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Stock symbols
ASX: CXY
Reuters: CXY.AX
Bloomberg: CXY AU

No. of shares on issue
919,127,810

Current share price
AUD 0.10

Market capitalisation
AUD 91.9 million

28 January 2010

COUGAR ENERGY SIGNS TERMS SHEET FOR METHANE PRODUCTION JOINT VENTURE IN QUEENSLAND

- **Queensland Methane Joint Venture established to utilise Cougar Energy's Wandoan UCG site for methane gas production**
- **Strong partner brings industry experience and investment network to project**
- **Australian-leading strategic development of end-use for UCG with significant long term cash generation potential**

Cougar Energy Limited (ASX: CXY) is pleased to advise it has executed a Terms Sheet for a proposed joint venture to be known as the **Queensland Methane Joint Venture**.

The Joint Venture (50% Cougar Energy and 50% a company associated with Australia Petroleum Ltd) is responsible for:

- the assessment of the underground coal gasification (UCG) potential of Cougar Energy's coal deposit within EPC 1118 at Wandoan for the purposes of **producing methane gas**
- the pilot burn at Wandoan using oxygen injection to demonstrate the **production of UCG gas suitable for conversion to methane**, and
- the **development of a methane production facility** and potentially an **LNG production facility**.

The partners have the option to include further coal deposit interests of either party in this project at a later time.

Australia Petroleum Ltd is headed by Brahim F. Wakeem and chaired by Michael Ahern AO (the former Premier of Queensland). Mr Wakeem controls a number of interests in Australia and off-shore and has significant experience in underground coal gasification and LNG. He brings his network of sovereign, corporate and private investor interests from the Middle East, Japan and Australia to this joint venture as potential future investment partners.

Cougar Energy has previously announced a 341 million tonnes JORC compliant coal resource for EPC 1118 (see ASX announcement 18 August 2009). The size of this resource enables Cougar Energy to plan for multiple suitable uses of the syngas generated on site.



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“The entering into this Joint Venture is the first, and exciting, step in evaluating and exploiting our quality UCG resource at Wandoan in the Surat Basin” explained Dr Len Walker, Managing Director & CEO of Cougar Energy.

“As well as replicating our experience from Kingaroy to build electricity generation, we are working to fast track the use of syngas in the production of methane and ultimately LNG. We have taken this strategic, Australian-leading, first step based on our assessment of the need for gas as the preferred feedstock for energy production in the future in Australia and Asia.”

“It provides another component to the range of end uses Cougar Energy will develop for its syngas from UCG. This is important for our long term growth and cash flow generation. Further, Mr Wakeem’s network of potential investors allows us to plan at this stage for world leading scale facilities,” said Dr Walker.

In the meantime, progress at Cougar Energy’s flagship UCG power project at Kingaroy remains on track for commissioning of the pilot (pre-production) plant at the end of February this year.

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About Cougar Energy Limited

Cougar Energy Limited 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 gas 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
- cheaper energy
- efficient resource utilisation.

The Company’s flagship operation is the 400 MW Kingaroy Power Station project in central Queensland. Ignition and production of gas will take place in early 2010.

It 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 also working in Victoria with Ignite Energy Resources Pty Ltd on the phased development of a potential UCG project in the Gippsland Basin.

Cougar Energy is also developing additional projects internationally through Cougar Direct Invest China Limited (60% owned) and Cougar Energy (UK) Limited (47.8% owned).

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