

**COUGAR ENERGY LIMITED**  
**(ACN 060 111 784)**

**PROSPECTUS**

**Prepared in accordance with Section 713 of the Corporations Act for the purpose of removing trading restrictions on the sale of Shares that may be issued by the Company prior to the Closing Date.**

**THIS PROSPECTUS IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY**

If you do not understand the contents of this Prospectus, you should consult your stockbroker, accountant or other professional adviser prior to making an investment decision.

## IMPORTANT NOTICES

### 1. **Important Information**

This Prospectus has been prepared for the purposes of Section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares that may be issued by the Company prior to the Closing Date.

This Prospectus is dated 1 September 2010 and was lodged with ASIC on that date. Neither ASIC nor the ASX, nor any of their officers, take any responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates.

Shares issued pursuant to this Prospectus will be issued on the terms and conditions set out in this Prospectus. Investors considering taking up Shares under this Prospectus or considering acquiring Shares on market should consider the investment risk factors which are set out in Section 6 of this Prospectus. In particular, the Company wishes to draw investors' attention to the risks identified in Section 6.1 which categorise any investment in the Company as speculative.

No person is authorised to give information or to make any representation in connection with the Offer which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

### 2. **Investment Decisions**

The information in this Prospectus does not constitute financial product advice. This Prospectus does not take into account the investment objectives, financial situation, tax position and particular needs of individual investors. Investors should obtain their own independent advice and consider the appropriateness of the Offer or any proposed acquisition of Shares on market having regard to their investment objectives, financial situation, tax position and needs. Potential investors are directed to Section 6.1 of the Prospectus which identifies risks specific to an investment in the Company.

### 3. **Future Performance**

Except as required by law, and only then to the extent so required, neither the Company nor any other person warrants the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

### 4. **Continuously Quoted Securities**

This is a Prospectus for an offer of continuously quoted securities which has been prepared in accordance with Section 713 of the Corporations Act. Accordingly, this Prospectus does not contain the same level of disclosure as an initial public offering prospectus.

### 5. **Terms of the Offer**

Subject to compliance with the Corporations Act, the Listing Rules and any other applicable laws, the Directors reserve the right to withdraw the Offer and Prospectus at any time in their absolute discretion. In either case, application monies received will be refunded (without interest). The expiry date of the Prospectus is 13 months after the date of the Prospectus. No securities will be allotted or issued on the basis of this Prospectus after the expiry date.

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### GLOSSARY

## INDICATIVE TIMETABLE

Announcement of Offer	1 September 2010
Prospectus lodged with ASIC and ASX	1 September 2010
Closing Date	30 November 2010

The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date up to the maximum permitted period of thirteen months after the date of this Prospectus, or close the Offer early without notice.

## CORPORATE DIRECTORY

### Directors

Mr Malcolm McAully (Chairman, Non Executive Director)  
Dr Len Walker (CEO, Managing Director)  
Dr Michael Dalling, AM (Non Executive Director)

### Solicitors

Holman Fenwick Willan  
Level 41, Bourke Place  
600 Bourke Street  
Melbourne, Victoria 3000

### Registered Office

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Melbourne, Victoria 3000  
Telephone: +61 3 9909 7200  
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Website: [www.cougarenergy.com.au](http://www.cougarenergy.com.au)

### Share Registry

Computershare Investor Services Pty Limited  
452 Johnston Street  
Abbotsford, Victoria 3067  
Postal:  
GPO Box 2975  
Melbourne, Victoria 3001  
Australia

## 1. THE OFFER

### 1.1 General

The Company has issued this Prospectus in respect of an offer of 1,000 Shares, at an issue price of \$0.075 per Share. The Offer will raise up to \$75.00 before costs. As noted in Section 2.1 below, the primary purpose of the Prospectus is to remove any trading restrictions on the sale of Shares issued by the Company prior to the Closing Date.

### 1.2 Applications

Applications for Shares under the Offer must be made using the Application Form.

The Directors reserve the right to issue Shares pursuant to the Offer at their absolute discretion. Accordingly, please do not submit an Application Form unless directed to do so by the Directors.

Completed Application Forms and accompanying cheques are to be made payable to "Cougar Energy Limited" and crossed "Not Negotiable" and must be mailed or delivered to the address set out on the Application Form by no later than the Closing Date.

### 1.3 Applicants outside Australia

The distribution of this Prospectus outside Australia may be restricted by law.

The Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

Residents of countries outside Australia should consult their professional advisers as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an application to take up Shares on the basis of this Prospectus. The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all approvals and consents have been obtained.

## 2. PURPOSE OF THE OFFER AND USE OF FUNDS

### 2.1 Purpose of the Offer

The primary purpose of the Offer is to remove any trading restrictions on the sale of Shares that may be issued by the Company prior to the Closing Date. Such Shares may include Shares issued under the YA Facility as well as Shares issued in accordance with any other capital raising opportunities that may present themselves to the Company prior to the Closing Date.

Section 708A(11) of the Corporations Act states that a sale offer does not need disclosure to investors if:

- (a) the relevant securities are in a class of securities that are quoted securities of the body; and
- (b) either:
  - (i) a prospectus is lodged with ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or

- (ii) a prospectus is lodged with ASIC before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
- (c) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

## 2.2 Use of the Funds

\$75.00 will be raised if the Offer is fully subscribed. After expenses of the Offer there will be no proceeds from the Offer. The expenses of the Offer will be met from the Company's existing cash reserves.

## 3. RIGHTS AND LIABILITIES ATTACHING TO SHARES

The rights attaching to the Shares offered under this Prospectus are set out in the Constitution. The Constitution is in a form common to public companies in Australia. The Constitution was lodged with ASIC on 13 December 2001 and is taken to be included in this Prospectus by operation of Section 712 of the Corporations Act. The Company will give a copy of the Constitution to any person who requests a copy prior to the Closing Date, free of charge.

The Shares offered under this Prospectus are of the same class and rank equally with the Company's existing ordinary shares. Article 2 of the Company's Constitution states that all Shares in the capital of the Company attract the following rights:

- (a) the right to receive notice of and to attend and vote at all general meetings of the Company;
- (b) the right to receive dividends; and
- (c) in a winding up or a reduction of capital, the right to participate equally in the distribution of the assets of the Company (both capital and surplus), subject to any amounts unpaid on the Share and, in the case of a reduction, to the terms of the reduction.

In relation to the right to vote, on a show of hands every holder of Shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each Share is entitled to one vote. As the Shares to be issued under this Prospectus are fully paid ordinary shares, there are no liabilities attaching to these Shares in relation to unpaid amounts.

## 4. CONTINUOUS DISCLOSURE OBLIGATIONS

The Company has issued this Prospectus in accordance with the provisions of the Corporations Act applicable to a prospectus for continuously quoted securities.

Section 713 of the Corporations Act enables a company to issue a special prospectus where the securities offered under the prospectus are continuously quoted securities within the meaning of the Corporations Act. This generally means that the relevant securities are in a class of securities that were quoted at all times during the three months before the date of this Prospectus and, as such, the issuing company was subject to the continuous disclosure regime provided for under the Corporations Act and the rules of a recognised stock exchange.

In the past three months, the Company's securities have been continuously quoted securities within the meaning of the Corporations Act. Furthermore, like all listed companies, the Company is required to

continuously disclose to the market any information it has which a reasonable person would expect to have a material effect on the price or value of the Company's securities.

