



CLEAN
GLOBAL
ENERGY

ABN 90 118 710 508

Level 8, Bligh Chambers
25 Bligh Street
SYDNEY NSW 2000

t: (02) 9230 0318
f: (02) 9230 0319

www.cleanglobalenergy.com.au
info@cleanglobalenergy.com.au

CLEAN GLOBAL ENERGY
ACN 118 710 508

OFFER DOCUMENT
NON-RENOUNCEABLE ENTITLEMENT ISSUE

A non-renounceable entitlement's issue of 2 New Shares for every 5 Shares held on the Record Date at an issue price of \$0.07 per New Share to raise a minimum of \$4,531,440, underwritten by Patersons Securities Limited ABN 69 008 896 311 up to an amount of \$4,531,440.

This document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its contents or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser without delay.

This Offer Document is provided for information purposes and is not a prospectus or other disclosure document for the purposes of the Corporations Act. Accordingly, this Offer Document does not necessarily contain all of the information that a prospective investor may require to make an investment decision regarding an investment in Shares and it does not contain all of the information that would otherwise be required to be disclosed in a prospectus or other disclosure document, including in relation to the rights attaching to Shares.

Underwritten to up to \$4,531,440 by
Patersons Securities Limited ACN 008 896 311
(AFSL 239 052)



The Offer opens on Monday 11 April 2011 and closes at 5:00pm Perth time on Thursday, 28 April 2011. Valid applications must be received before that time.

For personal use only

Contents

Important Information	3
1. Key Offer Information	5
2. Details of the Offer	6
3. What Eligible Shareholders may do.....	9
4. Company overview and effects of the Offer	11
5. Risk factors	17
6. Additional Information.....	26
7. Glossary.....	30
8. Corporate directory.....	32

For personal use only

Important Information

Basis of Offer

The *Corporations Act 2001* (Cth) (**Corporations Act**) allows listed companies to make a pro-rata entitlement issue of securities to existing shareholders without a disclosure document. The Offer to which this Offer Document relates complies with the requirements of section 708AA of the Corporations Act (as notionally modified by ASIC Class Order 08/35) and this Offer Document is therefore not required to be lodged or registered with ASIC. This Offer Document is provided for information purposes and is not, and does not purport to be, a prospectus or other disclosure document for the purposes of the Corporations Act. Accordingly, this Offer Document does not necessarily contain all of the information that a prospective investor may require to make an investment decision regarding an investment in Shares and it does not contain all of the information that would otherwise be required to be disclosed in a prospectus or other disclosure document, including in relation to the rights attaching to Shares.

Neither ASIC nor ASX, nor any of their officers or employees, take responsibility for this Offer Document or the merits of the investment to which this Offer Document relates.

This Offer Document is dated 30 March 2011.

Take Advice

You should read this Offer Document in its entirety and refer to the releases made by the Company to ASX before deciding whether to apply for New Shares under the Offer. In particular, you should consider the risk factors outlined in section 5 and consider these factors in light of your personal circumstances, including financial and taxation issues. An investment in New Shares should be considered speculative. The information provided in this Offer Document has been prepared without taking into account your investment objectives, financial circumstances or particular needs. You should conduct your own independent review, investigation and analysis of the Company and the New Shares the subject of the Offer. If you are in any doubt as to how to deal with this Offer or if you have any questions, you should contact your stockbroker or other professional adviser without delay. You should obtain any professional advice you require to evaluate the merits and risks of an investment in the Company before making any investment decision based on your investment objectives.

Overseas Shareholders

The Offer is not extended to, and New Shares will not be issued or allotted to, Shareholders with a registered address that is in any jurisdiction other than Australia and New Zealand. This is because the Company has determined that it would be unreasonable to extend the Offer to such shareholders having regard to the matters set out in section 9A(3)(a)(i)-(iii) of the Corporations Act. Accordingly the Entitlement and Acceptance Forms will not be sent to Shareholders outside of Australia or New Zealand. The distribution of this Offer Document and accompanying Entitlement and Acceptance Form in jurisdictions outside Australia and New Zealand may be restricted by law, and therefore persons who come into possession of this Offer Document should seek advice on and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of applicable securities laws.

This Offer Document does not, and is not intended to, constitute an offer of New Shares in any jurisdiction where, or to any person to whom, it would be unlawful to make such an offer or issue. This Offer Document has not been, nor will it be, lodged, filed or registered with

any regulatory authority under the securities laws of any country. In particular, the New Shares have not been, and will not be, registered under the U.S. Securities Act and may not be offered, sold or delivered within the United States of America or to or for the account or benefit of any U.S. Person, except pursuant to the applicable exceptions from registration. In addition, hedging transactions with respect to the New Shares may not be conducted unless in accordance with the U.S. Securities Act.

No trading in Entitlements

Shareholders' Entitlements under the Offer are non-renounceable and will not be tradable on ASX or otherwise transferable. Furthermore, unless permitted by law, you cannot withdraw your application for New Shares once it has been accepted.

Future Performance

The pro forma financial information (including past performance information) provided in this Offer Document is based on the unaudited management accounts of the Company and is for information purposes only and is not a forecast of operating results to be expected in any future period. Except as required by law, and only then to the extent so required, neither the Company nor any other person warrants or guarantees the future performance of the Company or any return on any investment made pursuant to the Offer.

Privacy

The Company collects information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company. By submitting an Application, each Applicant agrees that the Company may use the information provided by the Applicant in connection with their Application for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Company's share registry, related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on the Entitlement and Acceptance Form the Company may not be able to accept or process your Application.

An Applicant has a right to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

No representations other than as set out in this Offer Document

No person is authorised to give any information or make any representation in connection with the Offer other than as contained in this Offer Document. Any information or representation in connection with the Offer not contained in this Offer Document or in any other release by the Company to ASX is not, and may not be relied upon as having been, authorised by the Company or any of its officers.

Defined terms

Defined terms and abbreviations used in this Offer Document are explained in the Glossary in section 7.

1. Key Offer Information

Summary of Offer information

Issue price per New Share	\$0.07 per New Share payable in full on application
Shareholder entitlements	2 new Share for every 5 Shares held on the Record Date
Discount of the issue price to the closing price of Shares of CGV (before announcement of the Offer)	17.6%
Discount of the issue price to the 5 day volume weighted average price of Shares of CGV (before announcement of the Offer)	13.5%
Number of New Shares to be issued under the Offer ¹	64,734,863
Gross amount to be raised under the Offer ¹	\$4,531,440
Number of Shares on issue on completion of the Offer ¹	226,572,021

Indicative timetable

Announcement of the Offer	Monday, 28 March 2011
Shares trade 'ex-entitlement' to participate in the Offer	Friday, 1 April 2011
Record Date to determine entitlements under the Offer 7:00pm Perth Time	Thursday, 7 April 2011
Anticipated despatch of Offer Document and Entitlement and Acceptance Forms	Monday, 11 April 2011
Offer opening date	Monday, 11 April 2011
Offer closing date (last day for lodgement of entitlement and Acceptance Forms and payment in full application money) 5:00pm Perth Time	Thursday, 28 April 2011
Company to notify ASX of shortfall (if any)	Friday, 29 April 2011
Expected date for despatch of holding statements	Monday, 2 May 2011
Expected date for commencement of trading of New Shares on ASX	Tuesday, 3 May 2011

These dates are indicative only and may be subject to change. Subject to the Listing Rules and other applicable laws, the Directors, in conjunction with the Underwriter, reserve the right to vary the dates of the Offer. The Directors also reserve the right not to proceed with the whole or part of the Offer.

