COUGAR METALS NL

ABN 27 100 684 053

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2016

CORPORATE DIRECTORY

Directors

Randal Swick (Chairman and Managing Director)
David Symons (Non-Executive Director)
Michael Fry (Executive Director)

Secretary

Michael Fry

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Principal Office

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Auditors

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Level 3, London House
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Website

www.cgm.com.au

Australian Securities Exchange

CGM (fully paid ordinary shares)

DIRECTORS' REPORT

The Directors of Cougar Metals NL and its subsidiaries ("Cougar" or "Group") present their report for the half-year ended 31 December 2016. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

The names of the Directors who held office during or since the end of the half-year and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated:

Randal Swick – Chairman and Managing Director
David Symons – Non-Executive Director
Michael Fry – Executive Director

COMPANY SECRETARY

Michael Fry was appointed Company Secretary on 5 August 2011. Michael holds a Bachelor of Commerce degree from University of Western Australia and has worked in accounting and advisory roles for over 20 years. Michael is currently a non-executive director of VDM Group Ltd and Company Secretary of Globe Metals & Mining Ltd.

PRINCIPAL ACTIVITIES

During the half year, the Group's activities were focussed on the following key areas:

- preliminary geological assessment of the Ceara Lithium Project, Brazil;
- preliminary geological assessment of the Madagascar Graphite Project;
- geological assessment of exploration related interests in the Shoal Lake Region of Ontario, Canada; and
- the provision of mineral drilling services to exploration and mining companies in Brazil.

REVIEW AND RESULTS OF OPERATIONS

The result for the half-year ended 31 December 2016 attributable to members of Cougar Metals NL was a net loss after tax of $999,339 (31 December 2015: $940,120 loss).

Much of the loss for the half-year was attributable to the Brazilian drilling business which continued to endure difficult trading conditions. Whilst confidence has improved within the Brazilian mining industry in recent months largely as a consequence of stabilised gold and iron ore prices, it is taking time for the improved confidence to be reflected in demand for drilling services.

During the half-year the Group was active on the exploration front:

(i) In August 2016, Cougar executed a Letter of Intent to acquire 85% of the Ceara Lithium Project in Brazil comprising 30 tenements covering approximately 51,000 hectares and incorporating two areas of known lithium mineralisation. Preliminary geological assessment of the project areas was undertaken during the half and preparations made for field-work to be commenced in calendar year 2017.

(ii) In November 2016, Cougar executed a Letter of Intent to acquire 100% of the Toamasina Saprolitic Graphite Project in Madagascar comprising a single tenement covering approximately 43 sq kms in a district with a history of high quality graphite production. Preliminary geological assessment of the project areas was undertaken during the half and preparations made for field-work to be commenced in calendar year 2017.

In addition to the recently acquired project interests, the Group holds an option to acquire 100% of the Shoal Lake East property in Ontario, Canada; which is host to the historic Mikado Mine and Cedar Island Mine. All exploration remained suspended during the half-year pending the property owner complying with the orders of arbitration.

The Group also holds the nickel and cobalt laterite rights to the Pyke Hill project situated on tenement M39/159 east of Leonora, Western Australia. During the half-year, the Group continued to investigate all possibilities to realise value from these rights.

MINING TENEMENT SCHEDULE

The Group's interests in mining tenements are listed below.

Number	Location	Description	Date of Grant	Area in km^2
M39/159*	Western Australia	Pyke Hill	30/08/1988	5.4

*: Cougar Metals NL is not the registered holder of tenement M39/159 but holds the Nickel Laterite Rights in relation to M39/159 pursuant to an agreement dated 30 April 2004

CHANGES IN STATE OF AFFAIRS

There were no significant changes in the Group's state of affairs occurred during the half-year ended 31 December 2016, apart from:

(i) in August 2016, Cougar executed a Letter of Intent to acquire 85% of the Ceara Lithium Project in Brazil comprising 30 tenements covering approximately 51,000 hectares and incorporating two areas of known lithium mineralisation. In Preliminary geological assessment of the project areas was undertaken during the half and preparations made for field-work to be commenced in calendar year 2017;