Prospectuses in relation to offers of ordinary shares issued in accordance with the special prospectus content rule, such as this Prospectus, are required to contain information in relation to the effect of the offer of securities on the company, and the rights and liabilities attaching to the securities offered. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

For the purpose of satisfying Section 713(5) of the Corporations Act, a prospectus must also incorporate information concerning an offer if such information:

- (a) has been excluded from a continuous disclosure notice in accordance with the Listing Rules; and
- (b) is information that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
  - (i) the assets and liabilities, financial position and performance, profit and losses and prospects of the body; and
  - (ii) the rights and liabilities attaching to the securities being offered.

A prospectus prepared in accordance with Section 713 must contain this information only to the extent to which it is reasonable for investors and their professional advisors to expect to find such information in the prospectus. The Company is not aware of any matters that need to be disclosed in accordance with Section 713(5) that are not disclosed in this document. Potential investors are directed to Section 6 of the Prospectus which contains detailed information concerning the risks associated with an investment in the Company.

In accordance with Section 713(3) of the Corporations Act, the Company confirms that:

- (a) it is subject to regular reporting and disclosure obligations; and
- (b) copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office.

Also, and in accordance with Section 713(4) of the Corporations Act, any person may request, and the Company will provide free of charge, a copy of each of the following documents during the period from lodgement of this Prospectus up until the Closing Date:

- (a) the half year financial report of the Company for the half year ended 31 December 2009;
- (b) the full year financial report of the Company for the full year ended 30 June 2009; and
- (c) any continuous disclosure notices given by the Company after the lodgment of the annual financial report referred to in (b) above and before the lodgment of this Prospectus with ASIC. The continuous disclosure notices given by the Company since the lodgment of the annual financial report to the date of this Prospectus are listed in Section 8 of this Prospectus.

Given that the Company is a disclosing entity, it may be required to release information to the market during the period between the date of this Prospectus and the Closing Date. Prospective investors are advised to refer to the ASX's website at [.asx.com.au](http://asx.com.au) for updated releases about specified events or matters affecting the Company. The ASX symbol for the Company's Shares is CXY.

## 5. EFFECT OF THE ISSUE ON THE COMPANY

### 5.1 Effect on the Company's capital structure

#### (a) Shares

The following figures are current as at the date of this Prospectus and exclude any Shares that may be issued under the YA Facility or in accordance with any other capital raising opportunities that may present themselves to the company prior to the Closing Date:

Description	Shares on Issue (Number)
Existing fully paid ordinary Shares	936,903,218
Shares to be issued pursuant to the Offer at an issue price of \$0.075 each	1,000
<b>TOTAL SHARES</b>	<b>936,904,218</b>

#### (b) Unlisted fully paid options over Shares

Description	ASX Code	Exercise Price(\$)	Expiry Date	Options on Issue (Number)
Management options	CXYAM	\$0.10	30-11-2010	10,800,000
Tranche A project				
financier options	CXYAK	\$0.25	30-06-2011	10,000,000
Management options	CXYAQ	\$0.10	01-05-2012	1,600,000
Management options	CXYAQ	\$0.15	01-05-2012	1,600,000
Management options	CXYAQ	\$0.20	01-05-2012	1,600,000
Management options	CXYAO	\$0.10	03-05-2012	1,600,000
Management options	CXYAO	\$0.15	03-05-2012	1,700,000
Management options	CXYAO	\$0.20	03-05-2012	1,700,000
Management options	CXYAI	\$0.10	30-11-2012	1,400,000
Management options	CXYAI	\$0.15	30-11-2012	1,400,000
Management options	CXYAI	\$0.20	30-11-2012	1,400,000
<b>TOTAL OPTIONS</b>				<b>34,800,000</b>

### 5.2 Statement of financial position

Set out below is the Consolidated Statement of Financial Position of the Company as at 30 June 2010 (unaudited) and the Consolidated Pro-forma Statement of Financial Position as at 30 June 2010 (unaudited) incorporating the effect of the Offer.

<b>COUGAR ENERGY LIMITED CONSOLIDATED PRO-FORMA BALANCE SHEET AS AT 30 JUNE 2010</b>		<b>Audited 30-Jun-2009 \$</b>	<b>Audit Reviewed 31-Dec-2009 \$</b>	<b>Unaudited 30-Jun-2010 \$</b>	<b>Effect of Prospectus Transactions \$</b>	<b>Unaudited Pro-Forma 30-Jun-2010 \$</b>
	<b>Notes</b>					
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	1	5,644,565	10,692,551	2,899,432	(54,925)	2,844,507
Trade and other receivables	2	463,835	609,501	466,283	5,000	471,283
Other financial assets		952,306	2,313,000	2,313,000		2,313,000
<b>Total current assets</b>		<b>7,060,706</b>	<b>13,615,052</b>	<b>5,678,715</b>	<b>(49,925)</b>	<b>5,628,790</b>
<b>Non-current assets</b>						
Other financial assets		29,377	29,108	29,076		29,076
Investments in joint ventures		-	13,673	13,490		13,490
Property, plant and equipment		718,869	793,063	869,877		869,877
Exploration and evaluation assets	4(b)	12,906,112	22,500,870	30,207,398		30,207,398
Intangible assets	4(b)	1,282,466	1,341,401	883,963		883,963
<b>Total non-current assets</b>		<b>14,936,824</b>	<b>24,678,115</b>	<b>32,003,804</b>	<b>-</b>	<b>32,003,804</b>
<b>TOTAL ASSETS</b>		<b>21,997,530</b>	<b>38,293,167</b>	<b>37,682,519</b>	<b>(49,925)</b>	<b>37,632,594</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Borrowings		229,123	-	-		-
Trade and other payables		1,236,588	417,956	1,639,663		1,639,663
Provisions		50,549	110,760	186,644		186,644
<b>Total current liabilities</b>		<b>1,516,260</b>	<b>528,716</b>	<b>1,826,307</b>	<b>-</b>	<b>1,826,307</b>
<b>Non-current liabilities</b>						
Borrowings		-	27,583	41,129		41,129
Provisions	4(c)	2,676	551,179	552,344		552,344
<b>Total non-current liabilities</b>		<b>2,676</b>	<b>578,762</b>	<b>593,473</b>	<b>-</b>	<b>593,473</b>
<b>TOTAL LIABILITIES</b>		<b>1,518,936</b>	<b>1,107,478</b>	<b>2,419,780</b>	<b>-</b>	<b>2,419,780</b>
<b>NET ASSETS</b>		<b>20,478,594</b>	<b>37,185,689</b>	<b>35,262,739</b>	<b>(49,925)</b>	<b>35,212,814</b>
<b>EQUITY</b>						
Contributed equity	3	44,404,432	63,961,812	63,961,812	(49,925)	63,911,887
Unissued equity		-	-	14,400		14,400
Reserves		1,532,721	719,959	807,673		807,673
Accumulated losses		(25,511,176)	(27,606,322)	(29,609,785)		(29,609,785)
<b>Total equity attributable to the owners of Cougar Energy Limited</b>		<b>20,425,977</b>	<b>37,075,449</b>	<b>35,174,100</b>	<b>(49,925)</b>	<b>35,124,175</b>
Non-controlling interests		52,617	110,240	88,639		88,639
<b>TOTAL EQUITY</b>		<b>20,478,594</b>	<b>37,185,689</b>	<b>35,262,739</b>	<b>(49,925)</b>	<b>35,212,814</b>

The unaudited pro-forma balance sheet as at 30 June 2010 represents the consolidated balance sheet of the Company and its controlled entities (the "Group"). It has been derived by taking the Group's unaudited consolidated balance sheet as at 30 June 2010 and adjusting it for the effects of the transactions identified in this Prospectus. The pro-forma balance sheet does not take into account any of the other transactions entered into by the Group between 1 July 2010 and the date of this Prospectus. The above consolidated balance sheets should be read in conjunction with the accompanying notes and the additional disclosures set out in Section 6.1(a) of this Prospectus.