¹ Assumes that no options are exercised. See section 4 for further details.

2. Details of the Offer

The Offer

The Company is making a non-renounceable pro rata offer of New Shares to Eligible Shareholders at an issue price of \$0.07 per New Share on the basis of 2 New Shares for every 5 Shares held on the Record Date (the **Offer**).

As at the date of the Offer the Company has on issue 161,831,158 Shares. The total number of New Shares to be issued under the Offer is 64,734,863, assuming that no Options over shares that are currently on issue are exercised in time to permit the holders of exercised options to participate in the Offer. The Company will raise gross proceeds of \$4,531,440 under the Offer assuming the number of New Shares issued pursuant to the Offer is 64,734,863. The use of funds and details of the costs of the Offer are set out in section 4.

The Offer is underwritten by Patersons Securities Limited ABN 69 008 896 311 (the **Underwriter**), up to an amount of \$4,531,440. The Underwriter is entitled to an underwriting fee of 5.5% of the underwritten amount and an advisory fee of \$60,000. The terms and conditions of the Underwriting Agreement, including the rights of the Underwriter to terminate the Underwriting Agreement, are summarised in section 6.

Dealing with your Entitlements

Your Entitlement to participate in the Offer was determined on the basis of your shareholding in the Company on the Record Date. Your Entitlement is shown on the Entitlement and Acceptance form accompanying this Offer Document. If you wish to take up all or part of your Entitlement, section 3 explains what you must do. There is no minimum subscription.

The Offer is non-renounceable. This means that your Entitlement to subscribe for New Shares under the Offer is not transferable and there will be no trading of Entitlements on ASX. Any Entitlements not taken up by an Eligible shareholder will lapse and will form part of the Shortfall.

Opening and Closing Dates

The Offer opens on Monday, 11 April 2011. The Company will accept Entitlement and Acceptance Forms from this date until 5:00pm Perth time on the Closing Date, being Thursday, 28 April 2011 or such other date as the Directors may determine in consultation with the Underwriter, subject to the requirements of the Listing Rules and other applicable law.

Issue of New Shares

The Company expects to issue the New Shares and despatch holding statements in respect of those New Shares on Friday, 29 April 2011. All New Shares being offered will, on issue, rank equally in all respects with all other Shares on issue.

The Company will apply to ASX for quotation of the New Shares. If ASX does not grant quotation to the New Shares, the Company will repay, as soon as practicable, without interest, all Application Money received pursuant to the Offer.

New Shares are expected to commence trading on ASX on Tuesday, 3 May 2011. It is the responsibility of Applicants to determine their allocation of New Shares prior to trading in

them. Applicants who sell New Shares before they receive their holding statements will do so at their own risk.

Overseas Shareholders

This Offer Document and the accompanying Entitlement and Acceptance Form do not, nor are they intended to, constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. This Offer Document has not been, nor will it be, lodged, filed or registered with any regulatory authority under the securities laws of any country. In particular, the New Shares have not been and will not be, registered under the U.S. Securities Act and may not be offered, sold or delivered within the United States of America or to or for the account or benefit of any U.S. Person, except pursuant to applicable exceptions from registration. In addition, hedging transactions with respect to the New Shares may not be conducted unless in accordance with the U.S. Securities Act.

The Company is of the view that it is unreasonable to extend the Offer to Ineligible Shareholders, having regard to the small number of Ineligible Shareholders, the number and value of the New Shares that would be offered to Ineligible Shareholders and the cost of complying with the legal requirements and the requirements of the regulatory authorities in the respective overseas jurisdictions. Accordingly, the Offer does not extend to any Ineligible Shareholder. The company reserves the right to treat as invalid any Application that appears to have been submitted by an Ineligible Shareholder.

Eligible Shareholders holding Shares on behalf of persons who are resident outside Australia and New Zealand are responsible for ensuring that taking up any Entitlements under the Offer does not breach regulations in the relevant overseas jurisdiction. The lodgement of an Application will constitute a representation that there has been no breach of such regulations. Shareholders who are nominees are also advised to seek independent advice as to how they should proceed. Where the Offer has been dispatched to a Shareholder domiciled outside Australia or New Zealand, the Offer Document is provided for information purposes only.

Taxation implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Offer Document. The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders. Shareholders should consult their professional tax adviser in connection with subscribing for New Shares under this Offer Document.

CHESS

The Company participates in the Clearing House Electronic Subregister System, known as CHESS. ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532 (**ASTC**), a wholly owned subsidiary of ASX operates CHESS in accordance with the Listing Rules and ASTC Settlement Rules.

Under CHESS, applicants will not receive a certificate but will receive a statement of their holding of New Shares. If you are registered in the Issuer Sponsored Subregister, your statement will be despatched by the Company's registry, Security Transfer Registers Pty Ltd, and will contain details of the number of New Shares issued to you under the Offer and your security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their holding

changes. Shareholders may request a statement at any other time however there may be a charge associated with the provision of this service.

Market prices of Shares

The lowest and highest market sale prices of Shares on ASX during the three months preceding the date of the Offer were \$0.046 and \$0.13 respectively. The closing price of Shares on ASX on the trading day prior to the day of the Offer was formally announced, being 28th March, was \$0.088. The issue price of \$0.07 represents a discount of approximately 17.6% to the closing price on 24 March 2011, a 13.5% discount to the five day volume weighted average price of the Company's Shares traded on ASX over the five days up to the formal announcement of the Offer on 28 March 2011.

Risks

An investment in the Company involves a number of risks. Some of the risks associated with an investment in the Company are set out in section 5. You should consider these factors in light of your personal circumstances, including financial and taxation issues. Before making an investment, decision, potential Applicants should read the Offer Document in full and should consult with their professional advisers. You should conduct your own independent review, investigation and analysis of the Company and New Shares. You should obtain any professional advice you require to evaluate the merits and risks of an investment in the Company before making any investment decision based on your investment objectives.

Questions

If you have any questions in relation to the Offer, please consult your stockbroker or other professional adviser.

For personal use only

3. What Eligible Shareholders may do

This section is for the information of Eligible Shareholders

Your Entitlement to New Shares is shown on the accompanying Entitlement and Acceptance Form. Before taking any action in relation to the Offer, you should read this Offer Document in its entirety, and seek professional advice from your professional adviser.

You may:

- take up all of your Entitlement to New Shares;
- take up part of your Entitlement to New Shares and allow the balance to lapse; or
- do nothing and allow all of your Entitlement to New Shares lapse.

If you wish to take up all of your Entitlement to New Shares

If you wish to take up all of your Entitlement to New Shares you have two options.

Option 1: Complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out in the Entitlement and Acceptance Form and send the completed Entitlement and Acceptance Form together with your cheque for the applicable Application Money to the Share Registry at the address set out on the Entitlement and Acceptance Form. Completed Entitlement and Acceptance Forms must reach the Company's share registry, Security Transfer Registers Pty Ltd, at the address set on the Entitlement and Acceptance Form by no later than 5:00pm Perth time on the Closing Date of Thursday, 28 April 2011.

