



Cougar Energy Limited

ABN 75 060 111 784

Appendix 4E

Preliminary Final Report

30 June 2010

APPENDIX 4E
YEAR ENDED 30 JUNE 2010

The following information is given under ASX listing rule 4.3A.

1. DETAILS OF THE REPORTING PERIODS COVERED

	Period Covered	From	To
Current reporting period	12 months	01-07-2009	30-06-2010
Corresponding previous reporting period	12 months	01-07-2008	30-06-2009

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET (KEY INFORMATION)

	Year Ended		Amount	Percentage	Change
	30-06-2010	30-06-2009	Changed	Change	Up /
	\$	\$	\$	%	Down
2.1 Revenue from ordinary activities	393,043	400,546	(7,503)	1.87%	Down
2.2 (Loss) from ordinary activities after income tax attributable to the equity holders of the parent	(4,098,768)	(2,902,913)	(1,195,855)	41.19%	Up
2.3 Net (loss) after income tax attributable to the members of the parent entity	(4,098,768)	(2,902,913)	(1,195,855)	41.19%	Up

2.4 Dividends and	Year ended 30-06-2010			Year ended 30-06-2009		
2.5 Record date for entitlements	2.4 Amount	2.4 Franked	2.5 Record	2.4 Amount	2.4 Franked	2.5 Record
	Paid per	Amount per	Date for	Paid per	Amount per	Date for
	Share	Share	Determining	Share	Share	Determining
	\$	\$	Entitlements	\$	\$	Entitlements
Interim dividends paid	-	-	-	-	-	-
Final dividends paid	-	-	-	-	-	-

2.6 Brief explanation of any of the figures in 2.1 to 2.4 above that is necessary to enable the figures to be understood.	The consolidated group's continued focus is on the development of Underground Coal Gasification ("UCG") projects within Australia and certain other parts of the world. The company for 30 June 2010 increased its operational activities at Kingaroy including full year effect of staff hired in 2009 and further staff hires of its Kingaroy operations in anticipation for the next phase of development.
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3. STATEMENT OF FINANCIAL PERFORMANCE

3.0 A statement of financial performance together with notes to the statement, prepared in compliance with AASB 1018 or the equivalent foreign accounting standard.	Refer to the attached Consolidated Statement of Comprehensive Income and accompanying notes.
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4. STATEMENT OF FINANCIAL POSITION

4.0 A statement of financial position together with notes to the statement. The statement of financial position may be condensed but must report as line items each significant class of asset, liability, and equity element with appropriate sub-totals.	Refer to the attached Consolidated Statement of Financial Position and accompanying notes.
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COUGAR ENERGY LIMITED

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APPENDIX 4E

FOR THE YEAR ENDED 30 JUNE 2010

5. CASH FLOW STATEMENT

5.0	A statement of cash flows together with notes to the statement. The statement of cash flows may be condensed but must report as line items each significant form of cash flow and comply with the disclosure requirements of AASB 1026 Statement of Cash Flows, or for foreign entities, the equivalent foreign accounting standard.	Refer to the attached Consolidated Cash Flow Statement and accompanying notes.
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6. DIVIDENDS

6.0	Details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable and (if known) the amount per security of foreign sourced dividend or distribution.	None.
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7. DIVIDEND REINVESTMENT PLANS

7.0	Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan.	None.
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8. STATEMENT OF RETAINED EARNINGS

8.0	A statement of retained earnings showing movements.	Refer to Note 8 in the accompanying financial statements.
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9. NET TANGIBLE ASSETS PER SHARE

	As at 30-06-2010 Cents	As at 30-06-2009 Cents	
9.0	Net tangible assets per ordinary share	3.74	2.97

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APPENDIX 4E**FOR THE YEAR ENDED 30 JUNE 2010****10. CHANGE IN CONTROL OVER GROUP ENTITIES**

10.0	Details of entities over which control has been gained or lost during the period, including the following.	There has been no change in the control over group entities during the year ended 30 June 2010. Refer to note 2 of the accompanying financial statements for full details of all controlled entities.
10.1	Name of the entity.	Refer to item 10.0 above.
10.2	The date of the gain or loss of control	Refer to item 10.0 above.
10.3	Where material to an understanding of the report – the contribution of such entities to the reporting entity's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period.	Refer to item 10.0 above. The 2010 results of all the group's controlled entities are immaterial.