<b><u>Notes to the Consolidated Pro Forma Balance Sheet</u></b> <b><u>for the year ended 30 June 2010</u></b>	<b>Unaudited</b> <b>30-Jun-2010</b> <b>\$</b>	<b>Unaudited</b> <b>Pro-Forma</b> <b>30-Jun-2010</b> <b>\$</b>
<b>Balance Sheet Items affected by the Transactions Identified in the Prospectus:</b>		
<b><u>1. Cash &amp; cash equivalents</u></b>		
Cash at bank	2,899,432	2,844,507
<b><u>The effects of the Prospectus transactions on cash and cash equivalents are as follows:</u></b>		
Cash at bank as at 30 June 2010 per the unaudited balance sheet		2,899,432
Add gross proceeds from shares issued under the Prospectus (1,000 fully paid ordinary shares @ \$0.075 per share)		75
Less Prospectus preparation costs (including GST)		(55,000)
<b>Cash at bank as at 30 June 2010 per the unaudited pro-forma balance sheet</b>		<b>2,844,507</b>
<b><u>2. Trade and other receivables</u></b>		
Total trade and other receivables	466,283	471,283
<b><u>The effects of the Prospectus transactions on trade and other receivables are as follows:</u></b>		
Total trade and other receivables as at 30 June 2010 per the unaudited balance sheet		466,283
Add GST paid on the Prospectus preparation costs		5,000
<b>Total trade and other receivables as at 30 June 2010 per the unaudited pro-forma Balance sheet</b>		<b>471,283</b>
<b><u>3. Contributed equity</u></b>		
Total contributed equity	63,961,812	63,911,887
<b><u>The effects of the Prospectus transactions on contributed equity are as follows:</u></b>		
Total contributed equity as at 30 June 2010 per the unaudited balance sheet		63,961,812
Add gross proceeds from shares issued under the Prospectus (1,000 fully paid ordinary shares @ \$0.075 per share)		75
Less share issue costs - Prospectus preparation costs (excluding GST)		(50,000)
<b>Total contributed equity as at 30 June 2010 per the unaudited pro-forma balance sheet</b>		<b>63,911,887</b>

#### **4. Material uncertainty in relation to the basis of preparation**

As at the date of this Prospectus, material uncertainty exists in relation to:

- 1 **Going Concern:** The Company's forecast working capital requirements for the next 12 months exceed Company's current cash position. This indicates a material uncertainty that may cast doubt over the Company's ability to continue as a going concern, unless additional capital can be raised.
- 2 **Impairment of Assets:** As previously reported to the ASX, on 17 July 2010 the Queensland Government issued an Environmental Protection Order halting operations at the Kingaroy pilot plant until certain environmental orders are satisfied (for further information refer to Section 6.1(b)). In the event that the Company is not permitted to proceed with its Kingaroy project, the value of the Kingaroy assets will be impaired.

These uncertainties are disclosed and discussed further in the Company's Appendix 4E lodged with the ASX on 31 August 2010.

## **6. RISK FACTORS**

There are general risks with any investment. The value of shares may rise or fall depending upon a range of factors and market conditions which are unrelated to a company's financial performance. Therefore, if an investor decides to sell Shares, the amount received may be higher or lower than the amount of the original investment.

In addition to general economic risks, there are a number of specific risks concerning the Company that potential investors should be aware of. Some of these risks may be mitigated by the Company using safeguards and appropriate systems and taking certain actions. However, some of the risks may be outside the control of the Company and not capable of mitigation.

What follows is a description of the specific and general risks as identified by the Board that should be considered by potential investors prior to making an investment decision. The following list is not an exhaustive summary, but points to the more relevant risks that are particular to making an investment in the Company. Any one or a combination of these risks could affect the Company adversely and thus the value of any investment in the Company. The Board is unable to determine the extent of such adversity, and thus an investment in the Company should be regarded as speculative. The Company's activities are generally considered high risk and the worst case scenario is that most or all of any investment could be lost.

### **6.1 Specific Risks**

Investors need to be aware of the following major risks that are specific to an investment in the Company:

#### **(a) Financing Requirements**

The Company does not currently generate any operational revenue. It generates interest income on surplus bank balances. As at the date of this Prospectus the Company has approximately \$1.3 million in cash at bank. This does not include cash deposits pledged as security for bank guarantee and credit card facilities. The Directors monitor this position daily and present indications are that cash at bank is forecast to remain positive until the end of September 2010 at which point it is expected the Company

will have approximately \$135,000 left in the bank. The Company's forecasts do not taking into account any proceeds received from the fundraising initiatives set out below.

The Company has an ongoing funding requirement until positive cash flows are generated from its commercial operations. Available funds are currently being used to maintain the Company's corporate centre as well as to preserve the Company's existing assets. Further funds are required in order to ensure that the Company is able to continue to operate as a going concern and pursue the development of its existing projects.

The Company is not able to accurately predict if or when it may be permitted by DERM to re-commence operations at Kingaroy (refer Section 6.1(b)). However, in planning its funding requirements, the Company has estimated that the Kingaroy project will remain on "care and maintenance" for approximately three months. During this period, the Company predicts a funding requirement of approximately \$1,325,000. The Company has budgeted for costs associated with sealing and repairing production well P4 and the costs likely to be associated with undertaking further works to complete the Environmental Evaluation (refer Section 6.1(b)) but has not allowed for unforeseen contingencies that may arise in this period which would require further funding. It should be noted that the Company has a bank guarantee of \$599,000 in place with DERM as a security bond for compliance with the Company's obligations (including rehabilitation obligations) under its mining development licence at Kingaroy.

As at the date of this Prospectus the Company has access to finance under the YA Facility originally entered into with YA Global Master SPV Ltd ("YA") on 26 February 2010 and subsequently varied by agreement on 31 August 2010. The total YA Facility commitment amount is AUD 10 million and the YA Facility expires on 25 February 2015. The YA Facility contains terms and conditions which are generally seen in equity financing facilities.

The YA Facility makes provision for the Company, at its election, to request funds by issuing "advance notices". Under the current operative provisions of the YA Facility, advance notices are subject to a pricing period of 10 ASX trading days and may not exceed \$100,000 per advance other than with YA's consent. Once the pricing period has concluded, funds are made available to the Company in exchange for the Company issuing new Shares (at the applicable price) to YA. No more than one advance notice may be outstanding at any time. The YA Facility makes provision for accessing larger amounts under an advance notice of up to \$700,000 based on the average daily trading value of the Shares exceeding agreed monetary thresholds.

In addition to the funding provided under the advance notices, there is also provision under the YA Facility for YA to make "special advances" to the Company provided that agreement is able to be reached on the amount of the special advance and the price at which Shares are to be made available to YA. Up to 20 million Shares are to be made available to facilitate one or more special advances. Innisfree Pty Ltd, a company associated with the Company's Managing Director Dr Len Walker, will place 20 million shares into an escrow account under a share lending arrangement to facilitate these special advances. Funding from special advances can be in addition to funding sourced through advance notices. Given that the share lending arrangement involves a related party appropriate shareholder approvals will be sought by the Company as required in accordance with Listing Rule 10.11.

