

Cougar Energy Limited
ABN 75 060 111 784

Address
Suite 1002, 530
Little Collins Street,
Melbourne, Victoria,
Australia 3000

Website
www.cougarenergy.com.au

Telephone
+ 61 3 9909 7200

Facsimile
+ 61 3 9909 7217

Stock symbols
ASX: CXY
Reuters: CXY.AX
Bloomberg: CXY AU

No. of shares on issue
919,127,810

Current share price
AUD 0.145

Market capitalisation
AUD 133.3 million

16 March 2010

UNDERGROUND COAL GASIFICATION MILESTONE AS IGNITION COMMENCES SUCCESSFULLY AT COUGAR ENERGY'S FLAGSHIP KINGAROY PLANT

- Successful *ignition* of coal seam at Cougar Energy's Kingaroy Plant
- Syngas production has commenced
- Syngas successfully passed through the pilot gas processing plant with main flare operating
- Pre-feasibility study for Stage 1 (200 MW) power plant well advanced
- Power generation options for early cash flows being evaluated

Cougar Energy Limited (ASX: CXY) is pleased to report a significant milestone in the development of Australia's Underground Coal Gasification (UCG) industry with the successful *ignition of the Kunioon coal seam* at the Company's flagship Kingaroy plant in central Queensland.

The **production of syngas has started**. It is being processed by the Company's gas processing plant on site and the main flare has been ignited at 11.37 pm last evening.

Having achieved successful *ignition using air injection*, Cougar Energy staff and the Company's technology partners (**Ergo Exergy Technologies Inc., led by Dr Michael Blinderman, currently on site**) will ramp the gasification process up over the coming weeks, prior to the undertaking of a series of trials to test both underground and surface operations under a range of conditions.

Extensive data will be collected over a minimum period of six months for inclusion in the pre-feasibility study currently being prepared by Cougar staff, and for the bank feasibility study which will follow.

The composition and variability of the gas and the performance of the gas processing plant will determine the final design of the commercial 400 MW power station at Kingaroy. This power station will satisfy the electricity requirements of 400,000 households for a minimum of 30 years.

The Company is investigating the economics of utilising small scale plant to take gas from the project in this pre-production phase to generate power to run the site. In addition, an assessment is being made of the economic returns of various power production scenarios



THE NEW POWER IN AUSTRALIA

for the 200 MW Stage 1, with the advantage of generating cash flows earlier than previously planned.

This ignition represents the second successful initiation of a UCG project in Australia by Dr Len Walker, Managing Director & CEO of Cougar Energy and Dr Michael Blinderman of Ergo ExergyTechnologies, following on from the pre-production burn at Chinchilla in Queensland from 1999-2002.

“This is another most important milestone achievement for Cougar Energy as we go forward to building our commercial scale UCG gas production facility and dedicated electricity generation plant at Kingaroy,” said Dr Len Walker.

“The project has been constructed on time and on budget and is further positive testament to our selection of the world-leading UCG technology process and know-how of our partners Ergo Exergy Technologies,” Dr Walker said.

“I look forward with great anticipation and excitement as our skilled Kingaroy project team moves towards our next milestones – finalisation of the pre-feasibility and bank feasibility studies.”

A further release will be made to the market in the near future with a summary of the performance of the UCG process as well as the Kingaroy Plant.

Investor contacts:

Dr Len Walker
Managing Director
Tel: + 61 3 9909 7200

Brad Glynne
GM – Corporate Finance
Tel: + 61 3 9909 7226

John Field
Field Public Relations
Tel: + 61 8 8234 9555



THE NEW POWER IN AUSTRALIA

About Cougar Energy Limited

Cougar Energy Limited is an Australian company at the forefront of progressing the development and commercialisation of Underground Coal Gasification (UCG) projects, using the world's best proven technology.

The UCG process converts coal in-situ into a gas which can be used as a fuel for power generation or for conversion into a range of petrochemical products and gas-to-liquid solutions.

The UCG process generates:

- cleaner energy
- low cost energy
- efficient resource utilisation.

The Company's flagship operation is the 400 MW Kingaroy Power Station project in central Queensland. Ignition and production of gas has commenced in March 2010.

It is also currently developing a second Queensland UCG project on its Wandoan lease in the Surat Basin for the production of electricity, methane gas and petrochemicals, and is working in Victoria with Ignite Energy Resources Pty Ltd on the phased development of a potential UCG project in the Gippsland Basin.

Cougar Energy is also developing additional projects internationally through Cougar Direct Invest China Limited (60% owned) and Cougar Energy (UK) Limited (47.8% owned).

www.cougarenergy.com.au