

31 May 2010

CHINA UCG JOINT VENTURE ANNOUNCES FIRST PROJECT

- Letter of Intent signed for the first project in Cougar Energy's China UCG proposed joint venture (CDIC)
- Project is in the coal rich autonomous region of Inner Mongolia in the People's Republic of China
- CDIC and Chinese local partner plan to build and operate UCG gas production facility – independent third party utility company to purchase the gas for separately owned power plant
- Commercial production forecast to commence by late 2012 (subject to government approvals and gas off-take agreements being in place)
- CDIC continues to examine other potential UCG projects in the PRC and Mongolia

Cougar Energy Limited (ASX: CXY) is pleased to announce the signing of a Letter of Intent between Cougar Direct Invest China (CDIC) and Inner Mongolia Qi De Investment Co. Ltd (QDI) to co-operate on the development and commercialisation of an Underground Coal Gasification (UCG) project in the Inner Mongolia autonomous region in the People's Republic of China (PRC).

Cougar Energy and Direct Invest Pte Ltd signed the letter on behalf of CDIC. CDIC is the proposed joint venture entity to be formed between Cougar Energy (60%) and Direct Invest (40%) for the development of UCG projects in the PRC and Mongolia – refer to the ASX announcement of 14 December 2009.

QDI is a privately owned company which controls the rights to a significant deposit in the coal rich Inner Mongolia province. This autonomous region has established rail and pipeline infrastructure and benefits from the support of the local government offering incentives to business to establish natural resources and alternative energy projects in the province.

The Letter of Intent outlines the intended commercial arrangements to develop the UCG project and sell the gas production. It is proposed that an off-take agreement for the gas will be negotiated with an independent power utility company, which will assume the task of funding, building and operating the electricity generation facility.

Further details expanding on the preliminary development plan including the pathway to commercial production (forecast by late 2012, subject to receiving the necessary government approvals and gas off-take agreements being in place) will be released over the coming months.

“We are delighted to announce this first planned UCG project in the People’s Republic of China, within 6 months of signing the MOU with Direct Invest”, commented Dr Len Walker, Managing Director of Cougar Energy.

“The PRC remains heavily dependent on coal to meet its energy requirements and the Chinese Government recognises the current environmental challenges it faces and is urging the coal and power industries to focus on clean technologies” said Dr Walker.

“There are strong similarities between Australia and China in terms of reliance on coal and the search for more environmentally-friendly power generation solutions. Companies and governments alike in the PRC view UCG as a cleaner coal technology and are pushing for its adoption. Therefore we are bringing our know-how and experience to these markets and currently assessing with several Chinese parties how to integrate UCG projects as part of their traditional coal mining operations.”

In conjunction with Cougar Energy’s plans for the region, Dr Walker will be making a presentation to the Queensland-China Trade and Investment Project Seminar (arranged by Trade Queensland) in Shanghai on 21 June 2010.



Site location for the proposed CDIC – QDI UCG project

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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 commenced in March 2010. After a delay caused by well blockages, re-ignition is scheduled for the end of June or start of July 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. Recently the Company signed an MOU with Eneabba Gas Ltd to form a joint venture for a UCG/power generation project in The Mid West region of Western Australia.

Cougar Energy is also developing additional projects internationally with Direct Invest (People's Republic of China and Mongolia) and Cougar Energy (UK) Limited (47.8% owned).

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