Option 2: Pay the Application Money by BPAY[®]. Your Application Money must reach the Company's share registry by no later than 5:00pm Perth time on the Closing Date of Thursday, 28 April 2011.

Please note that should you choose to use BPAY to pay for your Application Money:

- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to make the declarations on that form; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares that is covered in full by your Application Money.

You should be aware that your own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment.

If you wish to take up part of your Entitlement to New Shares and allow the balance to lapse

If you wish to take up part of your Entitlement to New Shares and allow the balance to lapse, you have two options.

Option 1: Complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out in the Entitlement and Acceptance Form for those Entitlements you wish to accept. The completed Entitlement and Acceptance

For personal use only

Form should be sent together with your cheque for the applicable Application Money to the Company's share registry, Security Transfer Registers Pty Ltd, at the address set on the Entitlement and Acceptance Form by no later than 5:00pm Perth time on the Closing Date of Thursday, 28 April 2011.

Option 2: Pay the applicable Application Money by BPAY®. Your application Money must reach the Company's share registry by no later than 5:00pm Perth time on the Closing Date of Thursday, 28 April 2011.

Please note that should you choose to use BPAY to pay for your Application Money:

- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to make the declarations on that form; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares that is covered in full by your Application Money.

You should be aware that your own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment.

Entitlement to new Shares not taken up

If you do not wish to take up any part of your Entitlement to New Shares, you do not take any further action and your Entitlement will lapse. You will receive no payment for your lapsed Entitlements. You cannot sell or transfer your Entitlements to another person. Your percentage shareholding in the Company however will be diluted because the issue of New shares will increase the total number of Shares on issue.

Entitlement and Acceptance Form is binding

Completing and lodging an Entitlement and Acceptance form and paying the applicable Application Money, or paying the applicable Application Money by BPAY, constitutes a binding offer to the Company to acquire New Shares on the terms and conditions set out in this Offer Document and the Entitlement and Acceptance Form. An offer to subscribe for New Shares is irrevocable and, once made, cannot be withdrawn. The Entitlement and Acceptance Form does not need to be signed to be binding.

If the Entitlement and Acceptance Form is not completed correctly, the Company in its absolute discretion can reject it or treat it as valid. The Company's decision as to whether to accept or reject an Entitlement and Acceptance Form or how to interpret an incorrectly completed Entitlement and Acceptance Form is final.

4. Company overview and effects of the Offer

Overview

Clean Global Energy Limited (**CGE**) was listed on the Australian Securities Exchange (**ASX**) in October 2009 with plans to commercialise Underground Coal Gasification (**UCG**) in Australia and overseas.

CGE's business model is to produce UCG derived Synthesis Gas (**Syngas**) from the UCG process and monetise the Syngas through selling to potential users as feedstock for power generation, production of chemicals, fertilisers, ultra clean fuels, petrochemical products, hydrogen and other similar products. CGE's proposed first plant was to be in South East Queensland which encompassed generating a JORC compliant resource suitable for application of UCG. Once the initial plant was developed, a subsequent semi-commercial and commercial plants would be developed to produce Syngas to be sold to nearby power stations as feedstock. In support of the UCG business, CGE has a substantial coal tenement package in Australia acquired since commencing its operations and continues to acquire today. These coal tenement packages consist of tenements that are either granted or under application. The coal packages included both high quality assets suitable for traditional mining techniques as well as coal packages suitable only for UCG.

In mid 2010, CGE shifted its businesses focus to developing UCG projects overseas where greater interest and understanding of UCG exists. This was primarily due to uncertainty created from an incident involving UCG in Queensland (in relation to another company). As a result of this, the Australian UCG project development, by CGE has been temporarily suspended until UCG in Queensland and the position of that state's Government is clearer. CGE's Australian business focus has shifted to the exploitation of coal assets suitable for traditional coal mining methods.

CGE has prepared a series of projects in Australia suitable for conventional mining techniques. The Company has identified EPC1748 in the Surat Basin as a low risk exploration target the drilling of which will be funded from this capital raising.

In December 2010 CGE entered into a Memorandum of Understanding (**MOU**) in relation to a lead UCG project located in the United States of America which involves the phased construction of a commercial UCG operation of up to 300MWe capacity to deliver gas to an end user for the purpose of power generation. The Company has entered into a MOU which reflects the agreed terms for the acquisition of a UCG suitable coal deposit on an existing mining lease and entered into a Memorandum of Understanding for an off-take agreement for UCG Syngas with a major USA power generator. Initial drilling, geological, hydrology and other environmental studies will be funded from this capital raising as well as other project development costs in the USA.

CGE has developed a technology licensing business model to monetise the value of the in-house expertise and technology CGE has. The technology licencing business model will allow CGE to leverage its UCG capabilities without the need for capital. CGE expects to generate revenue from this business model through licencing and project management fees as well as ongoing royalties. CGE has entered into a binding Heads of Agreement with Essar, the India based oil, gas and power multi-national, to provide its UCG technology and expertise under a Technology Licence Agreement. Essar is bidding on coal blocks within India which the Indian Government is releasing specifically for exploitation using UCG technologies. Under this agreement fees will be generated during the bidding process and further licensing fees (if Essar is granted a UCG Block) will be generated during the project design, construction, commissioning and operation of the UCG Plant. These fee arrangements will be replicated if Essar is awarded multiple UCG blocks through this tender

process. Funds raised from this capital raising will be allocated to advance this project and build a technical capability to deliver this project.

Australia – A Focus on Coal

CGE holds eight granted coal tenements covering 3,280 km², and another 21 competing applications covering 2,976 km². Of these, the Company has identified three priority drilling targets as follows.

EPC1748 is located in the Surat Basin, Queensland. This tenement was previously under competing application and was recently awarded to CGE with formal grant expected in mid 2011. This tenement covers an area of 360 km² and has an extensive database of exploration wells which include wireline logs over coal packages in the Walloon Coal Measures. Of interest to CGE is the shallowest Macalister seam, with a typical depth of approximately 500m and seam thickness of approximately 5 meters. This provides a potential underground mining opportunity, similar to current and planned underground mining in NSW. The Macalister seam is a thermal coal seam which is currently mined elsewhere in the Surat Basin. Gas exploration well data has indicated several intersections of coal with a high concentration in the southern part of the tenement along with the north east of the tenement. The south east corner of the tenement should only require a minimal cored hole exploration program to obtain a JORC resource. A rail line from Dalby crosses the tenement and the tenement also has an extensive network of both sealed and unsealed roads in place which will provide good infrastructure access. The main Dalby rail line accesses the Port of Brisbane and also the Wandoan rail line, where there are plans to extend the line from Wandoan to Gladstone for greater port access. CGE plans a three to four cored holed exploration program in the south west corner of the well to generate a JORC inferred resource in that part of the tenement. The western 30% of the tenement falls under an issued Petroleum License. This exploration program is expected to cost \$1.5 million. CGE regards this program as a low risk exploration play.

