Cougar Energy Limited

ACN 060 111 784

Annual Report

For the Year Ended 30 June 2013

COUGAR ENERGY LIMITED
CORPORATE DIRECTORY

Directors

Mr Andrew Matheson	Chairman*
Mr Andrew Purcell	Non-Executive Director*
Mr Robert Neill	Managing Director **

Mr Malcolm McAully***
Dr Leonard Walker***
Ms Sarah-Jane Christensen***

Company Secretary
Mr Rajeev Chandra

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Australia.

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Auditors
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Melbourne, Victoria, 3000
Australia

Solicitors
Holman Fenwick Willan
Level 36, 600 Bourke Street,
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Stock Exchange Listing
Cougar Energy Limited shares are listed on the Australian Securities Exchange
(ASX code : CXY)

* Appointed as Director 8 March 2013
** Appointed from 6 August 2012
*** Resigned 8 March 2013

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COUGAR ENERGY LIMITED
CHAIRMAN'S REPORT
FOR THE YEAR ENDED 30 JUNE 2013

Dear Fellow Shareholder

In my first yearly review as Chairman, I am pleased to report that your Company has progressed with its strategy to refocus Cougar Energy's business. The process commenced over 12 months ago and has better positioned your Company to source value from its existing coal asset portfolio, primarily in Queensland whilst retaining its traditional focus on Energy, particularly with respect to identifying opportunities in Asia.

I thank Malcolm McAully, Dr Len Walker and Sarah-Jane Christensen for their stewardship of your Company in what has been a challenging environment for the UCG industry. The new board members bring further expertise in resources (particularly coal), mining, engineering and finance in Australia and Asia and are well qualified to progress the growth plans for your Company.

In April I wrote to shareholders outlining our objective to build long-term sustainable shareholder value. After several years of falling market capitalisation and the stakeholder challenges related to our underground coal gasification (UCG) activities in Queensland, I acknowledge that this brings the need to restore confidence in your Company.

Over the past few months, Cougar Energy has completed the following initial strategic priorities:

- The initial drilling programme and reported the maiden JORC Compliant Coal Resource for the Mackenzie PCI Coal Project in Queensland's Bowen Basin;
- Resolved the two civil legal cases in Queensland relating to the now closed Kingaroy UCG project, removing the Company's ongoing legal costs ;
- Refocussed our UCG development work in Asia through concentrating on Indonesia; and
- Lowered our corporate overhead base to more sustainable levels.

We are positioning your Company to be a developer of resource and energy opportunities, first and foremost utilising currently held coal tenements (as highlighted by the progress at Mackenzie), but also through continual investigation of opportunities to consolidate your Company's portfolio with complementary coal and energy assets.

I would like to thank the management team for their efforts and commitment to the Company during the year. I also look forward to working with the team during the forthcoming year to improve our deployment of funds into project-related activities. Notwithstanding the refocus of activities for the Company, your Board is of the opinion that UCG and gasification technologies should, where possible, remain integral to your Company's business in the future by utilising our capabilities to seek opportunities in a variety of energy projects.

Since joining Cougar Energy, I have met a number of our individual and institutional investors and I look forward to meeting more as we progress. Your Board thanks you as a shareholder for your continued support and looks forward to achieving significant progress during the current year.

Andrew Matheson
Chairman

29 August 2013

Dear Fellow Shareholder

Over the past twelve months your Company has continued to evolve with a view to creating a sustainable business model that can lead to enhanced shareholder value over time.

Your Company faced numerous hurdles throughout the year notwithstanding legacy issues with the closed Kingaroy UCG pilot project and overall slow progress of Underground Coal Gasification (UCG) in countries like Indonesia and Mongolia.

Cougar Energy's plan to build a sustainable UCG business in Asia, off the back of the Kingaroy pilot project, was constrained by a number of factors namely, difficulties in sourcing suitable coal deposits and project economics that did not reach internal return on investment benchmarks.

It was decided to test the market with the announcement of the sale of our coal assets in August 2012. In particular it was the Board's view that some value could be derived from the divestment of the Wandoan Thermal Coal asset in the Surat Basin and the Mackenzie PCI coal asset in the Bowen basin – both located in Queensland.

Throughout out the sale process it became clear that an outright sale of these assets might not derive the best value for all shareholders. A decision was made to leverage the inherent features of the Mackenzie coal asset and add value to that asset by way of a JORC drilling program.

A successful capital raise was conducted in February 2013 to utilise funds raised to advance a drilling program on our Mackenzie PCI coal asset to establish a maiden JORC resource. A successful drilling program was conducted during June 2013 culminating in the release of a Maiden JORC resource of 201 million tonnes of PCI grade coal[1].

The coal tonnage reported exceeded our expectations with only 70% of the tenement explored. This means that this coal asset potentially holds considerable upside from a coal quantity perspective.

Core drilling samples from Pisces Seam at Mackenzie, June 2013

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A decision was then made off the back of this successful drilling program to progress to a scoping study to determine, at a high level, the suitably of the asset for an underground mine. Further funds were raised in July 2013 to progress the scoping study work for Mackenzie.

[1] Refer to the announcement to the ASX on 17 July 2013. Cougar Energy is not aware of any new information that would materially affect the resources stated.

The next steps for Mackenzie are the progression of a phase 2 drilling program, seismic work and further coal quality testing.

We remain in confidential discussions with various parties as to the best way forward for the development of this coal asset.

Throughout the year we also assessed our Wandoan and Kingaroy coal assets with a view to understanding what these coal assets might deliver by way of value for the company. Given the lower Thermal coal prices in the reporting period, it was decided to limit our work to a geological review of the JORC reports with a view to upgrading these reports in compliance with the 2012 JORC code.

Board renewal took place in early March 2013 and your new Board commenced a full strategic review of the operating business model of your Company.

A decision was made that the operating model of UCG was unsustainable in its current form whist at the same time there was a need to look at other value levers within your Company.

Further outcomes of the strategic review highlighted the need for the business model of your Company to change with a number of actions required to reshape Cougar Energy in preparation for future shareholder value growth.

It was agreed that the three immediate focus areas would be: (1) extract your Company from the Kingaroy legacy issues, (2) lower the operating expense base, and (3) refocus your Company on its conventional coal assets.

To this end I can say that we achieved all three strategic objectives with the cessation of the Kingaroy legal action removing a serious legacy issue, closure of the China office lowering the operating expenses of the business and redirecting our focus to proving up the potential coal resource at Mackenzie which delivered a coal resource above our initial expectations.

With regards to Kingaroy, we continue to work with the respective Government departments, the Landholder and the Community to conclude the rehabilitation program at the site to the satisfaction of all three stakeholders.

There still remains work to do in continuing to lower the operating expense of the business and leverage off the initial drilling results of the Mackenzie coal asset as we continue to reshape your company for the future

I would like thank the outgoing Board for their faith and support in appointing me to the role of CEO and Managing Director. As we move forward, the new Board members contribution, in a short time, to the strategic direction was well received and now sets your Company up for a very progressive 12 months ahead.

Finally, I would also like to thank our staff and management team for their outstanding contribution to your Company amidst great change. Their dedication and individual leadership qualities were tested at times but in the end teamwork prevailed and together we have set a solid foundation for your Company to move forward and grow shareholder value.

R. Neill.

Rob Neill
CEO and Managing Director
29 August 2013

The Directors of Cougar Energy Limited submit this Annual Report, together with the financial statements of the Consolidated Group (consisting of the Parent Entity and its controlled entities) for the financial year ended 30 June 2013, made in accordance with a resolution of the Directors.

DIRECTORS

The names and particulars of the qualifications, experience, special responsibilities and equity interests (direct and indirect) of the Directors in office during the financial year ended 30 June 2013 and up until the date of this Annual Report are set out below. Mr Rob Neill joined the Board on 6 August 2012. Mr Andrew Matheson and Mr Andrew Purcell joined the Board on 8 March 2013. Mr Malcolm McAully, Dr Len Walker and Ms Sarah-Jane Christensen resigned from the Board on 8 March 2013.

Name and Qualifications	Age	Experience	Listed Directorships in last 3 years	Special Responsibilities	Interests in Shares and Options
Andrew Matheson, B. Eng. (Geological Engineering) **(joined the Board on 8 March 2013)**	51	Appointed 8 March 2013. Mr Matheson has over 25 years professional experience within the resources, mining and engineering sectors covering a wide range of commodities across Australia, Indonesia, Africa and PNG. His previous leadership roles include Managing Director of Realm Resources Ltd, CEO-Carbon Materials for the Talbot Group, General Manager of Coal with Aquila Resources Ltd and Non-Executive Director of Goldminex Resources Ltd. He also has carried out operational, project management and commercial roles with BHP Billiton spanning some 13 years. Mr Matheson also has ASX listed company board experience in the capacities of executive and non-executive directorships.	Realm Resources Ltd (June 2011-July 2012), Goldminex Ltd (June 2009-June 2012)	Chairman of the Board, Chairman of the Remuneration Committee and Member of the Audit & Risk Committee from 8 March 2013	2,000,000 shares
Rob Neill MBA, MPA **(joined the Board on 6 August 2012)**	51	Appointed Managing Director on 6 August 2012. Mr Neill has over 20 years management experience in the resources sector, and holds an MBA and Masters in Professional Accounting (MPA), both from the University of Southern Queensland. He held positions of Executive General Manager for Bucyrus Australia Pty Ltd, and COO of Industrea Limited, an ASX listed company. He has also held executive management roles with Repco, Hagemeyer and Hitachi. He held the position of Senior Commercial Manager for two years with Linc Energy Ltd, and was involved in a range of commercial negotiations related to the advancement of UCG technology.	None	Managing Director from 6 August 2012	1,000,000 shares 3,000,000 unlisted options
Andrew Purcell B. Eng., MBA **(joined the Board on 8 March 2013)**	48	Appointed 8 March 2013. Mr Purcell has over 20 years experience across the finance, oil & gas and coal sectors. Previously he was Director of Credit Suisse in Australia and China and held an executive role with Macquarie Bank. He has ASX listed company board experience as well as having sat on the boards of several public companies listed outside of Australia. He is currently Executive Chairman of Teknix Capital, a firm he established to focus primarily on the development of projects in the natural and mineral resource sectors across Australia and Indonesia.	Realm Resources Ltd (Oct 2011-Dec 2012)	Chairman of the Audit & Risk Committee and Member of the Remuneration Committee from 8 March 2013	1,000,000 shares
Len Walker BE, PhD (Cantab), MBA, FAusIMM, FAIE **(resigned from the Board on 8 March 2013)**	72	Appointed 9 October 2006. Dr Walker graduated in Civil Engineering specialising in geotechnical engineering, and spent 15 years practising as a consulting engineer, including 11 years as Managing Director of Golder Associates Pty Ltd. He has had over 20 years experience in the development of small resource companies, and has served as Managing Director of three ASX listed companies. His involvement in UCG commenced in 1982, and in 1996 he founded Linc Energy Pty Ltd, was Managing Director from 1996 to 2002, and was responsible for development of the successful UCG test burn at the Chinchilla, Queensland site. He founded Cougar Energy Pty Ltd in 2006 prior to its sale and listing in September 2006.	None	Managing Director until 6 August 2012	108,836,948 shares *

Name and Qualifications	Age	Experience	Listed Directorships in last 3 years	Special Responsibilities	Interests in Shares and Options
Malcolm McAully B.Bus, Grad Dip Bus, MBA, GAICD **(resigned from the Board on 8 March 2013)**	53	Appointed 10 December 2002. Mr McAully operates a management consulting business focusing on organisational performance and strategic planning trading as M J McAully Management Consulting. Currently he has four board Directorships and holds post-graduate qualifications in Business from the University of NSW, Bond University and University of Tasmania. Malcolm started his career in audit and moved to Lend Lease Financial Services as National Administration Manager – MLC Life. He moved to Tasmania in 1997 to take up the position of Group General Manager for Hazell Bros, a large civil construction and transportation company.	None	Non-executive director, Chairman and Chairman of the Audit & Risk Committee until 8 March 2013	620,865 shares *
Sarah-Jane Christensen B.EC, LLB, LLM, MBA **(resigned from the Board on 8 March 2013)**	48	Appointed 22 September 2010. Ms Christensen is a lawyer with over 20 years experience in the provision of legal and public company secretarial services for leading corporate organisations. Ms Christensen has specific expertise in the resources and financial services sectors.	None	Member of the Audit & Committee until 8 March 2013	None

* as at 8 March 2013

COMPANY SECRETARY

Mr Rajeev Chandra (B.Com, MBA, CA, CPA, ACMA, CSA (Cert), MAICD) a Chartered Accountant has been Company Secretary since November 2011.

PRINCIPAL ACTIVITIES

During the financial year, the Company's principal activities were the identification and development of underground coal gasification (UCG) projects in Asia and the identification and development of conventional coal projects in Australia.

DIVIDENDS

No dividends or distributions were declared, recommended or paid to members during the financial year (2012: Nil).

SHARES UNDER OPTION

Unissued ordinary shares of the Company under option at the date of this report are set out below and were issued to the Managing Director. These options do not give any right to participate in any share issue of the Company or of any other body corporate and are unlisted securities.

Grant Date	Expiry Date	Exercise Price	Number under Option
22-Nov-2012	06-Aug-2015	$0.02	1,000,000
22-Nov-2012	06-Aug-2015	$0.04	1,000,000
22-Nov-2012	06-Aug-2015	$0.08	1,000,000
Total			3,000,000

REVIEW OF OPERATIONS

A. Financial position

The net loss for the Consolidated Group for the financial year after income tax attributable to equity holders of the Parent Entity was $3,302,439 representing a reduction of 6.8% against the 2012 loss of $3,543,473. The Company continues to be a developer of projects and has no revenue earning operations in production at this time.

Revenue (interest income) was lower (minus 65% or $191,338) due to falling deposit rates and lower balances available for investment during the reporting period. Additionally, the previous year also included rental income from a rental sub lease. Expenses fell by 13.4% ($605,343) due principally to lower impairment costs, lower depreciation and amortisation charges, a significant reduction in professional fees (legals and technical consultants) as well as lower tenancy charges. Employee costs rose with the employment of a new CEO and the former CEO remaining as an executive director and subsequent termination costs.

B. Operations

The Company businesses extend across UCG and conventional coal projects.

(i) UCG (Underground Coal Gasification)

Kingaroy, Queensland

During the reporting period the Kingaroy site remained subject to the Environmental Protection Order which was formally served on the Company on 17 July 2010 and an Amended Environmental Authority (served on 7 July 2011). The effect of these instruments is that the Company is not permitted to conduct gasification activities at the site, nor continue its UCG trial on the Kingaroy site.

Subsequent to the conclusion of the reporting period of this Annual Report, the previously announced civil proceedings initiated by the Company in the Queensland Courts were discontinued. The Company is presently consulting with the Queensland Government's Department of Environment and Heritage Protection (DEHP) with respect to the scope and requirements of the required rehabilitation works at Kingaroy prior to it being closed down as an UCG site.

In July 2011 the Company also received a Complaint and Summons from the responsible Queensland Government Department (previously known as the Department of Environment and Resource Management [DERM]) alleging three contraventions of the Kingaroy site Environmental Authority. Should the Company be found guilty of any count, the maximum fine the court may impose is $832,500 per count. DERM 's successor department, Department of Environment and Heritage Protection (DEHP) may also seek an order that the Company pay rehabilitation, compensation, investigation, court and legal costs to DEHP. The Company is still defending this action and has accordingly recorded this in Note 29 as a contingent liability.

Wandoan, Queensland

On 26 November 2012 the Company was granted a Mineral Development Licence 420 for the Wandoan tenement.