11. ASSOCIATES AND JOINT VENTURE ENTITIES

11.0	Details of associates and joint venture entities including the following.				
	Name of associate or joint venture entity	Pakistan General Partnership *	Cougar Direct Invest China Ltd	Cougar Energy / Eneabba Gas JV	Queensland Methane JV
	Type of venture	General Partnership	Joint Venture	Joint Venture	Joint Venture
	Name of the group's investee entity	Cougar Energy (UK) Limited	Cougar Energy Limited	Cougar Energy Limited	Cougar Energy Limited
	Reporting entity's ownership interest in the venture	33.33%	60%	50%	50%
	Ventures contribution to the net loss after income tax attributable to the owners of Cougar Energy Ltd	N/A	N/A	N/A	N/A
11.1	Name of the associate or joint venture entity.	Refer to item 11.0 above.			
11.2	Details of the reporting entity's percentage holding in each of these entities.	Refer to item 11.0 above.			
11.3	Where material to an understanding of the report - aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period.	Refer to item 11.0 above.			

12. OTHER SIGNIFICANT INFORMATION

12.0 Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position.

Refer to notes 10 and 11 of the accompanying financial statements for details concerning the Company's contingent liabilities and those significant events that have occurred after 30 June 2010. A significant event relating to the Kingaroy Pilot Operations occurred for which there have been announcements to the ASX.

13. ACCOUNTING STANDARDS USED BY FOREIGN ENTITIES

13.0 For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Accounting Standards).

The financial statements for the year ended 30 June 2010 for Cougar Energy (UK) Ltd and its 100% controlled subsidiary, Cougar Energy Pakistan (Private) Ltd, which were used as the basis for preparing the group's consolidated financial statements, were prepared using the Australian equivalents of International Financial Reporting Standards ("AIFRS") for consistency with those standards used by the rest of the entities within the consolidated group.

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APPENDIX 4E FOR THE YEAR ENDED 30 JUNE 2010

14. COMMENTARY ON THE RESULTS FOR THE PERIOD

14.0	A commentary on the results for the period. The commentary must be sufficient for the user to be able to compare the information presented with equivalent information for previous periods. The commentary must include any significant information needed by an investor to make an informed assessment of the entity's activities and results, which would include but not be limited to discussion of the following.	Refer to the Commentary on the results for the period contained within the accompanying financial statements.
14.1	The earnings per security and the nature of any dilution aspects.	Refer to item 14.0 above and the income statement accompany this report for all the relevant earnings per share disclosures.
14.2	Returns to shareholders including distributions and buy backs.	Refer to item 14.0 above.
14.3	Significant features of operating performance.	Refer to item 14.0 above.
14.4	The results of segments that are significant to an understanding of the business as a whole.	Refer to item 14.0 above and note 9 of the accompanying financial statements for details concerning segment results.
14.5	A discussion of trends in performance.	Refer to item 14.0 above.
14.6	Any other factors which have affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified.	Refer to item 14.0 above and notes 10 and 11 of the accompanying financial statements for details concerning the Company's contingent liabilities and those significant events that have occurred after 30 June 2010.

15. PROGRESS OF AUDIT

15.0	A statement as to whether the report is based on accounts which have been audited or subject to review, are in the process of being audited or reviewed, or have not yet been audited or reviewed.	This Preliminary Financial Report is based upon financial statements that are still in the process of being audited.
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16. AUDIT DISPUTE OR QUALIFICATION – UNAUDITED ACCOUNTS

16.0	If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification.	It is possible that the accounts will be qualified in one or both of the following ways: (a) <u>Going concern</u> The Company's forecast working capital requirements for the next 12 months exceeds the 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. (b) <u>Impairment of assets</u> : 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. In the event that the Company is not permitted to proceed with its Kingaroy project, the value of the Kingaroy assets will be impaired.
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17. AUDIT DISPUTE OR QUALIFICATION – AUDITED ACCOUNTS

17.0	If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification.	Not applicable.
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Cougar Energy Limited

ABN 75 060 111 784

Financial Statements
Forming part of
the Appendix 4E
Preliminary Financial Report

For the Year Ended
30 June 2010

Directors

Mr Malcolm McAully
Dr Michael Dalling
Dr Leonard Walker

Secretary

Mr Rodney Watson

Registered Office

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530 Little Collins Street,
Melbourne, Victoria, 3000

