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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 0.096

Market capitalisation
AUD 88.2 million

KINGAROY PILOT PROJECT PREPARING FOR PRODUCTION

- **Commissioning of the Kingaroy UCG pilot plant construction has commenced following Practical Completion of the construction stage**
- **Project on schedule and on budget – production of gas, “Ignition”, is on track**
- **Future Kingaroy power plant set to be a cost competitive producer of clean electricity for domestic markets**

Cougar Energy Limited (ASX: CXY) is pleased to advise that its pilot underground coal gasification (UCG) project at Kingaroy in Queensland reached **Practical Completion on 29 January 2010 and progressed to the Commissioning phase.**

The pilot plant remains on schedule to start producing gas late in February/early in March (“Ignition”).

Since the Company’s previous update on 17 December 2009, **the site construction works have been completed on schedule and on budget.**

John Henderson, Cougar Energy’s Manager – UCG Projects said: “Our staff and contracting partners worked well together to deliver an exceedingly high-quality plant on schedule. This was while achieving an impeccable safety record and implementing a positive community consultation program.”

The Company’s Technology Manager and Kingaroy Site Manager Mr Andrew Brown remarked: “Recruitment of Cougar’s operations team is complete and all staff have mobilised to site for an intense period of training and familiarisation, ahead of the impending start-up. We are pleased that many of our staff are from the Kingaroy region.”

“Final testing of the coal seam permeability was also conducted last week. The result from this testing at the new fourth production well was very positive and increases our confidence that we will have a smooth and successful start-up at Kingaroy” said Mr Brown.

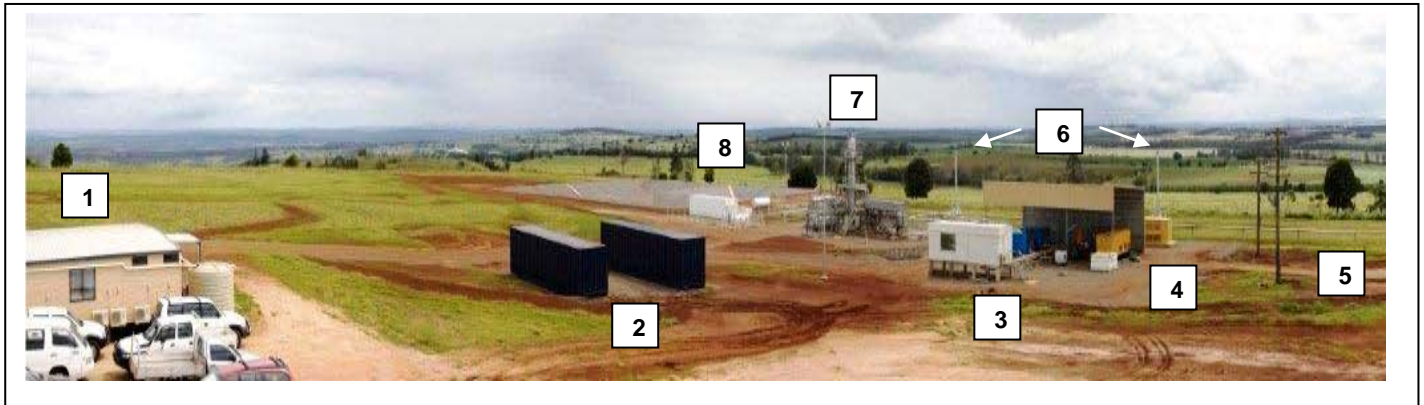
The Kingaroy UCG site will provide competitive base load electricity to the Australian domestic market given that the costs of production are about half the cost of natural gas (subject to receiving final approvals from the Queensland Government for the commercial plant).

“We benefit from much lower capital expenditures than comparative technologies and do not have to build expensive materials handling, water treatment or gas transportation

facilities. We are also ideally situated close to major power delivery infrastructure and in a region that is being targeted for significant industrial expansion” Mr Henderson said.

“This makes the Kingaroy project and future Cougar UCG developments potential major contributors to securing Australia’s domestic gas supply and future energy needs at a reasonable price.”

Kingaroy Site at Practical Completion



- Legend:** 1. Site Office 2. Workshop & Storage Area 3. Control Room
 4. Air Compressors/Generator & Transformer 5. Gas pipelines from production wells
 6. Flares 7. Gas Processing Plant 8. Waste and water storage facilities

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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).

www.cougarenergy.com.au