Exploration and development work at Wandoan for the purposes of UCG projects has been suspended subject to resolution of the Kingaroy matters. The Company had previously announced it would seek to divest this tenement. It has been withdrawn from sale and is now being assessed as a site for a potential conventional underground coal mine in the future as well as its potential for development as a UCG operation (see also section below "Conventional Coal").

Asia

At the commencement of the reporting period, the Company was evaluating potential UCG projects in the People's Republic of China, Mongolia and Indonesia. After the changes to the composition of the Board in March 2013, the Company re-evaluated the strategy in Asia. The Board concluded that the available resources of the Company were spread too thinly across several Asian countries and potential opportunities.

As a result, the Company discontinued its activities in Mongolia and the Memorandum of Understanding between the Company and Hulaan Coal Corporation (signed in October 2012) was terminated. Further, the Company's Beijing Office was closed as the Board's assessment also concluded that the sites under consideration in the China region did not match previous expectations of being financially viable for UCG development.

The Company continues to evaluate the potential for a UCG project in Indonesia, based on the MOU with a strong local partner (Medco Energi), suitable coal reserves and the Company's considerable in-house expertise in that country.

(ii) Conventional Coal

Mackenzie, Queensland

Early in the reporting period, the Company announced it was preparing the tenement at Mackenzie in the Bowen Basin in Queensland for sale. After further geological analysis of the site, the Company decided to commence a drilling program for the purpose of generating a JORC Compliant Inferred Resource. In July 2013 the Company reported a JORC Compliant Inferred Resource of at Mackenzie of PCI grade coal. Refer to the "Matters subsequent to the end of financial year" section below for the reporting of the estimated JORC Inferred Resource. As the next step in the project's development, the Company is now preparing a scoping study to determine the next drilling program and required capital commitments. At the appropriate time in the future the Company will seek a cornerstone or strategic investor for this project.

Wandoan

As stated above, the Company is considering the merits of an underground conventional coal mine for this tenement.

Kingaroy

This tenement has a 2004 JORC Compliant Resource with suitability as a conventional thermal coal mine.

Business strategies and prospects

On 8 March 2013 there was a restructure of the Company's Board. The newly constituted Board announced a review of the Company's business strategy and current activities. The main target of the new Board is to restore confidence and increase value for all shareholders. On 8 April 2013 in a letter to shareholders, the Board announced what its initial action priorities are.

A number of those priorities have been carried out, including establishing a JORC Compliant Resource for the Mackenzie project in Queensland, evaluating the Wandoan project as a conventional coal project and lowering the Company's corporate overhead base to more sustainable levels. The Company has also been able to resolve legacy issues overhanging the progress of the Company, particularly the Queensland litigation matters.

The business objectives and strategies going forward will focus for the time being on further developing the Mackenzie project to the point that a cornerstone or strategic investor will invest in the project or at Company level as well as ascertain whether viable UCG projects can be established in Asia.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Contributed Equity

Contributed equity increased during the financial year by $2,018,000 (gross of transaction costs) as a result of:

(1) Issues of fully paid shares (182,916,667) to The Australian Special Opportunity Fund LP (ASOF). The Company entered into a security purchase agreement with ASOF on 24 February 2012 (ASOF Agreement), which was announced to the market on 27 February 2012. The Company terminated the ASOF Agreement on 10 April 2013.

(2) An issue of 208,600,000 fully paid shares to sophisticated and institutional investors on 27 February 2013.

Board changes

On 8 March 2013 a restructure of the Board of Directors took place. Malcolm McAully, Dr Len Walker and Sarah-Jane Christensen tendered their resignations as a result of the Company's new focus on the conventional development of its current coal assets, and its intent to seek further similar opportunities.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The following table sets out in chronological order the material events that have occurred since 30 June 2013, involving the Parent Entity and/or its controlled entities. Where possible, the financial impact of each event has also been quantified.

Effective Date	Transaction Details and Financial Impact:
17 July 2013	The Company announced a maiden Inferred JORC Resource of 201 Mt for the 100% owned PCI coal tenement at Mackenzie in Queensland's Bowen Basin (EPC 1445, MDLa 503,504). The results of the geological modelling and the resource estimation work prepared under the requirements of the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) can be found in the Company's announcement to the ASX on 17 July 2013.
26 July 2013	The Company announced that it had raised a total of $719,674 in new contributed equity (before transactions costs), being $644,750 from sophisticated and professional investors (new shares were issued on 2 August 2013) and $74,924 in a placement to Directors (for which shareholder approval is being sought at an Extraordinary General Meeting of the Company's shareholders on 19 September 2013).
26 July 2013	The Company announced that the civil proceedings initiated by it in the Queensland courts had been discontinued.
5 August 2013	The Company filed two Initial Substantial Shareholder Notices that it had received.
19 August 2013	The Company advised that an Extraordinary General Meeting will take place on 19 September 2013. A number of resolutions are to be put to shareholders for approval including a special resolution for change of name of the Company to Moreton Resources Ltd.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Comments on the operations of the Company are made in the Managing Director's Report section of this Annual Report.

The Company intends to continue seeking opportunities for underground coal gasification project development in Asia. At its Kingaroy site the Company continues collecting and analysing data from its monitoring and sampling regime, which is essential for future UCG project development as well as subsequent site rehabilitation.

The Company has discontinued its civil legal proceedings against the Queensland Government and other named defendants and remains bound by the Amended Environmental Authority, which does not permit any gasification activities on the Kingaroy site. The Company still faces charges in the Magistrates Court in relation to criminal proceedings (alleged breaches of the Environmental Protection Act relating to the UCG operation at Kingaroy). The Company has commenced discussions with the responsible Queensland Government Department as to scope of works required for the rehabilitation and closure of the Kingaroy site.

The Company continues to focus on the advancement of its conventional coal assets, particularly the Mackenzie PCI coal tenement EPC 1445 (MDLa 503, 504).

ENVIRONMENTAL REGULATION

The Company has no additional matters to report other than the details provided in the Review of Operations mainly in relation to its Kingaroy site.

MEETINGS OF DIRECTORS

Directors' and Board Committee meetings were held during the financial year ended 30 June 2013 as detailed.

		Full Board		Audit & Risk Committee		Remuneration Committee		Funding Committee	
Director's Name		**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Andrew Matheson	[1]	4	4	2	2	2	2	-	-
Andrew Purcell	[1]	4	4	2	2	2	2	-	-
Rob Neill	[2]	11	11	-	-	-	-	-	-
Len Walker	[3]	7	7	-	-	-	-	-	-
Malcolm McAully	[3]	7	7	6	6	2	2	7	7
Sarah-Jane Christensen	[3]	7	7	6	6	2	2	7	7

[1] Appointed 8 March, 2013, [2] Appointed 6 August, 2013, [3] Resigned 8 March 2013

REMUNERATION REPORT (AUDITED)

This remuneration report, which forms part of the Directors' report, sets out information about the remuneration of the Company's Directors and key management personnel for the financial year ended 30 June 2013. The information provided within this report has been audited, as required by section 308(3C) of the Corporations Act 2001. The report is set out under the following main headings.

(A) Principles Used to Determine the Nature and Amount of Remuneration
(B) Details of Remuneration
(C) Service Agreements
(D) Share-Based Compensation
(E) Additional Information

(A) Principles Used to Determine the Nature and Amount of Remuneration

The objectives of the Company's executive reward framework is designed to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to market practice. The framework provides for a mix of fixed and other incentives in the form of options over unissued ordinary shares in the capital of the Company. As executives gain seniority within the Company, the balance of this mix shifts to a higher proportion of "at risk" long-term rewards. Long-term incentives are provided via the Company's Employees', Officers' and Consultants Option Plan 2007.

The Company during the period formed a Remuneration Committee comprising of the non-executive Board of Directors.

Fees and payments are set to reflect the demands that are made upon non-executive directors, and the responsibilities of each Director. The Board reviews non-executive directors' fees and payments annually.

ASX listing rules require that the aggregate non-executive directors' remuneration shall be determined periodically by a general meeting. The most recent determination was made at the Annual General Meeting held on 26 November 2010, where the shareholders approved an aggregate remuneration of $250,000.

During the financial year ended 30 June 2013, the Company did not engage any remuneration consultants. The Company received 89% 'for' votes in relation to its remuneration report for the year ended 30 June 2012. The Company did not receive any specific feedback at the AGM regarding its remuneration practices. A review of executive remuneration has commenced. However it has not been completed at the end of the reporting period.

(B) Details of Remuneration

The key management personnel of the Group are the Directors and the following key management personnel, who report directly to the Managing Director. Profiles of the key management personnel (excluding the Managing Director) are:

Rajeev Chandra, B.Com, DipProfAccy, MBA, CA, CPA, ACMA, CSA (Cert), MAICD
Chief Financial Officer and Company Secretary
Mr Chandra, a graduate of the University of Auckland, is a Chartered Accountant with over 20 years Australasian experience having acquired senior finance, IT, and commercial management experience in both the private and public sectors. His industry experience includes Chartered Accounting, Education, Health, and the Energy Retail and Distribution sectors in Australia and New Zealand. Prior to joining the Company in April 2010, his previous roles were with a US Fortune 40 Multinational company managing the finance, IT and commercial functions of one of its Australian divisions including serving operational management stints in sales and general management. He was appointed Chief Financial Officer in September 2010 and Company Secretary in November 2011.

REMUNERATION REPORT (AUDITED) (CONT'D)

(B) Details of Remuneration (Cont'd)

Brad Glynne, B.Juris, LLB
General Manager – Corporate Finance & Investor Relations
Mr Glynne has over 20 years Australian and international experience in corporate and investment banking as well as managing high net worth investment portfolios. He practised as a solicitor in Melbourne before joining Credit Suisse in Zurich in 1987, where he worked in the capital markets division and later led the commercial & correspondent banking group for South East Asia & Australasia. He returned to Melbourne in 1995 to head Credit Suisse's Corporate Bank team and later the Leveraged & Acquisition Finance Group. Mr Glynne moved to Citigroup in 1998 to establish their Metals & Mining Industry Group, which he led for 6 years. His most recent role prior to joining the Company was as client advisor at UBS Wealth Management.

Valeri Melik, M.Eng, MIEAust, CPEng, NPER, RPEQ
General Manager - Project Services
Mr Melik graduated as an Electrical Engineer from the University of Oil and Chemistry (currently known as the Azerbaijan State Oil Academy) in the former USSR. He successfully completed a postgraduate research program in High Voltage Engineering at RMIT University and was admitted to the degree of Master of Engineering. Mr Melik has had an engineering career in Australia spanning 20 years. Mr Melik has led and successfully managed operations of multiple international teams at BetzDearborn (water management automation), Fujitsu (telecommunication/power generation), Autoliv (automotive testing), Downer Engineering (electrical/mechanical/data centres) and Utilacor (electrical/power generation/demand side management). He commenced at Cougar Energy as a Corporate Engineering Manager in 2008 before being promoted to his current role in early 2010.

There was no increase in remuneration packages of key management personnel in the financial year ending 30 June 2013 other than legislated increases in the superannuation threshold. During the reporting period the previous Managing Director (Dr Len Walker) who remained as Executive Director and a new Managing Director (Robert Neill) was the major basis for the increase in total remuneration. Later in the reporting period, with the resignation of the former Executive Director and additional management members, total remuneration for key management personnel calculated as an annual estimated cost is estimated to be running at approximately 41% less than the 2013 financial year costs and approximately 32% less than the 2012 financial year costs.

Name	Position held
Directors	
Andrew Matheson (1)	Non-Executive Director and Chairman of the Board and Remuneration Committee
Andrew Purcell (1)	Non-Executive Director and Chairman of the Audit and Risk Committee
Malcolm McAully (2)	Non-Executive Director
Sarah-Jane Christensen (2)	Non-Executive Director
Executive Directors	
Len Walker (2)	Managing Director to 6 August 2012.
Rob Neill	Managing Director from 6 August 2012
Executives	
Rajeev Chandra	Chief Financial Officer & Company Secretary
Brad Glynne	General Manager - Corporate Finance and Investor Relations
Valeri Melik	General Manager - Project Services
Kevin Garner (3)	General Manager - Asia

NOTES:
(1) Appointed 8 March 2013
(2) Resigned 8 March 2013
(3) Terminated 15 March 2013

Details concerning the remuneration of the Directors of the Company and the other key management personnel of the Group during the financial year ended 30 June 2013 are set out in the next section.

REMUNERATION REPORT (AUDITED) (CONT'D)

(B) Details of Remuneration (Cont'd)

Name	Short-Term Employee Benefits Cash Salary and Fees $	Termination Payments Cash $	Non Monetary Benefits Parking/ Vehicle /Other $	Post-Employment Benefits Super-annuation (#) $	Share-Based Remuneration Management Options $	Total Remuneration $	Relative Proportion Of: Fixed Remunerati-on %	Relative Proportion Of: Performance Related Remunerati-on %
2013								
Directors								
R Neill	**274,344**	-	**14,073**	**15,097**	**6,008**	**309,522**	**98%**	**2%**
A Matheson	**22,981**	-	-	**2,068**	-	**25,049**	**100%**	-
A Purcell	**16,853**	-	-	**1,517**	-	**18,370**	**100%**	-
Former Directors								
M McAully (1)	**75,304**	-	-	**12,013**	-	**87,317**	**100%**	-
L Walker (2)	**216,750**	**141,667**	**29,669**	**25,000**	-	**413,086**	**100%**	-
S Christensen (3)	**56,599**	-	-	**3,087**	-	**59,686**	**100%**	-
Executives								
R Chandra	**188,041**	-	-	**22,470**	-	**210,511**	**100%**	-
B Glynne	**207,286**	-	-	**25,000**	-	**232,286**	**100%**	-
V Melik	**183,750**	-	-	**16,470**	-	**200,220**	**100%**	-
Former Executives								
K Garner (4)	**164,205**	**40,000**	**46,702**	-	-	**250,907**	**100%**	-
Remuneration Totals	**1,406,113**	**181,667**	**90,444**	**122,722**	**6,008**	**1,806,954**	**100%**	**<1%**

(#) The company pays superannuation at the specified 9%. Amounts shown are inclusive of salary sacrifice arrangements by the employee.
(1) Payments to Mr McAully include consulting fees totalling $38,721 (2012: $35,194) through MJ McAully Management Consulting and for serving on the Funding Committee.
(2) Includes payments for termination (equivalent to 6 months salary) and annual leave as per Dr Walker's employment contract.
(3) Payments to Ms Christensen include fees totalling $22,304 (2012: $37,250) for serving on the Funding Committee and commercial legal advice through Sarjan Consulting Pty Limited, a company of which Ms. Christensen is a Director.
(4) Mr Garner's services were terminated on 15 March 2013. His payments are translated to Australian Dollars during the year. Post balance date it was agreed that he will be paid an additional sum included in this table for remuneration and legal costs in relation to his employment.

Comparative:

Name	Short-Term Employee Benefits Cash Salary and Fees $	Non Monetary Benefits Parking/ Vehicle/Other $	Post-Employment Benefits Super-annuation $	Share-Based Remuneration Management Options $	Total Remuneration $	Relative Proportion Of: Fixed Remuneration %	Relative Proportion Of: Performance Related Remuneration %
2012							
Directors							
L Walker	250,000	33,313	50,000	-	333,313	100%	-
M McAully (1)	89,194	-	17,210	-	106,404	100%	-
S Christensen (2)	87,250	-	7,875	-	95,125	100%	-
Executives							
R Chandra	188,041	-	21,775	-	209,816	100%	-
K Garner (3)	228,650	57,429	-	-	286,079	100%	-
B Glynne	190,016	-	41,575	-	231,591	100%	-
V Melik	183,750	-	15,775	-	199,525	100%	-
Former Executives							
A Brown (4)	126,797	-	12,503	-	139,300	100%	-
Remuneration Totals	1,343,698	90,742	166,713	-	1,601,153	100%	-

(#) The company pays superannuation at the specified 9%. Amounts shown are inclusive of salary sacrifice arrangements by the employee.
(1) Payments to Mr McAully include consulting fees totalling $35,194 through MJ McAully Management Consulting.
(2) Payments to Ms Christensen include fees totalling $37,250 for company secretarial services through Sarjan Consulting Pty Limited, a company of which Ms. Christensen is a Director.
(3) Mr Garner's payments are translated to Australian Dollars during the year.
(4) Includes payment of unused annual leave upon resignation.

