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**COUGAR SIGNS UCG TECHNOLOGY AGREEMENT
WITH WORLD-LEADING ERGO EXERGY GROUP**

The commercial development of a 400 megawatt Queensland power project at Kingaroy will be the initial focus of a General Licence Agreement announced today and signed by Cougar Energy Ltd (ASX Code: CXY) with its Underground Coal Gasification (UCG) technology provider - Ergo Exergy Technologies Inc (Ergo Exergy) of Montreal, Canada.

The General Licence Agreement (GLA) provides Cougar with access to Ergo Exergy's eUCG technology and personnel to develop UCG projects on a world wide basis. Key Ergo Exergy UCG technologists managed operations at the Angren (Uzbekistan) site for over 30 years, and transferred that expertise to the Chinchilla, Queensland site during the test burn which operated there from 1999 to 2002.

"This provides the UCG technology cornerstone for the development of the coal resources being assembled by Cougar, and our Kingaroy project will be an early focus of the new agreement," Cougar's Managing Director, Dr Len Walker, said today.

"There is no doubt in the minds of the Company's Directors that the past experience of individuals in the Ergo Exergy team, and the range of their current international activity, confirms them as the pre-eminent UCG technology team world-wide," he said.

"The Cougar Board is excited at the completion of this agreement, and with the support it will give the Company in developing its projects both in Australia and internationally."

The agreement cements a working relationship of 12 years between the Managing Directors of the two companies, Dr Walker and Dr Michael Blinderman, which culminated in the development and execution of the successful Chinchilla test burn.

More recently in January 2007, the Ergo Exergy team successfully commissioned the pilot burn for the Majuba UCG power project in South Africa owned by Eskom with plans to generate up to 2100MW using UCG gas as the fuel for a combined cycle power plant. Eskom is the state-owned electricity generator currently producing over 90% of the country's power requirements.

Ergo Exergy is also working on development projects in a number of other countries including Canada, the US, New Zealand, India and Chile, and will work with Cougar to develop its proposed project in Pakistan.

It is already providing on-going support to the Kingaroy project, which continues to progress with drilling related to site characterisation work, and the placement of orders for manufacture of gas clean-up equipment.

General Licence Agreement Summary

The GLA will run for a period of 10 years, with provision for extensions, with Ergo Exergy providing support for the economic life of any projects that are identified as commercially and technically feasible. Ergo Exergy may however, terminate the GLA if Cougar fails to secure unconditional funding for the construction and commissioning of a commercial plant (having capacity of at least 5PJ per annum) within the next 3 years or fails to commence operating such a plant within 5 years.

The GLA provides for an initial fee and a series of payments which are conditional on the achievement of financial and technical milestones associated with the development and commissioning of Cougar's first commercial project.

Specific payments will only be required to be made when funding and approval for the appropriate stages of development have been finalised. Cougar will also pay Ergo Exergy an ongoing project royalty calculated by reference to the gross volume of syngas and by-products produced by any project developed using Ergo Exergy's eUCG technology.



An important aspect of the GLA is that it allows all licensees of Ergo Exergy to share project development information, and specific aspects of the eUCG technology as it may be applied under different geological conditions.

Cougar is already involved in sharing information with the relevant UCG development companies in South Africa, New Zealand and Canada, which is seen as a mechanism for ensuring that the most efficient and economic application of the technology is achieved, while maintaining the highest technical standards during operations.

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