(ii) in September 2016, the Ceara Lithium Project secured an additional 5 tenements at Solonopole covering an area of 8,276 hectares;

(iii) in September 2016, the 30 initial applications under the Ceara Lithium Project were granted by the Brazilian Mines Department.; and

(iv) in November 2016, Cougar executed a Letter of Intent to acquire 100% of the Toamasina Saprolitic Graphite Project in Madagascar comprising a single tenement covering approximately 43 sq kms in a district with a history of high quality graphite production. Preliminary geological assessment of the project areas was undertaken during the half and preparations made for field-work to be commenced in calendar year 2017.

AFTER BALANCE DATE EVENTS

There are no matter or circumstances which have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods, other than:

Amended Terms of Letter of Intent for Toamasina Saprolitic Graphite Project

The parties have amended the terms of the letter of Intention as follows:

- $200,000 previously payable by 15 March 2017, is now payable as follows: $100,000 by 31 March 2017, $50,000 by 30 April 2017, and $50,000 by 30 May 2017.
- Preliminary Economic Assessment previously due by 30 June 2017 is extended out to 31 October 2017.
- US$150,000 is now due 9 June 2017 – previously 12 June 2017 and
- at completion of Preliminary Economic Assessment the parties will enter into a 50/50 joint venture with no option for either to buy out.

AUDITOR'S DECLARATION OF INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the review for the half-year ended 31 December 2016 is set out on page 5.

Signed in accordance with a resolution of the directors, made pursuant to s306(3) of the Corporations Act 2001

Randal Swick

Randal Swick
Managing Director

Perth, 15 March 2017

Competent Persons Statements

The information in this report that relates to Exploration Results or Minerals Resources in relation to the Ceara Lithium Project is extracted from an ASX Announcement dated 3 August 2016, (see ASX Announcement – 3 August 2016 "LOI Executed over Brazilian Lithium Project", www.cgm.com.au and www.asx.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Exploration Results or Minerals Resource estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are represented have not been materially modified from the original market announcement.

The information in this report that relates to Exploration Results or Minerals Resources in relation to the Toamasina Saprolitic Graphite Project is extracted from an ASX Announcement dated 16 November 2016, (see ASX Announcement – 16 November 2016 "LOI Executed over Madagascar Graphite Project", www.cgm.com.au and www.asx.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Exploration Results or Minerals Resource estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are represented have not been materially modified from the original market announcement.

Bentleys
THINKING AHEAD

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To the Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the review of the financial statements of Cougar Metals NL for the half year ended 31 December 2016, 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 review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

DOUG BELL CA
Director

Dated at Perth this 15th day of March 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Note	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
Continuing operations			
Rendering of services		**1,428,952**	703,233
Foreign exchange gain		**12,259**	76,750
Other income		**366**	630
Revenues	2	**1,441,577**	780,613
Other expenses			
Accounting and audit expenses		**(14,729)**	(13,479)
Corporate expenditure and professional fees		**(258,628)**	(219,345)
Depreciation expense	3	**(49,829)**	(116,804)
Doubtful debts expense		**(77,572)**	(80,220)
Drilling related expenses		**(1,898,025)**	(1,113,388)
Finance costs	3	**(6,793)**	(5,603)
Impairment of Assets	3	**(32,931)**	(58,796)
Occupancy expenses		**(64,103)**	(68,681)
Office administration expenses		**(25,941)**	(16,952)
Other expenses from ordinary activities		**(12,365)**	(27,465)
Loss from continuing operations before income tax		**(999,339)**	(940,120)
Income tax expense		**-**	-
Loss from continuing operations after income tax		**(999,339)**	(940,120)
Loss for the period		**(999,339)**	(940,120)
Other comprehensive income			
Items that may be reclassified subsequently to Profit or Loss:			
Exchange differences arising on translation of foreign operations		**(198,067)**	175,998
Total comprehensive income/(loss) for the period		**(1,197,406)**	(764,122)
Basic and diluted earnings/(loss) per share		**(0.15)**	(0.14)