Telephone: +(61 3) 9909 7200

Facsimile: +(61 3) 9909 7217

Website: www.cougarenergy.com.au

Principal Place of Business

Same as the registered office

Share Registry

Computershare Investor Services Pty Ltd
452 Johnston Street,
Abbotsford, Victoria, 3067, Australia

Telephone: +(61 3) 9415 5000

Bankers

National Australia Bank Limited
330 Collins Street,
Melbourne, Victoria, 3000, Australia

Auditor

PKF Chartered Accountants
Level 14, 140 William Street,
Melbourne, Victoria, 3000, Australia

Stock Exchange Home Branch

Australian Securities Exchange Limited,
Rialto Tower, 525 Collins Street,
Melbourne, Victoria, 3000, Australia

Securities ASX Code:

CXY - Fully paid ordinary shares

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COMMENTARY ON THE RESULTS FOR THE PERIOD

The Group's 2010 consolidated net loss after income tax attributable to the members of the parent entity of \$4,098,768 (2009 loss: \$2,902,913) increased by \$1,195,855 reflecting the significant progress achieved throughout the financial year on the Group's Underground Coal Gasification (UCG) projects. A brief analysis of the Group's loss for the year follows.

Revenue

Interest received for the year of \$392,581 (2009: \$382,971) increased by \$9,610 reflecting the Group's average cash reserves throughout the year.

Expenses

Payroll costs for the year of \$1,620,256 (2009: \$894,262) increased \$725,994 due to the full year effect of appointments of senior managers in the prior year and further technical appointments resulting in a total staff complement numbering thirty at year end.

Expenses increased as a direct consequence of the ongoing and accelerating development in 2010 of the Group's UCG projects especially related to the Kingaroy Pilot Plant. The Group's increase in expenses reflects the efforts put into developing the commerciality of this Plant in 2010 with some additional activity for other potential opportunities other than Kingaroy.

Loss per share

The 2010 basic and diluted loss per share attributable to members of the parent entity from continuing operations and total operations was \$0.0048 (2009: \$0.0052). This reflects the capital raising that was done in 2010 with the result being that the 2010 loss is divided over an additional 273,606,061 shares on issue.

Returns to shareholders

None at this stage.

Significant features of operating performance

Covered under the Revenue and Expenses headings above.

Segment results

Management has determined the operating segment based upon reports reviewed by the Board and executive management that are used to make strategic decisions. Management and the Board consider the business only from a UCG operational perspective and therefore only reviews reports based upon its current UCG development operations as disclosed within these financial statements. Whilst the company has invested limited capital into its overseas operations, both the Board and management consider these insignificant (Net Assets: \$91,527) for separate segment reporting purposes.

Trends in performance

As the Group is still in the early stages of developing its first UCG project at Kingaroy in Queensland, no directly comparable or meaningful trends in financial performance are available at this stage.

Any other factors affecting the results

During the 2010 financial year numerous key milestones in relation to the Group's UCG projects were achieved and announced to the ASX. The Group's financial performance is very much linked to the stages of development in its UCG activities. As these activities continue to expand, and until such time as any of the Group's projects reach commercial production, then it is likely that the Group's operating costs and therefore its losses will continue and possibly increase.

Post Balance date 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. In the event that the Company is not permitted to proceed with its Kingaroy project, the value of the Kingaroy assets will be impaired.