REMUNERATION REPORT (AUDITED) (CONT'D)

(C) Service Agreements

The remuneration and other terms of employment for the Managing Director, and other key management personnel have been formalised in service agreements. Each agreement sets out the components of each person's total remuneration package. Typically these components may include a base salary, superannuation, salary sacrificed superannuation, reimbursement of professional fees, provision of a motor vehicle and eligibility for participation in the Company's Employees', Officers' and Consultants Option Plan 2007. All contracts with executives may be terminated early by either party with notice periods set out in the table below, subject to termination payments based on no misconduct as detailed below. Other major provisions of the agreements relating to the remuneration of executives are set out below.

	Agreement Term	Start date	End date	Base salary including super-annuation $(1)	Other Benefits $	Notice period Required from Company (months)
Directors						
Len Walker (2)	-	29-09-2006	28-09-2011	300,000	Vehicle	6 months
Rob Neill (3)	n/s	06-08-2012	n/s	320,000	-	6 months
Executives						
Rajeev Chandra (4)	n/s	03-09-2010	n/s	210,511	Professional Fees	3 months
Kevin Garner (5)	3 years	01-06-2011	01-06-2014	229,500	Housing & Welfare	3 months
Brad Glynne (6)	n/s	04-05-2009	n/s	232,286	n/s	No less than 3 months
Valeri Melik	n/s	18-08-2008	n/s	200,220	n/s	3 months

Refer to the preceding pages for the descriptions of each executive of the Group.

n/s = Not specified in the respective agreement.

(1) = Actual Base salary and statutory superannuation guarantee contribution for the period of 12 months.

(2) = A new service agreement between Dr Walker and the Company was signed on 11 February 2013. Dr Walker resigned from the Board of Directors on 8 March 2013. On that day, the Company and Dr Walker agreed to terminate his service agreement. He was paid, inter alia, the amount of $150,000 representing 6 months remuneration in lieu of notice in accordance with the service agreement.

(3) = Under Mr Neill's employment contract, he has been granted three tranches of share based compensation. Each tranche consists of 1,000,000 options with exercise prices of $0.02, $0.04, and $0.08 per share for each respective tranche and full vesting to occur over two years from the commencement of his employment. These options were approved by shareholders at the Company's 2012 Annual General Meeting. Mr Neill is also eligible to participate in short and long term incentive schemes as determined by the Company from time to time.

(4) = Mr Chandra is required to give minimum one month's notice of resignation.

(5) = Mr Garner's service agreement was terminated by the Company on 15 March 2013. The amounts are translated at the foreign currency rate of $1AUD = 6.553 RMB at 31 March 2013.

(6) = If the Company undergoes a change of control through a shareholder owning more than 50% of the Company's share capital, the required notice of termination by the Company will be extended to twelve months unless mutually agreed otherwise.

REMUNERATION REPORT (AUDITED) (CONT'D)

(D) Share-Based Remuneration

Management Share Options

American call options over unissued fully paid ordinary shares in the capital of the Company are granted under the Company's Employees', Officers' and Consultants 2007 Option Plan, which was approved by shareholders at the 2007 and 2010 annual general meetings. The Option Plan is designed to provide long-term incentives for Executives and Consultants to deliver long-term shareholder returns, and is linked to the Company's share price performance. Under the Plan, eligible participants are granted options, which only vest after certain vesting conditions have been satisfied, and the executives or consultants are still employed by the Group at the end of the vesting period. Participation in the Plan is at the Board's discretion. No executive has a contractual right to receive any guaranteed benefits. The exercise price and vesting conditions are determined by the Company's Directors, in accordance with the Plan. All options have a staggered vesting period over three years. The total fair value of these options is being recognised progressively on a pro-rata basis over each option's respective vesting period. Once vested, the options remain exercisable until their expiry. The options are granted for no consideration and carry no dividend or voting entitlements. When exercised, each option converts into one fully paid ordinary share in the capital of the Company. The maximum number of unexercised options which can be issued under the Plan at any one time is 30 million.

The terms and conditions of each grant of options affecting the remuneration of executives in this or future reporting periods is set out below

Grant Date	Vesting and exercisable date	Expiry Date	Exercise Price	Fair Value at Grant Date
22-Nov-2012	22-Nov-2012	06-Aug-2015	$0.02	$0.004
22-Nov-2012	06-Aug-2013	06-Aug-2015	$0.04	$0.003
22-Nov-2012	06-Aug-2014	06-Aug-2015	$0.08	$0.002

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2013 is set out below.

	Number of Options Granted During the Financial Year*		Number of Options Vested During the Financial Year		Number of Options Lapsed During the Financial Year**	
Name	**2013**	2012	**2013**	2012	**2013**	**2012**
Executives						
Rob Neill	3,000,000	-	1,000,000	-	-	-
Brad Glynne	-	-	-	-	-	(5,000,000)
Valeri Melik	-	-	-	-	-	(2,400,000)
Total	**3,000,000**	-	**1,000,000**	-	-	(7,400,000)

* *The total value of options over ordinary shares granted was $6,008 as part of compensation during the year ended 30 June 2013.*

** *The total value of $257,830 at lapse date of options which were granted as part of remuneration and lapsed during the year because a vesting condition was not satisfied. The value determined assumed that the vesting condition was satisfied.*

The assessed fair value at grant date of the options granted to the individual executives is allocated on a pro-rata basis over the period from the grant date to the vesting date, and the amounts allocated during the prior financial years have been included in the remuneration table contained within section (B) of this remuneration report. Fair values at grant date have been determined using the Black Scholes option pricing model which takes into account the exercise price, the term of the option, the impact of dilution, the share price at the grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Employee Share Scheme

The Company does not have an employee share scheme.

REMUNERATION REPORT (AUDITED) (CONT'D)

(E) Additional Information

The Company's remuneration policy seeks to reward executives for their contribution to achieving significant milestones, but there is no direct link between their remuneration and the Company's financial or share price performance. Notwithstanding this, the following tables provide a five-year summary of the Group's total earnings (prior to adjustments for any minority interests) and movements in shareholder wealth and the remuneration of key management personnel. The information is based on the Company's financial year, which ends on 30 June each year.

Measures	**2013** **$**	2012 $	2011 $	2010 $	2009 $
Revenue	**102,344**	293,682	273,020	393,043	400,546
Total loss before income tax	**(3,825,990)**	(4,239,995)	(35,985,750)	(4,153,371)	(3,003,477)
Total loss after income tax	**(3,352,514)**	(3,557,384)	(35,278,576)	(4,153,371)	(3,003,477)
Key management remuneration	**1,806,954**	1,601,153	1,786,619	1,717,773	1,288,867
Per Share Measures					
Share price at the:					
- Start of the financial year	**0.006**	0.017	0.08	0.10	0.16
- End of the financial year	**0.003**	0.006	0.017	0.08	0.10
Dividends paid per share			-		
Earnings/(Loss) per share:		-			
- Basic (cents)	**(0.24)**	(0.31)	(3.4666)	(0.0048)	(0.0052)
- Diluted (cents)	**(0.24)**	(0.31)	(3.4666)	(0.0048)	(0.0052)

This is the end of the remuneration report, which has been audited.

LOANS TO DIRECTORS AND EXECUTIVES

There were no loans to Directors of the Company or key management personnel of the Company during the financial year.

INDEMNIFICATION OF OFFICERS

The Company has agreed to indemnify the officers of the Company and its controlled entities to the maximum extent permitted by law, for all liabilities incurred by the officers and all legal and other costs and expenses arising from any proceedings or investigations, incurred by them, as a consequence of them having been an officer of the Company.

EXTENSION OF AUDITOR TERM

The Board passed a resolution at its May meeting to extend the tenure of Mr James Mooney of BDO East Coast Partnership as the Company's Auditor for a further two years as allowed by the Corporations Act, 2001. The incoming Directors sought to ensure continuity be provided in relation to the incoming Risk and Audit Committee members in carrying out their and the Board's functions. The Directors are satisfied there is no conflict of interest given that all the present Directors have no prior association and only became associated with Mr Mooney post their appointment as Directors of the Company.

NON-AUDIT SERVICES

Apart from auditing services, the Company's auditors did not provide any other services to the Company, either during or since the end of the financial year. No amounts were therefore paid or payable to the Company's auditor for any non-audit services.

OFFICERS OF THE COMPANY WHO ARE FORMER AUDIT PARTNERS OF ACCOUNTING FIRM

There are no officers of the Company who are former partners of BDO East Coast Partnership.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required by section 307C of the Corporations Act 2001 follows this report.

AUDITOR

BDO East Coast Partnership continues in office as the Company's auditor in accordance with section 327 of the Corporations Act 2001.

RESOLUTION OF THE DIRECTORS

This report is made and signed in accordance with a resolution of the Directors pursuant to section 298(2) of the Corporations Act 2001.

R. Neill.

Rob Neill
Director

29 August 2013
Melbourne

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DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF COUGAR ENERGY LIMITED

As lead auditor of Cougar Energy Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect Cougar Energy Limited and the entities it controlled during the period.

James Mooney

Partner

BDO East Coast Partnership

Melbourne, 29 August 2013

The Board of Directors of Cougar Energy Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

COMPLIANCE WITH THE ASX CORPORATE GOVERNANCE COUNCILS PRINCIPLES AND RECOMMENDATIONS

The following table summarises the Company's compliance with the second edition of the ASX Corporate Governance Council's Principles and Recommendations ('ASX Governance Principles').

Principles and Recommendations		Current Practice	Compliance Statement
Principle 1: Lay solid foundations for management and oversight			
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The Board of Directors of Cougar Energy Limited (Board) is responsible for the overall corporate governance of the Company. The Board has adopted a board charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management. A copy of the Board Charter is available on the Company's website.	Complies.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Given the size of the Company, the Board has visibility of, and discusses, senior executive performance throughout the year. In addition, a formal review of senior executive performance is undertaken by the Managing Director having regard to the views of the Board. Recently the Company formed a Remuneration Committee of the Board to further formally evaluate this process.	Complies.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	A summary of the board charter is available on the Company's website. The Board conducted performance review processes for senior executives. With the change in CEO/MD a formal review of the MD is yet to be undertaken.	Complies.
Principle 2: Structure the Board to add value			
2.1	A majority of the board should be independent directors.	The majority of the Board's Directors are independent.	Complies.

COMPLIANCE WITH THE ASX CORPORATE GOVERNANCE COUNCILS PRINCIPLES AND RECOMMENDATIONS (CONT'D)

Principles and Recommendations		Current Practice	Compliance Statement
Principle 2: Structure the Board to add value (continued)			
2.2	The chair should be an independent director.	The Company's chairman is an independent, non-executive director of the Board.	Complies.
2.3	The roles of chair and managing director should not be exercised by the same individual.	The offices of the Company's chairman and managing director are not held by the same individual.	Complies.
2.4	The board should establish a nomination committee.	The Board executes the functions of a nomination committee.	The Board has not established a nomination committee. Given its size, the Board has determined that it will execute the functions of a nomination committee and that a separate committee is unnecessary.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	The Board considered conducting a self assessment performance review on an annual basis. However, the new Board was appointed on 8 March and it was considered for an assessment to be useful when more time had passed.	Did not comply.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	A director is considered independent when he or she substantially satisfies the test for independence as set out in the ASX Corporate Governance Principles. Members of the Board are able to seek independent professional advice at the expense of the Company when required. Mr Andrew Matheson and Mr Andrew Purcell were appointed to the Board on 8 March 2013. They are both considered as independent directors of the Company. Mr Rob Neiil was appointed as Managing Director & Chief Executive Officer of the Company on 6 August 2012. The full Board carries out the functions of a nomination committee. Full details of the Directors are disclosed in the Director's Report contained in this Annual Report.	Except as outlined above in relation to Principle 2.4, the Company complied with these recommendations during the year ended 30 June 2013.

COMPLIANCE WITH THE ASX CORPORATE GOVERNANCE COUNCILS PRINCIPLES AND RECOMMENDATIONS (CONT'D)

Principles and Recommendations		Current Practice	Compliance Statement
Principle 3: Promote ethical and responsible decision-making			
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to; the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individiuals for reporting and investigating reports of unethical practices.	The Board has adopted a code of conduct reflecting the guidelines in Principle 3.1.	Complies.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of the policy. The policy should include requirements for the board to establish measurable objectives for achieving gender divertsity and for the board to assess annually both the objectives and progress in achieving them.	The Company has adopted a diversity policy reflecting the guidelines in Principle 3.2.	Complies.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	The Company has a diversity policy but its current staff size and nature of operations precludes it from setting or reporting any meaningful objective.	Did not Comply.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	The number of women employees in the organisation numbered one with no women on the Board or in executive positions.	Complies.
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Copies of the code of conduct and diversity policy are available on the Company's website.	Complies.

COMPLIANCE WITH THE ASX CORPORATE GOVERNANCE COUNCILS PRINCIPLES AND RECOMMENDATIONS (CONT'D)

Principles and Recommendations	Current Practice	Compliance Statement
Principle 4: Safeguard integrity in financial reporting		
4.1 The board should establish an audit committee.	The Board has established an audit and risk committee to focus on issues relevant to the integrity of the Company's financial reporting.	Complies.
4.2 The audit committee should be structured so that it consists of only non-executive directors, a majority of independent directors, is chaired by an independent chair, who is not the chair of the board and have at least three members.	Mr Andrew Purcell is an independent, non-executive director. The committee consists of two non-executive directors and Mr Purcell has assumed the role of the chairman of the committee.	Does not comply as the Company's full Board consisted of only three members, including an executive director.
4.3 The audit committee should have a formal charter.	The Board has adopted an audit and risk committee charter, a copy of which is available on the Company's website.	Complies.
4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.	The names and qualifications of the members of the audit and risk committee are disclosed in the Directors' Report contained within this Annual Report. The audit and risk committee held eight meetings during the current financial year and meets at least every six months. Both members of the committe attended all meetings.	Complies.
Principle 5: Make timely and balanced disclosure		
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has adopted a continuous disclosure policy, to ensure that it complies with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001.	Complies.

COMPLIANCE WITH THE ASX CORPORATE GOVERNANCE COUNCILS PRINCIPLES AND RECOMMENDATIONS (CONT'D)

Principles and Recommendations	Current Practice	Compliance Statement
Principle 5: Make timely and balanced disclosure (continued)		
5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.	The Company's continuous disclosure policy is available on the Company's website.	Complies.
Principle 6: Respect the Rights of Shareholders		
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	The Company has adopted a shareholder communications policy. The Company uses its website, annual report and periodic announcements and letters to communicate with its shareholders. It also encourages shareholder particpation at its general meetings.	Complies.
6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.	The Company has adopted a shareholder communications policy, which is available on the Company's website.	Complies.
Principle 7: Recognise and Manage Risk		
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of these policies.	The Company has adopted a risk management policy. The audit and risk committee is responsible for managing risk, however, ultimate responsibility for risk oversight and risk management rests with the full Board.	Complies.
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	The Company has identified key risks within the business. In the ordinary course of business, management monitors and manages these risks on a regular basis. The Company has a risk register that records the likelihood and consequence of risks within the business and which management uses to monitor material business risks as and when they arise. Management has reported to the Board (through the audit and risk committee) on the effectiveness of the Company's management of its material risks.	Complies.
7.3 The board should disclose whether it has received assurance from the managing director (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Board has received a statement from the Managing Director and Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Complies.

