



31 January 2011

COUGAR ENERGY LIMITED
QUARTERLY REPORT (pursuant to Listing Rule 5.2)
OCTOBER - DECEMBER 2010

Other than responding to notices from the Queensland Government's Department of Environment and Resource Management (DERM) as outlined below, no exploration, development or production work was carried out on the Company's tenements during the quarter ending 31 December 2010.

As previously announced, the Company's Underground Coal Gasification (UCG) operation at Kingaroy (MDL 385) in Queensland was suspended by DERM on 17 July 2010.

Pursuant to two environmental evaluation notices and a request for additional information issued by DERM, the Company submitted two environmental reports and the additional information as well as completed a number of works requirements. All reports and works were furnished and completed by the stipulated deadline of 10 December 2010.

Further to the request made by the Company to the ASX on 28 January 2011 for a trading halt of the Company's securities, the Company expects to make an announcement on the DERM decision to the market before the opening of trading tomorrow 1 February 2011.

Throughout the reporting period, the Company advised the market on a number of occasions the results of tests on water samples taken from monitoring bores at and around the Kingaroy UCG site. None of those test results exceeded the Australian Drinking Water Guidelines for the chemicals tested. Results for benzene showed values below the level of detection or at one part per billion intermittently in one isolated monitoring bore.

Until further notice, the Company's Board has determined that it will not publish individual water sample test results whilst they remain within the Australian Drinking Water Guidelines.

Whilst awaiting the outcome of the Queensland Government's decision on the future of UCG in Queensland, there has been no exploration, development or production work on the Company's Wandoan tenements (MDLA 420 and EPC 1118) (located in Queensland).

During the reporting period the Company did not undertake any exploration, development, or production work in relation to its projects with Eneabba Gas Group (in respect of EL

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exploration permit E70/2758 located in Western Australia) or Ignite Energy Limited (in respect of exploration licence EL4416 located in Victoria).

A new strategic alliance was formed with the Shanghai Limitedless Investment Group (SLI) in October 2010. During the reporting period the Company commenced a review of coal resource data in respect of leases under the control of SLI in the People's Republic of China to determine their suitability for UCG project development.

The Company continues to evaluate coal resource data for a proposed UCG development with the WuNiTe Group in the Inner Mongolia Autonomous Region in China.

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