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	Consolidated 31 December 2016 $	Consolidated 30 June 2016 $
ASSETS			
Current Assets			
Cash and cash equivalents	4	**254,840**	67,538
Trade and other receivables	5	**98,964**	557,143
Inventories		**-**	37,567
Other assets		**9,618**	41,021
		363,422	703,269
Assets classified as held for resale		**213,628**	213,628
Total Current Assets		**577,050**	916,897
Non-Current Assets			
Property, plant and equipment	6	**72,854**	112,525
Exploration and evaluation expenditure	7	**134,071**	-
Total Non-Current Assets		**206,925**	112,525
TOTAL ASSETS		**783,975**	1,029,422
LIABILITIES			
Current Liabilities			
Trade and other payables	8	**2,244,626**	1,756,204
Provisions	9	**2,266,555**	2,050,338
Loans and borrowings	10	**915,486**	669,871
		5,426,667	4,476,413
Liabilities directly associated with Assets classified as held for resale		**64,512**	62,807
Total Current Liabilities		**5,491,179**	4,539,220
TOTAL LIABILITIES		**5,491,179**	4,539,220
NET ASSETS		**(4,707,204)**	(3,509,798)
EQUITY			
Issued capital	11	**26,676,661**	26,676,661
Foreign exchange reserve		**(588,394)**	(390,327)
Accumulated losses		**(30,795,471)**	(29,796,132)
TOTAL EQUITY		**(4,707,204)**	(3,509,798)

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Issued Capital	Accumulated Losses	Foreign Exchange Reserve	Share-based Payment Reserve	Total Equity
	$	$	$	$	$
Balance at 1 July 2015	**26,676,661**	**(28,211,352)**	**(396,970)**	-	**(1,931,661)**
Loss for the period	-	(940,120)	-	-	**(940,120)**
Foreign currency translation	-	-	175,998	-	**175,998**
Total comprehensive income for the period	-	(940,120)	175,998	-	**(764,122)**
Balance at 31 December 2015	**26,676,661**	**(29,151,472)**	**(220,972)**	-	**(2,695,783)**
Balance at 1 July 2016	**26,676,661**	**(29,796,132)**	**(390,327)**	-	**(3,509,798)**
Loss for the period	-	(999,339)	(198,067)		**(1,197,406)**
Foreign currency translation	-				
Total comprehensive income for the period	-	(999,339)	(198,067)	-	**(1,197,406)**
Balance at 31 December 2016	**26,676,661**	**(30,795,471)**	**(588,394)**	-	**(4,707,204)**

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

		Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
Cash flows from operating activities			
Receipts from customers		**1,890,105**	964,748
Payments to suppliers and employees		**(1,818,193)**	(1,283,868)
Interest received		**366**	415
Interest paid		**(202)**	(68)
Net cash (used in) operating activities		**72,076**	(318,773)
Cash flows from investing activities			
Payment for plant and equipment		**(10,158)**	-
Purchase of mining tenements		**(100,000)**	-
Payments for exploration and evaluation		**-**	(11,147)
Net cash from / (used in) investing activities		**(110,158)**	(11,147)
Cash flows from financing activities			
Proceeds from loans		**1,368,769**	340,946
Repayment of borrowings		**(1,143,385)**	-
Net cash from / (used in) financing activities		**225,384**	340,946
Net increase/(decrease) in cash and cash equivalents		**187,302**	11,026
Cash and cash equivalents at 1 July 2016		**67,538**	123,336
Cash and cash equivalents at 31 December	4	**254,840**	134,362

The accompanying notes form part of these financial statements

1a. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Corporate Information
The condensed consolidated interim financial report of the Group for the half year ended 31 December 2016 was authorised for issue in accordance with a resolution of directors on 15 March 2017. Cougar Metals NL is a no liability company incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors Report.

Statement of Compliance
This condensed consolidated interim financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS34 'Interim Financial Reporting'.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Cougar Metals NL during the interim reporting period in accordance with continuous disclosure requirements of the Corporations Act 2001.