COMPLIANCE WITH THE ASX CORPORATE GOVERNANCE COUNCILS PRINCIPLES AND RECOMMENDATIONS (CONT'D)

Principles and Recommendations		Current Practice	Compliance Statement
Principle 7: Recognise and Manage Risk (Cont'd)			
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	The Board has adopted a risk management policy, a copy of which is available on the Company's website.	Complies.
Principle 8: Remunerate fairly and responsibly			
8.1	The board should establish a remuneration committee.	The Board has established a remuneration committee.	Complies.
8.2	The remuneration committee should be structured so that is consists of a majority of independent directors, is chaired by an independent chair and has at least three members.	Mr Andrew Matheson is an independent, non-executive director. The committee consists of two non-executive directors and Mr Matheson has assumed the role of the chairman of the committee.	Does not comply as the Company's full Board consisted of only three members, including an executive director.
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The remuneration committee oversees all matters relating to remuneration and distinguishes the structure required by principle 8.3.	Complies.
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	The guidelines for Principle 8 state that non-executive directors should not receive options or bonus payments.	Complies as no options under issue to non executive directors.

COUGAR ENERGY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Notes	30 June 2013 $	30 June 2012 $
ASSETS			
Current Assets			
Cash and cash equivalents	10	1,230,718	2,474,460
Trade and other receivables	11	123,400	829,283
Other financial assets	12	1,179,264	1,237,741
Total Current Assets		**2,533,382**	**4,541,484**
Non-Current Assets			
Exploration and evaluation assets	13	1,563,600	913,619
Property, plant and equipment	14	191,478	380,717
Intangible assets	15	433,359	514,378
Total Non-Current Assets		**2,188,437**	**1,808,714**
TOTAL ASSETS		**4,721,819**	**6,350,198**
LIABILITIES			
Current Liabilities			
Trade and other payables	17	895,300	552,971
Borrowings	18	-	233,410
Provisions	19(a)	1,297,415	1,331,762
Total Current Liabilities		**2,192,715**	**2,118,143**
Non-Current Liabilities			
Borrowings	18	-	24,080
Provisions	19(b)	-	5,269
Total Non-Current Liabilities		**-**	**29,349**
TOTAL LIABILITIES		**2,192,715**	**2,147,492**
NET ASSETS		**2,529,104**	**4,202,706**
EQUITY			
Contributed equity	20	73,454,623	71,771,316
Reserves		(29,189)	(24,324)
Accumulated losses		(70,866,394)	(67,563,955)
Total Equity Attributable to Equity Holders of the Parent Entity		**2,559,040**	**4,183,037**
Add minority interests in the net assets of controlled entities		(29,936)	19,669
TOTAL EQUITY		**2,529,104**	**4,202,706**

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

COUGAR ENERGY LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Year Ended 30 June 2013 $	Year Ended 30 June 2012 $
REVENUE	5	**102,344**	**293,682**
EXPENSES			
Communication costs		171,588	184,330
Depreciation and amortisation		154,460	231,752
Employee benefits expense		1,759,223	1,505,427
Finance costs		-	181
Insurance expenses		116,533	139,283
Impairment expenses	13	593,842	793,981
Professional fees		757,911	1,163,670
Securities quotation fees		66,928	78,261
Tenancy & Other costs		107,620	265,045
Travel costs		200,229	171,747
Total Expenses		**3,928,334**	**4,533,677**
LOSS BEFORE INCOME TAX		**(3,825,990)**	**(4,239,995)**
Income Tax Benefit	8	473,476	682,611
TOTAL LOSS AFTER INCOME TAX FOR THE YEAR		**(3,352,514)**	**(3,557,384)**
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX			
Items that may be subsequently reclassified to profit & loss			
Movement in exchange in the translation of foreign operations		(10,403)	7,764
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		(10,403)	7,764
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(3,362,917)**	**(3,549,620)**
(Loss) for the year is attributable to:			
Non-Controlling interests		(50,075)	(13,911)
Owners of Cougar Energy Limited		(3,302,439)	(3,543,473)
		(3,352,514)	(3,557,384)
Total comprehensive income for the year is attributable to:			
Non-Controlling interests		(49,605)	(13,814)
Owners of Cougar Energy Limited		(3,313,312)	(3,535,806)
		(3,362,917)	(3,549,620)

		Cents	Cents
Basic earnings (loss) per share	24	(0.24)	(0.31)
Diluted earnings (loss) per share	24	(0.24)	(0.31)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

COUGAR ENERGY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

Consolidated	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 $	Total Equity $
Balance at 01-07-2012	**71,771,316**	**-**	**(24,324)**	**(67,563,955)**	**4,183,037**	**19,669**	**4,202,706**
Comprehensive Income Transactions							
Loss after tax for the period	-	-	-	(3,302,439)	(3,302,439)	(50,075)	(3,352,514)
Other comprehensive income							
Movement in the FCTR	-	-	(10,873)	-	(10,873)	470	(10,403)
Total Comprehensive Income	**-**	**-**	**(10,873)**	(3,302,439)	**(3,313,312)**	**(49,605)**	**(3,362,917)**
Transactions with Owners in their Capacity as Owners							
(a) Contributions by Owners							
New ordinary share issues	1,776,411	-	-	-	1,776,411	-	1,776,411
Ordinary share issue costs	(93,104)	-	-	-	(93,104)	-	(93,104)
Transfer of Reserves							
Share-based payments	-	6,008	-	-	6,008	-	6,008
(b) Distributions to Owners							
Dividends paid	-	-	-	-	-	-	-
(c) Changes in Ownership Interests in Group Entities							
Accumulated losses adjustment due to ownership interest change	-	-	-	-	-	-	-
Non-controlling interest in group entity share issues	-	-	-	-	-	-	-
Total Transactions with Owners	**1,683,307**	**6,008**	**-**	**-**	**1,689,315**	**-**	**1,689,315**
Balance at 30-06-2013	**73,454,623**	**6,008**	**(35,197)**	**(70,866,394)**	**2,559,040**	**(29,936)**	**2,529,104**

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 2013

Consolidated	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 $	Total Equity $
Balance at 01-07-2011	**71,155,209**	**257,830**	**(31,991)**	**(64,278,312)**	**7,102,736**	**33,483**	**7,136,219**
<u>Comprehensive Income Transactions</u>							
Loss after tax for the period	-	-	-	(3,543,473)	(3,543,473)	(13,911)	(3,557,384)
Other comprehensive income							
Movement in the FCTR	-	-	7,667	-	7,667	97	7,764
Total Comprehensive Income	**-**	**-**	**7,667**	**(3,543,473)**	**(3,535,806)**	**(13,814)**	**(3,549,620)**
<u>Transactions with Owners in their Capacity as Owners</u>							
(a) Contributions by Owners							
Convertible Note -Equity	141,590	-	-	-	141,590	-	141,590
New ordinary share issues	450,000	-	-	-	450,000	-	450,000
Unissued Equity	100,000	-	-	-	100,000	-	100,000
Ordinary share issue costs	(75,483)	-	-	-	(75,483)	-	(75,483)
Transfer of Reserves							
Management Options	-	(257,830)	-	257,830	-	-	-
(b) Distributions to Owners							
Dividends paid	-	-	-	-	-	-	-
(c) Changes in Ownership Interests in Group Entities							
Accumulated losses adjustment due to ownership interest change	-	-	-	-	-	-	-
Non-controlling interest in group entity share issues	-	-	-	-	-	-	-
Total Transactions with Owners	**616,107**	**(257,830)**	**-**	**257,830**	**616,107**	**-**	**616,107**
Balance at 30-06-2012	**71,771,316**	**-**	**(24,324)**	**(67,563,955)**	**4,183,037**	**19,669**	**4,202,706**

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

COUGAR ENERGY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Year Ended 30 June 2013 $	Year Ended 30 June 2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from rentals		-	81,263
Payments to suppliers and employees		(2,895,227)	(3,494,745)
Interest received		104,457	208,530
Income tax refund		1,156,087	-
Net cash (outflow) from operating activities	**22**	**(1,634,683)**	**(3,204,952)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for security deposits on long-term tenancies		(9,023)	(8,202)
Payments for property, plant and equipment		(26,317)	(8,774)
Payments for exploration and evaluation assets		(1,162,803)	(658,835)
Proceeds from financial assets		67,500	-
Proceeds from sales of property, plant and equipment		71,218	460,940
Net cash (outflow) from investing activities		**(1,059,425)**	**(214,871)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from ordinary shares issued		1,543,000	450,000
Proceeds from convertible note		-	375,000
Proceeds from unissued ordinary shares		-	100,000
Payments for share issue transaction costs		(93,104)	(75,483)
Net cash inflow from financing activities		**1,449,896**	**849,517**
Net (decrease) in cash and cash equivalents		(1,244,212)	(2,570,306)
Cash and cash equivalents at the beginning of the financial year		2,474,460	5,043,046
Effects of exchange rate changes on cash and cash equivalents		470	1,720
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**10**	**1,230,718**	**2,474,460**

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

NOTE 1: GENERAL INFORMATION

The financial report covers Cougar Energy Limited as a consolidated entity consisting of Cougar Energy Limited and the entities it controlled. The financial report, presented in Australian dollars, consists of financial statements, notes to the financial statements and the directors' declaration.

Cougar Energy Limited is a listed public company (ASX trading code of 'CXY') limited by shares incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 1002, Level 10,
530 Little Collins Street,
Melbourne, Victoria, 3000
Australia.

The Company's principal activities were the identification and development of underground coal gasification (UCG) projects in Asia and the identification and development of conventional coal projects in Australia.
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The financial report of Cougar Energy Limited (the 'Company') for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the Directors as per the date of signature on the Directors declaration.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001, as appropriate for profit oriented entities. These financial statements also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

The financial statements have been prepared on an accruals basis and are based on the historical costs convention modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. The financial statements are presented in Australian dollars. In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 9.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a high degree of judgement and complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in Note 2(b).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Adoption of New, revised or amending Accounting Standards and Interpretations

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity and have been adopted:

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income

The consolidated entity has applied AASB 2011-9 amendments from 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be "recycled" to profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The amendments also introduced the term 'Statement of profit or loss and other comprehensive income' clarifying there are two discrete sections, the profit or loss section and other comprehensive income section.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2013. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and 2012-6 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2015 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2015 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 10 Consolidated Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 may have an impact where the consolidated entity has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity.

New Accounting Standards and Interpretations not yet mandatory or early adopted (Cont'd)

AASB 12 Disclosure of Interests in Other Entities

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the consolidated entity such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 127 Separate Financial Statements (Revised),AASB 128 Investments in Associates and Joint Ventures (Reissued)

These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make changes to the accounting for defined benefit plans and the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. The later will require annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The adoption of the revised standard from 1 July 2013 is expected to reduce the reported annual leave liability of the consolidated entity.

AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039

This amendment is applicable to annual reporting periods beginning on or after 1 January 2013. The amendment removes reference in AASB 1048 following the withdrawal of Interpretation 1039. The adoption of this amendment will not have a material impact on the consolidated entity.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2014 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period, the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the consolidated entity.

New Accounting Standards and Interpretations not yet mandatory or early adopted (Cont'd)

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity.

Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine and AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20

This interpretation and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The Interpretation clarifies when production stripping costs should lead to the recognition of an asset and how that asset should be initially and subsequently measured. The Interpretation only deals with waste removal costs that are incurred in surface mining activities during the production phase of the mine. The adoption of the interpretation and the amendments from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The disclosure requirements of AASB 7 'Financial Instruments: Disclosures' (and consequential amendments to AASB 132 'Financial Instruments: Presentation') have been enhanced to provide users of financial statements with information about netting arrangements, including rights of set-off related to an entity's financial instruments and the effects of such rights on its statement of financial position. The adoption of the amendments from 1 July 2013 will increase the disclosures by the consolidated entity.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of "currently has a legally enforceable right of set-off"; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 (IFRS 1) 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities. The adoption of the amendments from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments

These amendments are applicable to annual reporting periods beginning on or after 1 January 2013. They amend AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of these amendments will not have a material impact on the consolidated entity.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Going Concern

The consolidated entity has incurred a net loss attributable to the owners of Cougar Energy Limited of $3,302,439 (30 June 2012: loss of $3,543,473) and had cash outflows from operating activities of $1,634,683 (30 June 2012: outflows of $3,204,952).

These conditions give rise to a material uncertainty which may cast significant doubt over the consolidated entity's ability to continue as a going concern.

The financial report has been prepared on a going concern basis for the following reasons:

- At 30 June 2013, the consolidated entity had cash and cash equivalents of $1,230,718.
- The Company has prepared cash flow budgets which include cash outflows for project expenditure, which can be deferred wholly or in part if insufficient capital is raised to fund that activity.
- The Company has reduced its operating cost base and reduced staff numbers.
- The Company expects in the short term the monetisation of the following assets and reimbursements of cash amounts as follows:
    a. a refund of expenses which qualify under the Federal Government's R&D tax rebate incentive scheme;
    b. a refund of part of the bond lodged with Ergon Energy for the construction of power supply infrastructure for the Kingaroy site, and
    c. proceeds of sales of plant and equipment from the Kingaroy site.
- In the event that any of the items a, b or c do not materialise in the near future, and given that the Company has conducted two on-market capital raisings in the calendar year 2013, the Board is of the opinion that, subject to satisfactory market conditions, the consolidated entity will be able to access equity capital markets for working capital.

The consolidated entity's ability to continue as a going concern will rely upon successful capital raisings in the future for its on-going funding. Should the Company not be able 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 the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern.

The Directors believe that the consolidated entity will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Critical Accounting Estimates and Judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. These estimates and associated assumptions are based on historical experience and other various factors, including expectations of future events management believes to be reasonable under the circumstances. The resulting accounting judgments and estimates will, by definition, seldom equal the related actual results. The judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Share-Based Payment Transactions
The Company measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes Model. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity. The Company measures the cost of cash-settled share-based payments at fair value at the grant date using the Black-Scholes formula for taking into account the terms and conditions upon which the instruments were granted.

(ii) Recovery of Deferred Tax Assets
Deferred tax assets resulting from unused tax losses are only recognised to the extent that management considers it is probable that future tax profits will be available to utilise the unused tax losses.

(iii) Impairment of Exploration and Evaluation Assets
The previously responsible Queensland Government Department of Environment and Resource Management (DERM) suspended operations at the Kingaroy pilot plant site in July 2010 by operation of an Environmental Protection Order (EPO). Due to the EPO imposed on the Kingaroy site and the serving of a Notice of Proposed Action by DERM on the Company on 28 January 2011, the Company took the decision to impair (write down) the value of the Kingaroy Assets in the 2011 financial year.

DERM has also issued to the Company an amended Environmental Authority dated 7 July 2011 and effective 19 July 2011 which does not allow any operations on the Kingaroy site.

In light of the situation at the Company's Kingaroy Queensland site and because of uncertainties with the Queensland Government's UCG Policy, the Company also has partially impaired (written down) the value of its Wandoan exploration asset, representing only the portion of UCG related exploration expenditure that has been capitalised but not generic expenditure relating to exploration costs to proving and testing of overall coal resources. The assessment was based on the present situation in relation to the UCG industry in Queensland and the Company being limited in its ability to carry on UCG operations and activities.

The Company continues to classify expenditures in relation to these sites as impairment expenses.

(iv) Intangible Assets
The Company has previously capitalised (recognised as an intangible asset) the licence fees paid to Ergo Exergy Technologies, Inc. which grants the Company access to the technology partnership arrangements. The Company is of the view that this is a general licence and not site specific and therefore no impairment is required to the current amounts stated in the financial statements.

