

6 September 2010

Cougar Energy progresses Kingaroy Project Environmental Evaluation

Cougar Energy Limited (ASX: CXY) is pleased to advise that it has reached agreement with the Queensland Government's Department of Environment and Resource Management (DERM) on a supplementary work program that will enable the company to address DERM's issues in relation to the Company's Environmental Evaluation report submitted on 16 August 2010.

Officers from DERM met with Cougar Energy executives on Friday 3 September 2010 in Brisbane.

The supplementary work focuses on the following areas:

- installation of four additional monitoring wells to assess the groundwater levels and water quality within the immediate pilot plant production area at Cougar Energy's Kingaroy Underground Coal Gasification project, and
- provision of further technical data from the assessment of the failure of the well casing at well P4 and measures taken in the installation of the new wells P5 and P6 in response to this assessment.

DERM will issue a new Environmental Evaluation Notice (superseding the Notice of 17 July 2010) to formalise this work requirement.

Cougar Energy and DERM have agreed to meet regularly to assess progress of the supplementary work. Further consideration of the shut-down order at the Kingaroy project will be made when the agreed work has been completed to DERM's satisfaction.

The Company is working closely with DERM to finalise the Environmental Evaluation process as soon as possible.

Cougar Energy advises that planning for the new monitoring wells has already commenced and installation is expected to be completed by early-to-mid October.

On-going sampling and testing conducted by an independent laboratory on behalf of Cougar Energy (and reported to DERM) of all existing monitoring and neighbouring landowner's bores within a 2 kilometres radius of the Kingaroy project, including those within the pilot plant area, continue to confirm that benzene and toluene levels remain below both detection limits and the Australian Drinking Water Guideline (2004).



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Based on these results and the tests conducted by DERM and reported in July and August, Cougar Energy maintains that there is no evidence that the Kingaroy project has presented any environmental danger to human life, drinking water, livestock or other farming activities in Kingaroy.

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About Cougar Energy Limited

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

The UCG process converts coal in-situ into a synthesis gas (“syngas”) 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 proposed 400 MW Kingaroy Power Station project at Kingaroy in central Queensland.

CXY 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. Recently the Company signed a Binding Terms Sheet with Eneabba Gas Ltd to form a joint venture for a UCG fired power generation project in The Mid West region of Western Australia.

Cougar Energy is also developing additional projects internationally with Direct Invest (People's Republic of China and Mongolia) and Cougar Energy (UK) Limited (47.8% owned).

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