CGE has two further priority coal targets. The first of these are the adjoining EPC 1864 and EPC 1751 located in the Bowen Basin, Queensland. This play is primarily targeting Blair Athol formation coals at depths of approximately 500 meters which may be of PCI quality in this area. The secondary targets are the Reids Dome Beds equivalents. These coals have yet to be drill tested as they are overlain by up to 200m of basalt cover, however, present a high risk play with substantial upside. CGE sees this as another potential underground mining opportunity.

The third coal target is a lignite deposit in EL5720 in the Gippsland Basin. A review of existing borehole data has identified a 15m thick lignite seam over an area of 15km² at depths from 30 to 60 meters. This lignite may be suitable for conventional coal mining and also has surface gasification potential. CGE sees this as a potential 'cleaner coal' opportunity utilizing advanced above ground coal gasification technology, and/or a potential export mining opportunity subject to Government approvals.

In addition, drilling performed by the Company in EPC 1506 (Maryvale) has produced a JORC inferred resource of 38 million tonnes of coal suitable for UCG. Furthermore, an additional three holes will target 183MT with the target remaining open to the north. Additionally, the Company has identified the Condamine Coal Seam as a secondary target in this tenement, and intersections have typically been more than 5 metres thick. This target has yet to be included in resource and target estimates. These coals may be suitable to generate Syngas for the nearby Millmerran and Swanbank power stations.

International – A Global UCG Focus

USA Project

In December 2010, CGE established a new US entity, Clean Global Energy Inc. (**CGEI**), to target underground coal gasification (**UCG**) projects throughout North America.

CGEI's first US project in Oklahoma will see the acquisition of an existing mine site from Farrell Cooper Mining LLC (**FCM**) and a staged commercial UCG plant built and commissioned to produce Syngas. The 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.

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.

CGEI has entered into an exclusive non-binding 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) to sell the Syngas to AES for feedstock in its current and proposed power generators.

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 Oklahoma 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.

India UCG Project - Essar Licensing Agreement

In February 2011, CGE 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 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 has assisted Essar to complete the bidding process during which time CGE has commenced generating 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.

Developing projects in India

CGE has received an invitation to collaborate with Hyderabad based Nagarjuna Fertilisers and Chemicals Ltd, to participate in the development of UCG projects in India. Conditions for UCG in Indian lignite blocks are similar to those in the coal tenements held by CGE in Victoria, and CGE would apply similar site selection methods in India to those already developed in Australia.

Accordingly, CGE has proposed a MOU to work with Nagarjuna to formalise a relationship to procure UCG blocks to develop, construct, commission and operate a UCG plant to produce Syngas to use as feedstock for power generation and other uses. CGE's primary role would be to deliver and operate a pilot and subsequent commercial UCG plant.

Under the MOU, CGE would work with Nagarjuna, which includes a licensing agreement if one or more of the UCG blocks are granted to Nagarjuna or its nominees, to submit a bid to Rajasthan State Petroleum Corporation Ltd for off-take of UCG Syngas.

China

CGE is continuing moving forward with its China developments. A suitable UCG site has been identified and agreed to by the parties, pre-design and early planning works and development timetables have been planned. The parties are now working on formal agreements prior to finalising funding arrangements.

In addition to our current activities, CGE has been actively pursued by a number of Chinese companies to undertake UCG projects as its business profile in China rises. These discussions are at various levels and are very positive, however, the timing of any formal agreements, or results from, these discussions is still unknown.

Use of Funds

For personal use only

Funds available	\$000¹
Existing cash reserves as at 31 December 2010	878
Gross Offer proceeds	6,000
Total	6,878
Use of funds – current estimated expenditure	
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
Total	6,878

Unaudited pro-forma balance sheet

The unaudited pro-forma balance sheet of the Company as at 31 December 2011 is set out below. The pro-forma balance sheet is presented to show the impact of the Offer on the balance sheet of the Company and has been extracted from the audited financial statements prepared by management.

	Audited (pre Offer) 31 December 2010 \$	Offer Proceeds (net of costs) \$	Unaudited pro forma (post Offer) 31 December 2010 \$
Current assets			
Cash & cash equivalents	878,176	5,610,000	6,488,176
All other	176,354	-	176,354
Total	1,054,530	5,610,000	6,664,530
Non-current assets			
Exploration, evaluation and UCG assets	3,308,888	-	3,308,888
All other	68,214	-	68,214
Total	3,377,102	-	3,377,102
Total assets	4,431,632	5,610,000	4,431,632
Current liabilities			
Trade and other payables	180,230	-	180,230
Financial liabilities	600,000	-	600,000
All other	160,581	-	160,581
Total liabilities	940,811	-	940,811
Net assets	3,490,821	5,610,000	9,100,821
Equity			
Contributed equity	8,267,495	5,610,000	13,877,495
Accumulated losses	(4,776,674)	-	(4,776,674)
Total Equity	3,490,821	5,610,000	9,100,821

¹ Amounts are approximate and rounded to the nearest \$1000

For personal use only

Capital structure

The table below summarises the effect of the Offer on the Company's issued share capital. The table assumes that no options currently on issue are exercised. Currently the Company has a total of 5,402,084 options to subscribe for Shares on issue (see below for further details):

Shares on issue as at 30 June 2010 (as set out in annual report)	140,727,964
Shares issues under a Placement	21,109,194
Number of New Shares to be issued under the Offer	64,734,863
Total Shares on issue after the Offer	226,572,021

Options on Issue

The table below sets out the number and details of options that the Company has on issue.

Type of Option	Exercise Price	Expiry date	No. of options
Unlisted	\$0.40	30 November 2011	2,735,417
Unlisted	\$0.40	30 November 2011	791,667
Unlisted	\$0.60	30 November 2011	125,000
Unlisted	\$1.00	31 August 2011	1,250,000
Unlisted	\$1.00	30 November 2011	375,000
Total			5,277,079

Employee Share Option Scheme

The Company has in place an Employee Share Option Scheme ('ESOP') to ensure it can attract and retain suitably qualified and experienced staff to execute the Company's business plans. Under this scheme a number of employees and consultants have existing and proposed entitlements and future employees are anticipated to participate in this scheme. The Company anticipates proposing a revised ESOP for approval by shareholders in the near future which will substantially increase the capacity of the Company to make issues under the ESOP.

CGE Incorporated

The proposed equity ownership of the US subsidiary CGE Incorporated will include a 20% ownership by management of the US subsidiary with a further 10% of equity to be granted to management, for no consideration on the completion of certain performance based milestones.

For personal use only

5. Risk factors

Introduction

The Company is subject to a number of risks and other factors that may affect both its future performance and the market price at which its Shares, including New Shares, trade. Many of these risks are outside the control of the Board and the Company. Prior to making any decision to accept the Offer, investors should carefully consider the risk factors set out below that are applicable to the Company.

The risks listed in the Offer Document should not be taken as exhaustive of the risks faced by the Company. Factors other than those listed may in the future materially affect the financial performance of the Company and the value of the New Shares offered under the Offer.

The Directors strongly recommend that investors examine the contents of this Offer Document and consult their professional advisers before deciding whether to apply for New Shares.

Exploration/Commercial Development risks

The primary activities of the Company are exploration for, and the commercial development of, mineral ore bodies using coal gasification technology. Minerals exploration is inherently risky. Notwithstanding the experience, knowledge and careful evaluation the Company brings to each of its projects there is no assurance that commercialisation will be achieved.

