



17 August 2012

COUGAR ENERGY TO SELL QUEENSLAND COAL ASSETS

Cougar Energy Ltd (ASX: CXY) advises that it has placed its Mackenzie (EPC 1445 Bowen Basin Queensland) and Wandoan (EPC 1118 MDLA 420 Surat Basin Queensland) coal assets on the market for divestment.

The divestment of these coal assets is part of the Company's strategy in rapidly expanding its application of Underground Coal Gasification (UCG) technology across suitable coal reserves in Asian countries, where a strong interest exists in developing low cost energy options for power generation and the production of downstream petro-chemical products.

The company has already received significant interest from local and international resources and energy companies in purchasing these coal assets.

Cougar's CEO and Managing Director, Mr Rob Neill, said that his recent experience of coal asset sales to Chinese, Indian and Australian buyers suggested that an opportunity existed for the Company to monetise these two Queensland coal assets so that the Asian Business Strategy could be accelerated.

"We have engaged Emerald Resources Limited out of Hong Kong to assist us in managing the international sales process," he said.

The Mackenzie tenement's strategic location in the Bowen Basin, anticipated PCI coal quality and expected resource tonnage, make this an outstanding coal asset for future development.

The Wandoan asset in the Surat Basin offers a JORC compliant resource of 360Mt of Thermal grade coal suitable for power station feedstock in China and India with the company looking to keep the UCG rights across the tenement.

"The divestment of these two coal assets gives the company an excellent opportunity to accelerate the roll out of the Asian Business Strategy," Mr Neill said.

As part of the sale process, the Company's Board continues to review all of its activities in Australia including its legal actions against the Queensland Government.

Summary details of the coal assets are presented in the attached notes.

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COAL ASSET SUMMARY DETAILS

Mackenzie Coal Asset - PCI Coal – Target Resource 120Mt to 170Mt

The MacKenzie coal asset (EPC 1445) is located in the Bowen Basin of Central Queensland, a world renowned coal producing basin 25km North East of the town of Blackwater. This region contains a highly developed open cut and underground mining industry, based on export Thermal, PCI and Coking Coal. Resource extraction for Cougar's Mackenzie asset suits underground Longwall mining methods. The location is well served by infrastructure including roads and railway access to the east coast port of Gladstone (RG Tanna & Barney Point – 45Mta capacity). The tenement is not subject to any land constraints whatsoever, such as National Parks, Native Title Claims or Strategic cropping lands.



Mackenzie Coal Seam Characteristics

The Directors commissioned a Geological evaluation of the Mackenzie coal tenement from Coal Search Consulting Geologists (Garry Leblang B.Sc., F.AusIMM, MGSA) who prepared a Report from a review of the historical exploration data and concluded that the tenement potentially contains five main coal seam horizons, named the Aries, Castor, Pollux, Orion and Pisces, in order of increasing age. The target formation in the Tenement is the Rangal Coal Measures of Upper Permian age. This is the formation occurring at various producing mines in the nearby region namely Jellinbah, Yarrabee, Curragh and Ensham Coal Mines. The calculated dip from the modelled area to the outcrop zone at Jellinbah Mine is of the order of 3 degrees and it is expected that the Jellinbah coal seams extend across Cougar's Mackenzie tenement and would exhibit similar PCI coal quality characteristics.

Target Resource Estimate of 120Mt to 170Mt

Based on a conservative assumption the most feasible target seam for underground mining of the Mackenzie coal would be the Pollux Seam. It is therefore confidently assumed that a global seam thickness of 4 meters is present within the tenement.

Factor this thickness by an in situ density of 1.4 and an area of 22 sq. km (area of the tenement) results in a target tonnage of 120 million tonnes.

A better estimate (assuming both Pollux seams are mined) is a potential PCI coal resource in the order of 170+ million tonnes.

Coal Quality - PCI

Coal quality of the target seams can be inferred from the specifications derived from the Jellinbah PCI Coal quality.

Proximate Analysis - Indicative Range

Total Moisture	8.0% (As Received)
Moisture	1.5% (Air Dried)
Ash	8.5% (Air Dried)
Total Sulphur	0.46% (Air Dried)
Volatiles	15.5% (Air Dried)
Fixed Carbon	74.5% (Air Dried)
Specific Energy	MJ/kg 31.82 (AD) - Kcal 7,600(AD)

Wandoan Coal Asset - Thermal Coal – JORC Complaint Resource of 360Mt

Cougar's Wandoan coal asset (EPC1118 MDLA 420) is located about 35km NNW of Miles and 30km SSE of Wandoan, in the Western Downs area of Southern Queensland. A JORC compliant report was prepared by Coal Search Consulting Geologists (Garry Leblang B.Sc., F.AusIMM, MGSA) indicating 360Mt of coal resources (32Mt Indicated & 328Mt Inferred) within the Walloon coal measures at depths of 220m to 290m and is expected to be suitable for underground mining extraction methods.

