



Research & Investment Services

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Company Insight!

Industry: Oil & Gas Exploration & Production Cougar Oil and Gas, Canada Inc. US\$3.04 Major Heavy Oil Projects Added Company Making Potential

Since our last Company Update on January 26, 2011, Cougar made significant progress toward increasing light sweet oil production. The Company completed a two-well reaction program and one workover well and tied in with pipeline to the main Cougar facility. In addition, based on a seismic program completed in September 2010, Cougar began a multi-well drilling program and the first horizontal well was spud on February 21, 2011. The drilling should be completed within the next few days. The 23.8-km² high resolution 3D seismic program was completed, and the Company anticipates starting an initial drilling program this summer based on excellent seismic data. Cougar identified a minimum of up to fifteen encouraging vertical and horizontal well locations with a potential for 250 barrels-a-day production. Furthermore, Cougar secured the financing for seismic and a \$3.5 million drilling budget by exercising warrants through convertible debt financing. One month ago, Cougar reported it had diversified its production portfolio to heavy oil through the farm-in of two sections of land in the Manning area in the Peace River oil sands region, a significant step forward in the growth strategy of Cougar. The target resource has been mapped out through the extensive well information available in the area and the expected heavy oil has a quality of 12° to 14° with cold flow attributes. The target formations are the Elkton, Debolt and Bluesky pay zones. Cougar will drill one test well this summer to earn in 100% in this project. Significant news went out yesterday; Cougar has signed a deal with Tamm Oil to farm-in a 47-section section of its leasehold. A technical report indicates the prospect to contain in excess of 3.3 billion original barrels-of-oil in place, representing 1.65bn OOIP to the Company based on a 50% WI in the project by spending up to \$9M and consequently becoming the operator in this field.

Cougar Oil and Gas, Canada Inc.

Risk-Adjusted Appraised Net Worth

	VALUE	SHARE
Proven and probable reserves	\$17,819,000	\$0.27
Petroleum and gas properties at costs	-\$4,000,000	-\$0.06
Net working capital	\$12,213,677	\$0.18
Other	-\$1,305,543	-\$0.02
Long-term debt and other liabilities	-\$3,051,978	-\$0.05
Appraised Net Worth (O/S 67,201,438)	\$21,675,156	\$0.32

Possible Adjustments:		
Exercise of Options	\$1,498,600	\$0.02
Trout Field Area - Upside	\$39,550,781	0.58
Manning Heavy Oil - Upside	\$170,000,000	2.50
Peerless/Trout Lake JV - Upside	\$461,425,000	6.80
Lucy Prospect Upside	\$15,375,000	0.23
Subtotal Potential ANW (67,836,438 O/S)	\$687,849,381	\$10.14
Total Potential Appraised Net Worth	\$709,524,537	\$10.46

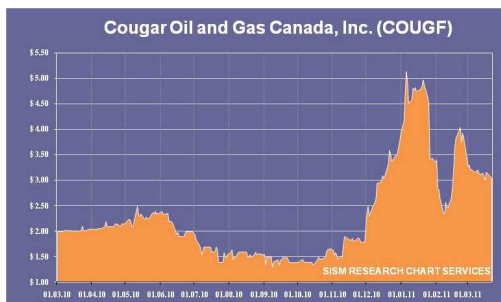
Source: Company reports, business plan, SEC filings, SISM Research estimates

Financial Data

FY 2011	Ends July 31, 2011
Market Capitalization	US\$ 204.3 million
Shares outstanding (July 31, 2010)	67,201,438
Total Proved ANW/ Share (January 24, 2011)	\$0.34
ANW Ratio	9.2 x