The ability of the Company to pursue its planned programs may be affected by a range of factors including:

- geological conditions;
- limitations on activities due to seasonal weather patterns;
- the market for Syngas
- alterations to joint venture programs and budgets;
- mechanical failure or unavailability of drilling equipment and other plant and equipment;
- industrial and environmental accidents, industrial disputes and other force majeure events;
- unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment and labour;
- prevention of access to exploration areas by reason of political or civil unrest, outbreak of hostilities, inability to obtain regulatory or landowner consents or approvals, or native title issues;
- risks of default or non-performance by third parties providing essential services; and
- technological difficulties.

Development risks

The ultimate success and financial viability of the Company depends on the application of the Company's technological processes to coal reserves, the design and construction of efficient mining, processing and gasification facilities, and competent operational and managerial performance. There is no assurance that exploration and development of the mineral interests and joint venture projects held by the Company, or any other projects that may be acquired by the Company in the future, will result in the discovery of an economic deposit or successful commercialisation. Even if an apparently viable deposit is identified, there is no guarantee that it can be profitably exploited or successfully commercialised.

If the Company commences production, its operations may be curtailed or disrupted by a number of risks beyond its control such as environmental hazards, industrial accidents and disputes, technical failures, unusual or unexpected geological conditions, fires, explosions, adverse weather conditions and other accidents. The Company's operations may be adversely affected by higher than anticipated treatment costs, worse than anticipated geological conditions, fluctuations in prices or lack of availability of treatment capacity.

Development of a commercial UCG operation is also dependent on the Company's ability to obtain necessary titles and Governmental and other regulatory approvals.

Changes in Government policy

The Company's capacity to develop a commercial UCG operation as well as industry profitability generally, can be affected by changes in Government policy that are beyond the control of the Company. Changes in Government regulations and policies may adversely affect the financial performance of the Company.

Queensland, Australia

To address issues associated with overlapping tenure between UGC and CSG interests, the Queensland Government released its UCG Policy on 18 February 2009. Relevantly, the UCG Policy:

- approves 3 UCG pilot projects for Linc Energy, Carbon Energy and Cougar Energy;
- provides the Minister discretion on additional UCG trials; and
- sets up an 'Industry Consultative Committee' to consider the development of a future tenure regime and to determine the process for making compensation payments.

The stated intention of the UCG Policy is to provide the UCG pilot projects with the opportunity to demonstrate the technical, environmental and commercial viability of the technology. Each UCG pilot proponent (including the Company) is required to complete and submit a detailed project report of all activities and impacts including any impacts on resources outside the boundary of the pilot tenure, and findings associated with the conduct of the UCG pilot project.

A Scientific Expert Panel will be constituted to review the project reports as they are received and to assist the Queensland Government in the preparation of a report on the outcomes of the 3 UCG pilot projects. The findings of the Government report (to be completed between December 2010 and December 2011) are to be presented to Cabinet in 2011/2012.

UCG activities may be restricted or prohibited if the Queensland Government is not satisfied as to the technical, environmental and commercial viability of UCG technology. Accordingly,

there is no guarantee that the Company will be given permission for a pilot or commercial UCG plant in Queensland.

A decision to ban the commercialisation of UCG in Queensland could potentially influence how other decision makers approach the regulation of UCG technology. Regulatory risks will also be encountered by the Company in association with any development proposal in foreign jurisdictions such as the United States of America and India.

On 23 August 2010, the Queensland Government released the 'Protecting Queensland's strategic cropping land' policy framework. Under the policy, it is proposed that mineral resources in defined agricultural areas will not be developed where they permanently alienate the land. As at the date of this Offer the Company has not been made aware that any of its tenements fall within the areas defined by this Government policy. In the future the Company's tenements may or may not be adversely affected by this Government policy.

Mineral market conditions

The Company's ability to benefit from any future mining and UCG operations will depend on market factors, including the market prices of commodities, many of which will be beyond the Company's control. Global markets for coal are subject to many variables and the prices of this mineral can fluctuate markedly. Any significant and/or sustained fluctuation in exchange rates or commodity prices could have a materially adverse affect on the Company's operations and its financial position.

General economic conditions

Factors such as inflation, currency fluctuations, interest rates, supply and demand, industrial disruption, Government policy and legislation, have an impact on operating costs, commodity prices and the parameters in which the Company operates. Factors that are beyond the control of the Company include:

- general economic conditions in Australia and overseas, and, in particular, inflation rates, interest rates, exchange rates, commodity supply and demand factors;
- financial failure or default by a participant in any of the joint ventures or other contractual relationships to which the Company is, or may become, a party;
- insolvency or other managerial failure by any of the contractors used by the Company in its activities; and
- industrial and landholder disputes.

These as well as other conditions can affect the Company's operating costs and have the potential to affect the Company's potential future revenues and profitability and the price of its securities.

Environmental risks

The Company's projects are, or may be, subject to various laws and regulations regarding environmental matters and the discharge of hazardous waste and materials. The Company may be required to comply from time to time with environmental management issues that arise from factors beyond its control. Should the Company proceed to development of one or more mines or UCG projects, it could be expected that such developments would have numerous environmental impacts that would require various statutory approvals to be put in place. There is no guarantee that such approvals would be granted. The Company intends

For personal use only

to conduct its operations in an environmentally responsible manner and in accordance with relevant legislation. However, the Company is unable to predict the effect of future changes to environmental legislation or policy and the cost effect of such changes on its operations and financial position.

Tenement title risks

Mineral licences are granted subject to various conditions including, but not limited to, work and expenditure conditions. Failure to comply with these conditions may expose the licences to forfeiture.

All of the licences in which the Company has an interest will be subject to application for renewal from time to time. The renewal of the term of each licence is subject to the applicable legislation in the relevant jurisdiction. If a licence is not renewed for any reason, the Company may suffer significant damage through loss of the opportunity to develop and discover any mineral resources on that licence.

Native title

Native title in Australia is governed by the *Native Title Act 1993* (Cth) (**NTA**) and by state legislation. The NTA provides a regime that enables persons claiming to hold native title to lodge a claim to that effect for determination. The NTA also provides for the determination of native title rights, their extinguishment, and for processes to deal with those rights in accordance with specific categories of acts that have occurred including 'past acts' (before 1 January 1994), 'intermediate period acts' (occurring between 1 January 1994 and 23 December 1996) and 'future acts'. Under this regime, native title is extinguished by grants of private freehold title and exclusive possession tenures.

The effect of native title on a tenement held by the Company will depend on the nature of the tenement, the date of its grant or proposed grand, and the nature of the underlying land tenures.

The effect of the NTA and relevant state legislation is that existing and new tenements held by the Company may be affected by native title claims and procedures. The Company has not undertaken the historical, legal or anthropological research and investigations at the date of this Offer Document that would be required to form an opinion as to whether any existing or future claim for native title could be upheld over a particular parcel of land covered by a tenement. There is a potential risk that a determination could be made that native title exists in relation to land the subject of a tenement held by the Company that may affect the operation of the Company's business and development activities. If it is determined that native title does exist or a native title claim has been registered, the Company may need to comply with procedures under the applicable native title legislation in order to carry out its operations or to be granted any additional rights required. Such procedures may take considerable time, involve the negotiation of significant agreements, may involve access rights, and require the payment of compensation to those persons holding or claiming native title in the land the subject of a tenement. The involvement in the administration and determination of native title issues may have a material adverse impact on the position of the Company in terms of cash flows, financial performance, business development, ability to pay dividends and the Share price.