COUGAR ENERGY LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Year Ended 30 June 2010 \$	Year Ended 30 June 2009 \$
REVENUE FROM CONTINUING OPERATIONS			
Interest received	3	392,581	382,971
Profit on the sale of assets - VRB patents	4	-	16,906
Unrealised gain on foreign currencies	4	462	669
Total Revenue		393,043	400,546
EXPENSES FROM CONTINUING OPERATIONS			
Administrative costs		81,845	38,547
Communication costs		227,214	315,259
Exploration expenses – no legal rights		26,176	18,787
Losses on disposal or revaluation		7,835	-
Insurance premiums		124,577	78,002
Motor vehicle expenses		9,480	4,974
Payroll costs		1,620,256	894,262
Professional fees - external consultants		562,516	470,493
Repairs and maintenance		15,705	11,910
Research and development costs	5	-	4,820
Securities quotation fees		223,736	139,915
Share-based payments		260,648	288,405
Tenancy costs		223,619	119,947
Travel costs		215,722	103,649
Written off assets	5	12,209	37,797
Total Expenses		3,611,538	2,526,767
LOSS BEFORE INTEREST, INCOME TAX, DEPRECIATION AND AMORTISATION		(3,218,495)	(2,126,221)
Interest paid	5	(4,601)	(417)
Depreciation	5	(88,854)	(31,240)
Amortisation	5	(841,421)	(845,599)
LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS		(4,153,371)	(3,003,477)
Income Tax Expense		-	-
TOTAL LOSS AFTER INCOME TAX FOR THE YEAR		(4,153,371)	(3,003,477)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX			
Movement in exchange in the translation of foreign operations		(5,148)	12,033
Income tax relating to components of other comprehensive income		-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		(5,148)	12,033
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(4,158,519)	(2,991,445)
Loss for the year Attributable to Non-Controlling interests		(54,603)	(100,564)
Loss for the year Attributable to Owners of Cougar Energy Limited		(4,098,768)	(2,902,913)
		(4,153,371)	(3,003,477)
Total Comprehensive Income Non-Controlling interests		(57,305)	(94,865)
Total Comprehensive Income - Owners of Cougar Energy Limited		(4,101,214)	(2,896,580)
		(4,158,519)	(2,991,445)

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

COUGAR ENERGY LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CON'T)
FOR THE YEAR ENDED 30 JUNE 2010

	2010	2010	2009	2009
	Basic	Diluted	Basic	Diluted
EARNINGS / (LOSS) PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE PARENT ENTITY FROM:	(cents)	(cents)	(cents)	(cents)
Continuing operations	(0.48)	(0.48)	(0.52)	(0.52)
Disposal group's held for sale	-	-	-	-
NET LOSS PER SHARE	(0.48)	(0.48)	(0.52)	(0.52)

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The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

COUGAR ENERGY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Notes	30 June 2010 \$	30 June 2009 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	2,899,432	5,644,565
Trade and other receivables		466,283	463,835
Other financial assets	7	2,313,000	952,306
Non-current assets classified as held for sale		-	-
Total current assets		5,678,715	7,060,706
Non-current assets			
Other financial assets		29,076	29,377
Investments in joint ventures		13,490	-
Property, plant and equipment	6	869,877	718,869
Intangible assets		883,963	1,282,466
Exploration and evaluation assets	6	30,207,398	12,906,112
Total non-current assets		32,003,804	14,936,824
TOTAL ASSETS		37,682,519	21,997,530
LIABILITIES			
Current liabilities			
Borrowings	7	-	229,123
Trade and other payables		1,639,663	1,236,588
Provisions		186,644	50,549
Total current liabilities		1,826,307	1,516,260
Non-current liabilities			
Borrowings		41,129	-
Provisions		552,344	2,676
Total non-current liabilities		593,473	2,676
TOTAL LIABILITIES		2,419,780	1,518,936
NET ASSETS		35,262,739	20,478,594
EQUITY			
Contributed equity		63,961,812	44,404,432
Unissued equity – ordinary shares		14,400	-
Reserves		807,673	1,532,721
Accumulated losses	8	(29,609,785)	(25,511,176)
Total equity attributable to equity holders of the parent entity		35,174,100	20,425,977
Add minority interests in the net assets of controlled entities		88,639	52,617
TOTAL EQUITY		35,262,739	20,478,594