(v) Useful lives of assets
The Company has made estimates of the useful lives of the plant and equipment and other assets based on assumptions of ongoing projects or transferability to other projects. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated, or when technically obsolete or non-strategic assets are abandoned at which time they will be written down to recoverable value.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Critical Accounting Estimates and Judgments (Cont'd)

(vi) Provision for Restoration – Estimate and Classification (Kingaroy)
The Company has in previous reporting periods provided for in the financial statements and classified as a long term liability provision its estimate of the rehabilitation of the surface at Kingaroy as part of the licence conditions at Kingaroy. The Company has assumed, based on current knowledge, that rehabilitation works at surface level at Kingaroy would commence no earlier than late 2013 or in early 2014.

At the date of the previous (2012) Annual Report the Company had received notice from the responsible Queensland Department (DERM) that it was to only decommission and rehabilitate the underground cavity at Kingaroy.

Since the discontinuation of the civil legal proceedings in Queensland, the Company is currently in discussions with the now responsible Queensland Department (Department of Environment and Heritage Protection [DEHP]) as to the requirements of rehabilitation of the entire Kingaroy site including the underground cavity as well as the timing thereof.

The Company has made a provision for the costs of these works. The final costs of these works will not be known until after the discussions with DEHP have concluded. The Company has a bond lodged in favour of the Queensland Government for the satisfactory completion of the works.

The amended Environmental Authority also requires a groundwater monitoring program to be developed and implemented for the site, which the Company has implemented. The Company increased the provision in 2011 taking into account the possible costs of rehabilitating the underground cavity (not previously included) as well as the increased cost for the surface works. It took advice and estimates from third parties but not DERM when calculating this estimate.

The Company lists all of the provision as a current liability, although at this time it is uncertain how much of the works will be required to be completed and the timing of such works as a result of the amended Environmental Authority issued by DERM.

(c) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Cougar Energy Limited (''Company'' or ''Parent Entity'') as at 30 June 2013 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are variously referred to in these financial statements as the 'Group' or the 'Consolidated Entity'. Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Principles of Consolidation (Cont'd)

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement profit or loss and other comprehensive income and the statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in the profit or loss and other comprehensive income statement.

(d) Business Combinations

Investments in subsidiaries are accounted for at cost in the separate financial statements of the parent company. Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the consolidated entity in exchange for control of the acquiree to the business combination. All acquisition costs are expensed as incurred to profit or loss (statement of profit or loss and other comprehensive income).

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If, after reassessment, the consolidated entity's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss as a bargain purchase.

(e) Impairment of Assets

At each reporting date, the Directors review the carrying values of tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value-in-use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. The policy as specifically applicable in relation to impairment for exploration assets is discussed at note 2(q).

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The amount of the impairment write down for assets carried at cost will be expensed through the statement of profit or loss and other comprehensive income statement.

(f) Property, Plant and Equipment

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations, by external independent valuers, less subsequent depreciation and impairment for buildings.

Plant and equipment are stated at historical cost less accumulated depreciation and impairment.

(i) Depreciation
The depreciable value of all fixed assets are depreciated on a straight-line basis over their estimated useful lives to the economic entity commencing from the time the asset is held ready for use. The useful lives used for each class of depreciable assets are:

Asset Class	**Useful Life (years)**
Buildings	10 - 40
Equipment	2 - 10
Office equipment and furniture	2 - 10
Plant	2 - 30

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial Instruments

(i) Recognition and Initial Measurement
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to the statement of profit or loss and other comprehensive income immediately. Financial instruments are classified and measured as set out below.

(ii) De-Recognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement
Financial Assets at Fair Value through Profit or Loss
Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short-term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss (statement of profit or loss and other comprehensive income) in the period in which they arise.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention and ability to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Financial Liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

(iii) Fair value
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

(iv) Impairment
At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Foreign Currency Translation

Foreign currency transactions are translated to Australian dollars at the rates of exchange prevailing at the dates of the transactions. Amounts receivable and payable in foreign currencies are translated at the rate of exchange ruling at reporting date. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity. The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

(i) Trade and Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that Cougar Energy will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(j) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days.

(k) Revenue Recognition

Interest revenue is recognised as interest accrues on a proportional basis, taking into account the interest rates applicable to the financial assets.

(l) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(m) Income Tax

Income taxes are accounted for using the comprehensive balance sheet liability method whereby:

(i) the tax consequences of recovering and settling all assets and liabilities are reflected in the financial statements;
(ii) current and deferred tax is recognised as income or expense except to the extent that the tax relates to equity items or to a business combination;
(iii) a deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to realise the asset;
(iv) deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled; and
(v) A deferred income tax asset is recognised to record the tax effected value of any unused tax losses.

The Company is eligible to participate in the Research and Development (R&D) tax incentive scheme to potentially obtain a tax rebate or credits equivalent to the entitlements under the R & D Tax Concession operating at the time. These are only recognised when it is probable that it is to be available to be offset against future profits or actual cash payment is received.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except: (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or (ii) for receivables and payables which are recognised inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(o) Issued Capital

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

(p) Share-Based Payment Transactions

Equity-Settled Transactions
The Group provides benefits in the form of share-based payments to Directors and senior executives. These personnel render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options over unissued ordinary shares was determined using a Black-Scholes options pricing model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

(i) the extent to which the vesting date has expired, and
(ii) the Group's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

The income or expense for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the calculation of earnings per share.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Exploration and Evaluation Assets

Costs incurred during the exploration, evaluation and development stages of specific areas of interest are capitalised. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Expenditure is carried forward as an asset where it is expected to be fully recouped through the successful development of the area, or where activities to date have not yet reached a stage to allow adequate assessment regarding existence of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest the carrying amount exceeds recoverable amount. Such facts and circumstances which may lead to an impairment evaluation include: expiration of the rights of tenure; there are no future plans for further expenditure; sufficient data exists which indicates the project is not commercially viable; development is unlikely to recover the full carrying value of exploration and evaluation. Recoverable amount is calculated as the higher of fair value less cost to sell and value-in-use. Recoverable amount may be calculated with reference to the cashflows from successful development and commercial exploitation, or alternatively, sale of respective areas.

No amortisation is provided in respect of projects in the exploration, evaluation and development stages until they are reclassified as production properties.

(r) Intangible Assets

All intangible assets are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over its estimated life. Amortisation commences when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The amortisation period and the amortisation method for an intangible asset is reviewed at least at the end of each reporting period. If the expected useful life of the asset is different from the previous estimates, the amortisation shall be changed accordingly. Such changes are accounted for as changes in accounting estimates.

(s) Rehabilitation and Restoration Costs

Significant uncertainty exists as to the amount of rehabilitation obligations that will be incurred due to the impact of potential changes in environmental legislation and many other factors, including future developments on projects, changes in technology, price increases and changes in interest rates, which may impact the discounting of future cash flow.

The amount of the provision relating to rehabilitation of UCG infrastructure and dismantling obligations is recognised at the time of construction of the assets where a legal or constructive obligation exists at that time. The provision is recognised as a current or non-current liability as appropriate.

At each reporting date, the rehabilitation liability is remeasured in line with changes in discount rates and timing or amounts of the costs to be incurred. Rehabilitation and restoration provisions are adjusted for changes in estimates. Adjustments to the estimated amount and timing of future rehabilitation and restoration cash flows are a normal occurrence in light of the significant judgements and estimates involved. Changes in the liability relating to rehabilitation of UCG infrastructure and dismantling obligations are added to or deducted from the related asset other than the unwinding of the discount which is recognised as a finance cost in the income statement.

Restoration costs recognised in respect of areas of interest in the exploration and evaluation stage are carried forward as exploration, evaluation and development expenditure.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Leases

Leases of property, plant and equipment where the Company as lessee, has substantially all the risks and benefits incidental to ownership of the asset, are classified as finance leases. Finance leases are capitalised, and recorded as an asset and a liability equal to the present value of the minimum lease payments, including any residual payments as determined by the lease contract. Leased assets are amortised on a straight-line basis over the estimated useful lives where it is likely that the Company or consolidated entity will obtain legal ownership of the asset on expiry of the lease. Lease payments are allocated over both the lease interest expense and the lease liability.

Lease payments for operating leases where the substantial risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(u) Non-Current Assets (or Disposal Groups) Held for Sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less selling costs, except for those assets that are specifically exempted from this requirement.

(v) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of twelve months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

(w) Employee Benefits

(i) Salaries and Annual Leave
Liabilities for salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when liabilities are settled.

(ii) Long Service Leave
The liability for long service leave is recognised in the non-current provisions for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up until the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(x) Segment Reporting

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Board of Directors. The Board is responsible for the allocation of resources to operating segments and assessing their performance.

(y) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Cougar Energy Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the financial year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

NOTE 3: CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2. Cougar Energy Limited's direct and indirect ownership interests in each its subsidiaries are set out below. Whilst Cougar Energy Limited only has a 47.80% (2012: 47.80%) interest in Cougar Energy (UK) Limited, it still retains effective control of that entity. It has previously consolidated Cougar Energy (UK) Limited by virtue of the fact that the Company has received qualified undertakings from directors and shareholders common to both companies that they will vote on any resolutions put to members of Cougar Energy (UK) Limited in the same way that Cougar Energy Limited votes. This was the case until 8 March 2013. The common directors have resigned from the Company and Cougar Energy (UK) Limited. .

At the date of this report, whilst there are no longer common directors of the Company and Cougar Energy (UK) Limited, the Company remains the largest shareholder. By virtue of its shareholding the Company the Company has the ability to appoint Directors and being the largest creditor allows the Company to exert control on Cougar Energy (UK) if it chooses. Therefore Cougar Energy (UK) is still considered a controlled entity.

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 2013 %	30 June 2012 %
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%	47.80%
Cougar Energy Pakistan (Private) Ltd (**)	18-03-2008	Pakistan	Ord shares	-	47.80%
Cougar Energy Mongolia LLC	03-08-2011	Mongolia	Ord shares	100.00%	100.00%
Cougar Energy Asia Holdings Ltd	09-02-2012	Australia	Ord shares	100.00%	100.00%
Cougar Energy Asia Ltd	29-02-2012	Hong Kong	Ord shares	100.00%	100.00%
Cougar Energy Hong Kong Ltd (***)	07-03-2012	Hong Kong	Ord shares	-	100.00%
Cougar Energy Singapore Pte Ltd	16-07-2012	Singapore	Ord shares	100.00%	-
Kandoman Resources Pty Ltd	05-10-2012	Australia	Ord Shares	100.00%	-

(*) = The proportion of ownership interest is equal to the proportion of voting power held.
(**) = Cougar Energy Pakistan (Private) Ltd is 100% owned by Cougar Energy (UK) Ltd and was deregistered in the financial year.
(***) = Deregistered during the financial year.

Parent Entity
Cougar Energy Limited ('CXY') is the parent entity for all of the entities listed above. It has no immediate or ultimate parent entity.

NOTE 4: FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure the different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk. The Board of the Parent Entity reviews and approves policies for managing each type of financial risk to which the Group is exposed. A summary of the Group's financial instruments is set out below.

NOTE 4: FINANCIAL RISK MANAGEMENT (CONT'D)

	Notes	Consolidated Group 2013 $	2012 $
Financial Assets			
Cash and cash equivalents	10	**1,230,718**	2,474,460
Trade and other receivables	11	**123,400**	829,283
Other financial assets	12	**1,179,264**	1,237,741
Total Financial Assets		**2,533,382**	4,541,484
Financial Liabilities			
Borrowings	18	**-**	257,490
Trade and other payables	17	**895,300**	552,971
Total Financial Liabilities		**895,300**	810,461
Net Financial Assets		**1,638,082**	3,731,023

(a) Market Risk

(i) Foreign Currency Risk

Currency risk involves the risk that the fair value or future cash flows of a financial instrument (asset or liability) will fluctuate because of changes in foreign exchange rates. Controlled entities within the company operate internationally and are exposed to foreign exchange risk arising from various currency exposures, but primarily with respect to the United States (USD), United Kingdom's pound (GBP) and the Pakistani Rupee (PKR) as well the Chinese Reminbi (RMB). The company's foreign exchange risk arises from future commercial transactions and recognised assets and liabilities of controlled entities that are not denominated in the Parent Entity's functional and presentation currency, being Australian dollars (AUD). As a result of these overseas operations, the company's results can be affected by movements in the USD/AUD, RMB/AUD, GBP/AUD and SGD/AUD exchange rates. The company does not have a formal policy or strategy implemented to mitigate the effects of this foreign currency exposure. The majority of the Group's foreign currency operations occur within controlled entities located in foreign countries, foreign currency risk is considered to be an inherent risk of the Group. The Group's exposure to foreign currency risk at the reporting date, expressed in Australian dollars (AUD) is set out below. A rate of 15% has been applied to the current and prior year.

	Primary Currency Exposure	Consolidated Group 2013 $	2012 $
Financial Assets			
Cash and cash equivalents	GBP	**1,729**	16,775
Cash and cash equivalents	USD	**-**	101,612
Trade and other receivables	GBP	**81**	1,775
Trade and other receivables	PKR	**-**	75
Other financial assets	GBP	**-**	1,969
Total Financial Assets		**1,810**	122,206
Financial Liabilities			
Trade and other payables		**-**	-
Total Financial Liabilities		**-**	-
Net Financial Assets exposed to Foreign Currency Risk		**1,810**	122,206

NOTE 4: FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market Risk (Cont'd)

	Primary Currency Exposure	Notes	Consolidated Group 2013 $	2012 $
Sensitivity Analysis				
Effect on Loss after Income Tax				
Higher / (Lower)				
15% increase in exchange rates	GBP		-	-
	PKR		-	-
15% decrease in exchange rates	GBP		-	-
	PKR		-	-
Effect on Equity				
Higher / (Lower)				
15% increase in exchange rates	GBP		**272**	3,078
	USD		-	15,238
	PKR		-	11
Total effect of an increase in rates			**272**	18,327
15% decrease in exchange rates	GBP		**(272)**	(3,078)
	USD		-	(15,238)
	PKR		-	(11)
Total effect of an decrease in rates			**(272)**	(18,327)

Rates are recorded in a foreign currency translation reserve which forms part of the Group's total equity upon consolidation.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument (asset or liability) will fluctuate because of changes in market interest rates. The Group's main exposure to interest rate risk stems from its cash balances (including term deposits) and short-term borrowings. The Group's cash balances and short-term borrowings are subject to variable rates and expose the Group to cash flow interest rate risk. The Group's term deposits whilst subject to fixed rates have also been treated as though they are subject to variable rates, as each deposit is fixed typically for no more than three months. Given the relatively short period that these deposits are invested for, the Group's exposure to fair value interest rate risk is minimal. As at the reporting date, the Group therefore had the following variable rate cash balances and borrowings.

	Notes	Consolidated Group 2013 $	2012 $
Financial Assets			
Cash and cash equivalents	10	**1,230,718**	2,474,460
Other financial assets (term deposits)	12	**1,179,264**	1,237,741
Total Financial Assets		**2,409,982**	3,712,201
Financial Liabilities			
Borrowings	18	-	257,490
Total Financial Liabilities		-	257,490
Net Financial Assets Exposed to Cash Flow Interest Rate Risk		**2,409,982**	3,454,711
Sensitivity Analysis			
Effect on Loss after Income Tax – Higher/(Lower)			
1% increase in interest rates		**23,782**	34,547
1% decrease in interest rates		**(23,782)**	(34,547)
Effect on Equity – Higher/(Lower)			
1% increase in interest rates		**23,782**	34,547
1% decrease in interest rates		**(23,782)**	(34,547)

NOTE 4: FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market Risk (Cont'd)
The equity account affected by the above movement in interest rates is accumulated losses.

