



31 January 2011

COUGAR ENERGY'S CHINA PROJECTS UPDATE

Cougar Energy Limited (ASX: CXY) provides the following update on its project development activities in the People's Republic of China.

The Company refers to its announcements on 1 October and 5 November 2010 advising of the establishment of a strategic alliance with the Shanghai Limitedless Investment Group (SLI) and the subscription of \$1,000,000 of new shares in Cougar Energy under a signed Terms Sheet by SLI's wholly-owned subsidiary, Limitless International Holdings Pty Limited (LIH).

Under the Terms Sheet, a further subscription of capital is to be made once the Definitive Co-operation Agreement between Cougar Energy and LIH is completed.

As a result of the recent holiday period in Australia, and the current Chinese New Year celebrations, Cougar Energy and LIH have agreed to extend the duration of their current Terms Sheet to give sufficient time to complete a technical review of the coal leases in the People's Republic of China which will form part of the Definitive Co-operation Agreement between the parties. Any material developments will be announced to the market.

Cougar Energy continues to progress its discussions with the WuNiTe Group with the aim of establishing a joint venture for the development of an underground coal gasification project in the Inner Mongolia Autonomous Region in China. The Company is currently reviewing technical data on one specific coal deposit with the intent of initiating a project program on completion and signing of the appropriate agreements.

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