

16 January 2009

**COUGAR ON TARGET FOR PILOT BURN START-UP AT QUEENSLAND  
UNDERGROUND COAL GASIFICATION POWER PROJECT**

Cougar Energy Ltd (ASX Code: CXY) advises that it is on track for the scheduled commissioning in July this year of the Underground Coal Gasification (UCG) Pilot Burn as the first stage of the Company's proposed 400MW Kingaroy Power Project.

Ongoing project development activity involves the completion of the site characterisation program, the manufacture of plant for the Pilot Burn phase, and preliminary evaluation of alternative plant options for the commercial scale operation.

The current site characterisation program is focussed on obtaining geological, geotechnical and hydrogeological data for design of the Pilot Burn, and its eventual expansion into a commercial sized UCG facility.

Drilling commenced in mid-September 2008, was suspended over the Xmas/New Year holiday period, and recommenced on 5 January. Drilling has been slowed by the variable nature of the stratigraphy overlying the two target coal seams, and by the variety of in-situ testing and down-hole installation being undertaken.

As at 5 January, 5 holes have been completed in the selected Pilot Burn area, covering a total of 1291.2m of drilling, and including the recovery of 590.3m of core in both coal seams and overburden layers. In-situ packer testing has been undertaken in both coal and overburden layers to determine in-situ permeability, and 17 piezometers installed to monitor groundwater pressure changes during operations. A laboratory testing program on selected coal samples is also being undertaken.

The drilling has confirmed the existence of both the Kunioon and Goodger seams at the Pilot Burn site, with a decision having been taken to initiate the UCG process in the shallower Kunioon seam at a depth of approximately 190m.

Current site work relates to the installation of groundwater sampling bores, and the completion of a large scale pump test to verify coal seam permeability. The first three production/injection wells will then be installed.

In relation to the Pilot Plant, manufacture of the long lead time items for the Gas Processing Plant continues, and other design packages have been assembled for tender. The current schedule has all plant on site for commissioning in July.

Cougar is also undertaking significant design work on the selection of gas turbine equipment, and in the evaluation of the electricity market in Queensland including forward projections of power pricing.



This work is enabling preliminary economic modelling to be prepared, and financial projections for the project to be better defined as part of detailed discussions on project financing.

**Media contact:**

Dr Len Walker  
Managing Director, Cougar Energy  
Tel: 03 9909 7200

John Field  
Field Public Relations  
Tel: (08) 8234 9555