The Group constantly analyses its interest rate opportunity and exposure, taking into account its existing positions and alternative deposit strategies using a combination of fixed and variable interests rates. The movement in losses after income tax is due to the higher/lower amount of interest received. As the Group does not have any derivative financial instruments, the movements in equity relate solely to accumulated losses. A one percent (1%) movement in interest rates has been selected because this is historically within the range of interest rate movements experienced by the Group. The same interest rate movement has been applied to all deposit amounts, including those denominated in foreign currencies.

(iii) Other Price Risk
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Apart from the foreign currency and interest rate risks identified above, the Group does not have exposure to any other types of market price risk.

(b) Credit Risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk therefore, arises from the financial assets of the Group, which comprise its cash and cash equivalents and its trade and other receivables. The Group's exposure to credit risk arises from the potential default of a counter party, with its maximum exposure being equal to the carrying amount of the respective financial assets identified at the start of this financial risk management note. The Group also faces credit risk in relation to the financial guarantees it has given to certain parties. All guarantees are secured by letters of set-off over term deposits pledged as security to potentially meet any of these guarantees. The guarantees will only become payable if the Group fails to fulfil its obligations to those third parties to whom they have been given.

The Parent Entity has made loans to certain controlled entities to fund UCG project development. Unless a determination is made that any of these projects are not viable or deemed as not recoverable, all inter-group loans are considered recoverable. No interest is charged on these loans. The Group does not hold any credit derivatives to offset its credit exposure. The Group's exposure to credit risk as at the reporting date, is identified in each applicable note to these financial statements. The Group does not have any significant concentrations of credit risk.

(c) Liquidity Risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. In relation to the Consolidated Group, liquidity risk is the risk that the Group, although balance sheet solvent, cannot meet or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so on materially disadvantageous terms.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has developed an appropriate framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and capital raising initiatives based on continuous monitoring of forecast and actual cash flows.

(i) Financing Arrangements
Apart from a corporate credit card facility, with a current usage limit of $11,000 (2012: $ 9,000), the balance of which is direct debited to a nominated bank account each month, the Group does not have any undrawn borrowing facilities at the end of each financial year. The credit card facility is secured by a letter of set-off over a term deposit for an amount that corresponds with the facility limit.

NOTE 4: FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity Risk (Cont'd)

(ii) Maturities of Financial Liabilities
All of the financial liabilities presented below mature within twelve months from the end of each financial year. The amounts represent the contractual undiscounted cash flows required to be made.

		Consolidated Group	
		2013	2012
	Notes	**$**	$
Financial liabilities			
Trade and other payables	17	**895,300**	552,971
Borrowings	18	**-**	257,490
Total financial liabilities subject to liquidity risk		**895,300**	810,461

(d) Fair Value of Financial Instruments
Fair value is the amount for which, an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying value of each class of financial asset and liability presented at the start of this financial risk management note, is assumed to approximate its fair value due to the short-term nature of all of those assets and liabilities. The methods used for estimating their fair value has been outlined in the relevant notes to these financial statements.

		Consolidated Group	
		2013	2012
	Notes	**$**	$
NOTE 5: REVENUE			
Revenue from Continuing Operations			
Interest received		**102,344**	212,415
Rental Income		**-**	81,263
Other income		**-**	4
Revenue		**102,344**	293,682

NOTE 6: INVESTMENTS IN NON CONTROLLED ENTITIES

No investments during the period (2012: The joint venture arrangement with Queensland Methane expired during the period).

	Notes	Consolidated Group 2013 $	2012 $
NOTE 7: EXPENSES			
(a) Loss before Income Tax from Continuing Operations includes the following specific expenses:			
Depreciation of property, plant and equipment		**154,460**	231,752
Employee Expenses			
Share-based Payments		**6,008**	-
Rental expense relating to operating leases			
Minimum lease payments		**21,313**	187,494
Assets written off or disposed			
Property, plant and equipment		**48,023**	40,397
NOTE 8: INCOME TAX EXPENSE			
(a) Income Tax Benefit (Expense)			
Current income tax		**473,476**	682,611
Deferred income tax expense		**-**	-
Income Tax Benefit		**473,476**	682,611

	Notes	Consolidated Group 2013 $	2012 $
NOTE 8: INCOME TAX EXPENSE (CONT'D)			
(b) Numerical Reconciliation of Income Tax Benefit to Prima Facie Tax Payable			
Loss from continuing operations		**(3,825,990)**	(4,239,995)
Total loss before income tax for the year		**(3,825,990)**	(4,239,995)
Tax at the Australian tax rate of 30% (2012: 30%)		**(1,147,797)**	(1,271,999)
Add/(less) the tax effect of amounts which are not deductible/(assessable) in calculating taxable income:			
Amortisation of key employment contracts		**-**	(59,955)
Entertainment expenses		**2,829**	1,427
Share-based payments		**1,802**	-
Share issue costs recognised directly in equity		**(27,932)**	-
Other deductible expenses		**-**	(44,122)
Impairment of exploration assets		**170,000**	347,923
Deferred tax assets not brought to account		**994,484**	1,026,202
		(6,614)	(524)
Differences in overseas corporate tax rates		**6,614**	524
R&D tax offset received		**(473,476)**	(682,611)
Total income tax benefit		**(473,476)**	(682,611)
(c) Unused Tax Losses Not Recognised as a Deferred Tax Asset			
Taxable value of unused tax losses for which no deferred tax asset has been recognised:			
Tax losses on capital account		**516,863**	516,863
Tax losses on revenue account		**16,788,625**	13,956,943
Total unrecognised tax losses carried forward		**17,305,488**	14,473,806
Potential tax benefit of losses @ 30% (2012: 30%)		**5,191,646**	4,342,142

	Notes	Consolidated Group 2013 $	2012 $
NOTE 8: INCOME TAX EXPENSE (CONT'D)			
(d) Unrecognised temporary differences in relation to investments in controlled entities			
Taxable value of temporary differences relating to investments in controlled entities for which no deferred tax assets or liabilities have been recognised:			
Foreign currency translation reserve		**(35,197)**	(24,324)
Undistributed losses		**(728,270)**	(728,270)
Total unrecognised temporary differences (Deferred Tax assets)		**(763,467)**	(752,594)
Potential tax asset / (liability) relating to unrecognised temporary difference @ 30% (2012: 30%)		**229,040**	225,778

A deferred tax asset has not been recognised in relation to temporary differences arising from the translation of the financial statements of overseas controlled entities. The deferred tax asset will only arise in the event of the disposal of these entities.

The Group's controlled entities also have undistributed losses. As the Parent entity controls the distribution of these losses, no deferred tax asset has been recognised as it is not expected to distribute these losses in the foreseeable future.

(e) Australian tax consolidation legislation

The Parent Entity and its Australian controlled entities have been consolidated for income tax purposes. The entities involved in this consolidation have not entered into any tax funding arrangements. There were no tax-consolidated contributions by (or distributions to) equity participants within the tax consolidated group during the financial year.

NOTE 9: PARENT ENTITY INFORMATION

As at and throughout the financial year ended 30 June 2013 the parent company of the Group was Cougar Energy Limited. The financial position and result of the parent entity are detailed below.

	2013 $	2012 $
Information relating to Cougar Energy Limited:		
Total current assets	**2,531,709**	4,520,549
Total assets	**5,036,486**	6,652,431
Total current liabilities	**2,192,714**	2,118,143
Total liabilities	**2,135,307**	2,123,412
Equity		
- Issued capital	**73,454,619**	71,771,316
- Translation reserves	**13,761**	7,578
- Accumulated losses	**(70,321,359)**	(67,249,875)
Total equity	**3,147,021**	4,529,019
Total comprehensive income	**(3,078,994)**	(3,701,234)

Parent Entity Contingencies and Commitments

The Parent Entity contingent liabilities are consistent with Note 29.

Expenditure Commitments

The Parent Entity expenditure commitments are consistent with the commitments disclosed in Note 28.

Parent Entity Guarantees in respect of Debt of its Subsidiaries

The Parent Entity has no guarantees in respect of its subsidiaries.

	Notes	Consolidated Group 2013 $	2012 $
NOTE 10: CASH AND CASH EQUIVALENTS			
Cash at bank and on hand		**564,193**	1,699,435
Term deposits securing bank guarantees given	(a)	**666,525**	775,025
Total cash and cash equivalents		**1,230,718**	2,474,460

(a) Term deposits securing Bank Guarantees

The Company has provided bank guarantees for landlord security, rehabilitation costs, power line installations and a credit card facility equal in value to the amount shown in term deposits and recorded as current assets above. These guarantees are secured by letters of set off over the term deposits shown in the statements as current assets. The term deposits have been split in order of liquidity (being defined as ease of convertibility to cash):

(i) The term deposits totalling $666,525 (2012: $775,025) being included as part of cash and cash equivalents in the Statement of Cash Flows.

(ii) Term deposits totalling $1,147,500 (2012: $1,215,000) whilst still a short-term deposit and classed a current asset is treated as less liquid and is not included in the cash balance within the Statement of Cash Flows and classed as Other Financial Assets. This is done on the basis that the term deposit is securing a bank guarantee that could potentially require considerably longer (likely more than three months but less than 12 months) to unwind and negotiate alternate arrangements.

NOTE 11: TRADE AND OTHER RECEIVABLES

		2013 $	2012 $
Other receivables		**26,484**	708,686
Interest receivable		**1,771**	3,885
Prepayments		**37,737**	83,038
Goods and Services Tax (GST) recoverable		**57,408**	33,674
Total trade and other receivables		**123,400**	829,283

Trade and other Receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. The above amounts are not past due date and therefore no amounts have been impaired. Interest may be charged at commercial rates where terms of repayment exceed six months. Security is not normally obtained.

NOTE 12: OTHER FINANCIAL ASSETS

Current Assets

	Notes	2013 $	2012 $
Security/rental tenancy deposits		**31,764**	22,741
Term deposits securing bank guarantees given	10 (ii)	**1,147,500**	1,215,000
Total other financial assets		**1,179,264**	1,237,741

	Notes	Consolidated Group 2013 $	2012 $
NOTE 13: EXPLORATION AND EVALUATION ASSETS			
(a) Kingaroy, Qld UCG Project			
Balance at the start of the financial year		**-**	-
Reclassification of assets to Property Plant & Equipment		**-**	-
Additional expenditure		**593,842**	644,808
Impairment charge for the period		**(593,842)**	(644,808)
Balance at the end of the financial year		**-**	-
(b) Wandoan, Qld UCG Project			
Balance at the start of the financial year		**893,563**	864,496
Additional expenditure		**54,935**	69,604
Impairment charge for the period		**-**	(40,537)
Balance at the end of the financial year		**948,498**	893,563
(c) Thar Desert Project, Pakistan			
Balance at the start of the financial year		**-**	98,192
Additional expenditure		-	8,804
Impairment charge for the period		**-**	(108,636)
Foreign currency translation adjustments		-	1,640
Balance at the end of the financial year		**-**	-
(d) Mackenzie, Qld			
Balance at the start of the financial year		**20,056**	3,364
Additional expenditure		**595,046**	16,692
Balance at the end of the financial year		**615,102**	20,056
Total exploration and evaluation assets		**1,563,600**	913,619

Under the Accounting Standard AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Company is required to assess for impairment if facts and circumstances indicate that impairment may exist. Due to the Environmental Protection Order imposed on the Kingaroy site in 2010 and the actions taken at the Kingaroy site by the then responsible Queensland Government Department of Environment and Resource Management (DERM), the Company had applied the provisions of this Standard from the 2011 financial year. The Company continues to apply the same treatment in the 2013 financial year and the impairment charge for the period reflects this treatment.

Exploration and development work on the Company's tenements for the purposes of commercial UCG projects have been limited to monitoring and sampling based on the Company's opinion that the prospects of obtaining approvals for a commercial UCG plant in Queensland in the next few years are slim. The Company has previously provided for an impairment to the extent of amounts relating to UCG specific activities at Wandoan. The Wandoan tenement does have the potential to be developed into a conventional underground coal mine.

NOTE 13: EXPLORATION AND EVALUATION ASSETS (CONT'D)

(e) UCG Tenements	**Licence**	**Projects**	**Grant**	**Equity Interest (%)**	
Licence Holder	**Number**	**Location**	**Date**	**2013**	2012
Cougar Energy Limited	MDL 385	Kingaroy	24-09-2009	100%	100%
Cougar Energy Limited	MDL 420	Wandoan	26-11-2012	99%	99%
Cougar Energy UCG Pty Ltd	MDL 420	Wandoan	26-11-2012	1%	1%
Cougar Energy Limited	EPC 1445/ MDLA 503/504	Mackenzie	29-06-2011	100%	100%

Legend:
EPC = Exploration Permit for Coal MDL = Mineral Development Licence MDLA = MDL Application

Kingaroy, Queensland, Australia
On 26 August 2009, the Queensland Government Department of Environment and Resource Management (DERM) granted the addition of mineral "f" to the Company's MDL 385. Mineral "f", is defined as "...a product that may be extracted or produced by an underground gasification process for coal or oil shale and any other product that may result from the carrying out of the process". The mineral "f" endorsement is required to permit the Company to carry out its pilot burn under MDL 385. Currently the plant operations have been suspended by DERM as noted elsewhere. DERM has issued an amended Environmental Authority, which has the effect of closing down the site and placing it on care and maintenance.

Wandoan, Queensland, Australia
On 26 November 2012, the Company was granted MDL420 to cover the entire footprint of MDL1118.

Mackenzie, Queensland, Australia
On 29 June 2011, the Company was granted EPC 1445 over 7 standard sub-blocks with a total area of approximately 22 square kilometres near Mackenzie Queensland. The tenancy term is three years and the land does not include any protected areas as defined under the Mineral Resources Act 1989. On 6 June, 2013 the Department of Natural Resources and Mines, Queensland confirmed that it had accepted and commenced the processing of the Company's application for a Mineral Development Licence (MDLA 503 and MDLA 504)

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

	Office Equipment & Furniture $	Plant & Equipment $	Land & Buildings $	Total Depreciable Assets $
2013 FINANCIAL YEAR				
Cost				
Cost at the start of the year	**328,918**	**555,852**	**-**	**884,770**
Additions	**26,317**	**-**	**-**	**26,317**
Disposals	**(38,874)**	**(73,379)**	**-**	**(112,253)**
Assets written off	**(151,293)**	-	-	**(151,293)**
Cost at the end of the year	**165,068**	**482,473**	**-**	**647,541**
Accumulated Depreciation				
Depreciation at the start of the year	**232,483**	**271,570**	**-**	**504,053**
Net Charge for the year	**47,061**	**107,399**	**-**	**154,460**
Disposals	**(33,752)**	**(35,230)**	**-**	**(68,982)**
Assets written off	**(133,468)**	-	-	**(133,468)**
Depreciation at the end of the year	**112,324**	**343,739**	**-**	**456,063**
Net book value at the end of the year	**52,744**	**138,734**	**-**	**191,478**
2012 FINANCIAL YEAR				
Cost				
Cost at the start of the year	320,144	585,852	459,088	1,365,084
Additions	8,774	-	-	8,774
Disposals	-	(30,000)	(459,088)	(489,088)
Cost at the end of the year	328,918	555,852	-	884,770
Accumulated Depreciation				
Depreciation at the start of the year	155,659	116,943	21,462	294,064
Net Charge for the year	77,263	154,489	-	231,752
Disposals	-	-	(21,462)	(21,462)
Foreign currency translation adjustments	(439)	138	-	(301)
Depreciation at the end of the year	232,483	271,570	-	504,053
Net book value at the end of the year	96,435	284,282	-	380,717

	Notes	Consolidated Group **2013** $	2012 $

NOTE 15: INTANGIBLE ASSETS

(a) UCG Technology General Licence

		2013 $	2012 $
Cost at the start of the year		**750,000**	**750,000**
Additions		-	-
Cost at the end of the year		**750,000**	**750,000**
Accumulated Amortisation			
Amortisation at the start of the year		**235,622**	**154,547**
Charge for the year		**81,019**	**81,075**
Amortisation at the end of the year		**316,641**	**235,622**
Net book value at the end of the year		**433,359**	**514,378**
Total net book value of all intangible assets		**433,359**	**514,378**

UCG technology general licence fees represent the fees paid to Ergo Exergy Technologies, Inc (Ergo) for Cougar Energy Limited to use Ergo's UCG technology and know-how in Australia and other countries, following the signing of a General Licence Agreement on 3 November 2008 and which was further extended in June 2012. All general licence fees incurred are amortised over the ten-year period commencing on 3 November 2008.

