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

**No. of shares on issue**  
919,127,810

**Current share price**  
AUD 0.12

**Market capitalisation**  
AUD 110.3 million

27 April 2010

## KINGAROY PILOT PLANT UPDATE

- **Successful initiation of first phase of Kingaroy Pilot Plant gas production**
- **Production temporarily interrupted by well casing blockage, leading to optimisation of future well design**
- **Well rehabilitation work in progress, and test phase to be advanced with the immediate drilling and installation of two wells scheduled for later in the year**
- **Production and testing of syngas (and subsequent ramp up) to re-commence in 4-6 weeks**
- **Power Station Pre-Feasibility Study continues uninterrupted, with planned stages of construction to be finalised in June.**

**Cougar Energy Limited (ASX: CXY)** provides the following update on the operations at its Underground Coal Gasification (UCG) pilot project at Kingaroy in Queensland.

### Gas Production

On 16 March the production and flaring of syngas using wells P1 and P4 commenced. Effective and rapid ignition, and connection of the wells by reverse combustion linking, were all successfully demonstrated. The product gas was of high quality (calorific value in the range 4.8 and 7.1 MJ/m<sup>3</sup>), with stable gas composition, temperature, pressure and flow rates, thus confirming the suitability of the coal deposit for application of the UCG technology.

### Process Well Performance

All process wells were installed with multiple casing to handle deep swelling clays in the geological profile. After the successful initial gas production phase, restrictions to air and product gas flows were observed, and the gasification process was temporarily discontinued to allow for well inspection. This revealed blockage to the inner casing of both P1 and P4 caused by thermal expansion, and work is now under way to assess their potential for recovery and future use. This experience has resulted in a modification to the casing design and installation process for future wells.

The installation of two new process wells, which were scheduled for later this year, will now be brought forward so that the gas production program for the next 12 months can be continued. Production and testing of gas (and subsequent ramp up) in accordance with this program is expected to re-commence in 4-6 weeks.

Dr Len Walker, Cougar Energy's Managing Director commented: "Although this is a very short set back in our timing at Kingaroy, it is an opportunity to implement well design changes that will enhance and accelerate our future production capability. We anticipate

that the new well design will reduce installation time and cost, significant elements in planning longer-term operations.”

**Pre-feasibility Study (PFS)**

The Company advises that the PFS for the construction of the Kingaroy Power Plant continues uninterrupted with the Board scheduled to take decisions in June on the configuration of the building of Stage 1. Following the receipt of confirmation from the Queensland Government, a first stage of up to 30MW of power generation is now being considered by the Company as part of the pilot trial.

Following completion of the PFS, a decision will also be taken on the installation of small scale gas generation plant prior to Stage 1 to provide electricity to the site and to sell excess power into the grid, for which transmission line access is already in place.

Senior management continues to work on the optimal funding options for the Power Plant, with investor presentations and preliminary discussions being conducted in Australia, Asia, North America and Europe.

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**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 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. Recently the Company signed an MOU with Eneabba Gas Ltd to form a joint venture for a UCG/power generation project in The Mid West region of Western Australia.

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

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