



MEDIA RELEASE

Sunday 18 July 2010

Queensland Government advises no adverse health effects from Departmental tests to date on Kingaroy water bores

Cougar Energy Limited welcomes results announced late last night by the Queensland Government from tests undertaken to date by the Government on the presence of hydrocarbons in bores in and around Cougar Energy's Kingaroy Underground Coal Gasification (UCG) project.

Mr John Bradley, Director General of the Government's Department of Environment and Resource Management (DERM), advised that test results from 5 of the 8 bores being sampled as a precautionary measure "in all cases are below the Australian Drinking Water Guideline standards" (see attached DERM media release).

Mr Bradley said "Queensland Health has advised that at these levels in the groundwater, no adverse health effects would be expected."

"These are welcome results and we look forward to assessing the remaining bore samples as soon as possible," Mr Bradley said.

Last night's DERM media release followed the Department's media release announcement late on Thursday night that it would order Cougar Energy to keep its Kingaroy UCG plant closed until the Government is assured that groundwater resources are protected.

Cougar Energy welcomes the prompt publishing of this data by the Government and looks forward to the remaining test results to enable the Company to continue with its innovative UCG pilot plant and power station project.

Cougar Energy will continue to update the market with additional information as more results are available from the remaining water bores being tested by the Government.

For further background information refer to Cougar Energy's Media Release of 16 July 2010 which appears on the Company's website www.cougarenergy.com.au

Media 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



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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. Ignition and production of gas commenced in March 2010. After a delay caused by well blockages, re-ignition is scheduled later in July 2010.

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/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

Department of Environment and Resource Management (DERM)

Media release

Kingaroy Underground Coal Gasification testing results

The Department of Environment and Resource Management has received testing results from 5 of the 8 bores being sampled as a precautionary measure.

DERM Director General John Bradley said the testing results indicate that the presence of hydrocarbons including benzene and toluene had declined from earlier tests.

“In all cases these are below the Australian Drinking Water Guideline standards,” Mr Bradley said.

“The maximum level of benzenes detected was 0.7 parts per billion (ppb) compared to an Australian Drinking Water Guideline standard of 1.0 ppb and this was only detected at the Cougar Energy plant site itself.

“Although it is difficult to compare exposures from drinking water to those in air, by comparison, this is less than 10% of the benzene level in the air of a city street and up to six hundred times less than the air at a suburban petrol station.

“The maximum level of toluene detected was 4.3 parts per billion at the Cougar plant itself compared to an Australian Drinking Water Guideline standard of 800 parts per billion. Toluene test results at neighbouring bores were at the limit of detection.

Aside from the Cougar site results, the highest reading from any landholder bores to date has been 3 parts per billion for toluene on 16 June which is over 200 times below the Australian Drinking Water Guideline standard.

“Queensland Health has advised that at these levels in the groundwater no adverse health effects would be expected.

“These are welcome results and we look forward to assessing the remaining bore samples as soon as possible.

“Nevertheless we will continue frequent monitoring at these sites in the coming weeks and report results publicly.”

“We will also continue with the Environmental Evaluation and review by the Scientific Panel, and if there is any doubt by the Government, these underground coal gasification projects will not be permitted to resume or continue operations,”
Mr Bradley said.

Tests were undertaken using dual sampling techniques to provide confirmation of results and remaining sample results are expected to be available by Monday.

ENDS

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For further information contact Department of Environment and Resource Management Media Services Ph: (07) 3224 7792 or email media@derm.qld.gov.au