NOTE 16: RELATED PARTY DISCLOSURE

a) Loans to Controlled Entities

		2013 $	2012 $
Balance at the start of the financial year		**127,905**	273,993
- Additions for the year		**-**	-
- Impairment for the year		**(127,905)**	(146,088)
Total loans to controlled entities		-	127,905

Loans to controlled entities are made in the ordinary course of business, are non-interest bearing and are for an indefinite period.

b) Investments in Controlled Entities

	Notes	2013 $	2012 $
Unlisted shares in controlled entities	(i)	**-**	328,310
Less provision for impairment	(ii)	**-**	(328,310)
		-	-
(i) **Movement in Investment in controlled entities**			
Balance the start of the financial year		**6,052,761**	6,052,761
Cougar Energy UK rights Issue		**-**	-
		6,052,761	6,052,761
(ii) **Movement in the Impairment Allowance**			
Balance at the start of the financial year		**(6,052,761)**	(5,724,451)
Allowance for the year		**-**	(328,310)
Balance at the end of the financial year		**(6,052,761)**	(6,052,761)

c) Other Transactions and Balances with Key Management Personnel

An entity associated with the former Chairman Malcolm McAully (resigned 8 March 2013) 'MJ McAully Management Consulting' provided management consulting services to the Company, terms of which were agreed by the Board. Payments to Mr McAully's related entity including fees charged for serving on the Funding Committee appointed by the Board during December 2012-March 2013, have been included as part of the Remuneration Report. An entity associated the former Director Sarah-Jane Christensen (resigned 8 March 2013), Sarjan Consulting Pty Limited was paid fees charged for Ms Christensen for legal advice and serving on the Funding Committee with Mr McAully referred to above. These have been included in the Remuneration Report.

	Notes	Consolidated Group 2013 $	2012 $
NOTE 17: TRADE AND OTHER PAYABLES			
Trade payables		**613,978**	417,050
Other payables		**45**	21,343
Accrued expenses		**218,544**	77,846
Payroll-related creditors		**62,733**	36,732
Total Trade and Other Payables		**895,300**	552,971

NOTE 18: BORROWINGS

		2013	2012
Convertible Note		-	233,410
Borrowings classed as Current Liabilities		-	233,410

The Convertible Note was fully converted into fully paid ordinary shares of the Company during the Financial Year ended 30 June 2013, thereby extinguishing the liability.

		2013	2012
Loan from non controlled entities		-	24,080
Borrowings classed as Non-Current Liabilities		-	24,080
Total Borrowings		-	257,490

NOTE 19: PROVISIONS

(a) Current Liabilities

		2013	2012
Provision for employee benefits (annual leave)		**70,904**	105,251
Provision for restoration Kingaroy Pilot Plant (*)		**1,226,511**	1,226,511
Total Current Provisions		**1,297,415**	1,331,762

(b) Non-Current Liabilities

		2013	2012
Provision for employee benefits (long service leave)		-	5,269
Total Non-Current Provisions		-	5,269

(*)Provision for restoration Kingaroy Pilot Plant

		2013	2012
Provision at the start of the year		**1,226,511**	1,226,511
Charge for the year		**-**	-
Total Kingaroy Pilot Plant Provisions		**1,226,511**	1,226,511

(*) The provision for restoration costs is in relation to the pilot plant at Kingaroy pursuant to s.190 of the Mineral Resources Act 1989 (Queensland) and the Environmental Protection Act 1994 (Queensland). The amount of $589,306 is provided by a bank guarantee with the State of Queensland from the National Australia Bank. The Company previously increased the provision based on two factors; (i) the requirement to decommission and rehabilitate the underground cavity at Kingaroy pursuant to the amended Environmental Authority issued by DERM and effective 19 July 2011 and (ii) an assessment of the adequacy of the previous provision based on current knowledge and external third party advice. Refer to the Accounting Policies and critical accounting estimates and judgements section and Note 2 (b)(iv).

		Consolidated Group			
	Issue Price $	**Securities Issued 2013 Number**	**Gross Proceeds 2013 $**	Securities Issued 2012 Number	Gross Proceeds 2012 $
NOTE 20: EQUITY- CONTRIBUTED					
(a) Movements in Fully Paid Ordinary Shares					
Contributed equity at the start of the financial year		**1,207,759,047**	**71,771,316**	1,131,931,902	71,155,209
Proceeds received from:					
New shares issued – collateral shares	0.000	-	-	20,000,000	-
New shares issued	0.0148	-	-	8,208,097	-
New shares issued	0.012	-	-	10,416,667	125,000
New shares issued	0.012	-	-	10,416,667	125,000
New shares issued	0.008	-	-	12,500,000	100,000
New shares issued	0.008	-	-	14,285,714	100,000
New shares issued – share placement	0.005	**20,000,000**	**100,000**	**-**	**-**
New shares issued – convertible note conversion [1]	-	**30,000,000**	**155,607**	**-**	**-**
New shares issued – share placement	0.006	**16,666,667**	**100,000**	**-**	**-**
New shares issued – share placement	0.005	**20,000,000**	**100,000**	**-**	**-**
New shares issued – share placement	0.005	**20,000,000**	**100,000**	**-**	**-**
New shares issued – convertible note conversion	-	**12,500,000**	**31,122**	**-**	**-**
New shares issued – share placement	0.004	**25,000,000**	**100,000**	**-**	**-**
New shares issued – convertible note conversion	-	**18,750,000**	**46,682**	**-**	**-**
New shares issued – share placement	0.005	**20,000,000**	**100,000**	**-**	**-**
New shares issued – share placement	0.005	**208,600,000**	**1,043,000**	**-**	**-**
Less share issue transaction costs		**-**	**(93,104)**	-	(75,483)
Contributed equity from ordinary shares		**1,599,275,714**	**73,554,623**	1,207,759,047	71,529,726

[1] Including utilisation of 20,000,000 collateral shares issued in 2012 and released from escrow account

(b) Other equity securities					
Unissued equity		**-**	**(100,000)**	-	100,000
Value of conversion rights – convertible notes		**-**	**-**	-	141,590
Total Contributed equity		**1,599,275,714**	**73,454,623**	**1,207,759,047**	**71,771,316**

Fully and Partly Paid Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of, and amounts paid up on the shares held. On a show of hands every holder of ordinary 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. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Convertible Security

On 3 April, 2012 the Company issued a Convertible Note to the Australian Special Opportunities Fund (ASOF). Details of this were set out in the 2012 Annual Report key of which are summarised as follows:

- Zero coupon (interest free)
- ASOF can convert the Convertible Security at any time in minimum tranches of $50,000 up to a total of $375,000 within twenty-four (24) months after the date of signing of the ASOF Agreement.
- The price of the shares upon conversion is based on a prescribed formula, being the lesser of:
  (i) 130% of the average of the daily volume weighted average prices during the twenty (20) consecutive trading days on the ASX of the Company's shares prior to the signing of the ASOF Agreement (calculated at $0.019204 (1.9204 cents)), and

NOTE 20: EQUITY- CONTRIBUTED (CONT'D)

Convertible Security (con't)

(ii) 92.5% of the average of three (3) consecutive daily volume weighted average prices per share of the Company as selected by ASOF during a specified period prior to the date of conversion (which cannot be presently calculated).

The Convertible Note was extinguished during the year ended 30 June 2013 after it was fully converted into ordinary fully paid shares of the Company. During the year ended 30 June 2013, the Company terminated the monthly funding agreement with ASOF.

Call Options Over Unissued Shares
All listed and unlisted options issued by the Company entitle the holder to purchase one fully paid ordinary share in the capital of the Company at their respective exercise prices. None of the options has any dividend or voting entitlements, nor do they carry any participation rights in respect of any proceeds from the winding up of the Company.

Information relating to the Company's Employees', Officers' and Consultants Option Plan 2007 and project financier options including details of options issued, exercised and lapsed during the financial year and the options outstanding at the end of the financial year is set out in note 21.

(c) Capital Management Gearing Ratios

The Group's capital structure is monitored using gearing ratios, calculated as net debt divided by total capital.

Net debt is calculated as total borrowings (including "borrowings" and "trade and other payables" as shown on the statement of financial position, plus term deposits securing bank guarantees) less "cash at bank and on hand". Total capital is calculated as "total equity attributable to equity holders of the Parent Entity" as shown on the statement of financial position plus net debt.

The gearing ratios as at 30 June each year were as follows.

	Notes	2013 $	2012 $
Borrowings – short term	18	**-**	233,410
Borrowings – long term	18	-	24,080
Trade and other payables	17	**895,300**	552,971
Total debt		**895,300**	810,461
Less cash and cash equivalents	10	**(1,230,718)**	(2,474,460)
Add back surplus cash		**335,418**	1,663,999
Net debt		**-**	-
Add total equity attributable to equity holders of the parent entity		**2,559,040**	4,183,037
Total capital		**2,559,040**	4,183,037
Gearing ratio (net debt / total capital) (%)		**0%**	0%

Objectives
The Group's capital management objective is to ensure that it continues as a going concern in order to provide returns for shareholders and benefits for other stakeholders, whilst maintaining an optimal capital structure aimed at reducing the cost of capital. There has been no change in the capital management strategy adopted in each of the financial years presented. The Group is not subject to any externally imposed capital requirements. Capital structures may be maintained or adjusted by adjusting the amount of dividends paid to shareholders, returning capital to shareholders, issuing new shares or selling assets to reduce debt.

	Notes	Consolidated Group 2013 $	2012 $
NOTE 21: EQUITY – OPTIONS			
Share-based payments reserves:			
Unlisted options granted to management	21 (a)	**6,008**	-
Total share-based payment reserve		**6,008**	-

	Securities Issued 2013 Number	**Fair Value 2013 $**	Securities Issued 2012 Number	Fair Value 2012 $
(a) Movements in the Unlisted Management Options Reserve				
Reserve balance at the start of the financial year	-	-	7,400,000	257,830
Fair Value Adjustments to Existing Options				
Adjustment for lapsed and Expired Options	-	-	(7,400,000)	(257,830)
Pro-rata fair value recognition over the three-year vesting period of existing options	-	-	-	-
Fair Value Adjustments for New Options Issued				
Pro-rata fair value recognition over staggered three-year vesting period of new options	**3,000,000**	**6,008**	-	-
Reserve balance at the end of the financial year	**3,000,000**	**6,008**	-	-

The share-based payment reserve above, records the fair value of equity benefits provided as part of agreements entered into by the Company. Note 26 and the remuneration section of the Director's Report provides further details about these options, including their respective exercise prices and expiry dates.

	Consolidated Group	
	2013	2012
	$	$
NOTE 22: RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES		
Loss after income tax for the year attributable to equity holders of the Parent Entity	**(3,302,439)**	(3,543,473)
Add minority interest in the loss after income tax from controlled entities	**(50,075)**	(13,911)
Total loss after income tax for the year	**(3,352,514)**	(3,557,384)
Net Exchange Rate Differences		
Net foreign currency translation reserve effect on changes in operating assets and liabilities	**-**	-
Non-cash expenditure		
Amortisation and depreciation expense	**144,338**	238,441
Unrealised gain on foreign currencies	**-**	(5)
Share-based payments & reserves	**(4,866)**	-
Loans from related entities	**(24,080)**	-
Impairment of non-current assets	**593,843**	793,981
Change in net operating assets and liabilities		
Decrease/(Increase) in trade and other debtors	**705,883**	(682,920)
Increase/(Decrease) in trade and other payables	**342,329**	(2,742)
Increase/(Decrease) in provisions	**(39,616)**	5,675
Net Cash from operating activities	**(1,634,683)**	(3,204,952)

NOTE 23: SEGMENT INFORMATION

The principal business of the group has been the development of UCG and Asia as well as conventional coal projects in Australia. 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 single operational perspective and therefore only reviews reports based upon its current 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 currently insignificant for separate segment reporting purposes. There are no sales or material non-current assets other than those listed in Australia.

	Notes	Consolidated Group 2013 $	2012 $
NOTE 24: LOSS PER SHARE			
(a) Reconciliations of the Earnings/(Loss) Used In Calculating Earnings/(Loss) Per Share			
Basic and Diluted Loss Per Share			
Total loss after income tax from continuing operations		**(3,352,514)**	(3,557,384)
Add back loss after income tax from continuing operations attributable to minority interests in controlled entities		**50,075**	13,911
Loss after income tax from continuing operations attributable to the ordinary equity holders of the Parent Entity	(i)	**(3,302,439)**	(3,543,473)
Add profit after income tax from disposal groups held for sale	(ii)	**-**	-
Net loss after income tax attributable to the ordinary equity holders of the Parent Entity	(iii)	**(3,302,439)**	(3,543,473)

Items (i) to (iii) above are the respective numerators used in the loss per share calculations disclosed on the income statement.

(b) Weighted Average Number of Ordinary Shares Used as the Denominator in the Loss Per Share Calculations

		2013	2012
Weighted average number of ordinary shares and dilutive potential ordinary shares used as the denominator in calculating diluted loss per share		**1,392,814,664**	1,147,428,114

(c) Information Regarding the Classification of Dilutive Potential Ordinary Shares

Options over unissued ordinary shares and Contingent Ordinary Shares

All of the Group's options (listed and unlisted) and its contingent ordinary shares are considered to be potential ordinary shares and have been included in the determination of diluted earnings / (loss) per share, to the extent to which they are dilutive. These securities have not been included in the determination of basic earnings / (loss) per share.

Whilst in a loss situation, all of the Group's issued options and contingent shares are anti-dilutive, as their effect would be to decrease the loss per share. They have not therefore, been used in the calculation of diluted loss per share in either financial year.

NOTE 25: KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key Management Personnel Compensation	2013	2012
Short-term employee benefits	**1,459,490**	1,434,440
Post-employment benefits	**122,722**	166,713
Other long-term benefits	**-**	-
Termination benefits	**218,734**	-
Share-based payments	**6,008**	-
Total compensation	**1,806,954**	1,601,153

Detailed remuneration disclosures are provided in the remuneration report, contained within the Directors' Report, which forms part of this Annual Report.

NOTE 25: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT'D)

(b) Equity Instrument Disclosures Relating To Key Management Personnel

(i) Options Provided as Remuneration and Shares Issued Upon the Exercise of Such Options
These details, together with the terms and conditions of the options, can be found in section D of the remuneration report contained within the Directors' Report.

(ii) Option Holdings
The number of options over the ordinary shares in the parent entity, held during the financial year by each director of Cougar Energy Limited and other key management personnel of the Group, including their personally related parties, is set out below.

Name Of Personnel	Balance at the start of the year	Granted as Compensation during the year	Exercised During the year	Lapsed/ Forfeited during the year	Balance at the end of Year	Vested And Exercisable
2013						
Director						
Rob Neill	-	3,000,000	-	-	3,000,000	1,000,000
Total number	**-**	**3,000,000**	**-**	**-**	**3,000,000**	**1,000,000**

Mr Neill's Options vest on the anniversary date of his commencement (6 August 2012) with two equal tranches remaining for 2013 and 2014.

