



AIM/ASX Code: WHE

18 July 2012

**WILDHORSE ENERGY LIMITED
SIGNS COOPERATION AGREEMENT WITH THE HUNGARIAN GOVERNMENT
FOR UCG REGULATORY DEVELOPMENT**

Wildhorse Energy ('WHE' or 'the Company'), the AIM and ASX listed company focussed on developing underground coal gasification ('UCG') and uranium projects in Central and Eastern Europe ('CEE'), is delighted to announce that it has signed a Cooperation Agreement ('the Agreement') with the Hungarian Government to formalise the legislative and regulatory framework required to develop UCG projects in Hungary. Both parties believe that this could provide Hungary with an opportunity to develop its extensive stranded coal reserves and potentially provide the blue print for UCG project development across Europe as governments seek to develop their own resources and establish energy independence.

Highlights

- **Official cooperation between WHE and the Hungarian Government to work towards developing the regulatory framework to facilitate the implementation of UCG technology in Hungary**
- **Leadership position taken by the Hungarian Government places it at the forefront of UCG development in Europe – developments also being made in Poland and UK**
- **WHE is pioneering UCG in Hungary and the wider CEE region due to the compelling energy dynamic**
- **UCG becoming established as an important technology in Europe and the CEE region due to its 'frack-free' technology – particularly relevant following the banning of fracking in many countries**
- **As a result of the cooperation, Hungary is poised to become a regional leader in UCG with regards to the legislative framework and deep pool of required skills and expertise**
- **Many technologies applied in the UCG process are already established in Hungary – agreement based on implementation of an overall regulatory framework**
- **Co-operation provides an endorsement for building WHE's Commercial Demonstration Project for the production of syngas for electricity production at the flagship Mecsek Hills UCG Project**

- **The attractive economic and technical potential of supplying syngas as a gas feedstock for power stations has already been indicated by the Company's recent completion of its Pre – Feasibility Study for the Mecsek Hills Project**
- **Bankable Feasibility Study underway – holding initial discussions with potential strategic partners to fund its completion and the construction of the Project**

WHE Managing Director Matt Swinney said, “This pivotal agreement, which I believe demonstrates strong foresight from the Hungarian government, is a testament to the compelling case for developing UCG projects to facilitate energy security in Central and Eastern Europe, and represents a major milestone for the UCG industry as a whole.

“As recent bans on fracking continue to obstruct the future of shale technology in Europe, the potential for UCG to establish itself as an important technology in the region is increasingly being recognised due to its ability to capture the energy content from billions of tons of stranded coal assets in a ‘frack-free’ way. Importantly, compared to shale, European coal is also geologically well understood. Developments are being made across Europe, including the UK, which has issued 16 UCG licences in recent years, as well as Poland, and we are confident that this is only set to increase. With this in mind, we expect the forthcoming UCG regulations to provide a solid framework for its subsequent roll out, propelling Hungary to the forefront of the European UCG sector in terms of policy and expertise.

“Additionally, the Agreement has multiple benefits for WHE and helps to significantly de-risk the first phase of our Mecsek Hills UCG Project on a legislative and regulatory level. We have already met key operational milestones and continue to make solid progress on the ground and we now look forward to working with the Hungarian government in advancing the regulatory side of our strategy as we focus on becoming a leading provider of fuel in Central and Eastern Europe.”

The Hungarian Minister of State for Climate and Energy Affairs Pál Kovács said, “The application of UCG has the potential to provide the country with a major new source of domestic fuel, which could revolutionise Hungary and Central and Eastern Europe’s energy demand/supply fundamentals. By efficiently converting the energy potential of Hungary’s considerable stranded coal resources, UCG utilises assets which would otherwise be uneconomical or technologically unfeasible.

“The Ministry of National Development is pleased to announce that both the Hungarian Institute for Geology and Geophysics and the Technical Geology Faculty of the Miskolc University will be working with WHE in collecting information with regards to the technical feasibility, environmental protection, licensing and the introduction of the technology in Central and Eastern Europe. Having performed activities in this field in Hungary for six years, WHE has a solid understanding of our country’s energy requirements and the current structure of energy supply.

“The Ministry for Energy is committed to decreasing the country’s dependence on external energy sources utilising currently inaccessible, domestic energy sources. It therefore looks forward to this cooperation, which aims to provide an understanding of UCG technology.”

Cooperation Agreement

WHE has signed a Cooperation Agreement with the Geological Institute of Hungary and the University of Miskolc (together ‘the Parties’) to examine and formalise the legislative and regulatory framework to facilitate the development of UCG projects in Hungary. The technology could unlock Hungary’s significant domestic coal reserves and assist Hungary in establishing energy independence.