Stock Data

52-Week Range	\$5.24 – 1.20
Symbol / Exchange	OTC BB: COUGF

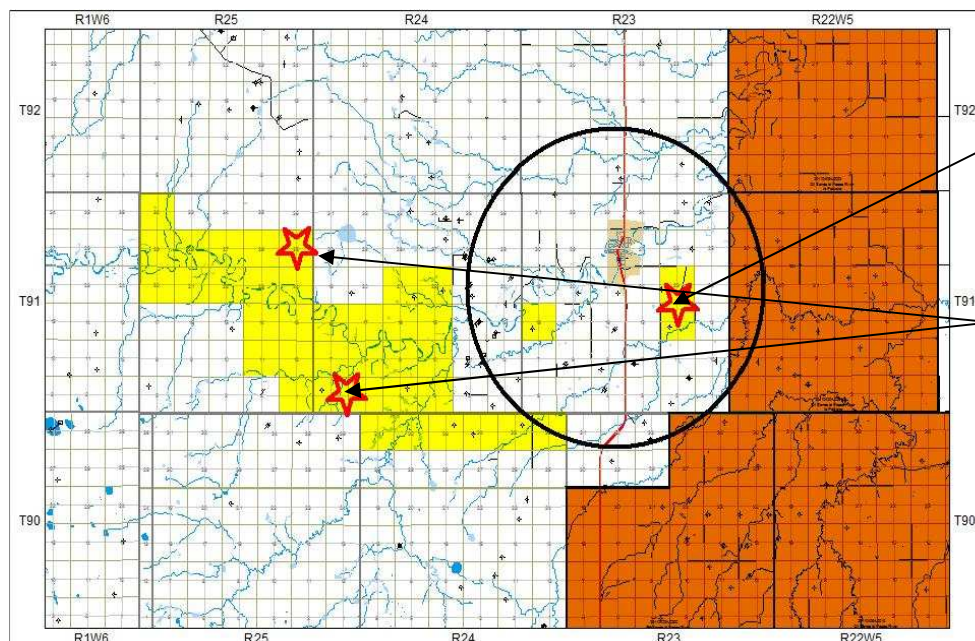


KEY INVESTMENT POINTS:

- **About three weeks ago, Cougar spud its first well in an initial two-well drilling program.** which was designed from a 3D seismic program. Cougar purchased the data last September and used a new reprocessing technology. The horizontal well, with an 800-meter production leg, is targeting light oil from the Keg River Formation, and the drill work is expected to be completed this week. Initial production is estimated to reach approx. 250 barrels-a-day. The second in this program well will be a directional well evaluating the Keg River and Granite Wash formations.
- **The February 2011 3D seismic program was successfully completed and the data showed good to excellent quality.** Cougar is now processing the seismic data to verify and select approximately fifteen horizontal and vertical well locations, which will form the drilling program for the next 18 to 24 months. Cougar is currently working to select the top four to five locations and will then license them, with an eye to beginning the initial drilling program in the summer with estimated initial production in the fall of 2011, followed by an additional five wells to be drilled during Q4 of 2011.
- **Cougar secured the initial funding for upcoming drilling programs and now expands its aggressive growth strategy to the heavy oil prospects.** The Company finalized a farm-in deal on two sections of land in the Manning area. Cougar already selected two drilling locations and plans to drill at least one well to a contract depth of 500 meters this summer to earn a 100% working interest. The OOIP is estimated to be 130 million barrels-of-oil on these two sections. In addition, Cougar is also farming-in 47 sections of heavy oil prospective lands with the potential to earn a 50% WI on an estimated 3.14 billion of original oil-in-place or 1.65 billion net to Cougar.
- **Cougar offers investors a diversified portfolio of multi-year drilling inventory of light to heavy oil.** In its core Trout area, Cougar targets light sweet oil, and its drilling program calls for it to drill five wells during the summer and five wells at the beginning of the winter 2011/2012. Based on historical well data, we feel comfortable the Company will produce at an initial rate of approx. 100 barrels/well for a vertically drilled well and 250 barrels/well from a horizontally drilled well. Based on those parameters, we feel comfortable Cougar will be able to reach its goal of becoming a 2,000 barrel-a-day company within the next 12 months. The upside potential from the new heavy oil opportunities is stunning and only a fraction of the play needs to work for it to be a game-changing event for Cougar. Based on estimated 1.7bn OOIP for both plays, if only 10% would work and is converted into proven reserves, we're talking about 170M barrels of oil that would add approximately \$700M in NAV. We reaffirm our **18-month target price of \$10.50 per share and keep our Strong Speculative BUY rating.**

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Manning Heavy Oil Projects Area



Initial development – drilling and testing the cold flow concept on the two sections of farm-in land summer 2011

TAMM FARM-IN

\$2.5m work commitment over the next 12 month including seismic, drilling, geologic modeling studies and 3rd party reviews and becoming operator for the project.