Compulsory work obligations

Each of the Company's tenements is subject to expenditure and work commitments, which must be met in order to keep such tenement in good standing. These commitments may be varied on application by the tenement holder but any such variation is at the sole discretion

of the Minister administering the relevant State mining legislation. If no variation is approved, and there is a failure to meet the commitments, this could lead to forfeiture of the tenement.

Funding requirements

The Company will have limited operating revenue in the foreseeable future and must continue to fund its activities through equity capital. Any additional equity financing may dilute existing shareholders' interests in the Company.

Once the Company's current cash reserves, and those raised under the Offer, are exhausted, the Company's capacity to operate will be dependent upon:

- the success of the Company's efforts to attract joint venture partners who will undertake or share all or part of the UCG development expenditure; and
- the successful raising of additional equity funds.

Until such time as the Company has a commercially viable project, debt financing is not likely to be available to support the Company's activities.

Share market risk

There are risks associated with any stock market investment. It is important to recognise that share prices may fall as well as rise, and the Company's Shares, including New Shares, may trade below or above their issue price. Share prices for exploration companies are generally subject to wide fluctuations which may be unrelated to the operating performance of the Company. Such fluctuations may adversely affect the market price of the Company's securities. The Company's continued listing on ASX (and therefore the availability of a ready market for the Shares) depends on the Company's continued compliance with the Listing Rules.

General

General risks associated with investment in the Company include the loss of key personnel, litigation by or against the Company and the activities of competitors.

Benefits and risks of UCG

UCG Benefits

Global interest in UCG has been discussed in the context of increasing fuel prices, concerns with security of energy supplies, mine safety, greenhouse gas emissions and environmental impacts of other energy sources. The potential benefits of UCG can be broadly stated as follows:

- Ability to access otherwise unavailable low cost coal reserves
- Potentially lower capital and operating costs
- Reduced mine injuries, illnesses and fatalities
- Reduced environmental emissions

More specifically, the potential advantages of UCG in comparison to coal mining and surface coal gasification include the following (*Burton, Friedmann & Upadhye n.d., p.14*) (*Creedy et al. 2001, p3*):

- (a) Coal resources can be significantly increased by tapping into coals that are considered economically unmineable because they are located too deep, are of low quality, or are present in thin seams.
- (b) The need for conventional mining is eliminated. This reduces operating costs and surface damage (site aesthetics and rehabilitation issues), and avoids hazards associated with mine collapses and the risks associated with mining operations are reduced or avoided.
- (c) Gasification operation is inherently safer by placing high pressure and temperature operations underground.
- (d) Coal does not need to be transported to the surface and moved to the point of use, reducing energy consumption, capital and operating costs and emissions.
- (e) Dirt handling and disposal, as well as coal washing and fines disposal activities associated with mines are eliminated.
- (f) Emissions of certain pollutants including SO_x, NO_x, mercury and particulates are significantly reduced relative to surface mining and conventional combustion.
- (g) Costs associated with ash and slag handling are reduced or eliminated. Environmental issues associated with fly ash waste being stored/handled at the surface (at power stations) and subsequent disposal are avoided, since most of the coal ash is trapped underground.
- (h) Capital cost is significantly reduced in comparison to SCG processes as a result of the elimination of the surface gasification system (*Burton, Friedmann & Upadhye n.d., p.14*).
- (i) Overall, UCG has lower fugitive dust (coal mines create coal dust pollution), noise and visual impact on the surface/landscape, has lower potable water consumption and lower risk of surface water pollution (*Creedy et al. 2001 p3*).
- (j) Mine water recovery costs are avoided and significant hazard liabilities associated with mine abandonment eliminated (i.e. less resettlement and rehabilitation issues).
- (k) With increasing global interest in hydrogen production, coal gasification (in particular UCG) provides an attractive means to producing hydrogen from coal at a relatively low cost in comparison to natural gas until the longer term issues associated with renewable energy sources and nuclear energy are overcome (*Burton, Friedmann & Upadhye n.d., p.14*).

The economic advantage for UCG essentially lies in its ability to exploit zero-value feedstock, and to significantly reduce the capital costs and associated with coal preparation, conveying and gasification. This means that UCG Syngas may be produced at significantly lower cost than is possible with conventional gasification.

UCG Risks

Technical Risks

UCG is not a recent development, however the technology has not as yet been commercially demonstrated in an industrial scale anywhere to our knowledge in the western world.

Compared with surface gasifiers, process control of UCG operations is more difficult. Monitoring of important process variables relies on inferential models and analysis of the quality and quantity of produced Syngas, rather than direct measurements (*Burton, Friedmann & Upadhye n.d., p.17*). This may limit ability to optimise or fine-tune the process or to detect and respond to process upsets.

The UCG process operates in an unsteady state where the flow rate and quality of the produced Syngas fluctuates over time (*Burton, Friedmann & Upadhye n.d., p.17*). This will require appropriate design of downstream equipment to ensure that processes are not unduly impacted by variations in Syngas quality. However it is considered that the use of the CRIP technology and multiple production wells can reduce the impact of these issues through its capability of influencing the size and shape of the UCG gasification zone.

Technical risks can be further reduced by employing a rigorous and comprehensive hydrogeological and geotechnical site selection process to eliminate from consideration possibly unsuitable coal seams.

Syngas derived from air blown gasification contains a high proportion of nitrogen which must be handled in the downstream processes. Therefore, for non-fuel gas applications (i.e. electricity generation), oxygen blown gasification is a more attractive gasification option. However, these issues are well-understood and do not present a significant technical risk in the Company's opinion.

To the extent that uncertainty exists as to the levels or variability in levels of trace impurities between different seams or different wells, this will place great reliance on the design and robustness of acid gas treatment in order to protect downstream equipment processes.

High or variable concentrations of contaminants or inert components in UCG-derived Syngas may impact upon product yields, kinetics, or purge and recycle. This may increase the investment and operating costs of the facilities, or cause operational problems. These issues may be mitigated by careful design, a targeted research and development programme, and close collaboration with the process design contractor and licensors.

Queensland Australia-Environmental Risk

On 17 July 2010, DERM served an Environmental Protection Order (**EPO**) on Cougar Energy Limited (**Cougar**), one of the companies who was granted permission by the Queensland Government to undertake a trial of UCG, when the Queensland Government's UCG Policy was released in February 2009. This UCG trial has been suspended by the Queensland Government and significant uncertainty exists over the Environmental impact of this trial in Queensland.

Whilst CGE does not have an operational trial, CGE's UCG technology is significantly different from other technology and is based on the UCG technology used in the successful European trials in Spain from 1992 – 1998 which met strict European environmental standards. CGE has developed, and is continuing the development of, systems and procedures for managing a wide range of operational, environmental, base line data, monitoring, reporting and emergency situations.