The YA Facility is conditional and there are several specified circumstances set out in the YA Facility agreement which constitute "events of default". Should such an event occur, YA may elect to withhold funding and/or terminate the YA Facility. Events of default specified in the YA Facility agreement are consistent with the default events that are typically incorporated in agreements of this nature and include the following matters - where any event (or series of events) occurs which in YA's reasonable opinion is

likely to have a material adverse effect on the Company's ability to carry on its business as it is currently being conducted, or on the Company's business, assets, value, operations, prospects or financial or other condition, or on YA's ability to enforce its rights under the YA Facility, or on the Company's ability to observe its liabilities under the YA Facility; where the Company is found to have breached a warranty or covenant set out in the agreement or made a material misrepresentation to YA; where the Company suffers an insolvency event or ceases business; where the Company's Shares are subject to further suspension from trading on the ASX for five days or more in aggregate; and where the Company does not perform an obligation under the agreement and fails to rectify the default within a specified time period.

Furthermore, in the event that the Company's Shares trade below a defined "minimum acceptable price" (presently AUD 0.03) at any time during a pricing period, the amount of funding available can be reduced at the election of YA. There is the potential that the funding available under a particular advance notice could be reduced to zero.

The Company intends to pursue all funding opportunities that may be available under the YA Facility. However, the Company is looking to access additional funding from other sources without further delay given that (a) the restrictions that are placed on advance limits under the YA Facility and the uncertainty as to whether the Company will be able to access any "special advances" means the YA Facility can not be relied upon to satisfy the forecast funding requirements of the Company over the next 3 months, and (b) the conditional nature of the YA Facility could mean that funding may not be available in certain circumstances including circumstances where an event occurs which is likely to have a material adverse effect on the Company.

The Company considers that its ability to access funds has been inhibited somewhat by the fact that its Shares have been suspended since 20 July 2010 following the announcement that operations at the Company's Kingaroy project had been suspended (refer Section 6.1(b)). In the absence of a trading history to price the Company's Shares, it has been difficult to structure potential placements to interested institutional and sophisticated investors. It is anticipated that once the Company's trading suspension is lifted it will be in a better position to raise the additional funds that are required to ensure the Company is able to continue to operate as a going concern and pursue the development of its existing projects.

The Company will initially seek to undertake a placement of new Shares to the value of approximately \$500,000 to \$600,000 in September 2010 and a share purchase plan offering to shareholders in October 2010 in addition to the draw downs available under the YA Facility.

Once DERM has made its decision on the future of the Kingaroy project known, the Company will be in a position to structure and pursue longer-term funding strategies. The Company's ability to access funding in the future (whether from YA or otherwise) at an acceptable price may however, depend on a number of factors, including the outcome of DERM's assessment.

If, for whatever reason, adequate funding is not able to be accessed, the Company will not be able to operate as a going concern and the Company may need to be placed into voluntary administration.

Accessing funds under the YA Facility or pursuant to a placement or share purchase plan will have a dilutionary effect on existing shareholdings. The Company will obtain shareholder approval from time to time as required in accordance with ASX Listing Rule 7.1 so that it is able to continue to issue Shares in accordance with its capital raising strategy.

(b) **Environmental Risks**

The operations and proposed activities of the Company are subject to laws and regulations concerning the environment. These laws and regulations set various standards regulating certain aspects of health and environmental quality and provide for penalties and other liabilities in the event such standards are breached and establish, in certain circumstances, obligations to remediate current and former facilities and locations where operations are or were conducted.

If the Company is not able to demonstrate that its UCG technology is able to be commercialised within acceptable environmental limits, it may not be able to obtain or maintain necessary regulatory approvals.

There are several environmental issues that require careful management in the exploration, testing and operational phases of a UCG project including fracturing and surface subsidence and potential impacts on ground water.

As previously announced to the ASX, the Company has a ground water monitoring program in place at its Kingaroy project which detected traces of hydrocarbons in ground water monitoring bores located within the pilot plant area. Specifically, the Company detected toluene in one of its ground water monitoring bores (T5038) and traces of benzene in another of its ground water monitoring bores (T5037). The detections evidenced two readings of benzene in monitoring bore T5037 (both 2 ppb) which exceeded the contaminant trigger level of 1 ppb prescribed in the Company's environmental authority for MDL 385. None of the readings for toluene exceeded the prescribed contaminant trigger level for toluene of 800 ppb. The detections were transitory in nature and were confined to isolated monitoring bores that do not access potable water.

On 17 July 2010, DERM served an Environmental Protection Order ("**EPO**") on the Company and ordered that activities at the Company's Kingaroy plant be suspended until further notice. On the same date DERM also served a notice on the Company to "Conduct or commission an Environmental Evaluation".

In addition to requiring the Company to cease operations at Kingaroy, the EPO also required the Company to repair and seal production well P4; to provide local residents with water supplies; and to undertake a ground water testing program. Subsequent to receiving the original EPO, the Company has received 2 supplementary Orders which removed the requirement to supply water, relaxed the frequency and scope of the ground water testing requirements and postponed the requirement to repair and seal production well P4 until the Company submits an acceptable well repair report (though the obligation to cease UCG operations remains). The Company is liaising with DERM in relation to the most appropriate manner to repair and seal production well P4.

The Company submitted its Environmental Evaluation to DERM on 16 August 2010. In submitting the Environmental Evaluation the Company was required to identify the source, cause and extent of the alleged contamination of ground water on and around the project site. The Environmental Evaluation concluded that air injected into production well P4 may have escaped through a break in the casing and adjacent damaged cement grout and traveled through the groundwater system to transport traces of hydrocarbons to monitoring bores T5037 and T5038. The Environmental Evaluation confirmed that with the exception of the results attributed to monitoring bores T5037 and T5038, all results received by the Company from its testing of bores monitored within a 2 km radius of the pilot plant area were below the limits of detection.

To supplement the existing monitoring data, the Company now proposes to install up to 4 new monitoring bores within the project area to determine whether remnant benzene or toluene is present within this area. The location and depth of these monitoring bores will be determined after detailed discussion with the Company's hydrogeological consultants.

The Environmental Evaluation also noted the possibility that hydrocarbons were introduced into both monitoring bores at the time of sampling could not be discounted as a possible cause of the trace detections.

The Company's evaluation of the possible reasons for the breakage in production well P4's casing has led to the design of a modified casing and grouting system which has been incorporated into the design and installation of two new process wells (P5 and P6) in preparation for a potential re-ignition of the pilot burn at Kingaroy.

On 24 August 2010, DERM advised that it was not prepared to accept the Environmental Evaluation in the form submitted by the Company. The Company understands that DERM requires clarification in relation to certain aspects of the Environmental Evaluation. DERM has previously stated that in circumstances where it does not accept an environmental evaluation it will either:

- a) require another environmental evaluation; or
- b) require additional information.

The Company awaits formal notification from DERM regarding its further requirements. In the meantime, the Company is preparing supplementary technical information so that it is in a position to respond promptly.

