



Eneabba Gas Limited

ABN 69 107 385 884

ASX Release
15 April 2010

Cougar Energy and Eneabba Gas sign MoU for development of UCG and power Joint Venture in Mid West WA

Key points:

- **Eneabba Gas has signed a MoU with Cougar Energy in regard to development of its UCG coal resources at its Sargon Tenements in Mid West WA,**
- **Cougar Energy to have a 50% interest in the tenement upon completion of the formal Joint Venture Agreement,**
- **Exploration drilling and requirements to establish a pilot plant for UCG near Dongara Western Australia will begin in mid 2010, and**
- **The UCG technology of Ergo Exergy Technologies Inc (Cougar Energy's partner in its other UCG projects) will be utilised in this project.**

Australian energy company Eneabba Gas Limited (**ASX: ENB**) ("EGL" or "the Company") has signed a significant agreement with Cougar Energy Limited (**ASX: CXY**) for the exploration and development of the Sargon Tenement (E 70 / 2758) in the Mid West Region of Western Australia, owned by 100% subsidiary Eneabba Mining Pty Ltd ("EMPL"), as a potential Underground Coal Gasification ("UCG") project.

Under the terms of the Memorandum of Understanding ("MoU") the parties will establish a binding agreement to conduct exploration, test work and studies to assess the potential suitability of the defined Sargon Tenement Area for a commercial UCG operation to supply syngas to a power station that may be developed by the joint venture.

CXY has recently reported its ignition of the Kunioon coal seam at its flagship Kingaroy plant in central Queensland. The Kingaroy ignition represents the second 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.

"The review of our Sargon Tenements was focussed on identifying a partner capable of not only developing the UCG potential of the project technically, but also a party that had the corporate acumen to deliver a suitable long-term commercial outcome that was favourable to the company and its shareholders," Said Eneabba Energy Limited Managing Director, Mr Mark Babidge.

"We have been in discussions with Cougar Energy for some months, as we felt they one of the leading UCG companies in the world and are not only technically capable, but also posses the necessary commercial skills to ensure a UCG development of the Sargon Tenements could be delivered in a profitable manner and produce power supplies to the growing iron ore industry in that region.

“Our Consulting geologist, Dierdre Westblade of Westby Consulting, has some 30 years experience in coal and her discovery of the Sargon tenements show significant potential for UCG production. Her expertise and knowledge in our view will ensure the coal resources on the Sargon tenements can be quickly developed,” Mr Babidge added.

This signing of the MoU, which will lead to a formal Joint Venture Agreement in the near future, now increases the Company’s commercial position as it continues to develop its Sargon Tenements in the Mid West Region as part of its strategic review to be the first commercial Underground Coal Gasification operation in Western Australia.^{1,2}

Major terms of the JVA (subject to an obligation to negotiate a binding term sheet within 60 days) are;

- CXY and ENB will each have a 50% interest in the UCG Joint Venture,
- Areas of agreed interest in exploration licence E 70 / 2758 will become property of the UCG Joint Venture,
- Upon signing the Joint Venture, each party will contribute up to AUD\$1.0 million for the initial drilling and technical work programmes,
- The UCG technology in this project will be managed by Ergo Exergy Technologies Inc.
- Following a successful ignition of a pilot burn in the Sargon tenement E 70 / 2758, CXY will have an option for the duration of the joint venture to elect to add any of the other Sargon tenements to the joint venture.
- The formal joint venture agreement will contain details of the agreement plus establishment of the joint venture management and structure

This announcement confirms the prospects for commercialisation of the Company’s coal resources, which have been stated as JORC compliant coal resources of 194 million tonnes, with an in situ energy yield of 3,037 PJ and significant sizeable increases based on recent and planned exploration². With the WA Department of Mines & Petroleum now having circulated the paper aligning UCG legislation within the *Mining Act 1978* for W.A., the company supports this proposal as a leading position in Australia for UCG operations.

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Competent Persons Statement

*** The information in this report relating to JORC results is based on information compiled by Mr Troy Turner who is a member of the Australasian Institute of Mining and Metallurgy, and is a full time employee of Xenith Consulting Pty Ltd. Mr Turner is a qualified geologist and has 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 Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.” Mr Turner consents to the inclusion in the mapping of the matters based on the information, in the form and context in which it appears.*

¹ Refer ASX announcement dated 30 October 2009

² refer ASX announcement 6 April 2010

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 burning coal underground, it is the Company's intention to capture the resultant CO₂ (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.

Website: www.eneabbagas.com.au

¹ Refer ASX announcement dated 30 October 2009

² refer ASX announcement 6 April 2010