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

COUGAR ENERGY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

Consolidated Transactions:	Equity attributable to the owners of COUGAR ENERGY LIMITED						Total Equity \$
	Contributed Equity \$	Share-based Payments Reserve \$	Foreign Currency Translations Reserve ("FCTR") \$	Accumulated Losses \$	Equity Attributable to equity Holders of the Parent \$	Non-Controlling Interests in Group Entities \$	
Balances at 01-07-2009	44,404,432	1,556,434	(23,713)	(25,511,176)	20,425,977	52,617	20,478,594
Comprehensive income transactions							
Loss after tax for the period	-	-	-	(4,098,768)	(4,098,768)	(54,603)	(4,153,371)
Other comprehensive income							
Movement in the FCTR	-	-	(2,446)	-	(2,446)	(2,702)	(5,148)
Total comprehensive income	-	-	(2,446)	(4,098,768)	(4,101,214)	(57,305)	(4,158,519)
Transactions with owners in their capacity as owners							
(a) Contributions by owners							
New ordinary share issues	16,591,250	-	-	-	16,591,250	-	16,591,250
Unissued Equity	14,400	-	-	-	14,400	-	14,400
Unlisted vendor options exercised	2,708,250	(983,250)	-	-	1,725,000	-	1,725,000
Ordinary share issue costs	(627,120)	-	-	-	(627,120)	-	(627,120)
Fair value of shares issued for no consideration	885,000	-	-	-	885,000	-	885,000
Share-based payments	-	260,648	-	-	260,648	-	260,648
(b) Distributions to owners							
Dividends paid	-	-	-	-	-	-	-
(c) Changes in ownership interests in group entities							
Accumulated losses adjustment due to ownership interest change	-	-	-	159	159	(159)	-
Non-controlling interest in group entity share issues	-	-	-	-	-	93,486	93,486
Total transactions with owners	19,571,780	(722,602)	-	159	18,849,337	93,327	18,942,664
Balances at 30-06-2010	63,976,212	833,832	(26,159)	(29,609,785)	35,174,100	88,639	35,262,739

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

COUGAR ENERGY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

Consolidated Transactions:	Equity attributable to the owners of COUGAR ENERGY LIMITED					Non-Controlling Interests in Group Entities	Total Equity
	Contributed Equity	Share-based Payments Reserve	Foreign Currency Translations Reserve ("FCTR")	Accumulated Losses	Equity Attributable to equity Holders of the Parent		
	\$	\$	\$	\$	\$	\$	\$
Balances at 01-07-2008	36,662,830	1,524,529	(28,573)	(22,609,736)	15,549,050	147,481	15,696,531
Corrections and restatements							
Translation correction	-	-	(1,473)	1,473	-	-	-
Unissued shares reclassified	18,750	-	-	-	18,750	-	18,750
Total restatements	18,750	-	(1,473)	1,473	18,750	-	18,750
Restated Balances at 01-07-2008	36,681,580	1,524,529	(30,046)	(22,608,263)	15,567,800	147,481	15,715,281
Comprehensive income							
Transactions							
Loss after tax for the period	-	-	-	(2,902,913)	(2,902,913)	(100,564)	(3,003,477)
Other comprehensive income	-	-	6,333	-	6,333	5,700	12,033
Movement in the FCTR	-	-	-	-	-	-	-
Total comprehensive income	-	-	6,333	(2,902,913)	(2,896,580)	(94,865)	(2,991,445)
Transactions with owners in their capacity as owners							
(a) Contributions by owners							
New Issues of fully paid shares	4,200,000	-	-	-	4,200,000	-	4,200,000
Listed options exercised	3,068,352	-	-	-	3,068,352	-	3,068,352
Unlisted vendor options exercised	706,500	(256,500)	-	-	450,000	-	450,000
Ordinary Share Issue costs	(252,000)	-	-	-	(252,000)	-	(252,000)
Share-based payments	-	288,405	-	-	288,405	-	288,405
(b) Distributions to owners							
Dividends paid	-	-	-	-	-	-	-
(c) Changes in ownership interests in group entities							
	-	-	-	-	-	-	-
Total transactions with owners	7,722,852	31,905	-	-	7,754,757	-	7,754,757
Balances at 30-06-2009	44,404,432	1,556,434	(23,713)	(25,511,176)	20,425,977	52,617	20,478,594

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

COUGAR ENERGY LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

	Year Ended 30 June 2010 \$	Year Ended 30 June 2009 \$
Notes		
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees (including GST)	(5,045,364)	(2,667,178)
Interest received	392,632	382,204
Interest paid	(4,602)	(416)
Income taxes (paid) / refunded	-	60,883
Net cash (outflow) from operating activities	(4,657,334)	(2,224,507)
CASH FLOWS FROM INVESTING ACTIVITIES		
Repayments from Related Parties	27,689	-
Proceeds of Loans from Related Parties	87,060	-
Payments for security deposits on long-term tenancies	(73)	(25,106)
Payments for property, plant and equipment	(292,728)	(722,627)
Payments for intangible assets	(500,000)	(250,000)
Payments for exploration and evaluation assets	(13,574,982)	(7,095,184)
Proceeds from the sale of intangible assets – VRB patents	-	18,783
Payments for selling costs in relation to intangible asset sales	-	(1,877)
Payments for loans to non-related entities	(34,854)	(50,000)
Payment for investments in related parties	(86,505)	-
Net cash (outflow) from investing activities	(14,374,493)	(8,126,011)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from ordinary shares issued by the parent entity	16,771,242	4,200,000
Proceeds from the exercising of listed options	-	3,068,352
Proceeds from the exercising of unlisted vendor options	1,725,000	450,000
Proceeds from unissued ordinary shares	14,400	-
Payments for share issue transaction costs – ordinary shares issued	(657,121)	(252,000)
Net cash inflow from financing activities	17,883,521	7,466,352
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,148,306)	(2,884,166)
Cash and cash equivalents at the beginning of the year	6,367,748	9,241,629
Effects of exchange rate changes on cash and cash equivalents	(7,010)	10,285
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5,212,432	6,367,748
7		