DERM has stated that it will review the Company's Environmental Evaluation within 20 business days. However, it is conceivable that this period will be extended in light of the fact that DERM has indicated it will require additional information from the Company. DERM has stated that at the end of the review period it may:

- i) impose new statutory requirements in the form of a transitional environmental program (a process to bring the Company into compliance with its environmental authority);
- ii) amend the conditions of the Company's environmental authority; or
- iii) take any other action DERM considers appropriate.

It is conceivable that if DERM is not satisfied that the Company's operations can resume without environmental harm, the Company may not be given approval to continue operating its pilot plant at Kingaroy. At this stage, the Company has not been provided with any indication of the likely outcome of DERM's audit. The Company will continue to co-operate with DERM with a view to establishing the environmental viability of the Kingaroy project.

Significant liability could be imposed on the Company for damages, clean up costs, or penalties in the event that it fails or is found to have failed to comply with environmental laws or regulations.

Regardless of the outcome of the review, and as a consequence of the EPO, the Company will not be in a position to meet its proposed project delivery timeframes. These will be reassessed in the event that DERM gives the Company permission to recommence operations.

In the event that DERM is not satisfied that the Company's operations can resume at Kingaroy without environmental harm, the Company would prioritise its other portfolio projects as follows:

**Mid West, Western Australia:** As announced to the ASX on 8 June 2010, the Company has entered into a binding terms sheet with Eneabba Gas Ltd for a joint venture to develop a UCG project on the Sargon tenement identified as E70/2758 (controlled by Eneabba Gas Ltd). Drilling to confirm the suitability of the Sargon tenement for UCG technology is scheduled for later in 2010. Provided suitability of the tenement is confirmed, the parties intend to conduct a UCG pilot burn by 2012. The ultimate aim of the 50/50 joint venture is to develop a commercial UCG operation for the production of electricity. Some or all of the processing plant and associated equipment presently situated at Kingaroy can be re-located to Western Australia for this purpose.

**People's Republic of China:** As announced to the ASX on 31 May 2010, the Company and its partner Direct Invest Pte Ltd have signed a letter of intent with Inner Mongolia Qi De Investment Co Ltd to develop a UCG project in the Inner Mongolia Autonomous Region. Whilst discussions continue in relation to obtaining the required approvals to commence development, the Company would look to accelerate project delivery timeframes in the event of Kingaroy not proceeding. The Company would also consider other potential projects across China.

**Latrobe Valley, Victoria:** The conclusion of negotiations for the joint venture agreement with Ignite Energy Resources Pty Ltd (refer ASX announcement dated 10 March 2010) would be brought forward to allow a drilling programme to commence at three target areas in the tenements controlled by Ignite Energy Resources Pty Ltd.

**Pakistan:** The Company's subsidiary Cougar Energy (UK) Limited ("**Cougar UK**") is in advanced discussions with a potential local joint venture party in relation to the proposed development of its exploration licence located in the east of Sindh Province, Pakistan. Whilst negotiations are at an advanced stage there is no certainty that agreement will be reached in relation to the proposed joint venture. The current proposal is to divest approximately 50% of the Cougar UK's interest in the licence. Any funds received would be applied towards development of the joint venture project.

The timetable for development of any of the above projects is dependent on receiving the required government approvals and authorities on a timely basis. It is also dependent upon the Company and, where applicable, its development partners, being able to access finance as required.

(c) **Regulatory Risk**

To address issues associated with overlapping tenure between UGC and CSG interests, the Queensland Government released its UCG Policy on 18 February 2009. The Company's interests at Kingaroy (MDL 385) and Wandoan (MDLA 420 and EPC 1118) do not overlap with CSG interests, however the UCG Policy still applies to the Company's UCG projects in Queensland.

Relevantly, the UCG Policy:

- approves 3 UCG pilot projects - including the Company's project at Kingaroy;
- directs the Minister to give preference to CSG operations in relation to all other overlapping CSG and UCG tenements at the date of the policy; and
- sets up an "Industry Consultative Committee" to consider the development of a future tenure regime and to determine the process for making compensation payments.

The stated intention of the UCG Policy is to provide the UCG pilot projects with the opportunity to demonstrate the technical, environmental and commercial viability of the technology.

Each UCG pilot proponent (including the Company) is required to complete and submit a detailed project report of all activities and impacts including any impacts on resources outside the boundary of the pilot tenure, and findings associated with the conduct of the UCG pilot project. A Scientific Expert Panel will be constituted to review the project reports as they are received and to assist the Queensland Government in the preparation of a report on the outcomes of the 3 UCG pilot projects. The findings of the Government report (to be completed between December 2010 and December 2011) are to be presented to Cabinet in 2011/2012. UCG activities may be restricted or prohibited if the Queensland Government is not satisfied as to the technical, environmental and commercial viability of UCG technology. Accordingly, there is no guarantee that the Company will be given permission to commercialise its pilot plant or that further development of UCG will be permitted in Queensland.

It needs to be recognized that there is some uncertainty regarding how States other than Queensland will seek to regulate the commercialisation of UCG. A decision to ban the commercialisation in Queensland could potentially influence how other decision makers approach the regulation of UCG technology. Regulatory risks will also be encountered by the Company in association with any development proposal in foreign jurisdictions such as the Peoples Republic of China and Pakistan.

**(d) Legislative Changes**

Changes in government regulations and policies may adversely affect the financial performance or the current and proposed operations generally of the Company. Other than as set out in this Prospectus, the Company is not aware of any current or proposed material changes in relevant regulations or policy.

On 23 August 2010, the Queensland Government released the "Protecting Queensland's strategic cropping land" policy framework. Under the policy, it is proposed that mineral resources in defined agricultural areas will not be developed where they permanently alienate the land.

Strategic cropping land will be defined as land on which soil quality, topography and seasonal rainfall combined enable more than one quality crop to be grown on a commercial agricultural basis.

It is proposed that new legislation will be introduced and trigger maps have been published that identify where the State's quality farming land is located. The maps are not final at this point in time and will be settled in consultation with relevant stakeholders and by reference to scientific criteria. However, they do identify areas where strategic cropping land is expected to exist. The indicative trigger maps include the area surrounding the Company's projects at Kingaroy and Wandoan.

The statement accompanying the release of the policy stipulates that where a development is proposed in an area that is mapped as strategic cropping land, it will not be permitted to proceed if it permanently prevents the land being used for cropping in the future. At this stage, it is also envisioned that where a farmer's land is not shown as strategic cropping land on a trigger map, application could be made to have the landholding assessed as strategic cropping land on the basis of specified scientific criteria.

The statement accompanying the release of the policy also noted that if an on-ground assessment demonstrates that land marked as strategic cropping land does not meet the scientific criteria, landholders or resource companies can also apply to have land declassified.

The statement further advises that based on current technology at least, it would be difficult to see how an open cut coal mine could proceed on Strategic Cropping Land, whereas well-designed coal seam gas operations may be able to be accommodated under this policy without alienating the land.

It is unclear at this point in time the extent to which the policy is likely to impact on the Company's projects and the Queensland Government has indicated that consultation with all interested parties will be ongoing. Comments on the policy framework are invited through to 30 September 2010.

(e) **Technology**

As the Company's operations are focused solely on UCG activities the future profitability of the Company is related to its ability to develop and commercialise this technology. Whilst the UCG technology provided under licence by Ergo Exergy Technologies Inc ("**Ergo**") used by the Company has been successfully implemented at a commercial scale in the former Soviet Union and at a demonstration level in South Africa and Queensland, it is yet to be commercially exploited in Australia.

