

12 August 2010

**Safe drinking water conditions further confirmed after Queensland Government completes sample testing around Kingaroy site**

**Incorrect public statements and assertions misleading shareholders and the market: Cougar Energy Directors**

**SAFE DRINKING WATER CONDITIONS AT KINGAROY**

**Cougar Energy Limited** (ASX: CXY) advises that further tests published by the Queensland Government's Department of Environment and Resource Management (DERM) on 11 August 2010 continue to show that groundwater sample results from in and around the Kingaroy Underground Coal Gasification (UCG) plant site in Queensland present "... no concerns with water quality in the local bores" and are "... below Australian Drinking Water Guideline standards ..."

Significantly, and as a result of these findings, restrictions have been removed on the use of groundwater bores in a two kilometre radius around the Kingaroy plant.

The latest Queensland Government results are to be found in the attached DERM Media Release (11 August 2010).

This is the fifth set of results published by DERM from its sampling at Kingaroy carried out during a period of approximately two weeks since 15 July 2010.

The DERM results confirm and vindicate the results from Cougar Energy's own water sample testing and the integrity of the Company's environmental protection plan. The benchmark Australian Drinking Water Guidelines (2004) are far stricter than "stock watering guidelines" which have recently been referred to in public announcements.

Cougar Energy has always conducted water sample testing at greater frequencies than required under its Environmental Authority for Kingaroy. In the last few weeks the Company has conducted up to 4 sample tests per day. The resultant satisfactory test results are what Cougar Energy expected even under this most rigorous testing regime.

**CORRECTING INCORRECT AND MISLEADING PUBLIC STATEMENTS**

The Directors advise shareholders and the market generally of their concerns regarding numerous uninformed and misleading statements made or published in the public arena in

relation to alleged threats of toxic contamination to water supplies resulting from the Company's operations at Kingaroy.

Cougar Energy categorically rejects any statement, implication, conjecture or speculation that it has compromised the drinking water quality in the Kingaroy region.

The Company and its Directors are alarmed at the misleading information being distributed by several parties in an apparent attempt to satisfy their own agendas, including the introduction and use of the expressions "poisonous" and "cancer-causing" in their efforts to seek attention and question the integrity of the Kingaroy project.

The **FACTS** are that the Company's test results, supported by the parallel tests undertaken by DERM, confirm the following:

**Cougar Energy's Kingaroy project has presented**

- **no danger to human health**
- **no danger to drinking water**
- **no danger to livestock, and**
- **no danger to other farming activities.**

**Cougar Energy's Kingaroy project has not spread**

- **any poisons, nor**
- **any cancer-causing agents**

**into community groundwater supplies.**

None of the water bores outside the Company's pilot plant and used by local landowners for extracting saline water (unfit for human consumption) have ever measured any detectable levels of hydrocarbons.

Further, it is important to note that two readings analysed by the independent testing laboratory proved to be false and provided incorrect results. These were readings of 84ppb (parts per billion) of benzene attributed to one of the Company's monitoring bores in the pilot plant area (200 metres from the gasification process) and 3ppb of toluene (trigger standard 800 ppb) attributed to a distant saline water production bore. The independent testing laboratory engaged by Cougar Energy has confirmed these mistakes in writing to the Company and copies of these reports have been passed on to DERM, for which DERM has acknowledged and accepted.

Despite DERM's acceptance that these results were false and incorrect, there continue to be reports (see South Burnett Times "Residents confront environment minister" 10 August



## THE NEW POWER IN AUSTRALIA

2010) of these tests being relied on as evidence that Cougar Energy's Kingaroy project should be shut down permanently.

The Company expects that any representations on this issue deal only with the facts and that the proper processes of evaluation will be allowed to continue. The Company is taking legal advice on remedies available to it for any such misrepresentations of fact.

There have been public reports of "exceedances" of chemicals attributed to the Kingaroy site.

The only sample results which were above trigger reporting guidelines were two tests of 2 ppb of benzene received in June 2010 (see the Company's letter to the ASX of 29 July 2010). They emerged for a short period of time before falling below trigger detection levels. The Australian Drink Water Guideline standard is 1 ppb, the United States standard is 5 ppb and the World Health Organisation standard is 10 ppb.

These results were attributed to one *monitoring* well 200 metres from the gasification wells. A neighbouring *monitoring* well 10 metres from this monitoring well showed no detection above reporting levels. The monitoring well in question was installed solely for monitoring, is not designed to draw water for any purpose and contains water unfit for human consumption.

In fact DERM states that persons will have significantly more exposure to the hydrocarbon chemicals under investigation from the air they breathe, and most particularly at suburban petrol stations (DERM Media Release 17 July 2010).

Cougar Energy reaffirms its commitment to best practices in environmental management.

The Company is preparing its environmental evaluation report to be submitted to DERM on 16 August 2010 for evaluation by the UCG Scientific Expert Panel prior to a decision by DERM as to the future of the Company's Kingaroy Pilot Burn.

For further background information refer to Cougar Energy's ASX/Media Releases of 16, 19, 20 and 23 July 2010 and Response to an ASX Query Letter of 29 July 2010 which all appear under the Company's symbol CXY on the ASX website ([www.asx.com.au](http://www.asx.com.au)) and on the Company's website [www.cougarenergy.com.au](http://www.cougarenergy.com.au).

### Investor contacts:

**Dr Len Walker**  
Managing Director  
Tel: + 61 419 587 396

**Brad Glynne**  
GM – Corporate Finance  
and Investor Relations  
Tel: + 61 447 774 009

**John Field**  
Field Public Relations  
Tel: + 61 8 8234 9555



## THE NEW POWER IN AUSTRALIA

### About Cougar Energy Limited

Cougar Energy Limited (CXY) 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 syngas 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 proposed 400 MW Kingaroy Power Station project in central Queensland.

CXY 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 a Binding Terms Sheet with Eneabba Gas Ltd to form a joint venture for a UCG fired 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).

[www.cougarenergy.com.au](http://www.cougarenergy.com.au)