



25 November 2008

**COUGAR SECURES 100% OF KINGAROY UCG PROJECT
AND EXPANDS SURAT BASIN COAL INTERESTS**

Cougar Energy Ltd (ASX Code: CXY) is pleased to announce that it has signed an Agreement with Cockatoo Coal Ltd ("Cockatoo") to acquire Cockatoo's interest in the Kingaroy Underground Coal Gasification (UCG) project area in Queensland.

The Agreement also provides Cougar with a more flexible access to additional Surat Basin coal leases, which could in turn generate a large coal resource suitable for the development of a second UCG project in that State.

The acquisition of Cockatoo's interest in the Kingaroy UCG project area will secure for Cougar a 100% ownership of the proposed Kingaroy UCG Power Project, which involves the planned construction in stages of a 400MW power station.

Significantly, this Project is contained within lease areas which are free from any overlying Petroleum tenements, as past drilling has indicated no evidence of any contained methane in the coal seams.

In the current climate of potential conflict between companies with rights to access the same coal seam for either coal seam gas or UCG production, this creates a great degree of certainty in Cougar's planning for Project development.

The area designated for the Kingaroy UCG Power Project (refer Figure 1 attached) lies within Exploration Permit for Coal (EPC) 882 owned by a subsidiary of Cockatoo. The area is divided into two parts, an area covered by Mineral Development Licence Application (MDLA) 385, which is currently awaiting grant, and a northern area which will be the subject of an additional MDLA. The Agreement provides for Cougar to own 100% of both MDL's once receipt of Ministerial Approval has been received.

The Cougar-Cockatoo Agreement provides for the issuing to Cockatoo of 15 million CXY shares following grant and transfer of MDL 385, and the submission of the new MDLA for the northern part of the designated area.

The Board of Cougar is extremely excited to have finalised the Agreement to acquire the balance of the Kingaroy UCG project, which ensures that it can be developed free from the responsibilities associated with meeting any relevant joint venture requirements. The project is currently moving ahead on schedule with the continuation of the drilling program on site to collect design data for the pilot burn, and to install groundwater monitoring equipment. Final design for the gas processing plant has been completed and manufacture of key plant items is in progress.

Surat Basin Coal

Under Farm-In Agreements previously entered into with Cockatoo subsidiaries, Cougar had certain rights to earn equity interests in a number of Surat Basin Coal Leases.

Under the current Agreement, Cougar retains the right to investigate and develop certain Surat Basin coal leases held by Cockatoo which may be suitable for underground coal gasification (UCG), and grants to Cockatoo the right to investigate for open cut coal on EPC1118.

The Agreement provides that any coal deposits deeper than 150 metres which Cougar establishes to be suitable for UCG development, and which do not interfere with coal suitable for open cut mining, will be transferred to Cougar. The consideration to be attributed to any such transfer will be limited to the expenditure incurred by Cockatoo and its subsidiaries in delineating the UCG deposit.

Of these leases, EPC1134 held by Cockatoo is adjacent to EPC1118 held by Cougar (refer to attached Figure 2), which itself is largely free from any overlying Petroleum tenements. Based on evidence from previous drill hole results, it is Cougar's belief that the Macalister seam is continuous at depth across EPC1118 and a



large part of EPC1134. A recent drilling program undertaken on EPC 1118 by Cougar, the results from which are currently being compiled, will provide further information about the area's prospectivity for UCG. In addition, the Companies have agreed to share the costs of a new drilling program to define the coal seam geology on EL1134.

Summary

Cougar considers that the terms of the Agreement provide both parties with a rationalisation of their respective interests. In addition access to a wide range of strategically located coal leases in the Surat Basin, and in particular the potential exhibited by a co-ordination of exploration of EPC1118 and EPC1134, gives the Company the prospect for developing a large coal resource suitable for development of a second substantial UCG project in Queensland.

