

## Clean Global Energy 20 Apr, 2011

### Take up your rights CGV; Buy up to 7.5 cents

Clean Global Energy recently announced a placement and a non-renounceable rights issue to raise a total of A\$6m. Under the terms of the capital raising, A\$1.5m has been placed with institutions and sophisticated investors while the remaining A\$4.5m will be sourced from the fully underwritten non-renounceable rights issue currently open to eligible shareholders.

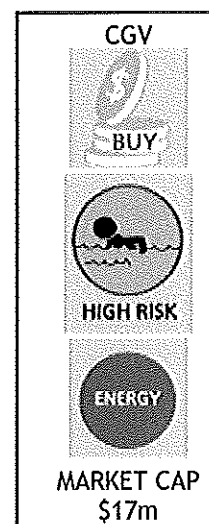
*"The current capital injection will allow Clean Global Energy to commence Stage 1 of its U.S. based project, which has the potential to generate significant returns in the years ahead."*

Under the terms of the rights issue, for every 5 shares currently held, a further 2 shares can be applied for at A\$0.07/share. The offer is scheduled to close on the 28th April 2011.

A breakdown of the intended use of capital is summarised in the table below:

<b>Funds available</b>	<b>\$000<sup>1</sup></b>
Existing cash reserves as at 31 December 2010	878
Gross Offer proceeds	6,000
<b>Total</b>	<b>6,878</b>
<b>Use of funds – current estimated expenditure</b>	
Australian exploration	1,500
USA exploration and studies	1,000
USA & India project development costs	1,000
Australian corporate costs and working capital	2,100
Corporate and business development costs to date of offer	888
Underwriting and costs of the issue	390
<b>Total</b>	<b>6,878</b>

Source: Company



### US based project

The short term priority for the company is the U.S. based project which provides a fast track to commercialisation of the company's underground coal gasification (UCG) technology.

As a reminder, Clean Global Energy announced the partnership with U.S. energy giant AES on a UCG project based in Oklahoma. The project involves the acquisition of the existing Cavanaugh mine site, where deep coal is now more suitable for extraction by UCG rather than conventional mining. The site is being acquired from Farrell Cooper Mining LLC of Arkansas and comes with existing approvals.

Over this last quarter, Farrell Cooper Mining has provided the company with data on its coal and geology of the Cavanaugh mine site. The data, detailing coal composition from Farrell Cooper existing works, initial coal geological data, hydrology, infrastructure, and other relevant information, has indicated that the Cavanaugh mine site may be suited to Clean Global Energy's Linear CRIP (Controlled Retractable Injection Point) UCG process.

Clean Global Energy has now planned a seven-hole drilling program to obtain base line soil and water data, coal core samples for analysis, and data for the design of the UCG reactors on the Cavanaugh mine site. It is expected drilling will commence in June 2011. Approximately 25% of the funds raised will be committed to early stage 1 development of the US project. Further funding may be sourced from project funding sources or a possible listing of the US entity on the North American Stock Exchange.

Stage 1 is estimated to cost a total of \$45m - \$50m which includes acquisition of the Cavanaugh coal site, the development and conversion of the Cavanaugh mine site to a UCG Syngas production site, the construction and commissioning of the UCG and gas treatment plants and associated infrastructure together with the pipeline and integration into the AES Shady Point Power Station. Clean Global Energy will aim to deliver Syngas to generate 25MW of electricity from coal firing the AES Shady Point Power Station.

Stage 2 of the project will include the expansion to supply Syngas to produce 100MW of electricity, and Stage 3 will deliver further expansion to 300MW of electricity.

### Indian based project

In India, Clean Global Energy also recently signed a MOU with a A\$20bn Indian major called 'Essar' to provide

UCG technology and expertise. Under the terms of this agreement, Clean Global Energy will be required to deliver and operate a pilot and subsequent commercial UCG plant to be based in India. Once the commercial plant has been commissioned, the company will then hand over the operations to Essar who will then maintain the project.

Clean Global Energy is targeting generating first income via licencing and servicing fees within the next 6 months. The time frame will largely be dependent on Essar being granted UCG block/s which are currently under application.

The first stream of revenue for Clean Global Energy is expected to be ~US\$50m generated through licencing and project management fees during design, construction and commissioning. Once the plant is in commercial production, Clean Global Energy will then go on to receive Syngas production royalties, which are estimated to be ~US\$15m

Under the terms of the agreement, Essar will free carry Clean Global Energy for a 20% equity interest through to the commissioning of a commercial UCG Syngas plant. At that point, Clean Global Energy will pay ~US\$30m for their 20% interest, which the company expect will have a valuation of ~\$US100m based on their modelling.

### Capital Structure

Stock Resource has updated the estimated capital structure below assuming a successful capital raising. The company remains inexpensive with an enterprise value of around \$12m.