For personal use only

Groundwater contamination

UCG uses ingress of local groundwater as a gasification reactant and heat moderator, sourced from local aquifers. Once this water has participated in the gasification process, it mixes with gasification products and is no longer suitable for re-introduction into the surrounding aquifers. There is a risk of groundwater contamination which in part is related to the operational pressure of underground gasification. The pressure of groundwater is proportional to the depth of the water and is higher at greater depths. At any given point this pressure is known as the local hydrostatic pressure. If the gasification pressure exceeds the local hydrostatic pressure, gasification products and by-products may enter the groundwater system and cause contamination.

Subsidence

Subsidence is the downward movement of earth relative to a reference point, either at or below the surface. As underground gasification progresses, the gasification cavity enlarges through consumption of the coal seam, and hence, the possibility exists that the earth above the cavity (the overburden) may collapse. This can also result in groundwater contamination via the interconnection of aquifers. Surface subsidence may negatively impact surface drainage, land use, native habitats and damage surface structures.

It should be noted, however, that conventional coal mining can also result in subsidence.

Implementation of the CRIP procedure can also contribute to mitigating sub-surface subsidence by exerting control over the growth of the gasification cavity. For large UCG operations, using a multiple gasifier configuration may minimise any adverse effects of subsidence.

Loss of Containment

Underground gasification is conducted in coal seams of varying porosity, strength and general geological characteristics. Therefore, there is a risk of a loss of containment of reactant gases and product gases. A loss of reactant gases will reduce the efficiency of the gasification process. However, a loss of product gases to the surrounding formation is a contamination issue.

Carbon Capture and Sequestration

Compared with CCS, UCG Syngas has high carbon dioxide (CO_2) content in relation to hydrogen and carbon monoxide. CO_2 is one of a number of greenhouse gases believed to contribute to observed increases in atmospheric temperature.

UCG lends itself to the capture of CO_2 via well developed commercial processes including physical absorption, chemical absorption and separation membranes. Captured CO_2 can be compressed and delivered for storage in suitable geological formations. Suggested sites include deep exhausted UCG reactors, existing permeable coal seams, depleted oil and gas fields and saline formations. However, no single sink or method has emerged as a generally accepted, economic storage solution. Furthermore, suitable legislative frameworks to define potential liabilities associated with long term storage have yet to be developed.

Project Risks

Coal Resource Characterisation

The coal leases planned for UCG exploitation by UCG are understood to be currently in the application stage. Therefore, the coal resources may yet to be fully surveyed for size, quality, depth and their geological and hydrological features. Such unknowns to the extent that they apply represent a risk to the success of the project. The size of the coal resource is important in determining the potential project lifetime. The quality of the coal will have an impact on the possible Syngas yield. The depth of the coal will dictate the suitability of UCG as a method for the exploitation of the coal resource. Geological and hydrological characteristics will also determine the environmental risks of UCG. Therefore, confirmation and characterisation of the coal resource is a vital step in establishment of a UCG operation.

Technology Obsolescence

During project development or subsequent operation there is a possibility that the chosen technology suite may be superseded by more advantaged technologies, and this may impact upon the competitiveness of the UCG venture. UCG is not yet a fully mature commercial technology and so the pace of technical development may be higher than for more mature processes.

Research into surface gasification is active, largely aimed at developing lower cost gasifiers. Two potentially promising fields of interest are plasma gasification and processes based on rocket engine technology. Should substantial cost reductions be achieved for competing technologies, it is possible that the economic advantages associated with UCG may be eroded.

These risks may be mitigated by identifying and incorporating attractive third party technology improvements throughout the life of the project. In addition, should the Company develop their own technology improvements over the life of their project these improvements may be incorporated in their plant, or used to generate additional income through licensing the technology to others.

References

Burton, E., Friedmann, J., & Upadhye, R. n.d, *'Best practices in underground coal gasification'*, Lawrence Livermore National Laboratory (draft), <<http://eed.llnl.gov/co2/pdf/BestPracticesinUCG-draft.pdf>>.

Creedy, D.P., Garner, K., Holloway, S., Jones, N. & Ren, T.X. 2001, *'Review of underground gasification technological advancements'*, Department of Trade and Industry's Cleaner Coal Technology Transfer Programme, Report No. COAL R211, DTI/Pub URN 01/1041, UK.

6. Additional Information

Underwriting Agreement

The Company and the Underwriter entered into an Underwriting Agreement on 25 March, 2011. Under the terms of the Underwriting Agreement:

- (a) the Underwriter has agreed to underwrite the Offer to the amount of \$4,531,440 (the **Underwritten Amount**);
- (b) the Underwriter must lodge or cause to be lodged with the Company, valid Applications for all of the Shortfall;
- (c) the Company must:
- (i) pay and grant to the Underwriter an underwriting fee of 5.5% of the Underwritten Amount and an advisory fee of \$60,000 (excluding GST in each case);
 - (ii) ensure that the Offer and Offer Document complies with the Corporations Act, all relevant ASIC Class orders, policies and requirements, the Listing Rules and all relevant ASX policies and requirements;
 - (iii) conduct the offer in accordance with the agreed timetable;
 - (iv) not lodge any supplementary or correcting offer document without the consent of the underwriter;
 - (v) notify the underwriter if the Company becomes aware of:
 - any misleading or deceptive statement in the offer document,
 - any omission from the offer document of information required to be included by operation of the Corporations Act and;
 - any new circumstance that would require inclusion in the offer document if it had arisen prior to lodgement of the offer document.
 - (vi) procure that the New Shares are granted official quotation within the time required under section 724(1)(b) of the Corporations Act;
 - (vii) notify the Underwriter immediately after receiving approval of the granting of quotation of the New Shares;
 - (viii) conduct the Offer in accordance with the Underwriting Agreement, the Offer Document and applicable law;
 - (ix) close the Offer on the Closing Date unless the Company and the Underwriter otherwise agree in writing;
 - (x) advertise and publicise the Offer as the Underwriter may reasonably require;
 - (xi) accept Valid Applications and allot the New Shares on the basis of the Valid Applications received;

- (xii) despatch statements in respect of each allotted New Share in accordance with the Listing Rules, the Company's constitution and the Corporations Act; and
- (xiii) within three business days (or such other date as agreed between the parties) after the Closing Date, notify the Underwriter in writing of the total amount of the Shortfall (if any) and the amount of the New Shares comprising the Shortfall offered to the Underwriter.

The Underwriting Agreement is subject to certain Termination Events, some of which are set out below. Otherwise the Underwriting Agreement contains terms and conditions usual for a document of this nature.

