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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 0.097

Market capitalisation
AUD 89.0 million

21 October 2009

COUGAR ENERGY'S SUBMISSION TO THE QUEENSLAND GOVERNMENT'S CONSULTATION ON ENERGY SECURITY

- Queensland Government considering reserving gas and/or gas producing land for gas supply security
- Alternative gas supplies such as underground coal gasification need to be taken into account
- Cougar Energy has potential to generate sufficient converted methane gas to satisfy the Government's reserve targets

Cougar Energy Limited (ASX: CXY) releases with this announcement a copy of its submission to the Queensland Government's Consultation Paper "*Domestic Gas Market Security of Supply*" (September 2009).

The Consultation Paper addresses the issue of there being sufficient certainty about the availability of gas for the Queensland domestic market in an environment where several major LNG export projects are being developed and underwritten by long term gas off-take contracts. There are also concerns that these projects may cause local energy prices to rise.

As a response to these uncertainties, the Queensland Government is considering two options, namely a reservation policy requiring a percentage of gas production to be supplied to the domestic market (Option 1) and development of a reserve of potential gas-producing land which may be released to ensure gas supply (Option 2).

The Consultation Paper makes no reference to the availability of alternative energy sources to fill any potential gas supply shortfalls, particularly Underground Coal Gasification (UCG) projects.

In its submission, Cougar Energy draws attention to the vast resources it controls, particularly at Wandoan in Queensland's Surat Basin, which have the potential to generate converted methane of sufficient volumes to satisfy the target quantities of retained gas presently contemplated by the Queensland Government.

Cougar Energy will make further representations to the Queensland Government in relation to the role of UCG in meeting the State's future gas requirements.

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15 October 2009

Mr Mal Hellmuth
General Manager
LNG Industry Unit
DEEDI
c/o LNG.team@deedi.qld.gov.au

Dear Mr Hellmuth

Re: Domestic Gas Market Consultation Paper

I refer to the Consultation Paper entitled "Domestic Gas Market Security of Supply" dated September 2009, and your request for submissions by interested parties.

The purpose of this submission is to draw your attention to the vast source of methane gas available in Queensland which would obviate the need for either of the commercially restrictive options presented in the Paper.

Cougar Energy

Cougar Energy Ltd is a public company listed on the Australian Stock Exchange, whose strategic goal is the commercialisation of the technology of Underground Coal Gasification (UCG). The UCG process produces a gas suitable as a fuel for use in power generation, or for conversion into a range of chemical products. Details of the Company's development program can be found on the Company's web site at www.cougarenergy.com.au.

Cougar Energy is utilising the world's only proven UCG technology at commercial scale in the phased construction of a 400MW power project on its coal lease at Kingaroy in Queensland. The Company also possesses a large coal lease position (both in ownership and by agreement) in the Surat Basin.

UCG Gas Conversion to Syngas

The gas produced by the UCG process (syngas) is a mixture of gases including methane gas (CH₄), Carbon Monoxide (CO) and Hydrogen (H₂). While Cougar Energy's current goal is to use this gas in a commercial power plant at Kingaroy, its second project (near Wandoan) will be to use the syngas to produce a variety of value-added chemical products, of which one will be methane gas. The chemical process for conversion of syngas to methane gas is commercial and well understood.

Cougar Energy Gas Resource

The Company's main Surat Basin lease near Wandoan (EPC1118) has been subjected to two stages of drilling thus far, with an established JORC resource of some 340 million tonnes of coal. It is the view of our geologist that this resource may well be doubled with further drilling on our own and an adjacent lease.

If (for simplicity) we assume, based on past experience

- a coal resource of 500 million tonnes
- an energy content of around 20 GJ/tonne
- an energy recovery of 70%

then the total energy recoverable from the Wandoan coal resource amounts to 7,000PJ or 200PJ over 35 years.

Of this energy content, part is recoverable as methane gas in the syngas produced, and part can be converted by methanation of the CO/H₂ mixture. If it is assumed conservatively that only 50% of the syngas energy was recoverable as methane gas, it would still put 100 PJ/annum into the gas supply **from this one lease only**. From Table 1 in the Paper, this gas would equate to more than what is required for annual domestic use under a 10% retention with 14Mtpa of LNG exports.

Additional UCG Gas Resources

Cougar Energy is aware of companies active in the UCG field who have already reported JORC resources of coal in the Surat Basin exceeding a combined total of about 1.5 billion tonnes, which on a similar basis would add a further **300 PJ/annum** to methane gas supplies. In summary, successful deployment of UCG technology in the State would obviate the need for either of the two options proposed in the paper.

Conclusion

There are of course a number of Government policy issues involved with the commercial development of UCG projects in the State, as indeed there are for the Coal Seam Gas industry. However it is evident from the above figures, and from the rapid progress Cougar Energy is making with its commercial UCG project at Kingaroy, that the role of UCG technology in securing the State's energy future will become more significant with the passage of time, and warrants serious consideration as part of the Government's future gas supply mix.

I would be pleased to follow up on this submission in detail upon request, or to answer any specific queries you may have.

Yours Sincerely



Dr Len Walker
Managing Director, Cougar Energy Ltd



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, and
- efficient resource utilisation.

The Company's flagship operation is the 400 MW Kingaroy Power Station project in central Queensland. After recently receiving requisite approvals from the Queensland Government, construction of the pre-production plant at Kingaroy has commenced. Ignition of the resource will take place in early 2010. Current planning forecasts commercial production of electricity from the first stage of the power plant in 2013. Cougar Energy operates within the stringent environmental impact guidelines imposed by the Environmental Protection Authority on the Kingaroy site and the Company is committed to working with the communities in which it operates.

It is also currently developing a second Queensland UCG project on its Wandoan lease in the Surat Basin, and is working in Victoria with Ignite Energy Resources Pty Ltd on the phased development of a potential UCG project in the Gippsland Basin using syngas for various applications.

Cougar Energy is also developing additional projects internationally through its 47.8% owned subsidiary company Cougar Energy (UK) Ltd.

www.cougarenergy.com.au