2012						
Other Personnel						
Brad Glynne	5,000,000	-	-	(5,000,000)	-	-
Valeri Melik	2,400,000	-	-	(2,400,000)	-	-
Total number	7,400,000	-	-	(7,400,000)	-	-

NOTE 25: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT'D)

(b) Equity Instrument Disclosures Relating to Key Management Personnel (Cont'd)

(iii) Ordinary Share Holdings
The number of the Company's fully paid ordinary shares, held during the financial year by each director of Cougar Energy Limited and other key management personnel of the Group, including their personally related parties, is set out below. There were no shares granted during either financial year as remuneration.

Name of Personnel	Balance at the start of the year	Acquired during the Year	Options Exercised during the year	Received as Compensat-ion during the year	Disposed during the Year	Other Changes during the year	Balance at the end of the year
2013							
Current Directors							
Andrew Matheson	-	2,000,000	-	-	-	-	2,000,000
Andrew Purcell	-	1,000,000	-	-	-	-	1,000,000
Rob Neill	-	1,000,000	-	-	-	-	1,000,000
Previous Directors							
Malcolm McAully*	620,865	-	-	-	-	(620,865)	-
Len Walker*	108,836,948	-	-	-	-	(108,836,948)	-
Sarah-Jane Christensen *	-	-	-	-	-	-	-
Key Personnel							
Rajeev Chandra	6,000	200,000	-	-	-	-	206,000
Valeri Melik	41,786	-	-	-	-	-	41,786
Kevin Garner*	1,142,422	-	-	-	-	(1,142,422)	-
Total number	**110,648,021**	**4,200,000**	**-**	**-**	**-**	**(110,600,235)**	**4,247,786**

*Balances to resignation

Name of Personnel	Balance at the start of the year	Acquired during the Year	Options Exercised during the year	Received as Compensat-ion during the year	Disposed during the Year	Other Changes during the year	Balance at the end of the year
2012							
Directors							
Malcolm McAully	620,865	-	-	-	-	-	620,865
Len Walker	108,836,948	-	-	-	-	-	100,836,948
Sarah-Jane Christensen	-	-	-	-	-	-	-
Key Personnel							
Rajeev Chandra	6,000	-	-	-	-	-	6,000
Valeri Melik	41,786	-	-	-	-	-	41,786
Kevin Garner	-	1,142,422	-	-	-	-	1,142,422
Total number	109,505,599	1,142,422	-	-	-	-	110,648,021

(c) Loans to Key Management Personnel
No loans were made to the Directors of Cougar Energy Limited, nor to any of the Company's other key management personnel during either of the 2013 or 2012 financial years.

NOTE 26: SHARE-BASED PAYMENT PLANS

All of the following share-based payment disclosures relate to both the Consolidated Group and the Parent Entity. For each type of share-based payment disclosed in this note, the Group has measured the fair value of the goods and services received as consideration for the equity instruments granted indirectly, by reference to the fair value of those equity instruments.

(a) Employees', Officers' and Consultants Option Plan

The above mentioned option plan was approved by shareholders at the 2007 and 2010 annual general meetings. The exercise price and vesting conditions are determined by the Company's Directors, in accordance with the plan. All options had a staggered vesting period over three years. The total fair value of these options was recognised progressively on a pro-rata basis over each option's respective vesting period. Participation in the plan is at the Directors' discretion. Once vested, the options remain exercisable until their expiry. The options are granted for no consideration and carry no dividend or voting entitlements. When exercised, each option converts into one fully paid ordinary share in the capital of the Company. The maximum number of unexercised options that can be issued at any one time is 30 million.

(i) Number and Weighted Average Exercise Prices of Options

Grant Date	Expiry Date	Exercise Price	Balance at the start of the year	Granted in the Year *	Exercised in the year	Expired in the year	Balance at the end of the year	Vested and Exercisable at the end of the year
2013								
22-11-2012	**06-08-2015**	**$0.02**	**-**	1,000,000	-	-	1,000,000	1,000,000
22-11-2012	**06-08-2015**	**$0.04**	**-**	1,000,000	-	-	1,000,000	-
22-11-2012	**06-08-2015**	**$0.08**	**-**	1,000,000	-	-	1,000,000	-
Total Number			**-**	**3,000,000**	**-**	**-**	**3,000,000**	**1,000,000**
Weighted average exercise price			**-**	**$0.05**	**-**	**-**	**$0.05**	
2012								
28-04-2009	01-05-2012	$0.10	800,000	-	-	(800,000)	-	-
28-04-2009	01-05-2012	$0.15	800,000	-	-	(800,000)	-	-
28-04-2009	01-05-2012	$0.20	800,000	-	-	(800,000)	-	-
04-05-2009	03-05-2012	$0.10	1,600,000	-	-	(1,600,000)	-	-
04-05-2009	03-05-2012	$0.15	1,700,000	-	-	(1,700,000)	-	-
04-05-2009	03-05-2012	$0.20	1,700,000	-	-	(1,700,000)	-	-
Total Number			7,400,000	-	-	(7,400,000)	-	-
Weighted average exercise price			$0.15	-	-	-	-	

*For the options granted in the financial year the Black-Scholes model inputs used to determine fair value at grant date are set out below.

Grant Date	Expiry	Share price ($)	Exercise Price ($)	Volatility %	Risk free rate %	Fair Value
22-Nov-12	6-Aug-15	0.007	0.02	139	2.72	$4,200
22-Nov-12	6-Aug-15	0.007	0.04	139	2.72	$3,400
22-Nov-12	6-Aug-15	0.007	0.08	139	2.72	$2,598

	2013	2012
(ii) Weighted average remaining contractual life of those options on issue at the end of each year	**2.10 years**	**-**
(iii) Weighted average fair value of options granted during the year	**$10,198**	N/A

NOTE 26: SHARE-BASED PAYMENT PLANS (CONT'D)

(b) Expenses Recognised for the Year Arising from Share-Based Payment Transactions

The total expense arising from share-based payment transactions recognised during the year and its various components is presented below.

	Notes	Consolidated Group 2013 $	2012 $
Management options	21(a)		
- Pro-rata recognition of the fair value of:			
- Existing options		**-**	-
- New options granted during the year		**6,008**	-
Total share-based payment expense		**6,008**	-

NOTE 27: AUDITOR'S REMUNERATION

During the year, the following fees were paid or payable for services provided by the parent entity's auditor – BDO East Coast Partnership.

	2013 $	2012 $
Audit and review of financial reports	**53,500**	52,250
Other non-audit services	**-**	-
Total auditor's remuneration	**53,500**	52,250

NOTE 28: COMMITMENTS

(a) Capital Expenditure Commitments

The Group's expenditure commitments at the end of each financial year are set out below.

	2013 $	2012 $
(i) Exploration and Evaluation Expenditure		
Within one year (*)	**471,700**	315,500
Later than one year, but not later than five years	**-**	471,700
Later than five years	**-**	-
(ii) Construction		
Within one year	**-**	-
Later than one year, but not later than five years	**-**	-
Later than five years	**-**	-
Total capital commitments	**471,700**	**787,200**

(b) Lease Commitments as Lessee

	2013 $	2012 $
(i) Minimum lease payments for non-cancellable operating leases for office space not recognised as liabilities		
Within one year	**21,312**	**57,812**
Later than one year, but not later than five years	**-**	**21,312**
Total non-cancellable operating lease commitments	**21,312**	**79,124**

The Group leased premises in Melbourne are under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of each lease are re-negotiated.

	2013 $	2012 $
(ii) Cancellable operating and finance leases		
Insurance Premium Funding	**-**	**47,341**
Total cancellable operating lease commitments	**-**	**47,341**
Total commitments	**493,012**	**913,665**

NOTE 29: CONTINGENT LIABILITIES

As at 30 June 2013, the Company including the Parent Entity had the following contingent liabilities:

(a) Amounts potentially payable Under the Complaint and Summons dated 30 June 2011

The Company has been served with a Complaint and Summons issued by an officer of the Queensland Government's Department of Environment and Resource Management (DERM) as it was then called. The Complaint alleges three counts of contravention of environmental authority pertaining to the Kingaroy site. Should the Company be found guilty of any count, the maximum fine the court can impose maybe up to $832,500 per count. DERM may seek an order that the Company pay rehabilitation, compensation, investigation, court and legal costs to DERM. The outcome of the proceedings is unknown, nor the amount of the fines or any other costs if any. The Company is still defending this action.

(b) Amounts potentially payable under orders made by the Queensland Government for rehabilitation works at Kingaroy

On 19 July 2011, the previously responsible Queensland Government Department (DERM) issued to the Company an amended Environmental Authority stipulating the following requirements for the site:

(a) limits all UCG activities on site to decommissioning, rehabilitation, and care and maintenance of the site;
(b) requires an ongoing groundwater monitoring program across a range of quality characteristics to be implemented until results indicate that all contaminants (if any) are consistent with the "background level" for a period of six months;
(c) provides for strict notification guidelines in the event that further contaminants are recorded in any of the monitoring bores; and
(d) provides for a documented decommission and rehabilitations procedure to be prepared with regards to the underground cavity and (if any) affected groundwater.

The Company has lodged a bond with the Queensland Government to guarantee the completion of the rehabilitation works and has made a provision for the costs of this work based on internal assumptions and third party advice it has received. The scope of works is still to be confirmed by DEHP, the successor to DERM.

The Company has separately submitted a procedure for the decommissioning and rehabilitation of the underground cavity to DEHP for approval. The Company has made a provision for the costs of these works based on the procedure submitted to DEHP. Until the Company concludes discussions on the scope of the rehabilitation works with DEHP, the Company cannot determine with certainty the total costs of the rehabilitation.

NOTE 30: EVENTS OCCURRING AFTER BALANCE DATE

The following table sets out in chronological order the material events that have occurred since 30 June 2013, involving the Parent Entity and/or its controlled entities. Where possible, the financial impact of each event has also been quantified.

Effective Date	Transaction Details and Financial Impact:
17 July 2013	The Company announced a maiden Inferred JORC Resource of 201 Mt for the 100% owned PCI coal tenement at Mackenzie in Queensland's Bowen Basin (EPC 1445, MDLa 503,504). The results of the geological modelling and the resource estimation work prepared under the requirements of the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) can be found in the Company's announcement to the ASX on 17 July 2013.
26 July 2013	The Company announced that it had raised a total of $719,674 in new contributed equity (before transactions costs), being $644,750 from sophisticated and professional investors (new shares were issued on 2 August 2013) and $74,924 in a placement to Directors (for which shareholder approval is being sought at an Extraordinary General Meeting of the Company's shareholders on 19 September 2013).
26 July 2013	The Company announced that the civil proceedings initiated by it in the Queensland courts had been discontinued.
5 August 2013	The Company filed two Initial Substantial Shareholder Notices that it had received.
19 August 2013	The Company advised that an Extraordinary General Meeting will take place on 19 September 2013. A number of resolutions are to be put to shareholders for approval including a special resolution for change of name of the Company to Moreton Resources Ltd.

The Directors of Cougar Energy Limited declare that in their opinion:

(a) the financial statements and the notes to those statements set out on pages 27 to 69, and the remuneration disclosures that are contained within the Remuneration report within the Directors' report, set out on pages 7 to 19, are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date, and

(b) the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as disclosed in note 2, and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have received the declarations required by section 295A of the Corporations Act 2001 from the Managing Director and the Chief Financial Officer.

This declaration, is made in accordance with a resolution of the directors.

Rob Neill
Director

29 August 2013
Melbourne

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INDEPENDENT AUDITOR'S REPORT

To the members of Cougar Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Cougar Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Cougar Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Cougar Energy Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(a).

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2 "Going Concern" in the financial report, which indicates that the consolidated entity has incurred a net loss attributable to the owners of Cougar Energy Limited of $3,302,439 and had cash outflows from operating activities of $1,634,683. The ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity. These conditions, along with other matters as set out in Note 2 "Going Concern", indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 18 of the directors' report for the year ended 30 June 2013. The directors of the disclosing entity are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Cougar Energy Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

James Mooney
Partner

Melbourne, 29 August 2013

Additional information required by the Australian Stock Exchange (ASX) listing rules. Information is as at 19 August 2013.

(a) DISTRIBUTION OF EQUITY SECURITIES
An analysis of the numbers of each class of equity security holders by the size of their holdings follows.

Security Holding Range:	Listed Fully paid Ordinary Shares	Unlisted Management Options	Unlisted Project Financier Options
1 - 1,000	356	-	-
1,001 - 5,000	579	-	-
5,001 - 10,000	849	-	-
10,001 - 100,000	3,240	-	-
100,001 and over	1,930	1	-
Totals	**6,954**	**1**	**-**
Number of securities in a marketable parcel of $500	**166,667**	**-**	**-**
Number of security holders with less than a marketable parcel	**5,509**	**-**	**-**

(b) EQUITY SECURITY HOLDERS
(i) Twenty largest quoted equity security holders.

The names of the twenty largest holders of quoted equity securities are set out below.

Name of Equity Holder	Listed Fully Paid Ordinary Shares Number Held	Percentage of Issued Capital(#)
MR ALEXANDER JASON ELKS	107,123,333	5.90
MR PHILIP ANTHONY FEITELSON	60,000,000	3.31
INNISFREE PTY LTD	50,836,948	2.80
MR PHILIP ANTHONY FEITELSON	33,333,333	1.84
LEONARD KEITH WALKER + ROSALIE JOYCE WALKER <L & R WALKER SUPER FUND A/C>	31,000,000	1.71
LIMITLESS INTERNATIONAL HOLDINGS PTY LTD	28,571,429	1.57
SOMNUS PTY LTD <SOMNUS SUPERANNUATION A/C>	25,000,000	1.38
BELROSE CONSULTING PTY LTD	20,500,000	1.13
LTL CAPITAL PTY LTD <LTL CAPITAL TRADING A/C>	16,000,000	0.88
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	15,640,952	0.86
MR COLIN GEOFFREY ANDREWS	13,000,000	0.72
MR JASON WORLEY	12,775,000	0.70
MRS BELINDA LOUISE HAAN	12,500,000	0.69
MR AARON ORYA	12,365,600	0.68
MR DONALD LANSBURY DILLON + MS KATHRYN MARY LAMBERT <DILLON SUPER FUND A/C>	11,001,215	0.61
TODSTEAD SUPERANNUATION PTY LTD <THE THOMAS FAMILY S/F A/C>	10,310,000	0.57
ALTERNATIVE FREIGHT SERVICES PTY LTD	10,000,000	0.55
MR ANTON CAVKA	10,000,000	0.55
MR LINDSAY GEORGE DUDFIELD & MRS YVONNE SHEILA DOLING DUDFIELD <LG DUDFIELD PENSION FUND A/C>	10,000,000	0.55
MR DENIS NOVAKOVIC	10,000,000	0.55
Totals	**499,957,810**	**27.56**

Individual percentages vary due to rounding.

(b) EQUITY SECURITY HOLDERS (CONT'D)

(ii) Unquoted Equity Securities
Three million Options issued to the Managing Director Mr Rob Neill remain outstanding.

(c) SUBSTANTIAL EQUITY HOLDERS
The Parent Entity's substantial equity holders are set out below.

	Listed Fully Paid Ordinary Shares		Unlisted Options *	
Name of Equity Holder	**Number Held**	**Percentage of Issued Capital**	**Number Held**	**Percentage of Issued Capital**
Mr A J Elks	107,123,333	5.90		
Feitelson Group	93,333,333	5.15		
Dr Leonard Walker Group (Innisfree Pty Ltd, Walker Super Fund, Innisfree Pty Ltd No. 2 A/C)	91,836,948	5.05		

* = Options over unissued ordinary shares do not form part of substantial holder calculations.

(d) VOTING RIGHTS
The voting rights attaching to each class of equity securities of the Parent Entity is set out below.

(i) Listed Fully Paid Ordinary Shares
On a show of hand's every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(ii) Unlisted Fully Paid Options
All classes of the Company's unlisted options have no voting rights.