Whilst the Company takes great care in selecting suitable project sites, it may transpire that the UCG technology is not able to be successfully applied on a commercial scale to the coal deposits identified by the Company. Technical difficulties may also be experienced combining the Company's UCG technology with existing end-use technologies such as combined cycle electricity generation, gas-to-liquids and chemical processing plants.

There are a number of risks associated with the implementation and commercial development of the UCG technology used by the Company, which are discussed in the remainder of this Section.

(f) **Operating Risk**

Any proposal to commission the development of a commercial UCG power plant could be affected by a number of operational factors. These include failure to achieve predicted quality and quantity of synthesis gas ("**syngas**"), technical difficulties encountered in commissioning and operating the power plant, mechanical failure, process problems which affect extraction rates and costs, adverse weather conditions, industrial and environmental accidents, industrial disputes, unexpected shortages or increases in the cost of consumables and spare parts, as well as necessary plant and equipment.

(g) **Key Personnel**

The success of the Company in achieving its objectives will depend on its ability to continue to have access to the services of highly qualified personnel in its project design and development, technical, operations and finance functions and in particular appropriately qualified UCG consultants.

The Company's management team contributes substantially to the technical know how and project development requirements of the Company's operations. The team also utilises a range of technical consultants to facilitate project development including Ergo, with whom the Company has entered into a strategic licensing agreement. Under the licensing agreement the Company is entitled to use Ergo's proprietary UCG technology and access Ergo's personnel to develop projects. The principals of Ergo are widely considered to be leaders in the UCG field. In the event that in-house expertise is no longer available, or in the event that the licence agreement with Ergo is terminated, the Company would need to engage alternative personnel to assist with implementing its projects. There can be no assurance that suitable personnel will be available on terms that are acceptable to the Company.

Recently the Company made the decision to retrench a number of technical and operations staff in order to preserve its cash position whilst the Queensland Government conducts its enquiry into the future of the Company's project at Kingaroy. Whilst the Company retains a core technical team, if the Queensland Government permits the Kingaroy project to proceed, a number of similarly qualified staff will need to be recruited. The competition for such staff is intense and the inability to recruit and retain the services of a sufficient number of suitably qualified personnel in a timely manner could be disruptive to the Company's development and could adversely affect its operating results.

(h) **Tenement Access**

Interests in tenements in Australia are governed by the respective State legislation and are evidenced by the granting of licences or leases.

Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions that must be complied with. Consequently, the Company could lose title to or its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

Access to tenements can also be affected by third party interests in land. These interests may include private land owners, pastoral leases and interests held by native title claimants. Whilst most access issues can be identified and managed at the time project sites are selected, it should be noted that if native title rights do exist, the ability of the Company to gain access to tenements, or to progress from the exploration phase to the development phase of operations may be adversely affected.

(i) **Exploration**

Exploration and development are high risk activities. The Company's coal tenements are at various stages of exploration. There can be no assurance that exploration of existing tenements, or of any other tenements that may be acquired in the future, will result in the discovery of economic deposits. While the Company has attempted to reduce potential risks by selecting projects that have identified prospective deposits, there is still no guarantee of success. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited by the Company.

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration including the availability of drilling rigs. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that these cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

The Company's exploration activities are dependent upon the grant and maintenance of appropriate licences, access arrangements and regulatory authorities which may not be granted or renewed or which may be withdrawn or made subject to unacceptable restrictions. Reference should be made to Sections 6.1(b) and (c) for further discussion in relation to potential regulatory impediments.

(j) **Resource estimates**

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information

becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and commercialisation plans which may, in turn, either benefit or adversely affect the Company's operations.

**(k) Electricity and commodity price volatility**

If the Company succeeds in producing power from its Kingaroy project (or other projects), the revenue it will derive through the sale of electricity will be exposed to pricing risk.

The Company's prospects and share price may also be influenced by the price obtained from time to time for the commodities produced from the UCG process (such as syngas).

Electricity and commodity prices fluctuate and are affected by factors including the relationship between supply and demand, forward selling by producers, the cost of production and general global economic conditions. Prices are also affected by the outlook for inflation, interest rates, currency exchange rates and the availability of alternative products. These factors may have an adverse affect on the Company's activities, as well as its ability to fund its future activities.

**(l) State and Federal Coal Policies and Taxes**

The development of fossil fuels, and in particular coal, is coming under increasing levels of scrutiny. There is the potential that the Federal or State Governments may take action that could impact on the economic feasibility of accessing and developing coal and any such action may affect the value of the Company's assets and its financial performance generally.

A number of potential taxation regimes have been foreshadowed at the Federal level including the proposed "Carbon Pollution Reduction Scheme" and the proposed "Mineral Resources Rent Tax". However, it is unclear at this point in time whether these regimes will be introduced and, if so, how they may impact on the Company.

**(m) Counterparty Risk**

The Company is a party to various contracts and will inevitably enter into additional agreements as it looks to commercialise its projects and identify new opportunities.

Whilst the Company would have various rights in the event that a counter party defaults in its contractual obligations, no assurance can be given that all existing and future contracts will be fully performed by all counter parties. If a counter party does not comply with its contractual obligations there can be no assurance that the Company will be successful in securing compliance.

**(n) Foreign Currency and Exchange Rate Fluctuations**

Revenue and expenditure of the Company may, from time to time, be denominated in currencies other than Australian dollars and this may expose the Company to foreign exchange movements. This may have a positive or negative influence on the Australian dollar equivalent of such revenue and expenditure.

**(o) Insurance**

The Company may, where economically practicable and available, endeavour to mitigate some project and business risks by procuring relevant insurance cover. However, such insurance cover may not

always be available or economically justifiable and the policy provisions and exclusions may render a particular claim by the Company outside the scope of the insurance cover.

While the Company will undertake all reasonable due diligence in assessing the creditworthiness of its insurance providers, there is the risk that an insurer may default in payment of a legitimate claim by the Company under an insurance policy.

(p) **Competition**

The UCG industry, like most industries, is subject to competition. It is possible that other competitors, whether local or international, will adopt similar systems and services to those of the Company and may have greater financial and other resources than the Company and, as a result, take market share from it. If that were to occur, it may have a material adverse effect on the operating and financial performance of the Company.

(q) **Litigation and Regulatory Action**

There is always the risk of litigation against a company. At the time of this Prospectus, there was no known litigation against the Company, threatened or otherwise.

As noted in Section 6.1(b) DERM has served an EPO on the Company. DERM has also publicly announced it has commenced an investigation into whether the Company has breached its environmental authority (license conditions) and whether the Company has caused environmental harm. At this point in time, the Company is not in a position to determine whether any adverse findings will be made.

The maximum penalty for a willful breach of an environmental authority is \$1 million for a company, and \$200,000 or 2 years imprisonment for an individual. The maximum penalty for causing serious environmental harm is \$2,082,500 for a company and \$416,500 or 5 years imprisonment for an individual.

On 18 August 2010, the Company was served with a notice by ASIC to produce certain documents in accordance with Section 30 of the ASIC Act 2001. The notice relates to an enquiry being undertaken by ASIC into whether the Company has complied with its continuous disclosure obligations in relation to its operations at Kingaroy as required by Section 674 of the Corporations Act. ASIC has emphasised to the Company that in issuing the notice it is only at the stage of making preliminary enquiries. ASIC has also advised that the issue of the notice does not mean it is presently investigating the Company.