The above consolidated statement cash flows should be read in conjunction with the accompanying notes.

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COUGAR ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

Basis of preparation

The Company's preliminary final report does not include all of the notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report, together with any public announcements made by Cougar Energy Limited (ASX code: CXY).

This preliminary financial report has been prepared in accordance with the recognition and measurement requirements, but not all of the disclosure requirements, of Australian Accounting Standards and Interpretations and the Corporations Act 2001. Australian Accounting Standards include the Australian equivalents to International Financial Reporting Standards.

Unless otherwise stated this preliminary financial report is presented in Australian dollars.

The significant accounting policies adopted in the preparation of this preliminary financial report are consistent with those adopted by the Company in the preparation of its 30 June 2009 financial report and its 31 December 2009 half year financial report.

The Group has adopted applicable new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2009. When the adoption of new Standards or Interpretations is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

AASB 101 Presentation of Financial Statements

This revised Standard separates the owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present a single statement.

Principles of Consolidation

These full-year consolidated financial statements are those of the consolidated entity (the group), comprising the financial statements of the parent entity (Cougar Energy Limited) and all of the entities which it controlled from time to time during the year and as at the respective balance dates stated in these financial statements. Note 2 to these financial statements lists all of the subsidiary entities controlled by Cougar Energy Limited.

The financial statements of the subsidiary entities are prepared for the same reporting period as the parent entity, using consistent accounting policies. Should there be any dissimilar accounting policies between the subsidiary entities and those of the parent entity, adjustments are made to the subsidiary entities financial statements to bring them into line with those of the parent entity. All inter-group balances and transactions, including any unrealised profits or losses have been eliminated upon consolidation.

Going Concern

The consolidated entity has incurred a net loss attributable to the owners of Cougar Energy Limited of \$4,098,768 during the full year ended 30 June 2010 (30 June 2009: loss of \$2,902,713) and had cash outflows from operating activities of \$4,657,334 (30 June 2009: outflows of \$2,224,507). As at 30 June 2010 the consolidated entity had consolidated net current assets of \$3,852,408 (30 June 2009: net current assets of \$5,544,446).

As part of the consolidated entity's ongoing capital raising initiatives, the consolidated entity has entered into a \$10 million equity line of credit facility in February 2010. The consolidated entity proposes to draw down funds from this facility. It will also require funding from other sources to satisfy its short term working capital requirements.

The Directors believe there is a reasonable expectation that they can raise additional funding to enable the consolidated entity to continue to pursue its current business.

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.

The ability of the consolidated entity to continue as a going concern is dependent upon raising new capital on an on-going basis and the Environmental Order being lifted.

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Going Concern (continued)

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in this financial report. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessarily incurred should the consolidated entity not continue a going concern.

Exploration and Evaluation Assets

In line with the Going Concern note, at the time of lodging these consolidated financial statements, material uncertainty exists in relation to the carrying value and the classification of specifically the Group's Queensland-based exploration and evaluation assets. In the event that the Company is not permitted to proceed with its Kingaroy project, the value of the Kingaroy assets (shown under Exploration and Evaluation assets) totalling \$26,664,000 will be impaired.

Until such time as DERM makes its final decision on whether the Group will be permitted to re-commence operations at its Kingaroy pilot plant site, the Directors have formed the view that they are not in a position to determine what adjustments need to be made to the carrying values of the Group's Kingaroy and Wandoan exploration and evaluation assets.

