

Cougar To Investigate Victoria's UCG Potential

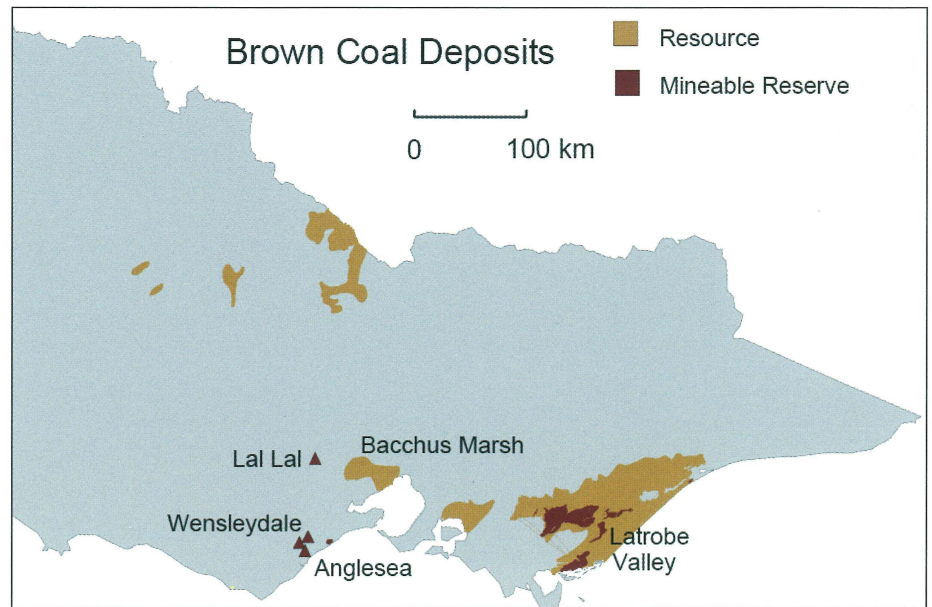
Cougar Energy will investigate the potential for applying the Underground Coal Gasification (UCG) process to Victorian brown coal resources under a Memorandum of Understanding with Victoria Coal Resources (VCR).

Cougar said its goal is to use the UCG process within the coal fields to produce gas for cheaper and more environmentally friendly power generation and for liquid fuel production.

Under the terms of the agreement, Cougar will review data defining the brown coal deposits contained within the EL 4416 permit, held by VCR under a farmin agreement with CBM Resources, to determine their suitability for application of the UCG process.

The permit covers an area of about 1 M acres adjacent to the Latrobe Valley in Victoria, and is estimated to contain 50 – 100 Bt of brown coal situated under a limestone layer.

The contract will remain in place for one year with a 12 month extension by mutual agreement of the parties. In the event that Cougar gives notice that the potential for a UCG project exists, the parties will form a 50:50 joint venture to pursue its development.



Victoria's brown coal resources

The UCG process involves the *in-situ* conversion of coal into gas which is recovered from production wells, and which can be used for power generation or liquid fuel production. If the process can be applied to the brown coals and

the product gas used in combined cycle power plants, the potential exists for achieving low power costs in association with lower greenhouse gas emissions, as well as the production of a low cost feed gas for the liquids plant. ■