## 6.2 **General**

In addition to the specific risks identified above, investors should be aware of the following general market and economic risks that could impact on any investment in the Company:

(a) **Volatility of Share Price**

The stock market price of the Company's ordinary shares has fluctuated significantly in the past two years. The market price of Shares can be expected to rise and fall in accordance with general market conditions and factors specifically affecting the Australian resources sector and exploration companies in particular. There are a number of factors (both national and international) that may affect the Share market price and it is likely that the listed price of Shares will continue to fluctuate in the near future. Announcements by the Company may have a significant effect on the market price of Shares. Further, the sale of a substantial number of Shares could depress the market price or, alternatively, the purchase

of a material number of Shares could increase the market price. The price at which the Company issues Shares may also influence the market price of its Shares at least in the short-term.

**(b) Economic Conditions**

The performance of the Company may be significantly affected by changes in general economic conditions, particularly conditions which affect the resources industry. The future profitability of the business may be affected by factors such as market conditions, interest rates, inflation and consumer demand. As noted in Section 6.1(k), the price of commodities and the level of activity within the resources sector will also be of particular relevance to the Company.

**(c) Geo-political Factors**

The Company may be affected by the impact that geo-political factors have on the various world economies or the Australian economy or on financial markets and investments generally or specifically.

**(d) Sovereign Risk**

The Company's projects outside Australia (including those in Pakistan and those proposed in the People's Republic of China) are subject to the risks associated with operating in a foreign country. These risks may include economic, social or political instability or change, deflation or hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, labour relations as well as government control over natural resources or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

Any future material adverse changes in government policies or legislation in foreign jurisdictions in which the Company has projects that affect foreign ownership, exploration, development, taxation or activities of companies involved in resource exploration, development and production, may affect the viability and profitability of the Company.

**7. DIVIDENDS**

The Company is not yet producing income. Accordingly, it is not envisaged that dividends will be paid in the foreseeable future.

**8. ASX ANNOUNCEMENTS**

The Company has made the following announcements (continuous disclosure notices) to the ASX since it lodged its Annual Report for the year ending 30 June 2009 on 1 October 2009.

<b>Document Date</b>	<b>Headline</b>
1/09/2010	Section 713 Prospectus
1/09/2010	Letter to shareholders
1/09/2010	Cougar Energy re-commences trading on ASX
31/08/2010	App 4E Preliminary Final Report
31/08/2010	Presentation to Geraldton Conference 31 August 2010
30/08/2010	Voluntary Suspension Extension
30/08/2010	Cougar Energy to meet with Queensland Government`s DERM

<b>Document Date</b>	<b>Headline</b>
26/08/2010	Cougar Energy seeks urgent Queensland Government response
18/08/2010	Cougar Energy Submits Environmental Report to DERM
17/08/2010	Voluntary Suspension Extension Request
12/08/2010	Safe Drinking Water Conditions Around Kingaroy Site
05/08/2010	Australian Energy and Utility Summit Presentation
03/08/2010	Voluntary Suspension Extension Request
29/07/2010	Response to an ASX Query Letter
28/07/2010	Golder Associates
27/07/2010	Ceasing to be a substantial holder
23/07/2010	Market Update
20/07/2010	Kingaroy Project Update
20/07/2010	Suspension from Official Quotation
19/07/2010	Media Release Kingaroy Update Further DERM Test Results
19/07/2010	LBY: Favourable Turnaround from Departmental Tests
19/07/2010	LNC: confirms that it remains unaffected by Cougar shutdown
19/07/2010	Kingaroy Project Update DERM Testing Results
16/07/2010	Media Release Kingaroy Project
16/07/2010	Ceasing to be a substantial holder
16/07/2010	LNC: LNC not affected by Cougar Energy shutdown
16/07/2010	CNX: Environment Evaluation Request
16/07/2010	Trading Halt
14/07/2010	Section 708A(5)(e) Notice to the Market Operator
14/07/2010	App 3B - Ordinary Share Issue
14/07/2010	Kingaroy Project Update
12/07/2010	ENB: Entitlements Issue
06/07/2010	App 3B - Ordinary Share Issue
05/07/2010	ENB Update on Operations
02/07/2010	Boardroom Radio Broadcast
02/07/2010	Share Placement
02/07/2010	Reinstatement to Official Quotation
30/06/2010	Suspension from Official Quotation
28/06/2010	Equity Raising Presentation
28/06/2010	Trading Halt
21/06/2010	MD Presentation to Queensland Government Mission in China
08/06/2010	WA Joint Venture with Eneabba Gas Ltd (ENB)
08/06/2010	ENB: Eneabba and Cougar Sign Binding UCG Terms Sheet
02/06/2010	Kingaroy Pilot Plant Update
01/06/2010	Boardroom Radio Broadcast
31/05/2010	China UCG Joint Venture Announces First Project
10/05/2010	ENB: Sargon Coal Independent Technical Assessment
28/04/2010	Boardroom Radio Broadcast
27/04/2010	Kingaroy Project Update
21/04/2010	Investor Presentations North America - Europe
20/04/2010	Presentation to Wilson HTM Energy Conference

<b>Document Date</b>	<b>Headline</b>
16/04/2010	Eneabba Gas Signs MOU with Cougar Energy (amended)
15/04/2010	MOU signed with Eneabba Gas Ltd
15/04/2010	ENB: Eneabba Gas signs MOU with Cougar Energy
12/04/2010	Board Approves New Executive Team
29/03/2010	Presentation to Australian Resources Company Showcase
18/03/2010	Presentation to CSM World Australia Conference 2010
16/03/2010	Workshop Presentation to CSM World Australia Conference
16/03/2010	Boardroom Radio Broadcast
16/03/2010	Ignition Commences Successfully at Kingaroy Project
10/03/2010	Boardroom Radio Broadcast
10/03/2010	Terms Sheet signed for Joint Venture in Victoria
01/03/2010	App 4D - Dec 2009 Half-Year Report
26/02/2010	\$10M Equity Line of Credit Agreement
25/02/2010	Presentation to International Summit Coal Gas 2010 New Delhi
22/02/2010	Market update
17/02/2010	Presentation to AJM Conference 17 February 2010
04/02/2010	Kingaroy Project Update
28/01/2010	Methane Production Joint Venture
28/01/2010	Response to an ASX Price Query
28/01/2010	Trading Halt
17/12/2009	Kingaroy Project Update and Senior Staff Hires
14/12/2009	MOU for UCG Projects in China and Mongolia
04/12/2009	App 3B - Unlisted Management Options Issued
30/11/2009	Boardroom Radio Broadcast
27/11/2009	Results of 2009 AGM
27/11/2009	CEO Presentation to 2009 AGM
20/11/2009	Cougar Energy (UK) Limited
11/11/2009	Kingaroy Project Update
09/11/2009	Presentation to Energy Futures in Regional Aust. Conference
29/10/2009	Updated Investor Presentation - October 2009
29/10/2009	Conference Presentation
27/10/2009	Notice of 2009 AGM and Proxy Form
27/10/2009	2009 Annual Report with typesetting
21/10/2009	Submission to Queensland Government
19/10/2009	Kingaroy Presentation
14/10/2009	Kingaroy Community Open Day
13/10/2009	Response to an ASX Query – Director's Interest Notices
12/10/2009	Form 604 - Change in substantial holding - LKW
12/10/2009	App 3Y - Change of Director's Interest Notice - LKW
12/10/2009	App 3Y - Change of Director's Interest Notice - MJD
12/10/2009	App 3Y - Change of Director's Interest Notice - MJM
06/10/2009	App 3B - SPP Ordinary Share Issue
06/10/2009	Share Purchase Plan Results
01/10/2009	App 3B - CXYAI Unlisted Vendor Options Exercised

<b>Document Date</b>	<b>Headline</b>
01/10/2009	Share Purchase Plan Allotment Date

Any person may request, and the Company will provide free of charge, a copy of any of the above announcements during the application period of this Prospectus.