Market Valuation	Issued Shares (m)	Share Price (A\$)	Market Cap (A\$m)
Fully paid shares	226.6	\$0.075	\$17.0
Options in the Money	0.0	\$0.075	\$0.0
Cash from options			\$0.0
<b>Diluted Market Cap</b>			<b>\$17.0</b>
Cash			\$5.8
Debt + C Notes			\$0.6
<b>Enterprise value</b>			<b>\$11.8</b>

### Discussion and Recommendation

Clean Global Energy remains a high risk / high reward play, although the deals described above have been well structured to deliver potential long term rewards while minimising upfront capital exposure. However, the current capital injection is necessary for the company to progress the U.S. based operations which provides shareholders with a very exciting longer term opportunity.

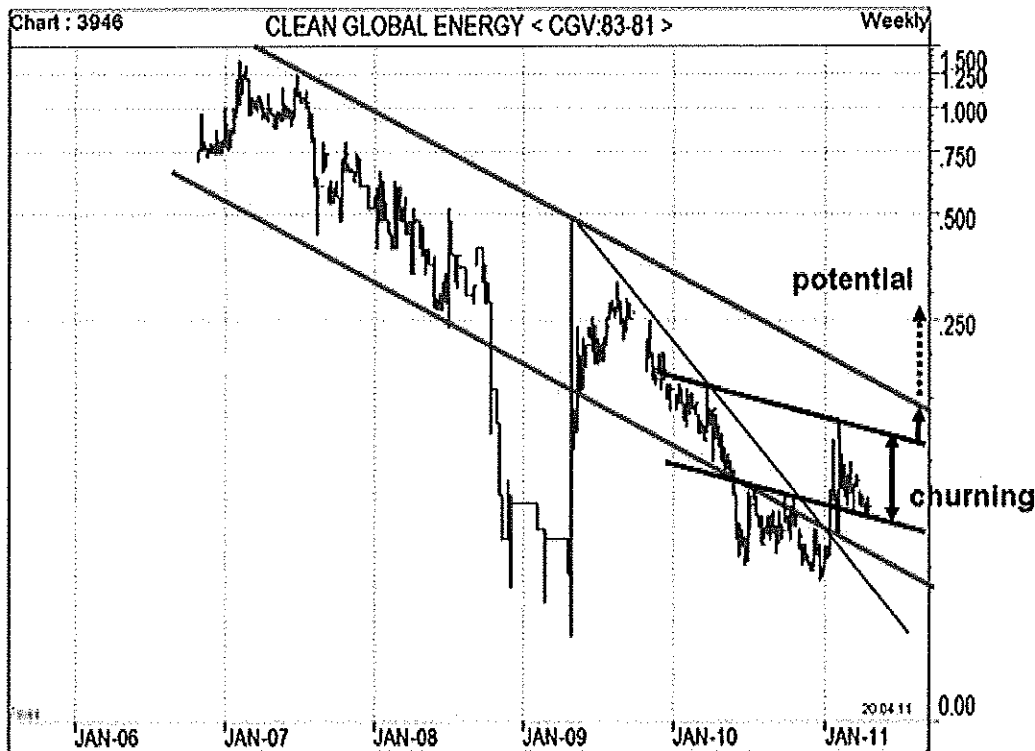
The Indian based project also provides shareholders with significant upside (expected to be initially around US\$50m) through the licencing and project management fees during design, construction and commissioning of the impending Essar UCG plant. First revenue from the project is targeted in the next 6 months, as and when Essar are granted their UCG blocks.

In relation to the rights issue Stock Resource recommends eligible shareholders take up their Clean Global Energy rights at 7 cents.

In relation to existing shares Stock Resource recommends Clean Global Energy as a Buy up to 7.5 cents for Members with no current exposure.

## The Chartist's Perspective

### Rebalancing act



When we reviewed Clean Global in early March we believed that the quick rise to 11.5c in January had produced extreme volatility for the price allowing swings between 6c and 13c. Since then the price has remained in the zone.

The share price history for Clean Global resembles a roller coaster ride. From a peak at \$1.36 in early 2007 the price topped out and fell into decline which accelerated in 2008 and into 2009 to locate a low at 3.2c. From here the price spiraled upwards dramatically to reach 48c before plunging again and falling to the 5c zone in 2010.

In our December review of Clean Global we were concerned that the drop to a new low at 4.6c would threaten the basing action which had pushed the price sideways between 5c and 8c from July last year. But momentum diverged at this point indicating that the tide may be finally turning and the subsequent break through produced a quick surge towards our first objective into the 10-12c zone, reaching 11.5c in January and then rebalancing to hit the 13c barrier in February.

The price has continued to churn since then within the range but with a downward drift which has produced a test of the 6c area support. With a positive one-day reversal the price looks set to break the drift and head towards the top of the range. The action may form part of the rebalancing of its momentum as it attempts to retackle the 13-14c resistance with a break through signaling the next stage higher towards 18-20c and then 25-30c.

A drop below 5.8c may endanger this set up.

*'The Chartist's Perspective' has been independently derived by Regina Meani from charting and technical assessment, and has not taken into account fundamental analysis of the company.*

### Related Articles

- [Clean Global Energy 02 Mar 2011](#)
- [Clean Global Energy 08 Dec 2010](#)
- [Clean Global Energy 07 Jul 2010](#)
- [Clean Global Energy 10 Feb 2010](#)
- [Clean Global Energy 04 Nov 2009](#)
- [Clean Global Energy 28 Oct 2009](#)

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