Spend \$6.5m in the next two years including drilling, coring, fasibility studies and update to reserve estimates

Tamm Oil and Gas is one of the largest leaseholders in the Manning Area (22,400 acres) in the Peace River region of northern Alberta, Canada with P&NG leases expiring in 2013 and oil sands leases expiring in 2023. The primary focus for Tamm/Cougar is to develop the Manning oil sands project. Chapman Petroleum in Calgary prepared an independent engineering report dated November 2009 and estimated a total of 3.14 billion barrels of heavy oil-in-place from the Mississippian Elkton and the Mississippian Lower Debolt Formation only, Tamm's oil sands lands. Chapman Petroleum confirmed an estimated 1,744,490,000 barrels of heavy oil-in-place hosted within the Mississippian Elkton Formation, and 1,395,592,000 OOIP hosted within the overlying Mississippian Lower Debolt Formation. No estimates have been given to several more pay zones in the project. Two wells have been drilled on Tamm's leases; the two well logs showed excellent porosity and high resistivity and the induction log indicates hydrocarbons. The Chipmunk Project (Shell Oil), which is near Tamm's Manning prospect, became the first sustained high-volume commercial producer of heavy oil from carbonate rocks in Canada. *Tamm's/Cougar's Manning Project offers substantial potential for commercial heavy oil recovery according to Chapman Petroleum Engineering, Calgary.*

RISK-ADJUSTED APPRAISED NET WORTH ANALYSIS

Cougar Oil and Gas, Canada Inc. Estimated Appraised Net Worth as of March 15, 2011

PROVED & PROBABLE RESERVES:		
	\$	\$/Shr.
Oil 411,000@43.36/BBLs	\$17,819,000	\$0.27
Gas @00.00/MCD	\$0	\$0.00
SEC PV@10%	\$17,819,000	\$0.27
FINANCIAL ITEMS: SISM RESEARCH ESTIMATES AS OF March 15, 2011		
Working Capital	-\$4,000,000	-\$0.06
O&G properties (full cost accounting)	\$12,213,677	\$0.18
Other Assets	-\$1,305,543	-\$0.02
Long Term Debt	-\$3,051,978	-\$0.05
	APPRAISED NET WORTH	\$21,675,156
Shares Issued and Outstanding	67,201,438	\$0.32

POSSIBLE ADJUSTMENTS

CALCULATION FULL DILUTION				
	Exercise Price	Number	\$	\$/Share
Options	\$2.36	635,000	1,498,600	0.02
Fully Diluted Number of Shares		67,836,438	1,498,600	0.02
			\$	\$/Share
Trout Field Producing Area – Upside			39'550'781 (1)	0.58
Manning Heavy Oil Prospect - Upside			170,000,000 (2)	2.50
Peerless/Trout Lake Area JV - Upside			461,425,000 (2)	6.80
Lucy Gas Prospect - Upside			15,375,000 (3)	0.23
SUBTOTAL POTENTIAL ADJUSTMENTS			\$687,849,381	\$10.14
TOTAL POTENTIAL APPRAISED NET WORTH			\$709,524,537	\$10.46

- (1) 15,000 acres 640 acre spacing, EUR of 250,000 and valued at \$6.75/BO
- (2) 1.7 billion barrels of OOIP valued at \$0.10/BO
- (3) 175,00 acres, developed on 640-acre spacing, EUR 250,000 BO, and valued at \$6.75/BO
- (4) Estimated 123 Bcf gas in place, 50% discounted and valued at \$0.25/Mcf