Basis of Preparation
The accounting policies and methods of computation adopted in the preparation of this condensed consolidated interim financial report are consistent with those adopted and disclosed in the company's annual financial report for the financial year ended 30 June 2016, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and revised Accounting Standards
In the half-year ended 31 December 2016, the Company has reviewed all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2016.

It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies.

The Company has also reviewed all of the new and revised Standards and Interpretations that have been issued but are not effective for the half-year ended 31 December 2016. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies.

1b. GOING CONCERN
The condensed consolidated interim financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Consolidated Entity has incurred a loss for the half year of $999,339 (2015 loss: $940,120) and net cash inflows from operating activities of $72,076 (2015 outflows: $318,773) due largely to difficult trading conditions in its Brazilian contract drilling services business.

As at 31 December 2016, the Consolidated Entity has a working capital deficiency of $4,914.129 (30 June 2016: $3,622,323).

These conditions indicate a material uncertainty that may cast significant doubt about the Company and the Consolidated Entity's ability to continue as going concerns.

During the half year to 31 December 2016 and to the date of this report, the directors have taken the following steps to ensure the Company and the Consolidated Entity continue as going concerns:

- the Company has ceased providing financial support to its wholly owned Uruguayan subsidiary Palinir

S.A. which has external liabilities of $1.697 million and no financial ability to settle its obligations without financial support of the Company;

- the Company has commenced legal actions against parties owing monies to the Group totaling $1,749,280 and these have been fully provided for in prior periods; and

- the Company has received letters of financial support from Mr. Randal Swick (Managing Director) and major shareholder Mrs. Rosanne Swick, stating that they will continue to support the company over a period of at least 12 months from the date of signing this financial report, as and when required in order for the company to continue as a going concern. In addition, Mr. Swick will not call upon any balances outstanding from the Consolidated Entity within 12 months of signing the financial report until funds permit.

The Company has entered into a Letter of Intent for the proposed acquisition of an 85% interest in the Ceara Lithium Project in Brazil in addition to another Letter of Intent to acquire up to a 100% interest in the Toamasina Saprolitic Graphite Project located in Madagascar. Given the current investor appetite in lithium and graphite projects, and the resultant increase in share price following the announcement of the proposed acquisitions the Directors are confident in the Company's ability to raise capital for the projects.

The Directors have prepared a cash-flow forecast for the period ending 31 March 2018 which indicates that the current cash reserves are sufficient through to the end of March 2018 provided that $1,749,280 of outstanding amounts receivable relating to the sale of mining tenements and the Cougar Mineracao Ltda business are received when expected or within a reasonable timeframe thereafter.

The ability of the Company and Consolidated Entity to continue as going concerns is principally dependent upon:

1. The receipt of outstanding amounts receivable totaling $1,749,280 relating to the sale of Cougar Brasil Mineracao Ltda, on a favorable basis to the Group and within an acceptable timeframe;

2. A capital raising of approximately $600k by 31 March 2017.

3. Resolution of outstanding taxation matters on a favorable basis to the Group;

4. The generation of positive cash flows from its contract drilling business in Brazil, including extending existing drilling activity at comparable rates or from the disposal of under-utilised rigs;

5. That no significant liabilities will revert to the Company relating to Palinir S.A; and

6. The continued financial support from the Managing Director.

The Directors have reviewed the Company and Consolidated Entity's overall position and outlook in respect of the matters identified above and are of the opinion that the use of the going concern basis is appropriate in the circumstances.

Should the Company and Consolidated Entity be unable to achieve successful outcomes in relation to the matters discussed above, material uncertainty would exist as to the ability of the Company and Consolidated Entity to continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Company and Consolidated Entity be unable to continue as going concerns.

