



## **Eneabba Gas Limited**

ABN 69 107 385 884

Media Release  
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### **Eneabba and Cougar Energy sign Binding UCG Joint Venture Terms Sheet for WA coal tenements**

#### **Highlights;**

- **Eneabba Gas Limited and Cougar Energy Limited have signed a Binding Joint Venture Terms Sheet to develop the Sargon Coal tenements in Mid West Region of Western Australia,**
- **Cougar Energy Limited will initially have a 50% interest in tenement E 70 / 2758 and an option for further interest in the remaining Sargon Tenements,**
- **The UCG technology of Ergo Exergy Technologies Inc (Cougar Energy's partner in its other UCG projects) will be utilised in this project,**
- **Eneabba's strategic review is nearing completion, with the Sargon Tenement E 70 / 2758 review of the hydrogeology now ready for supporting final planning of a UCG pilot plant in the area, and**
- **Eneabba is the proponent of a 168MW Centauri 1 gas-fired Power station in the Mid West Region of W.A. capable of meeting the power needs of the majority of larger mining projects in the region.**

Australian energy company Eneabba Gas Limited (**ASX: ENB**) ("ENB" or "the Company") has reached a critical milestone in the development of its Sargon coal tenements, located in the Mid West region of Western Australia, with the signing of a Binding Joint Venture Terms Sheet with leading Underground Coal Gasification ("UCG") company Cougar Energy Limited (**ASX: CXY**) ("Cougar") for the joint development of these tenements so as to produce a low cost and environmentally friendly fuel source..

In addition of the signing of this important agreement with a leader in the UCG sector, the Company is also nearing completion of the strategic review that once completed will facilitate a more timely development of its proposed gas-fired 168MW Centauri 1 Power Station project ("Centauri-1")

Having signed the Binding Joint Venture Terms Sheet, each party will contribute up to AUD \$1.0 million for the initial drilling and technical work programmes, with funding being staged over the development phase. The UCG technology of Ergo Exergy Technologies Inc (CXY's partner in its other UCG projects) will be utilised in this project. The detailed exploration and UCG development plan will be amongst the items managed between the Company and Cougar Energy Limited ("CXY") within this Joint Venture.

The Company is cognisant of issues of public concern in relation to water usage and groundwater developments over the project and confirms it has undertaken a detailed review of the area hydrogeological data. This review, undertaken by water and environment specialists Aquaterra, will provide requisite assurances and support a planned submission to the Department of Water and the Department of Environment to establish a Pilot Plant for UCG some 20 Kms north of Dongara.

<sup>1</sup> WA State Budget 2010-2011 pages 588-600

<sup>2</sup> "Doubts over Mid West upgrade" WA Business News 27 May 2010

CXY has recently reported its successful ignition of the Kunioon coal seam at its flagship Kingaroy plant in central Queensland. The Kingaroy ignition represents the second successful ignition of a UCG project in Australia by Dr Len Walker, Managing Director and CEO of CXY and Dr Michael Blinderman of Ergo Exergy Technologies Inc, following on from the pre-production burn at Chinchilla in 1992-2002. CXY is currently installing two new wells at the Kingaroy site with a modified casing design prior to re-commencing the longer term pilot phase of the project.

The experience and design of the Kingaroy plant is a major benefit to ENB, since it will give a real timing advantage to the establishment of the Dongara site, as design, planning and potential relocation of redundant test plant items, will achieve cost reductions available for building a Dongara plant. With this in mind, it also facilitates the approvals under WA regulations, that a tried, tested and successful plant will expedite progress in developing UCG in the Sargon Tenement.

The W.A. State Budget delivered by Premier Barnett on 20 May 2010<sup>1</sup> again defers the extension of stage 1 of the North Country electricity 330 kV line reinforcement for a third time. Instead the WA government has made a provisional allocation subject to “final regulatory approvals and a government review of the business case”. The budget has provisioned \$47.1 million for 2010-2011, \$244 million in 2011-2012 and \$27.8 million in 2012-2013<sup>2</sup>. The requirement of a suitable business case and the classification ‘provision’ pushes this transmission extension out yet another year. This deferral places ENB in an optimal position to deliver the Centauri 1 Power station project which can be built and transmit energy direct to iron ore mining locations within a 14 month period upon conclusion of a firm energy off-take agreement.

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### **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 coal underground, it is the Company’s intention to capture the resultant CO<sub>2</sub> (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.

<sup>1</sup> WA State Budget 2010-2011 pages 588-600

<sup>2</sup> “Doubts over Mid West upgrade” WA Business News 27 May 2010