As part of the Agreement, the Parties also agree that UCG is an emerging, unconventional gas technology with the potential to establish itself as an important technology in Europe. By seeking to advance UCG technology within Hungary there is potential to establish Hungary as the regional leader in the required skills and expertise for UCG.

WHE owns the Mecsek Hills UCG Project (‘the Project’) in the Pécs region of southern Hungary where it recently completed a confirmatory drilling programme of two boreholes and a 3D seismic acquisition campaign over its target area. Consequently, the Company has identified a JORC Inferred resource of 184.5Mt within this target area. Following the resource calculation a Pre-Feasibility Study was completed, which has outlined the potential development and operation of a Commercial Demonstration Project (‘CDP’). The Pre-Feasibility Study indicated the attractive economic and technical potential of supplying syngas as a gas feedstock for power stations and completed the technical designs for underground mining and above ground facilities with input from internationally recognised Engineering firms Aqua Alpha, CDE, and WorleyParsons. A hydro-geological study on the Mecsek Hills Coal Formation was completed by Golder and Associates. Following the successful completion of the CDP, the Company aims to develop larger scale projects within Hungary and within the wider Central European region.

The potential technologies applied in developing the Project (such as directional drilling, coal gasification and syngas separation and purification) have mostly been used in the hydrocarbon industry in Hungary. However, the combination of technologies used in order to develop the CDP within the frame of this Cooperation Agreement would be applied for the first time.

As the introduction, licensing and operation of UCG technology has no precedent in Hungary, it shall be necessary to explore the terms and conditions upon which it may be developed within Hungary and to develop an appropriate legislative and regulatory environment to reflect these terms and conditions.

Accordingly, the Parties have initiated the Cooperation set out in the Agreement to outline the legislative and regulatory framework required to permit a CDP as well as to explore the required scales of project and outline any other requirements necessary to achieve the CDP.

Aims of the Agreement

The primary objectives of the Cooperation Agreement are to:

- a. Review the legislative and regulatory background for the introduction of UCG technology and – if necessary - to elaborate and implement the required regulatory and/or legislative framework to achieve the CDP. If and in case the modification of regulations becomes necessary, after joint elaboration and approval by the parties, the proposal for amendment shall be initiated by MFGI (via its governing organisation) at the National Development Ministry's State Secretariat for Climate and Energy Affairs to be included in the work program of the Government
- b. Outline and elaborate any required activities, actions and conditions required to achieve the CDP

****ENDS****

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Further Information on Wildhorse:

Wildhorse Business Model

The WHE business model is focussed upon applying UCG technology to convert coal into syngas and then selling the syngas to power stations as a gas feedstock. The development and expansion of the UCG portfolio is underpinned by a potentially world class uranium project which the Company is advancing with its Hungarian uranium development partners Mecsek-Öko and Mecsekérc, with the support of the Hungarian Government.

Business Strategy

The Company's business strategy is to become a major supplier of gas feedstock to power stations in Central and Eastern Europe. WHE's project development strategy is based primarily upon acquiring strategic UCG sites in key locations in Central and Eastern Europe where gas markets are dominated by Russian gas imports, energy security is a major factor for governments and large scale industrial consumers of gas and gas prices are correspondingly high.

Alongside its UCG assets, the Company also has a significant interest in a highly prospective uranium deposit in Hungary, which has a JORC Inferred resource of 48.3Mt at 0.072% uranium

U3O8 for 77Mlbs of U3O8. As announced on 27 June 2012, the government has issued a formal decree in support of the formation of a joint venture ('JV') with state-owned organisations, Mecsek-Öko, and Mecsekérc and Hungarian Electricity Ltd ('MVM') (the owner of Paks Nuclear Power Plant). The JV's initial purpose will be to evaluate the necessary conditions to restart uranium mining in the Mecsek Hills with the ultimate aim of recommencing uranium mining at the Mecsek Hills Uranium Project.

Competent Persons Statement

The information in this report that relates to Coal Resources is based on information compiled by Adrian Nurcahyo M AusIMM. Mr Nurcahyo has sufficient experience 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 "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Nurcahyo authorises the use of the information.

¹The size and grade of the Exploration Target is conceptual in nature and it is uncertain if further exploration will result in the determination of a mineral resource. There is currently insufficient data to define a JORC compliant Mineral Resource for the Exploration Target. Mr Barnes and Mr Inwood (Competent Persons) have reviewed the historical data available for the Mecsek Hills Uranium Project and both made site visits to the area. They consider the Exploration Target to be reasonable based on the data available.