



8 June 2010

COUGAR ENERGY & ENEABBA GAS SIGN BINDING JOINT VENTURE TERM SHEET FOR W.A. UCG POWER PROJECT

- Terms set for 50/50 Underground Coal Gasification (UCG) and power generation joint venture in Western Australia's Mid West
- Cougar Energy's UCG technology partner to be engaged on the project
- Project due diligence phase to commence immediately
- Planning for pilot plant forecast to commence in 1Q 2011
- Negotiations for off-take of electricity from the development in progress
- Project will provide a highly viable energy generation hub in a fast growing WA region of economic performance

Cougar Energy Limited (ASX: CXY) is pleased to announce that it has today signed a Binding Term Sheet with Eneabba Gas Limited (ASX: ENB) which forms an unincorporated joint venture for the development of the Underground Coal Gasification (UCG) and power station project in Western Australia's Mid West.

Project due diligence will commence immediately, with planning for a pilot plant forecast to start early 2011.

Today's signing of the Binding Term Sheet follows the signing of the Memorandum of Understanding between the parties notified in the announcement to the ASX on 15 April 2010.

Key elements of the Binding Term Sheet:

- The project is to be developed on the Sargon Tenement area identified as E 70 / 2758 in WA's Mid West (see accompanying maps)
- The interests in the joint venture are to be shared 50/50 between Cougar Energy and Eneabba Gas
- Cougar Energy and Eneabba Gas are to work together to assess the suitability of the site for a commercial UCG operation to supply syngas to a power station, which will be jointly developed
- The phases of Due Diligence, Testing (pilot plant) and Development are specifically defined
- Cougar Energy has an option over Eneabba's remaining Sargon group of tenements
- Cougar Energy's UCG technology partner Ergo Exergy Technologies Inc. is to be engaged on the Project.



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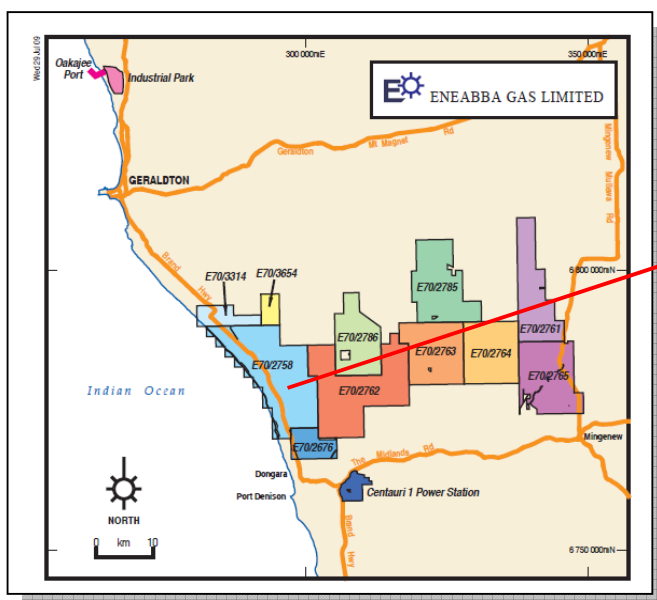
Eneabba Gas has reported a JORC compliant coal resource of 194 million tonnes (74 million tonnes indicated and 119 million tonnes inferred) for E70 / 2758 – refer to its announcement to the ASX on 30 October 2009 and attached Competent Person’s Statement. The coal resource is well suited to a long life UCG gas production project.

Given all relevant approvals, rapid development of the Project can be anticipated as a result of the experience being obtained by Cougar Energy on its Kingaroy Project in Queensland. Much of the design and feasibility study presently being completed for this Project are directly applicable to the W.A. site, including design of the Pilot Plant gas processing facility.

“This joint venture has the potential to be the first commercial UCG operation in Western Australia,” commented Dr Len Walker, Managing Director of Cougar Energy.

“It merges a number of complimentary assets and competency of each Company to facilitate the accelerated develop of this UCG project. Cougar provides the infrastructure and development experience from the pilot plant at our flagship project at Kingaroy in Queensland, together with our long working relationship with our technology party Ergo Exergy. Eneabba Gas provides expertise and knowledge of the coal resource, and has held extensive consultation with the Western Australian Government and private companies for the off-take of electricity to be generated from the syngas.”

“We look forward to working with our partner Eneabba Gas as well as State and Local Government Authorities to develop this project in the shortest possible timeline. We are confident our project development experience gained in the building of the Kingaroy project will be of great assistance to achieving this goal and create a highly viable energy generation hub in the fast growing Mid West region,” said Dr Walker.



Sargon Tenement map courtesy of Eneabba Gas Limited



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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. After a delay caused by well blockages, re-ignition is scheduled for the end of June 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 with Direct Invest (People's Republic of China and Mongolia) and Cougar Energy (UK) Limited (47.8% owned).

www.cougarenergy.com.au

About Eneabba Gas Limited

Eneabba Gas is focused on the development of its 168MW gas-fired Centauri 1 Power Station on Company-owned land near Dongara in the Mid West of Western Australia. Eneabba Gas proposes to market power from Centauri 1 to the fast growing Mid West region of Western Australia.

The Company's strategic position is to convert the coal in its highly prospective tenement package in the Mid West Region of Western Australia into UCG Syngas for fuel. While UCG is the gasification of burning coal underground, it is the Company's intention to capture the resultant CO₂ (geo-sequestration), which may potentially be injected into an existing geological formation. This process will significantly reduce the total carbon footprint of the project, farming of land will remain relatively uninterrupted and water resources will be preserved. In other words, energy in the coal is extracted without the environmental impacts associated with traditional coal-mining.

www.eneabbagas.com.au