	Consolidated Half-Year ended 31 December 2016 $	Consolidated Half-Year ended 31 December 2015 $
2. REVENUE		
(a) Revenue and income		
Sales revenue from drilling operations	**1,428,952**	703,233
Foreign exchange gain	**12,259**	76,750
Interest received	**366**	415
Other revenue	**-**	215
	1,441,577	780,613

(b) Seasonality of operations
During the months of December, January, and part of February, exploration activity in Brazil is limited due to the onset of the wet season. Depending on the level of rainfall during the wet season and the timing of that rainfall, conditions may allow for or delay the recommencement of exploration activity from late February. Contract drilling continues during the wet season however, productivity can be affected by the difficult weather conditions.

3. EXPENSES

Loss before tax is arrived after charging the following expenses:

(a) Depreciation		
Depreciation expense	**49,829**	216,372
(b) Finance costs		
Interest expense	**6,793**	12,628
(c) Impairment of Assets		
Impairment expense	**32,931**	-

	Consolidated 31 December 2016 $	Consolidated 30 June 2016 $
4. CASH AND CASH EQUIVALENTS		

For the purposes of the cash flow statement, cash and cash equivalents are comprised of the following:

Cash at bank and in hand	**220,411**	33,109
Short term deposits	**34,429**	34,429
	254,840	67,538

Non-cash financing and investing activities
There were no non-cash financing and investing activities during the period.

	Consolidated 31 December 2016 $	Consolidated 30 June 2016 $
5. TRADE AND OTHER RECEIVABLES		
Current		
Trade Receivables	**277,445**	702,862
Other Receivables	**229,356**	194,058
Consideration receivable from discontinued operation (i)	**1,749,280**	1,703, 039
Provision of impairment	**(2,157,117)**	(2,042,816)
	98,964	557,143

(i) The Group disposed of its interests in the Alta Floresta Project in Brazil pursuant to three separate sale agreements in November 2013. Following the receipt of US$500,000 (~A$606,532) in January 2015, two of the three agreements are now complete. The remaining agreement relates to the sale of the Group's interests in Cougar Brasil Mineracao Ltda, inclusive of remaining tenements. As at 31 December 2016, A$1,749,280 is outstanding in relation to the sale of the Group's interests in Cougar Brasil Mineracao Ltda and has been fully provided for.

6. PROPERTY PLANT AND EQUIPMENT

Opening written down value at beginning of period	**112,525**	540,307
Cost of assets acquired	**10,158**	2,218
Held for Sale	-	(213,628)
Depreciation expense	**(49,829)**	(216,372)
	72,854	112,525

During the year ending 30 June 2016, a decision was reached to offer for sale one of the Company's drill rigs; which is considered surplus to requirements. The rig is being marketed throughout the United States and Brazil. Accordingly, this item has been reclassified as an Asset held for sale as per AASB 5 as at 30 June 2016. As at 31 December 2016 no offer to purchase has been received.

7. EXPLORATION AND EVALUATION EXPENDITURE

Balance at beginning of period	-	-
Exploration expenditure capitalised during the period	**134,071**	-
Exploration expenditure impaired during the period	-	-
Foreign currency adjustment	-	-
	134,071	-

The costs capitalised comprise: (i) $100,000 in relation to the Toamasina Saprolitic Graphite Project (Madagascar) and (ii) $34,071 in relation to the Ceara Lithium Project (Brazil). Both projects are in the early stages of exploration. The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the mining areas.

	Consolidated 31 December 2016 $	Consolidated 30 June 2016 $
8. TRADE AND OTHER PAYABLES		
Current		
Trade payables	**1,293,742**	1,000,675
Audit accrual	**13,500**	22,500
Other accruals	**937,384**	733,029
	2,244,626	1,756,204

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value. The Payables disclosed are unsecured.

9. PROVISIONS

Current		
Employee entitlements	**2,944**	2,335
Foreign taxes	**2,087,763**	1,882,265
Other accruals	**175,848**	165,738
	2,266,555	2,050,338

The Provision for Foreign Taxes comprises: (i) an amount inclusive of an allowance for interest and penalties of $444,046 relating to an assessment received which is being defended; and (ii) an amount inclusive of an allowance for interest and penalties of $1,643,717 relating to an estimate of tax payable on a self-assessment basis which is considered unlikely to be paid. The raising of the provisions is considered by the Company to be a prudent measure.