WANDOAN EPC 1118 MDLA 420 – Coal Quality and Utilisation Potential

The coal resources of **MDLA 420** are suited to power generation utilisation, with unique properties which provide advantage for power generators, namely:

- “High reactivity gives superior ignition and burnout characteristics, excellent flame stability and heat transfer;
- Generally high ash fusion characteristics and favourable ash composition mean that slagging and fouling problems are eliminated by use of this coal;
- Low levels of trace elements and low emissions of atmospheric pollutants – oxides of sulphur and nitrogen, and particulates, mean excellent environmental performance;
- Walloon coals contain up to 30 per cent more organically bound hydrogen than most other thermal coals, so when they are burned they produce lower emissions of carbon dioxide”;
- Relatively low Hardgrove Grindability is offset by the high reactivity of the coal – closer examination of the milling and combustion performance at full scale in Queensland power stations shows that any perceived disadvantages are easily overcome by adjusting milling practices to produce a coarser grind, made practicable by the naturally high combustion reactivity of the Walloon coal.”¹

Walloon Coal is mined in a wide geographic area of the Surat Basin, including:

- Xstrata's Wandoan Project – soon to commence export tonnage 22 Mtpa;
- Cameby Downs –Wilkie Creek – operating export thermal 1.7 Mtpa;
- Kogan Creek – domestic thermal raw coal with mine-mouth Kogan Creek Power station 2.8 Mtpa;
- Acland – export thermal operating at 4.8 Mtpa, expanding to 10Mtpa; and
- Millmerran – domestic thermal 3.2 Mtpa.

All of the tonnage mined from these sites is utilised in overseas or domestic power generation.

The quality of the exported coal is remarkably consistent, with ash contents ranging from 8.0% (Wandoan) to 11.5% (Wilkie Creek), to 13.0% (New Acland) over a basin-wide extent of 240 km.²

The consistent ash levels are due to the nature of ash in the raw coal which is composed mainly of discrete stone partings which are easily removed by simple, low capital, conventional beneficiation methods.

¹ “Utilisation of Walloon Coals of Southern Queensland for Power Generation” Queensland Department of Mines and Energy, 1999.

² “Queensland Coals – Physical and Chemical Properties, 2003 Appendix B” Dept of Natural Resources and Mines, Bureau of Mining and Petroleum.

The coals in Cougar's Wandoan tenement fits the coal quality characteristics described above, being the geological equivalents of the seams targeted in the Xstrata Wandoan project, namely the Macalister seam interval.

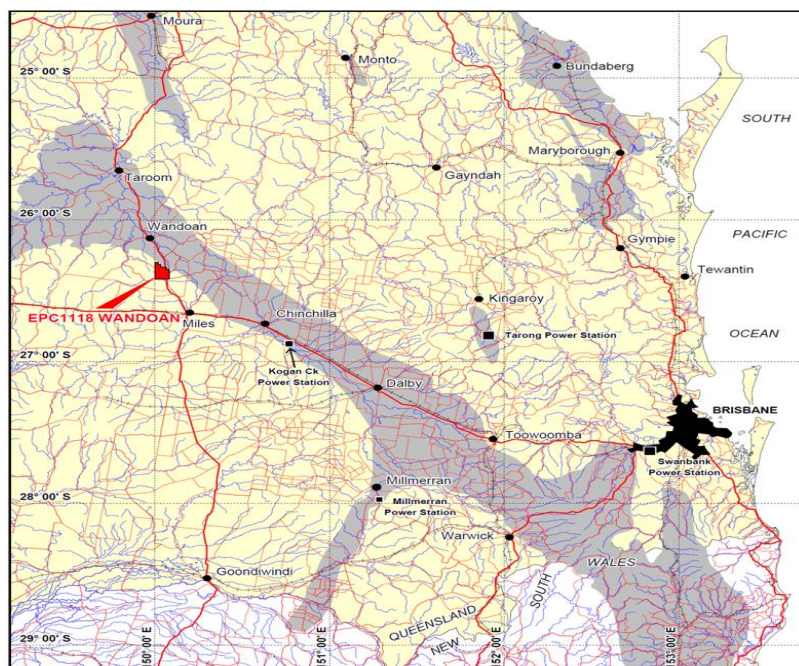
Whilst exploration work has not reached the stage where samples have been tested for washability characteristics, given the basin-wide consistency of this seam, there is no compelling reason to assume that the potential coal product will be significantly different.

Given the more selective nature of proposed underground exploitation, coal quality could be expected to fall in the lower ash part of the range.

The coal resources mapped out and classified under the JORC Code comprise only a small part of the MDLA area. The regional occurrence patterns of coal deposits in the Surat Basin (See JORC Compliant Resource Report Fig 2 and section 3) lend confidence to the prediction that the resource base can be significantly expanded, both in quantity and quality.

Consistency in thickness and extent of coal seams in nearby coal prospects which have been intensively drilled, indicate that these aspects can be expected in MDLA 420.

Location Map of EPC 1118 MDLA 420



Competent Persons Statement

The information in this announcement and attachments to this announcement as it relates to exploration results and mineral resources is based on information compiled by Mr Garry Leblang, who is a Fellow of The Australian Institute of Mining and Metallurgy. Mr Leblang is employed by Himap Pty Ltd, trading as Coal Search Consultants. Himap Pty Ltd has been engaged by Cougar Energy Limited. Mr Leblang has some 40 years experience, and therefore sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Mr Leblang has consented in writing to the inclusion of the matters based on his information in the form and the context in which they appear in this announcement and attachments to this announcement.