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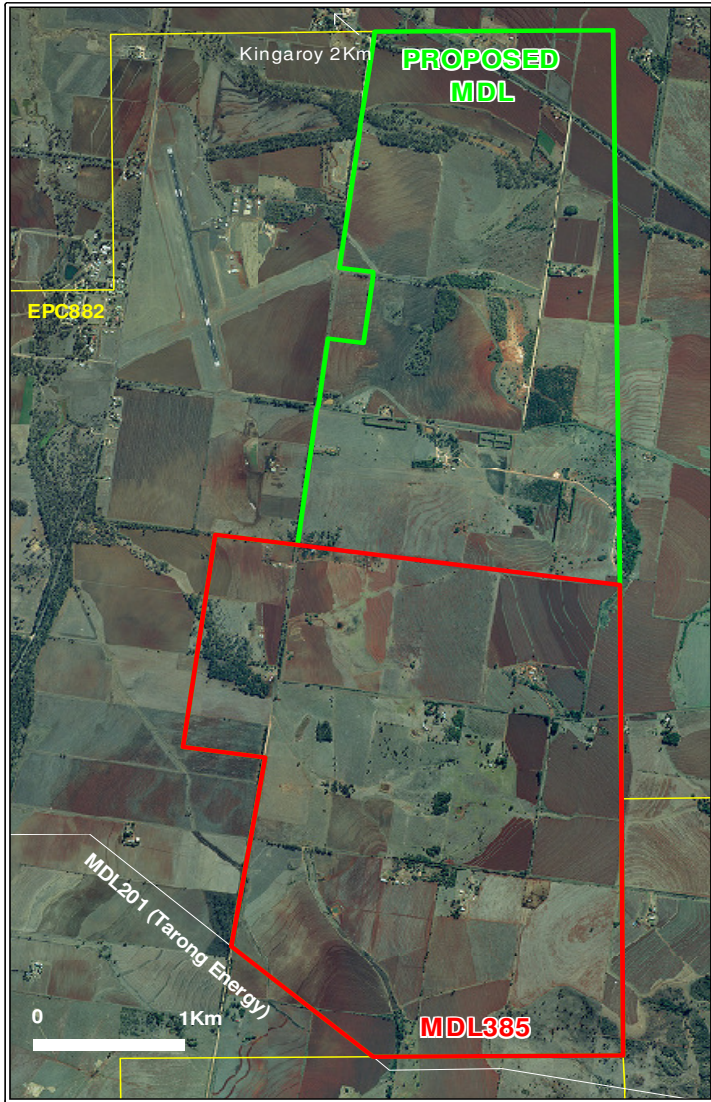


Figure 1: Kingaroy Project Area

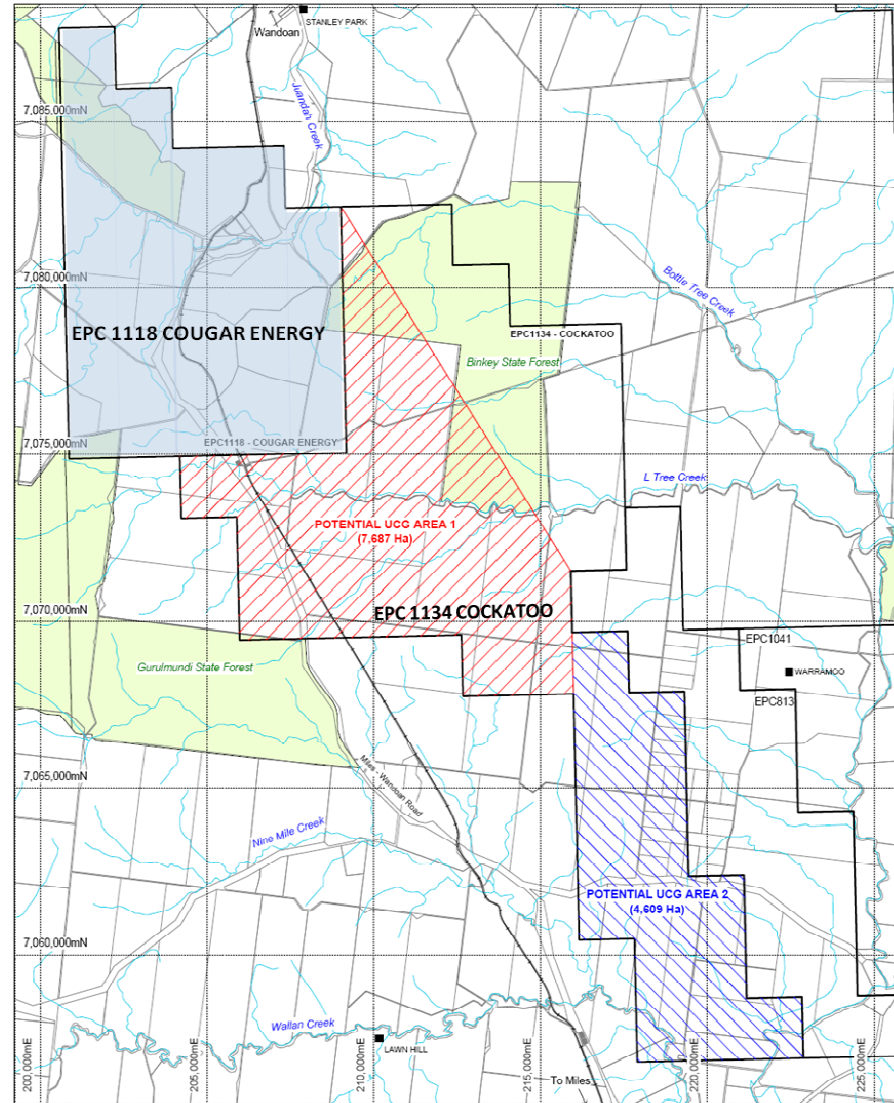


Figure 2: UCG Development Areas EPC1118 and EPC1134