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COUGAR ENERGY RAISES \$7 MILLION TO ADVANCE UNDERGROUND COAL GASIFICATION PROJECT

Cougar Energy Ltd (ASX Code: CXY) is pleased to advise that it has received commitments for the placement of 50 million shares at a price of 14 cents per share, raising a total of \$7.0m before costs associated with the placement. The placement was over-subscribed, and was arranged by Melbourne Capital Limited to sophisticated and professional investors under the 15% placement limit. The Company welcomes a number of new institutional investors to the Share Register.

The funds raised will be used primarily to advance Cougar Energy's Underground Coal Gasification (UCG) project near Kingaroy in Queensland, including the development of a 400MW power station using UCG gas as the fuel.

The UCG process enables deep coal deposits to be converted into a syngas suitable for use as a fuel in power generation or the manufacture of a range of petro-chemical products.

Over the past six months, Cougar Energy has undertaken a detailed drilling program to provide the basis for determining a JORC compliant coal resource on its Kingaroy UCG area, to recover coal and rock core, and to install groundwater monitoring equipment. After consultation with its UCG technology provider (Ergo Exergy Technologies Inc.), the Company is now ready to proceed to the next stage in its program to develop the UCG gas-fired power station project.

The funds raised through this placement, together with additional funds exceeding \$9m anticipated to be received from the exercise of existing 5c options by December 2008, will enable the Company to further progress the Kingaroy project by:

- expanding the JORC compliant coal resource;
- undertaking further detailed site characterisation and monitoring work for UCG plant design purposes;
- installing the first injection and production wells;
- ordering plant items for the UCG Pilot Plant; and
- commencing the pilot burn.

Cougar Energy recognises that initiation of the pilot burn is the first stage of its overall project construction program, and as such is in discussions in relation to securing long-term project finance to ensure that a successful pilot burn is carried through to the development of the commercial power plant. The outcome of these discussions will be advised in the event that any agreement is reached, and together with the delivery time for pilot plant items, will determine the commencement date for the pilot burn.

The successful fund-raising announced today marks an exciting phase in the development of the Company, as it enables both the pilot burn and its associated longer-term project planning to be initiated from a stable financial base.



Cougar Energy also plans to use the funds raised to advance the assessment of its interest in EL 4416 in Victoria, which is subject to a proposed 50:50 Joint Venture with the tenement holder, Victoria Coal Resources Pty Ltd. This lease contains vast quantities of brown coal established from previous drilling.

A preliminary evaluation of all existing drilling data from the Victorian project is being undertaken to determine the resource potential on the lease for possible application of the UCG process, and is nearing completion. Should this review prove positive, the Company will be in a position to meet its financial share of any planned drilling campaign. The Company views this project as an extremely exciting addition to its activities.

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