The provisions have been estimated in accordance with the requirements of Australian Accounting Standards.

10. LOANS AND BORROWINGS

Current		
Loan from director related entity – unsecured (i)	**915,486**	669,871
	915,486	669,871

(i) Moneys advanced by Randal Swick are non-interest bearing and are not repayable in the next 12 months.

11. ISSUED CAPITAL

	31 December 2016		30 June 2016	
	No.	$	No.	$
Issued Capital				
Ordinary shares - fully paid	**665,268,524**	**26,673,235**	665,268,524	26,673,235
Contributing shares	**3,425,725**	**3,426**	3,425,725	3,426
	668,694,249	**26,676,661**	668,694,249	26,676,661

12. SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The entity's primary segments are two businesses, being drilling operations and mineral exploration and resource development.

Drilling operations consist of providing rigs, equipment, consumables and services for drilling holes for the purpose of extraction and presentation of rock and soil samples on a contract basis for mining and exploration companies solely in Brazil. This business depends upon the supply and utilisation of drilling rigs, the skills and training of the drilling services personnel and the ability to negotiate the contracts under which these services are provided to customers.

Mineral exploration and resource development involves the geological pursuit of identifying mineral resource systems for the purposes of extraction and or sale.

During the half year ended 31 December 2016 the Group operated in the following Geographic Segments: Australia, Brazil, Madagascar and Canada. (2015: Australia, Brazil and Canada).

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted
Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions
An internally determined transfer price is set for all inter-entity sales. This price is re-set quarterly and is based on what would be realised in the event the sale was made to an external party at arm's-length. All such transactions are eliminated on consolidation for the Groups financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets
Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities
Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items
The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- impairment of assets and other non-recurring items of revenue or expense

12. SEGMENT INFORMATION (*Continued*)

(a) Business and geographical segments

	Australia Admin, Exploration & Evaluation $	Uruguay & Brazil Drilling Operations $	Canada Exploration & Evaluation $	Brazil Exploration & Evaluation $	Madagascar Exploration & Evaluation $	Total Operations $
31 December 2016						
Revenue (6 months)						
Sales to customers	-	1,428,952	-	-	-	**1,428,952**
Foreign exchange gain	43,372	-	64	-	-	**43,436**
Finance revenue	366	-	-	-	-	**366**
Other	-	-	-	-	-	-
Segment revenue	**43,738**	**1,428,952**	**64**	**-**	**-**	**1,472,754**
Segment profit/(loss)	**(321,475)**	**(643,873)**	**(33,991)**	**-**	**-**	**(999,339)**
Assets and liabilities						
Segment assets	44,137	589,653	15,484	34,701	100,000	**783,975**
Segment liabilities	(2,018,552)	(3,322,282)	(150,345)	-		**(5,491,179)**
Segment net assets	**(1,974,415)**	**(2,732,629)**	**(134,861)**	**34,701**	**100,000**	**(4,707,204)**
Addition of non-current assets	-	10,158	-	-	-	**10,158**
Depreciation	345	49,484	-	-	-	**49,829**
Impairment	-	32,931	-	-	-	**32,931**

	Australia Admin, Exploration & Evaluation $	Uruguay & Brazil Drilling Operations $	Canada Exploration & Evaluation $	Total Operations $
31 December 2015				
Revenue (6 months)				
Sales to customers	-	703,233	-	**703,233**
Foreign exchange gain	83,370	(8,623)	2,003	**76,750**
Finance revenue	404	11	-	**415**
Other	-	215	-	**215**
Segment revenue	**83,774**	**697,003**	**2,003**	**780,613**
Segment profit/(loss)	**(251,401)**	**(676,517)**	**(12,202)**	**(940,120)**
30 June 2016				
Assets and liabilities				
Segment assets	47,321	904,911	77,190	1,029,422
Segment liabilities	(954,554)	(3,430,415)	(154,251)	(4,539,220)
Segment net assets	**(907,233)**	**(2,525,504)**	**(77,061)**	**(3,509,798)**
31 December 2015				
Depreciation	556	116,248	-	116,804
Impairment	-	47,649	11,147	58,796

13. COMMITMENTS

The Group's minimum expenditure obligations in respect of Australian tenements: $53,800 (30 June 2016: $53,800).

