

SEVENTH SUPPLEMENTARY PROSPECTUS

COUGAR ENERGY LIMITED [ACN 060 111 784] ("the Company")

IMPORTANT NOTICE

This Seventh Supplementary Prospectus is dated 11 March 2011 and was lodged with ASIC on that date. This Seventh Supplementary Prospectus supplements:

- (a) the prospectus dated 1 September 2010 issued by the Company and lodged with ASIC on that date ("**Prospectus**");
- (b) the first supplementary prospectus dated 15 September 2010 issued by the Company and lodged with ASIC on that date ("**First Supplementary Prospectus**");
- (c) the second supplementary prospectus dated 15 October 2010 issued by the Company and lodged with ASIC on that date ("**Second Supplementary Prospectus**");
- (d) the third supplementary prospectus dated 12 January 2011 issued by the Company and lodged with ASIC on that date ("**Third Supplementary Prospectus**");
- (e) the fourth supplementary prospectus dated 1 February 2011 issued by the Company and lodged with ASIC on that date ("**Fourth Supplementary Prospectus**");
- (f) the fifth supplementary prospectus dated 8 February 2011 issued by the Company and lodged with ASIC on that date ("**Fifth Supplementary Prospectus**"); and
- (g) the sixth supplementary prospectus dated 3 March 2011 issued by the Company and lodged with ASIC on that date ("**Sixth Supplementary Prospectus**").

This Seventh Supplementary Prospectus must be read in conjunction with the Prospectus, the First Supplementary Prospectus, the Second Supplementary Prospectus, the Third Supplementary Prospectus, the Fourth Supplementary Prospectus, the Fifth Supplementary Prospectus and the Sixth Supplementary Prospectus.

ASIC and the ASX take no responsibility for the contents of the Prospectus, the First Supplementary Prospectus, the Second Supplementary Prospectus, the Third Supplementary Prospectus, the Fourth Supplementary Prospectus, the Fifth Supplementary Prospectus, the Sixth Supplementary Prospectus or this Seventh Supplementary Prospectus.

Terms used in this Seventh Supplementary Prospectus have the same meaning as in the Prospectus unless otherwise defined or the contrary intention appears.

REASON FOR SEVENTH SUPPLEMENTARY PROSPECTUS

The Company is issuing this Seventh Supplementary Prospectus in light of the fact that a significant new matter has arisen since the Prospectus was lodged which would have been required to be included in the Prospectus if it had arisen before the Prospectus was lodged.

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At the date of this Seventh Supplementary Prospectus, the Company has not received any applications for Shares pursuant to the Offer, accordingly, it is not necessary for the Company to offer applicants the option to withdraw their applications.

Any new applications should be made using the Replacement Application Form which is attached to or accompanies this Seventh Supplementary Prospectus. However, as noted in the Prospectus, the Directors reserve the right to issue Shares pursuant to the Offer at their absolute discretion. Accordingly, please do not submit a Replacement Application Form unless directed to do so by the Directors.

If an application using the Application Form which accompanied or formed part of the Prospectus, the First Supplementary Prospectus, the Second Supplementary Prospectus, the Third Supplementary Prospectus, the Fourth Supplementary Prospectus, the Fifth Supplementary Prospectus or the Sixth Supplementary Prospectus is received after the lodgement of this Seventh Supplementary Prospectus, the Application Form and application monies will be returned and the applicant may be invited to reapply using the Replacement Application Form which is attached to or accompanies this Seventh Supplementary Prospectus. Investors should ensure they use the Replacement Application Form to avoid delays which may result from an old Application Form being returned.

NEW DEVELOPMENTS

Final Land Use and Rehabilitation Plan ("the Plan")

The Company has been advised by DERM that it has breached condition F5-2 ("the Condition") of the Environmental Authority which regulates activities at the Kingaroy project site.

The Condition provides that:

"The holder of this authority must submit a copy of the Final Land Use and Rehabilitation Plan, as required by condition (F5-1), to the administering authority, and in finalising the plan must have due regard to comments made by the administering authority.

This plan must be submitted on or before 1 March 2011 or within 3 months following cessation of the underground gasification trial; whichever occurs first."

The Company did not submit the Plan on 1 March 2011. A number of reasons led to the breach including the fact that the scope and timing of operations at the Kingaroy site was severely impacted by the Environmental Protection Order dated 17 July 2010 requiring the Company to suspend its activities at the Kingaroy plant and the subsequent issue of a Notice of Proposed Action dated 28 January 2011 proposing to amend the Company's Environmental Authority to, among other matters, limit its activities at the Kingaroy site to decommissioning, rehabilitation and care and maintenance.

The Company contacted DERM seeking an extension to the submission date and in response DERM has suggested that the Company provide it with a letter outlining any mitigating factors which DERM

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should take into account in considering whether to take any enforcement action. DERM has requested the Company provides this letter by 18 March 2011.

The Company intends to submit the Plan together with a letter outlining the reasons for the delay in submitting the Plan on or before 18 March 2011.

Contravention of the Condition is an offence under section 430 of the Environmental Protection Act 1994 (Qld) ("EP Act"). The maximum penalties associated with a breach of section 430 of the EP Act are \$200,000 or 2 years imprisonment for individuals and \$1million for corporations. DERM may also issue a fine to the Company and/or take injunctive action.

The Company notes that there are mitigating factors associated with the delayed submission and no environmental harm is caused or threatened by a failure to submit the Plan on time. Furthermore, the Plan is only designed to address long term rehabilitation issues and is not time-critical to any current environmental risks that may be associated with the Company's project at Kingaroy.

UPDATED INFORMATION

The Company has made the following announcements (continuous disclosure notices) to ASX since lodging the Sixth Supplementary Prospectus. The following list should be read in conjunction with the list appearing in Section 8 of the Prospectus, as supplemented by the First Supplementary Prospectus, the Second Supplementary Prospectus, the Third Supplementary Prospectus, the Fourth Supplementary Prospectus, the Fifth Supplementary Prospectus and the Sixth Supplementary Prospectus.

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

| <i>Doc date</i> | <i>Headline</i> |
|-----------------|--------------------------------|
| 3/03/2011 | Sixth Supplementary Prospectus |

DIRECTORS' CONSENT

Each of the Directors of the Company has consented to the lodgement of this Seventh Supplementary Prospectus with ASIC.

Signed for and on behalf of the Company:



Date: 11 March 2011

Dr Len Walker
Director