



4 July 2011

COMPLAINT BY QUEENSLAND GOVERNMENT

As previously announced by **Cougar Energy Limited** (ASX: "CXY") to the market in 2010, the Queensland Government's Department of Environment and Resource Management (DERM) commenced an investigation into the Company's operations at its Kingaroy underground coal gasification site on 15 July 2010.

Cougar Energy has co-operated at all times with DERM during the course of the investigation and provided extensive technical material and third party expert reports to DERM under three environmental evaluations.

Late on Friday 1 July 2011 the Company received notice of a Complaint issued by DERM in the Magistrates Court alleging three contraventions of Cougar Energy's environmental authority at its Kingaroy site. The Complaint alleges that the Company failed to properly install a gas extraction well to a standard necessary to ensure compliance with the environmental authority; the Company released contaminants into a groundwater aquifer; and, the Company failed to notify DERM as soon as reasonably practicable of a water monitoring test result.

The Company is taking legal advice as it considers its position in relation to these allegations. Should any of the allegations be proven, the Company may face fines and/or orders for rehabilitation, compensation and other costs.

Cougar Energy maintains that the Kingaroy project has not caused any environmental harm to the operating site, surrounding landowner properties nor the Kingaroy township. Test data provided to Cougar Energy and DERM has confirmed that there have been no concerns with water quality in local water bores.

As the Company responds to DERM's allegations, it remains focussed on progressing its activities in China and Mongolia.

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