



2 July 2010

COUGAR ENERGY IN \$ 1.44 MILLION PLACEMENT FOR FURTHER PROJECT DEVELOPMENT IN AUSTRALIA AND CHINA

- Share placement for A\$ 1.44 million
- Funds will be utilised to continue the advancement of the Kingaroy (Queensland) power project as well as the Mid West (Western Australia) and China projects
- New Australian and international institutions and sophisticated investors join the share register
- Discussions continue with potential cornerstone investors to participate in Cougar Energy's power projects
- Re-ignition of the gasification process at Kingaroy due by third week of July 2010

Cougar Energy Limited (ASX: CXY) is pleased to announce the completion of a placement of shares for A\$ 1.44 million.

The placement of 20,094,968 new fully paid ordinary shares at A\$ 0.072 (7.2 cents) per share was made to institutional and sophisticated investors in both Australia and offshore. A range of institutions and sophisticated investors joined the Cougar Energy register for the first time.

Settlement is scheduled to take place on 6 July 2010 with the allotment and quotation on the ASX of all of the new fully paid ordinary shares issued under this placement occurring on 7 July 2010.

The funds will be used to advance several projects, including the 400MW Kingaroy Power Project in Queensland (the pre-feasibility study for the first stage of the 400MW power project has been completed and it will be reviewed by the Board in late July), the Mid West joint venture (with Eneabba Gas) in Western Australia, as well as preliminary funding of the development of projects in China (one Letter of Intent signed – see announcement to the ASX on 31 May 2010 and three further projects under review).

Discussions continue with off-shore parties in the energy and utilities sectors on participation in the Cougar Energy's power station projects.

At the Company's Kingaroy underground coal gasification pilot project, the installation of the first of the two new wells (P5) has been completed, with installation of well P6 currently in progress. Cougar Energy anticipates gas production will recommence at Kingaroy by the third week of this month.



THE NEW POWER IN AUSTRALIA

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About Cougar Energy Limited

Cougar Energy Limited (CXY) is an Australian company at the forefront of progressing the development and commercialisation of Underground Coal Gasification (UCG) projects, using the world's best proven technology.

The UCG process converts coal in-situ into a 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 in central Queensland. Ignition and production of gas commenced in March 2010. After a delay caused by well blockages, re-ignition is scheduled later in July 2010.

CXY is also currently developing a second Queensland UCG project on its Wandoan lease in the Surat Basin for the production of electricity, methane gas and petrochemicals, and is working in Victoria with Ignite Energy Resources Pty Ltd on the phased development of a potential UCG project in the Gippsland Basin. Recently the Company signed a Binding Terms Sheet with Eneabba Gas Ltd to form a joint venture for a UCG/power generation project in The Mid West region of Western Australia.

Cougar Energy is also developing additional projects internationally with Direct Invest (People's Republic of China and Mongolia) and Cougar Energy (UK) Limited (47.8% owned).

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