The option agreement entered into with Kenora Prospectors & Miners, Limited in January 2013 is currently suspended pending arbitration. Accordingly, there are no commitments recorded against this agreement.

In accordance with the terms of the Letter of Intent relating to the Toamasina Saprolitic Graphite Project, Cougar has agreed to:

- pay to the vendor a total of A$200k by 31 March 2017 or within 10 days of completion of a capital raising, whichever the earlier;
- earn a 49% interest in DNI's licence by completing resource study and preliminary economic assessment (PEA) by 30 June 2017 which must include:
  - minimum of 3,000 meters of drilling;
  - minimum of 1,000 meters of trenching; and
  - providing concentrate samples to DNI, for the purpose of establishing offtake agreements.

In accordance with the terms of the Letter of Intent relating to the Ceara Graphite Project, Cougar is required to issue to the vendor 100 million shares in Cougar upon finalisation of a formal agreement and the formation of the entity under which the tenements will be owned.

14. CONTINGENT LIABILITIES

Changes to contingent liabilities previously disclosed in the Group's annual report for the year ended 30 June 2016 are as follows:

Toamasina Saprolitic Graphite Project
Pursuant to the agreed terms, Cougar is required to pay USD150k on behalf of the vendor by 12 June 2017 provided Cougar has not withdrawn from the agreement by 12 April 2017.

15. EVENTS SUBSEQUENT TO REPORTING DATE

There are no matter or circumstances which have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial periods, other than:

<u>Amended Terms of Letter of Intent for Toamasina Saprolitic Graphite Project</u>
The parties have amended the terms of the Letter of Intention as follows:

- $200,000 previously payable by 15 March 2017, is now payable as follows: $100,000 by 31 March 2017, $50,000 by 30 April 2017, and $50,000 by 30 May 2017 and
- Preliminary Economic Assessment previously due by 30 June 2017 is extended out to 31 October 2017.
- US$150,000 is now due 9 June 2017 – previously 12 June 2017 and
- at completion of Preliminary Economic Assessment the parties will enter into a 50/50 joint venture with no option for either to buy out.

16. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of those which are measured at amortised cost including trade and other receivables, other payables, and interest bearing loans and borrowings. The carrying amount of these financial assets and liabilities approximate their fair value.

17. RELATED PARTY TRANSACTIONS

During the half year, Randal Swick (Chairman and Managing Director) provided on a net basis a short term non-interest bearing loans of A$123,000 and BRL255,820. The total amount owing to Mr Swick in relation to loans provided by Mr Swick as at 31 December 2016 is A$915,486 and a further A$747,233 is owed to him in unpaid directors fees.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Cougar Metals NL, we declare that:

In the opinion of the directors:

a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year then ended; and

   (ii) comply with Accounting Standard AASB 134*: Interim Financial Reporting and the Corporations Regulations 2001*; and

b) subject to the satisfactory achievement of the matters described in note 1(b), there are reasonable grounds to believe that the company will be able to pay its debts when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s303(5) of the Corporations Act 2001.

On behalf of the Board

Randal Swick
Managing Director

Perth, 15 March 2017

Bentleys
THINKING AHEAD

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Independent Auditor's Review Report

To the Members of Cougar Metals NL

We have reviewed the accompanying half-year financial report of Cougar Metals NL ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the half-year.

Directors Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cougar Metals NL and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to note 1(b) of the half-year financial report which indicates that the Consolidated Entity incurred a net loss of $999,339 during the half-year ended 31 December 2016. This condition, along with other matters as set forth in note 1(b), indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

Bentleys

BENTLEYS
Chartered Accountants

Doug Bell

DOUG BELL CA
Director

Dated at Perth this 15th day of March 2017