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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 0.145

Market capitalisation
AUD 133.3 million

10 March 2010

COUGAR ENERGY SIGNS TERMS SHEET FOR FARM-IN UCG JOINT VENTURE IN GIPPSLAND, VICTORIA

- **Terms Sheet signed for investigation of a UCG project in the State of Victoria in the resource rich Gippsland region**
- **Cougar Energy to have 50% interest upon completion of joint venture agreement**
- **Exploratory drilling program expected to commence mid 2010**
- **UCG Joint Venture targeting cost efficient electricity generation project(s) with significant emissions savings for Victoria**
- **Final commissioning steps being completed at Kingaroy in preparation for production of gas**

Cougar Energy Limited (ASX: CXY) is pleased to advise it has executed a Terms Sheet with Ignite Energy Resources Pty Ltd (IER) for a farm-in joint venture to investigate an Underground Coal Gasification (UCG) project on tenements in the Gippsland region in the State of Victoria.

A formal Joint Venture Agreement (JVA) is currently being prepared by the parties, with exploration drilling planned to commence immediately after signing of the JVA.

Major terms (subject to the finalisation of the JVA) include:

- Cougar Energy and Ignite Energy Resources will each have a 50% interest in the UCG Joint Venture
- Areas of agreed UCG interest in Exploration Lease EL 4416 will become property of the UCG Joint Venture
- Upon signing the JVA, Cougar Energy will contribute AUD 1 million for the initial exploration drilling activities and associated work programs
- Further contributions will be in proportion to respective participating interests
- Cougar Energy will be appointed the Manager of the UCG Joint Venture
- The UCG technology of Ergo Exergy Technologies Inc (Cougar Energy's partner in its other UCG projects) will be utilised in this project



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This is an exclusive arrangement between Cougar Energy and Ignite Energy Resources in respect of UCG on EL 4416.

The areas of mutual interest in EL 4416 cover approximately 400 km² in the lignite rich Gippsland region. The UCG Joint Venture will assess these target areas for underground coal gasification development for power generation or the manufacture of petrochemical products. This work will lead to the appropriate feasibility studies as required for subsequent commercial development.

Cougar Energy's Managing Director and CEO Dr Len Walker commented: "Our partner Ignite Energy Resources brings significant tenement areas in Gippsland to the UCG Joint Venture, which we believe may be well suited to UCG projects. This is the first dedicated UCG project being investigated in the State of Victoria. It would follow successful implementation by Cougar Energy of its UCG technology in Queensland."

"Projects using our UCG technology will be of great benefit to Victorians. Emissions from gasification of lignite will be about 40% lower than current lignite-fired power stations operating there - and these CO₂ emissions can be further reduced by biological or geological capture and storage when the carbon pricing/offsets policy settings are in-place. We anticipate that Cougar Energy and Ignite Energy Resources can play a significant role in the expected roll-out of gas-fired electricity generation to complement the existing lignite-fired electricity generation over the next decades in Victoria," said Dr Walker.

"IER is anticipating great results from working with Cougar Energy and its world class UCG technology platform. This Terms Sheet represents an important step in IER's multifaceted strategy to create high-value low-emission products from the vast lignite reserves in EL 4416", said Dr. Len Humphreys, CEO of Ignite Energy Resources Pty Ltd.

At Cougar Energy's flagship UCG project in Kingaroy, Queensland final commissioning steps are being completed in preparation for production of gas this month.

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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
- low cost 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 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).

www.cougarenergy.com.au

About Ignite Energy Resources Pty Ltd

Ignite Energy Resources Pty Ltd owns exploration licence EL 4416 of approximately 3,700 square kilometres in Gippsland, Victoria which contains around 16.3 billion tonnes (JORC) of lignite. This resource, in three major deposits, is one of the largest undeveloped energy resources in the world. IER also owns the adjoining EL 4968.

www.igniteer.com

EL 4416 – Gippsland, State of Victoria

