



17 October 2011

## COUGAR ENERGY SUES QUEENSLAND GOVERNMENT AND OFFICIALS FOR \$ 34 MILLION DAMAGES

**Cougar Energy Limited (ASX: CXY)** advises that it has today filed proceedings in the Queensland Supreme Court against the State of Queensland and three Queensland Government officials seeking damages in excess of \$ 34 million arising from the decision to halt Cougar Energy's Underground Coal Gasification project at Kingaroy in Queensland.

A copy of the Company's Media Release to be distributed today is attached to provide further information.

### Investor contacts:

**Malcolm McAully**

Chairman

Tel: + 61 (0)418 271 411

**Brad Glynne**

GM – Corporate Finance  
and Investor Relations

Tel: + 61 (0)447 774 009

### Media enquiries:

Media in Queensland

**Andrew Crook**

Crook Publicity

Tel: + 61 (0)419 788 431

Media outside Queensland

**John Field**

Field Public Relations

Tel: +61 (0)418 819 527

**Kevin Skinner**

Field Public Relations

Tel: +61 (0)414 822 631

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ASX / MEDIA RELEASE

### **COUGAR ENERGY SUES QUEENSLAND GOVERNMENT AND OFFICIALS FOR \$34 MILLION**

Cougar Energy Limited announces that it has today commenced legal proceedings against the Queensland Government and three Queensland Government officials seeking more than \$34 million in compensation over their decision to halt the Company's development of its power plant project at Kingaroy in the State's south east.

The Company is suing the previous Department of Environment and Resource Management (DERM) Chief Executives John Bradley and Terry Wall and current head James Reeves for negligence and breach of statutory duties in their administration of the Queensland Environmental Protection Act.

Cougar Energy Chairman Malcolm McAully said the Company had commenced the legal action following advice from its legal advisors that the closure of the Kingaroy project was unreasonable and compounded by the defendants' continued refusal to allow the re-opening of the plant despite a wealth of scientific evidence that its operations posed no threat to the environment.

"Based on our legal advice, it is the actions of the Blich Government, these office holders, and their unreasonable decisions, that have inflicted a significant loss on the Company," Mr McAully said.

"During more than 15 months we have attempted to resolve the forced close-down with the Government and DERM in good faith. However, as all of our proposals have been rejected, the Company is left with no option but to seek Court intervention to redress the loss and confirm Cougar Energy's reputation as a world leading developer of alternative energy projects."

Mr McAully said Cougar Energy had not caused any environmental harm at Kingaroy nor polluted the Kingaroy water supplies. No benzene has been detected in any water bores on neighbouring properties since Cougar Energy commenced water testing in March 2010.

"The Government and DERM officials have duties to administer the Environmental Protection Act for the purpose of protecting the environment in a way that allows for ecologically sustainable development," said Mr McAully. "Significantly, they have applied the inappropriate water quality guidelines in justifying its actions to close us down."

These unreasonable actions commenced with Mr Bradley issuing a media release late on 15 July 2010 stating that the Kingaroy site was to remain closed, notwithstanding that on 14 July 2010 DERM and the Company had agreed in good faith to work together to gather further water tests after an anomalous test result, which was subsequently proven on 16 July 2010 to be false. Mr Bradley authorised the serving of formal orders on the Company on 17 July 2010 preventing the recommencement of operations, even though DERM's own test results on that day found no evidence of chemicals breaching the drinking water standards.

By contrast, DERM and the Queensland Government have taken no significant action against Coal Seam Gas projects elsewhere in the State despite much higher detections of chemicals over the past year.

“We are confident that our Kingaroy project is safe. It presents no danger to human health, no danger to drinking water, no danger to livestock and no danger to other farming activities and Cougar Energy has been unreasonably denied the opportunity to complete its trial at Kingaroy under the permits issued by the Queensland Government,” said Mr McAully.

Cougar Energy has also recently lodged an appeal in the Queensland Planning and Environment Court challenging amendments to its permit which require the site to be decommissioned.

Mr McAully said the Queensland Government’s action against Cougar Energy had jeopardised future investment in the State by introducing a significant element of sovereign risk as well as the uncertainty of exercise of government department authority. “This is at a time when Queensland faces deficits of reserve electricity as early as 2013-14 and where such shortages will continue to generate significantly higher power prices for all Queenslanders,” said Mr McAully.

Cougar Energy Limited is an ASX-listed Australian company at the forefront of progressing the development and commercialisation of alternative energy projects, using the world’s best proven UCG technology. The Company continues to progress promising projects in both China and Mongolia with the support of the governments in those countries.

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