



14 July 2010

## KINGAROY UNDERGROUND COAL GASIFICATION PILOT PROJECT UPDATE

- Installation of the new production wells complete
- Final site preparation work for re-ignition ongoing
- Recommencement of gasification process and gas production scheduled for the last week of July 2010

**Cougar Energy Limited (ASX: CXY)** advises that the installation of the two new wells P5 and P6 has been completed at the Company's Kingaroy underground coal gasification pilot project (refer to the Announcement to the ASX dated 2 July 2010).

Final site preparation work has commenced, involving assembling and testing of pipework and electrical systems, air injection testing for the new wells, and preparation of the coal seam prior to ignition. The current schedule forecasts re-ignition of the gasification process to commence in the last week of July 2010.

Upon completion of the settlement of the recent share placement, proceeds totalled AUD 1.23 Million after transaction costs, resulting in 17,775,408 fully paid ordinary shares being issued. A further Appendix 3B and the Section 708(5)(e) Notice (Cleansing Statement) will be lodged with the ASX later today.

### Investor contacts:

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

**Brad Glynne**  
GM – Corporate Finance  
and Investor Relations  
Tel: + 61 3 9909 7226

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



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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 the world's best proven technology.

The UCG process converts coal in-situ into a 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 in central Queensland. Ignition and production of gas commenced in March 2010. After a delay caused by well blockages, re-ignition is scheduled later in July 2010.

CXY is also currently developing a second Queensland UCG project on its Wandoan lease in the Surat Basin, a phased project in Victoria with Ignite Energy Resources Pty Ltd in the Gippsland Basin, and a joint venture for a UCG/power generation project in The Mid West region of Western Australia.

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

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