NOTE 2 INVESTMENTS IN CONTROLLED ENTITIES

Name of controlled entity	Date of Incorporation	Country of Incorporation	Class of Equity held	Parent entity's equity holdings in controlled entities as at:	
				30 June 2010 %	30 June 2009 %
Cougar Energy UCG Pty Ltd	27-03-2003	Australia	Ord shares	100.00%	100.00%
Cougar Energy (UK) Ltd	01-06-2006	United Kingdom	Ord shares	47.80%	47.83%
Cougar Energy Pakistan (Private) Ltd *	18-03-2008	Pakistan	Ord shares	47.80%	47.83%

* = Cougar Energy Pakistan (Private) Ltd is 100% owned by Cougar Energy (UK) Ltd.

	Year Ended 30 June 2010 \$	Year Ended 30 June 2009 \$
NOTE 3 REVENUE		
Other revenue from continuing operations		
Interest received	392,581	382,971
Total revenue from all operations	392,581	382,971

NOTE 4 OTHER INCOME

	Year Ended 30 June 2010 \$	Year Ended 30 June 2009 \$
Other income from continuing operations		
Profit on the sale of VRB patents	-	16,906
Unrealised gain on foreign exchange	462	669
Total other income from continuing operations	462	17,575
Total other income from all operations	462	17,575

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	Year Ended 30 June 2010	Year Ended 30 June 2009
	\$	\$
NOTE 5 EXPENSES		
Loss before income tax from continuing operations includes the following specific expenses:		
Depreciation of property, plant and equipment	88,854	31,240
Amortisation of intangible assets – key employment contracts	841,421	845,599
Finance costs – interest paid	4,601	417
Contributions to accumulated superannuation funds	347,570	283,156
Research and development	4,820	4,820
Legal fees	159,095	114,002
Impairment losses on investments in non-related entities	-	-
Realised losses on disposal of investments in non-related entities	-	-
Rental expense relating to operating leases		
Minimum lease payments	165,564	85,983
Assets written off		
Inventory – VRB batteries	-	31,201
Property, plant and equipment	-	6,596
Total assets written off	-	37,797

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NOTE 6 RECLASSIFICATION OF PROPERTY, PLANT AND EQUIPMENT IN THE PREVIOUS FINANCIAL YEAR

In the annual report for the financial year ended 30 June 2009, plant under construction amounting to \$6,453,441 for the consolidated entity was classified as property, plant and equipment ("PPE"). After further consideration of the relevant accounting standards, management have concluded that the group's plant under construction still meets the criteria for classification as exploration and evaluation assets ("EEA") under AASB 6 "Exploration for and Evaluation of Mineral Resources" and as a result have reclassified plant under construction from PPE to EEA. This reclassification has no overall effect on the group's net assets other than to reclassify plant under construction from property, plant, and equipment to exploration and evaluation assets. There are no implications for equity or net profit or loss from this reclassification.

The impact of the reclassification in these financial statements for the year ended 30 June 2010 is therefore, limited to a restatement of the PPE and EEA comparative figures for the financial year ended 30 June 2009, as noted below.

	Reported Consolidated Assets	Restated Consolidated Assets	Reported Consolidated Assets
	Year Ended 30 June 2010	Financial Year Ended 30 June 2009	Financial Year Ended 30 June 2009
	\$	\$	\$
Affected asset categories:			
Property, plant and equipment	869,877	718,869	7,172,310
Exploration and evaluation assets	30,207,398	12,906,112	6,452,671
Total affected assets	31,077,275	13,624,981	13,624,981

	Year Ended 30 June 2010	Year Ended 30 June 2009
	\$	\$

NOTE 7 CASH AND CASH EQUIVALENTS

Reconciliation to cash at the end of the year

Cash at the end of the financial year as shown in the statement of cash flows is reconciled as follows:

Cash and cash equivalents	2,899,432	5,644,565
Other financial assets	2,313,000	952,306
Borrowings – bank overdrafts		(229,123)
Balances per the statement of cash flows	5,212,432	6,367,748

NOTE 8 ACCUMULATED LOSSES

Movements in accumulated losses were as follows:

Balance at the start of the financial year	(25,511,176)	(22,608,263)
Add Net loss for the year after tax attributable to the Equity holders of the parent entity	(4,098,768)	(2,133,773)
Less Adjustment for Foreign currency translation reserve	159	-
Balance at the end of the financial year	(29,609,785)	(25,511,176)

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NOTE 9 SEGMENT INFORMATION

The principal business of the group is the development of its Underground Coal Gasification (UCG) projects primarily in Australia with limited preliminary operations in Pakistan and the United Kingdom.

