



14 December 2010

KINGAROY WATER TESTS CONTINUE TO BE WITHIN AUSTRALIAN DRINKING WATER GUIDELINES

Cougar Energy Limited (ASX: CXY) advises that it has received a further set of test results for its new monitoring bores from its independent laboratory. One of these test results (in monitoring bore T5066 close to the pilot plant) indicated a level of 1 part per billion of benzene. No benzene or toluene was detected in any other monitoring bores.

The Queensland Government's Department of Environment and Resource Management (DERM) has been advised of this finding as it has for all previous test results.

It is important to note that this finding does not present any danger to local landholder water supplies and does not exceed the Australian Drinking Water Guideline.

Cougar Energy continues to co-operate and work with the Queensland Government and DERM to enable the re-commencement of the Kingaroy trial project at the earliest possible time.

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About Cougar Energy Limited

Cougar Energy Limited (ASX: 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.

Cougar Energy is working in Australia on potential UCG projects on its coal lease at Wandoan in the Surat Basin, in Western Australia and in Victoria.

Cougar Energy is also developing additional projects internationally in the People's Republic of China and through Cougar Energy (UK) Limited (47.8% owned).

www.cougarenergy.com.au