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COUGAR TARGETS SECOND QUEENSLAND GAS PROJECT WITH NEW JORC RESOURCE DRILLING AT WANDOAN

A second Queensland Underground Coal Gasification project is being targeted by Cougar Energy (ASX Code: CXY) with the announcement today of a new drilling campaign on its Wandoan lease (EPC 1118) in the Surat Basin.

The drilling program scheduled to start this month and be completed by the end of June - is designed to establish an initial JORC compliant coal resource of between 200 million and 300 million tonnes.

The Wandoan project is separate from Cougar's current Underground Coal Gasification (UCG) and Power Station project at Kingaroy, also in Queensland.

The target of the new Wandoan drill program is the Macalister Seam, which occurs near the top of the Walloon Coal Measures over the entire tenement (83 sq km) at depths between 250-300m. A drilling program of six holes completed by Cougar last November intersected coal seams of a thickness and at a depth suitable for application of the UCG process.

"The establishment of a JORC resource on EPC1118 is of great significance in Cougar's longer term plans, Cougar's Managing Director, Dr Len Walker, said today. "It gives the Company the opportunity to commence the planning of a second UCG project in Queensland to follow successful development of the proposed UCG gas-fuelled power plant at Kingaroy.

"The greater proportion of EPC 1118 is free from overlaying tenement issues, and the Macalister seam was the subject of the successful Chinchilla UCG demonstration developed from 1999 to 2002 by myself and Cougar's technology provider Ergo Exergy Technologies Inc, he said.

"We understand the seam's response to the UCG process, and would have great confidence in being able to rapidly develop a large project on our lease which would use the UCG gas for a variety of applications.

Previous drilling shows that the Macalister Seam thickness ranges from 4m to 13m thick in the area proposed for drilling, with an average thickness of about 6m. The stratigraphy is characterised by properties suitable for UCG exploitation, including favourable geotechnical properties of roof and floor sediments, as well as thick and highly permeable coal seams.

"Drilling of eight new holes is planned, each of which will be fully cored through the Macalister seam horizon. The data from this work should result in the definition of both an Indicated and an Inferred JORC compliant resource, Dr Walker said.

About Cougar Energy

Cougar Energy Limited (ASX Code: CXY) is an Australian company at the forefront of progressing the development and commercialization of Underground Coal Gasification (UCG) projects, using the world's best proven technology. The UCG process converts coal in-situ into a gas which can be used as a fuel for power generation or conversion into a range of petrochemical products.

The Company's flagship operation is the Kingaroy power station project in central Queensland where Cougar is currently undertaking a work program leading to Pilot Plant construction later this year, as the first stage in development of a 400MW power plant using UCG gas as the fuel.

An important infrastructure project for the region, the Kingaroy power station will generate an electricity supply for 400,000 homes for 30 years and will provide the Kingaroy area with 100 jobs during construction and 40 full-time jobs during operation. Costs of producing the power are significantly less than natural gas supplied power stations – carbon emissions are estimated to 25% lower than conventional coal-fired stations.

Cougar Energy is also developing additional projects in Queensland and Victoria, and internationally through its 47.8 % owned subsidiary company Cougar Energy (UK) Ltd.

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