Management has determined the operating segment based upon reports reviewed by the Board and executive management that are used to make strategic decisions. Management and the Board consider the business only from a UCG operational perspective and therefore only reviews reports based upon its current UCG development operations as disclosed within these financial statements. Whilst the company has invested limited capital into its overseas operations, both the Board and management consider these insignificant for separate segment reporting purposes.

The company has also invested time and capital in evaluating potential new UCG projects in Australia and overseas. The Board does not request management to separately report on these initiatives and therefore do not consider the need to report on them as a separate segment.

NOTE 10 CONTINGENT LIABILITIES

(a) Amounts potentially payable under a General Licence Agreement for the use of UCG Technology

On 3 November 2008 Cougar Energy Limited entered into a General Licence Agreement with Ergo Exergy Technologies, Inc ("Ergo") to apply Ergo's UCG technology to its projects in Australia and other parts of the world (excluding Canada and New Zealand), which do not compete with any other Ergo licensed projects. The total licence fee payable of \$5,000,000, is based on the achievement of four defined milestones. The first one occurred on executing of the agreement, resulting in the payment of \$250,000. The second milestone occurred on 4 December 2009, triggering a further licence fee payment of \$500,000 on 18 December 2009.

As at 30 June 2010, liability for the remaining \$4,250,000 in licence fees payable to Ergo remain contingent upon CXY achieving the two remaining milestones. These milestones involve a combination of financial and technical considerations. At this stage, there is still uncertainty as to the likelihood of achieving them.

(b) Amounts potentially payable under employment contracts in relation to capital raisings

On 4 May 2009 an employment contract was entered into between CXY and Mr Brad Glynne. Mr Glynne is CXY's General Manager, Corporate Finance. As part of this agreement, Mr Glynne will become entitled to certain cash bonuses upon the successful completion of the stage one and two funding for the Kingaroy power station project. These stages coincide with the financing stages contemplated in the MOU the Company has signed with Direct Invest (Pte) Ltd. Stage one involves the raising of approximately \$30 million, whereas stage two involves the raising of a significantly higher sum, which has yet to be determined.

Upon completion of the stage one financing, Mr Glynne will become entitled to a cash payment of \$200,000. At the date of signing this report, the Company has successfully raised \$16,591,250 via a share placement to institutional and sophisticated investors in September 2009 (\$8,291,250) and a share purchase plan in October 2009 (\$8,300,000). Both of these capital raisings form part of the stage one financing.

As at 30 June 2010, there remained inherent uncertainty in relation to the successful completion of the stage one financing and therefore, whether or not Mr Glynne would be entitled to the cash bonus associated with this stage of financing.

Upon completion of the larger stage two financing, Mr Glynne will also become entitled to a cash bonus of 0.1% of the sum raised. As at 30 June 2010 neither has the size of the stage two financing been determined, nor have any funds been raised for this stage.

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NOTE 11 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The following table sets out in chronological order the events that have occurred since 30 June 2010, involving the parent entity and / or its subsidiary entities and as advised to the Australian Stock Exchange. It is currently felt that the all the announcements be read to gain a full understanding of the events after Balance Date. These financial effects have not been brought to account at 30 June 2010.

The major portion of announcements in the table below relate to the detection of groundwater contamination at the Kingaroy site. In summary, the Queensland Department of Environment and Resource Management (“DERM”) issued an Environmental Protection Order (“EPO”) dated 17 July 2010 ordering the Group to cease operations at Kingaroy until further notice. On the same day, DERM also issued an Environmental Evaluation Notice (“EEN”) requiring the Group to conduct and submit an environmental evaluation of its operations so that any environmental risks can be fully assessed and managed in the future. On 16 August 2010, the Group lodged its response to the EEN. DERM has advised that the report in its current form is not acceptable and will seek further information from the Group. The Group has a meeting scheduled with DERM on Friday 3 September 2010 to determine what further information DERM requires before it can make any determinations.

Effective Date **Transaction details and price sensitive information marked with (!)**

30/08/2010	Voluntary Suspension Extension
30/08/2010	Cougar Energy to meet with Queensland Government’s DERM
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	LBV: 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

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