTER THE END OF THE REPORTING PERIOD

Between the end of the reporting period and the date of this report the following events have occurred:

#### *a) UCG Project in India*

The Board of Clean Global Energy Limited advised the market on February 10, 2011 that it had entered into a binding Heads of Agreement with Mumbai-based oil, gas and power multinational, Essar, to provide its UCG technology and expertise under a Technology Licence Agreement (TLA).

Essar, a \$20B Indian energy major, is one of India's largest private sector companies and is engaged in the business of oil and gas exploration and production, refining of crude oil, manufacturing, processing, transmission, distribution and marketing of petroleum products.

Key terms of the agreement are commercial in confidence, however under the agreement, CGE will be required to deliver and operate a pilot and subsequent commercial UCG plant. Under the TLA CGE will hand over operations of the plant to Essar within 3 years of commissioning the commercial plant. The TLA, and the associated revenue, is triggered when Essar is granted a UCG block/s by Coal India Limited, its subsidiaries or any other body corporate or government authority. Whilst the final bidding approvals are not yet complete both Essar and CGE are confident of obtaining approved UCG blocks. CGE is currently assisting Essar to complete the bidding approval process during which time CGE will generate fee based income under the HoA.

The partnership with Essar has the potential to generate major revenue through licensing fees, service fees to build and operate the UCG Syngas plant, and royalty income from delivered Syngas product to be sold by Essar. The potential value of this transaction to the Company over the term of the agreement is \$150 million or more per project with service fees and licensing revenues expected in the next six months.

Essar will free carry CGE for 20% equity through to a commercial UCG Syngas plant, at which time CGE will pay for that equity at cost (~US\$30m) which should have a valuation of at least US\$100m based on NPV modelling.

Anticipated revenue streams for each potential project are as follows:

- Licensing and project management fees during design, construction and commissioning (US\$50m to US\$60m); and
- Production royalties of US\$15m to US\$20m after achieving commercial production.

#### *b) Convertible Note*

On 20 January 2011 CTL Global LLC issued a conversion notice. The 5 day volume weighted average price of the securities was \$0.0505 giving a conversion price of \$0.04. Approval of this conversion will be subject to shareholder approval and if approved will result in the issue of 15,156,161 fully paid ordinary shares to CTL Global LLC.

## Directors' declaration

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### DECLARATION BY DIRECTORS

The directors of the Company declare that:

1. The financial statements comprising the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows and Consolidated Statements of Changes in Equity and notes to the consolidated financial statements of the consolidated entity are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards AASB134 Interim Financial Reporting and the Corporations Regulations 2001;  
and
  - (b) give a true and fair view of the consolidated entity's financial position as at 31st December 2010 and of its performance for the half year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



**John Harkins**  
**Executive Chairman and Managing Director**

16<sup>th</sup> day of March 2011, at Sydney, New South Wales

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Clean Global Energy Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Clean Global Energy Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Clean Global Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, 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 Clean Global Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Clean Global Energy Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

### Material Uncertainty Regarding Continuation as a Going Concern

Without qualification to the conclusion expressed above, attention is drawn to the following matter. As described in Note 1 (a) to the financial report, the company's solvency as at the date of this report relies on the financial support provided by two directors and the current convertible note holder, and their ability to provide such support. Further to this the company's ability to continue as a going concern is dependent on it being able to raise additional cash through capital raising. As a result of this matter, a material uncertainty exists regarding the company's ability to continue as a going concern.

In the event that the company is unsuccessful in raising sufficient cash in the very near future, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those currently recorded in the financial report. The financial report does not included any adjustments relating to the recoverability and classification of recorded asset amounts , or to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.



**BDO Audit (NSW-VIC) Pty Ltd**



**Jeff Abela**  
Director

Sydney, on this 16<sup>th</sup> day of March 2011.