The Underwriting Agreement provides that the Underwriter is entitled to terminate its underwriting commitment under the Underwriting Agreement on the occurrence of certain events. These events include (but are not limited to) the following:

Termination events relating to the Offer

- (a) (**Offer Document**) the Company does not proceed with the Offer, or the Offer Document is withdrawn by the Company;
- (b) (**Delay**) an event specified in the Offer timetable is delayed for more than five business days otherwise than as the direct result of actions taken by the Underwriter (unless those actions were requested by the Company) or the actions of the Company (where those actions were taken with the prior consent of the Underwriter);
- (c) (**ASX Approval**) unconditional approval (or conditional approval on such conditions as would not, in the reasonable opinion of the Underwriter, have a material adverse effect on the success of the Offer) by ASX of quotation of the New Shares is refused, or is not granted on or before the Closing Date (or any later date agreed in writing by the Underwriter at its absolute discretion), or is withdrawn or qualified on or before the date by which the Underwriter must lodge an Application for any Shortfall;
- (d) (**Offer Document**) a supplementary offer document is required and the Company has not lodged a supplementary;
- (e) (**Non-compliance**) it transpires that the Offer Document does not contain all information required by the Corporations Act;
- (f) (**ASIC actions**) any of the following actions is taken:
 - (i) (**disclosure order**) ASIC applies for an order under section 1324B of the Corporations Act or any other provision of the Corporations Act and the application is not dismissed or withdrawn before the Closing Date;
- (g) (**Material Adverse Change**) there is a material adverse change in assets, liabilities, financial position or performance, profits, losses or prospects of the Company from those respectively disclosed in the Offer Document or the Cleansing Notice or to ASX, or a change in the nature of the business of the Company from that disclosed in the Offer Document or the cleansing notice or to ASX, including but not limited to:
 - (i) (**Prospects**) any change in the earnings, future prospects or forecasts of the Company;

For personal use only

- (ii) (**Nature of Business**) any change in the nature of the business conducted by the Company;
- (iii) (**Asset Disposal**) any disposal by the Company or agreement by the Company to dispose of the whole, or a substantial part, of its business or property;
- (iv) (**Insolvency**) the insolvency or voluntary winding up of the Company or the appointment of any receiver, receiver and manager, liquidator or other external administrator; and
- (v) (**Financial Position**) any significant change in the assets, liabilities, financial position or performance, profits and losses of the Company from those respectively disclosed in the Offer Document or the cleansing notice or in the Company's most recently published financial or other information;
- (h) (**Suspension of Trading**) trading in any quoted securities of the Company is suspended by the ASX for more than three trading days, or any quoted securities of the Company cease to be so quoted;
- (i) The Company's shares trade at a closing price that is less than the closing price of CGVs shares on ASX for 3 consecutive trading days
- (j) (**Hostilities**) the outbreak of hostilities or a material escalation of hostilities involving Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United state of America, India, Pakistan, the Peoples Republic of China, Israel or any member of the European Union;
- (k) (**Market Conditions**) any material adverse change or disruption to the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets;
- (l) (**Fall in Indices**) on or before the Closing Date on any particular trading day either:
- (i) the ASX All Ordinaries Index; or
 - (ii) the All Industrial Index (each an **Index**),
- is more than 10% below for 3 consecutive days its respective level as at close of business the day prior to this agreement.

As noted above, the termination events referred to above do not represent all the circumstances in which the Underwriter may terminate the Underwriting Agreement.

Governing Law

This Offer Document, the Offer and the contracts formed on acceptance of Applications are governed by the laws of New South Wales, Australia. Each applicant for New Shares submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

Convertible Note

As announced to the Market to the ASX on 24 December 2010, Clean Global Energy has a current Convertible Note Loan Facility with CTL Global for the amount of \$600,000 including interest. The value of each note is \$1.00 and the terms of it are that conversion to Fully Paid Ordinary Shares in the issue may occur at a price per share equivalent to a 20% discount to

For personal use only

the five day volume weighted average price prior to conversion and the convertible note attracts an interest rate of 10% per annum. Other terms are as per the announcement on 24 December 2010.

For personal use only

7. Glossary

\$	means dollars in Australian currency (unless otherwise stated).
ACN	means Australian Company Number.
Applicant	means a person who submits an Application.
Application	means an application for New Shares under the Offer.
Application Money	means the aggregate amount payable for New Shares applied for in an Application calculated by multiplying \$0.07 by the number of New Shares subscribed for.
ASX	means ASX Limited ACN 008 624 691 or, where the context permits, the Australian Securities Exchange operated by ASX Limited.
Board	means the Directors, sitting as a board.
CCS	Means Carbon Capture and Storage.
CSG	means Coal Seam Gas.
CGE, CGV	means the Company.
Closing Date	means 5:00pm Perth time Wednesday, 23 March 2011.
Company	means Clean Global Energy Limited ACN 118 710 508.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
CRIP	means Controlled Retractable Injection Point or Controlled Retractable Injection Process.
Directors	means the Directors of the Company from time to time.
Eligible Shareholder	means a registered holder of Shares on the Record Date who is not an Ineligible Shareholder.
Entitlement	means the non-renounceable entitlement of Eligible Shareholders to subscribe for New Shares under the Offer on the basis of 2 New Share for every 5 Shares held on the Record Date.
Entitlement and Acceptance Form	means the Entitlement and Acceptance form accompanying this Document.
Ineligible Shareholders	means Shareholders with registered addresses outside Australia and New Zealand.
Listing Rules	means the Listing Rules of ASX.
New Share	means a Share to be issued pursuant to the Offer.
Offer	means the non-renounceable pro rata offer of New Shares at an issue price of \$0.07 per New Share under the Offer on the basis of 2 New Share for every 5 Shares held on the Record Date.
Offer Document	means this Offer Document dated 30 March 2011 and includes any amendment or replacement summary document.
Opening Date	means Monday, 11 April 2011.

Record Date	means 7:00pm Perth time, Thursday, 7 April 2011.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a holder Shares.
Shortfall	means the difference between the number of New Shares that the Underwriter has agreed to underwrite and the number of New Shares in respect of which the Company has received Valid Applications.
Syngas	means synthetic gas.
Underwriter	means Patersons Securities Limited ABN 69 008 896 311.
Underwriting Agreement	means the Underwriting Agreement entered into between the Company and Patersons Securities Limited ABN 69 008 896 311.
UCG	means Underground Coal Gasification.
U.S. Person	means, among other things and subject to certain exceptions: (i) any natural person resident in the US, (ii) any partnership, corporation or other entity organised or incorporated in the US, (iii) any trust of which any trustee is a US person, (iv) any agency or branch of a foreign entity located in the US, (v) any account held by a dealer or other fiduciary that either is organised, incorporated or resident in the US or holds for the benefit or account of a US Person, or (vi) any partnership or corporation that is organised or incorporated in a foreign jurisdiction by a US person principally for the purpose of investing in securities not registered under the US Securities Act.
U.S. Securities Act	means the United States Securities Act of 1933, as amended.

For personal use only

8. Corporate directory

Board of Directors

Mr John Harkins
Mr Paul Hubbard
Ms Alison Coutts
Dr Michael Green
Mr Domenic Martino

Company Secretary

Mr Andrew Whitten

Share Registry

Security Transfer Registrars
770 Canning Highway
Applecross WA 6153
Telephone: +61 8 9315 2333
Facsimile: +61 8 9315 2233

Legal Adviser

Whittens Lawyers and Consultants
Level 5, 137-139 Bathurst Street
Sydney NSW 2000
Telephone: +61 2 9264 2216
Facsimile: +61 2 9283 1970

Auditor

BDO (NSW) Pty Ltd
Level 19
2 Market Street
Sydney NSW 2000

Registered Office

Level 8
Bligh Chambers
25 Bligh Street
Sydney NSW 2000
Telephone: +61 2 9230 0318
Facsimile: +61 2 9230 0319

Underwriter

Patersons Securities Limited
Level 48
264 George Street
Sydney NSW 2000
Telephone: +61 1300 582 256
Facsimile: +61 2 8238 6286

For personal use only