

2 March 2011

Cougar Energy targets UCG growth with latest strategies

Cougar Energy Limited (ASX: CXY) continues to activate strategic initiatives to strengthen the Company's position to commercialise underground coal gasification (UCG) projects at several locations.

The following initiatives are being undertaken while the Company contests the proposed action by the Queensland Government Department of Environment and Resource Management to halt Cougar Energy's Kingaroy UCG operations in Queensland (see separate announcement to ASX on 1 March 2011).

Raising working capital

The Company has established two separate financing proposals for the purposes of raising working capital on an "as needs" basis and subject to satisfactory market conditions:

- A placement to institutions and sophisticated investors
- An extension of the existing share lending arrangement between Yorkville Associates and Innisfree Pty Ltd.

Cougar Energy presently has cash reserves of AUD 2.003 million.

Progress on investment and merger/acquisition opportunities

The Board and its advisor, PricewaterhouseCoopers Securities (PwCS), have advanced detailed discussions and negotiations with several parties in Australia and offshore with a view to crystallising options for investments in the Company or merger and/or acquisition opportunities.

"Cougar Energy and PwCS target completing a transaction by the middle of the current calendar year," Chairman Malcolm McAully said. The Company anticipates providing a further update to the market during March.

International Portfolio

Cougar Energy continues to progress the Company's involvement in Asian-based UCG projects and is increasingly focusing on the region as a key area for future operations.

The Company expects to make further announcements in the coming weeks on the progress of negotiations with Cougar Energy partners in both Inner Mongolia and Xin Jiang Province.



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