## 9. DIRECTORS' INTERESTS

### 9.1 General

Other than set out below or elsewhere in this Prospectus:

- (a) No Director of the Company and no firm in which a Director of the Company is or was at the relevant time a partner, has or has had in the two years before lodgement of this Prospectus, any interest in the promotion of, or in any property proposed to be acquired by the Company.
- (b) No amounts, whether in cash or Shares or otherwise, have been paid or agreed to be paid to any Director of the Company (or to any firm in which he is or was a partner) either to induce him to become, or to qualify him as a Director, or otherwise for services rendered by him (or by any firm in which he was or is a partner) in connection with the promotion or formation of the Company.

### 9.2 Director's current interests

The Directors of the Company or their associates have a beneficial interest in the following Shares and options in the Company at the date of this Prospectus.

<b>Director</b>	<b>Shares</b>		<b>Options</b>	
	<b>Direct</b>	<b>Indirect*</b>	<b>Direct</b>	<b>Indirect*</b>
Mr Malcolm McAully	Nil	620,865	Nil	2,100,000
Dr Len Walker	Nil	108,836,948	Nil	Nil
Dr Michael Dalling	Nil	1,118,698	Nil	2,100,000

\* Indirect holdings held by associates of the Directors

### 9.3 Payments to Directors

The Constitution contains provisions for the remuneration of Directors. Provided that the aggregate remuneration paid to non-executive Directors does not exceed the aggregate fixed sum determined within these provisions, including that such aggregate must be approved by shareholders in a general meeting, the Board will determine the amount of remuneration to be paid or applied for the benefit of each non-executive Director, and the proportions and the manner in which such remuneration will be paid or applied. The total amounts payable to the current Directors as fees and executive service remuneration in the past 2 financial years are:

<b>Director</b>	<b>2009</b>	<b>2010</b>	<b>Current (YTD)</b>
Mr Malcolm McAully	\$60,000	\$92,000*	\$9,450
Dr Len Walker	\$230,300*	\$300,000*	\$41,650*
Dr Michael Dalling	\$45,000	\$50,000	\$6,666

\* includes fees payable for executive and consulting services.

The Corporations Act limits the extent to which insurance cover and/or indemnities may be provided or given to Directors in relation to claims arising out of the discharge of their duties as Directors. The Constitution does not provide any additional restrictions on the provision of insurance or indemnity. The Company has Directors' and Officers' insurance, and it has granted additional rights of indemnity to its Directors.

## 10. INTERESTS OF ADVISERS

### 10.1 General

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- (b) promoter of the Company;

holds, or has held within the two years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (c) the formation or promotion of the Company;
- (d) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offer; or
- (e) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (f) the formation or promotion of the Company; or
- (g) the Offer.

### 10.2 Adviser's Interest

Holman Fenwick Willan acts as solicitors to the Company. Holman Fenwick Willan will be paid approximately \$50,000 (excluding GST) for services provided in relation to this Prospectus. During the 24 months preceding lodgement of this Prospectus with the ASIC, Holman Fenwick Willan has been paid fees totalling \$347,000 (excluding GST) for legal services provided to the Company.

11. **CONSENTS**

Computershare Investor Services Pty Limited has given, and not withdrawn before the lodgment of this Prospectus, its written consent to being named in the Prospectus as the Share Registry. Computershare Investor Services Pty Limited was not involved in the preparation of any part of this Prospectus.

Holman Fenwick Willan has given, and not withdrawn before the lodgment of this Prospectus, its written consent to being named in the Prospectus as the Company's solicitors.

Both Computershare Investor Services Pty Limited and Holman Fenwick Willan, to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus.

12. **AUSTRALIAN SECURITIES EXCHANGE LISTING**

Application will be made to the ASX within 7 days of the date of lodging this Prospectus with ASIC for quotation of the Shares offered under this Prospectus. ASX takes no responsibility for the contents of this Prospectus.

13. **TAXATION**

The Directors do not consider that it is appropriate to give potential applicants advice regarding the taxation consequences of applying for Shares under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation positions of potential applicants. The Company, its advisers and its officers do not accept any responsibility or liability for any taxation consequences to potential applicants in the Offer. Participants should seek and obtain their own taxation advice before participating in the Offer so that they may first satisfy themselves of any taxation implications associated with participating in the Offer and any subsequent sale of the securities acquired pursuant to the Offer.

14. **PRIVACY**

If you complete an application for Shares, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information. Please contact the Company or its registry if you wish to do so.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act* 1988 (Cth) (as amended), the Corporations Act and certain rules such as the SCH Business Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

15. **ENQUIRIES**

Any questions concerning the Offer should be directed to Mr Brad Glynn at the Company's office on +61 3 9909 7200.

16. **DIRECTORS' RESPONSIBILITY STATEMENT**

Each of the Directors has authorised the lodgement of this Prospectus with ASIC.

*L. K. Walker*

Dr Len Walker  
Managing Director

## GLOSSARY

"**Application Form**" means an application form which is attached to or accompanies this Prospectus.

"**ASIC**" means Australian Securities and Investments Commission.

"**ASX**" means Australian Securities Exchange Limited ACN 008 624 691.

"**Board**" means the board of Directors of the Company.

"**Closing Date**" means the closing date of this Prospectus that is set out in the Indicative Timetable on page 4.

"**Company**" means Cougar Energy Limited ACN 060 111 784.

"**Constitution**" means the constitution of the Company.

"**Corporations Act**" means the *Corporations Act 2001* (Cth) as amended from time to time.

"**CSG**" means coal seam gas.

"**DERM**" means the Queensland Department of Environment and Resources Management.

"**Director**" means a director of the Company.

"**Environmental Evaluation**" means the environmental evaluation that must be prepared by the Company in accordance with a notice served upon the Company by DERM on 17 July 2010.

"**Environmental Protection Order**" or "**EPO**" means the Environmental Protection Order served upon the Company by DERM on 17 July 2010 and amended by further Orders served on 30 July and 18 August 2010.

"**Listing Rules**" means the listing rules of the ASX.

"**Minister**" means the Minister for Mines and Energy, Queensland.

"**Offer**" means the offer to Shareholders to acquire Shares as described in this Prospectus.

"**ppb**" means parts per billion.

"**Prospectus**" means this prospectus dated 1 September 2010.

"**Scientific Expert Panel**" means the scientific expert panel constituted in accordance with the UCG Policy.

"**Shareholders**" means holders of ordinary Shares in the issued capital of the Company.

"**Shares**" means ordinary shares in the capital of the Company.

"**UCG**" means underground coal gasification.

"**UCG Policy**" means the Underground Coal Gasification Policy dated 18 February 2009 released by the Queensland Government.

"**YA**" means YA Global Master SPV Ltd.

"**YA Facility**" means the equity credit line facility entered into between the Company and YA on 26 February 2010 and subsequently varied by agreement on 31 August 2010.