

12 January 2012

ASIA BUSINESS PROGRESS REPORT

Cougar Energy Limited (ASX: CXY) provides the following progress report on the development of its Underground Coal Gasification (UCG) business in Asia.

As previously announced, Cougar Energy has implemented a UCG business development strategy in Asia focussed on the coal rich regions of the People's Republic of China, Mongolia and Indonesia.

Over the past two months, the Company has been working with its local staff and partners in each country to identify projects suitable for commercial UCG development and liaise with Government officials to consider what, if any, specific approvals are required for the technology to be developed. At the same time, the Company is finalising a new corporate structure within which Asian projects will be developed.

People's Republic of China

Cougar Energy and its local partner, DeTailong Investment Energy Ltd, have completed and submitted a Feasibility Study Report (FSR) to the Inner Mongolia Autonomous Region authorities to support the application for operating permits to commence a UCG pilot burn on a coal deposit within the Wu Ni Te coal basin. Site selection is the subject of commercial and financial negotiations between DeTailong and the government/private owners of relevant coal assets.

The Company's staff based in Beijing has advised that in working with the local authorities and its in-country partner, a step-by-step procedure has now been confirmed with government for project approval. In addition to the submitted FSR, preparation of an Environmental Impact Assessment (EIA) is in progress as required by the agreed procedural steps. Preparatory technical design, equipment specifications and the identification of local support services continue with a view to minimising mobilisation delay once permits have been issued.

Whilst work remains outstanding to complete the formal approval process, the local authorities remain supportive of the introduction of UCG technology in the region.

Mongolia

Cougar Energy, through its Mongolian subsidiary company and local partner, continues discussions with the Mongolian Government and its agencies on the development of local

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coal resources under UCG projects for power and other product end uses. A draft agreement between the parties has been prepared and is currently being reviewed prior to finalisation.

The Company has also received data from several current coal lease owners in Mongolia who have expressed interest in associating with the Company in a commercial UCG development. Technical data relevant to these coal leases is being reviewed as to their suitability for application of the UCG process.

Indonesia

Pursuant to the Memorandum of Understanding signed with MedcoEnergi in November 2011, the Company is planning a work program for 2012. This program will include a technical evaluation of data from a number of coal areas with the potential for establishment of an initial project, an initial assessment of potential end product uses (eg. power, synthetic natural gas, fertilisers and diesel), as well as preparations to approach the Indonesian Government and its agencies to establish the appropriate UCG regulatory framework in Indonesia.

Pakistan

In addition to progress in the above countries, Cougar Energy's subsidiary, Cougar Energy (UK) Ltd, continues to hold a lease in the Thar coal region of Pakistan. Previous negotiations over an 18 month period with a local partner to secure funding for the building of a pilot plant with a subsequent commercial development phase could not be finalised during 2011.

However, recent Pakistani media reports state that the Prime Minister has "ordered" that government funding be made available to a local group to develop a commercial UCG project, also in the Thar region. This follows their successful production of UCG gas from a test site prior to the end of 2011.

As a consequence, Cougar Energy has received several new approaches from Pakistani companies since this news was published and is now evaluating these to determine a future course of action.

Investor contacts:

Dr Len Walker
Managing Director
Tel: + 61 (0) 3 9909 7200

Brad Glynne
GM – Corporate Finance and Investor Relations
Tel: + 61 (0)447 774 009

Media enquiries:

Media in Queensland

Andrew Crook
Crook Publicity
Tel: + 61 (0)419 788 431

Media outside Queensland

John Field
Field Public Relations
Tel: +61 (0)418 819 527

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