



12 September 2019

Ms Elizabeth Harris  
Manager  
Listings Compliance (Perth)  
Level 40, Central Park  
152-158 St Georges Terrace  
Perth WA 6000

By Email: [ListingsCompliancePerth@asx.com.au](mailto:ListingsCompliancePerth@asx.com.au)

**Re: Cougar Metals NL – Appendix 5B and Aware Query letter**

I refer to your ASX query letter dated 5 September 2019, in relation to the current and future cash position of Cougar Metals NL (the **Company**). and the disclosure of the Lind agreement.

We respond as follows to your questions as set out in your letter:

**APPENDIX 5B**

1. **Please explain what comprises the sum of \$295,000 in receipts from customers in the Appendix 5B in addition to the receipt of \$264,000 from DNI.**

The figures include \$262,498 in monies received from DNI (after adjusting for currency conversion) and a further \$33,000 received from the sale of exploration data.

2. **Why have these amounts been included in the Appendix 5B as receipts from customers?**

The sale of exploration data is a revenue item. The DNI monies are neither cash flows from investing or financing activities as set out in boxes 2 and 3 of the Appendix 5B. They are also not cashflows from operating activities described by items 1.2 to 1.8 of boxes 1 of the Appendix 5B. The only suitable place to record the amounts are in item 1.1 being a receipt from customers. The Appendix 5B fails to provide any item to record legal judgements and awards.

The Company is happy to reclassify the DNI monies in another category should the ASX provide guidance on the most suitable category.

3. **Does CGM expect to have negative operating cash flows for the time being and, if not, why not?**

Yes.

4. **Has CGM taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?**

The Company is in discussions with an unrelated Brazilian party regarding the sale of remaining drilling equipment it holds in Brazil. The discussions are ongoing and incomplete to warrant disclosure.

The unrelated party is a well established registered Brazilian company that have been active in the drilling industry for over a decade. The Company believes the unrelated party is capable of performing under any contract to purchase due to their long standing position in the market.



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The Company continues to expect to receive additional payments resulting from the DNI Settlement Agreement.

Following the receipt of funds from either of these sources the Company believes there would be sufficient market appetite to fund a capital raising to recapitalise the Company.

To date, the overhang of the Lind convertible note, the associated regular conversions and subsequent sales of all converted securities has contributed to reduced investor interest in the Company. The Company was engaging with Lind in order to address this issue prior to the issue, by Lind, of the notice alleging breach and shall continue its attempts to discuss and restructure any debt with Lind.

The Company is also investigating plans to recapitalise the Company.

**5. Does CGM expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?**

Yes. As mentioned in point 4, the Board remains confident of being able to raise capital via the options listed above.

**DNI Default**

**6. Please provide an update on the status of the arbitration in relation to the DNI default including details of the arbitration and the time frame in which it is anticipated to be concluded.**

The Board met in August 2019 and approved the commencement of dispute resolution by an arbitrator in relation to the issuing, by DNI to CGM, of a contrived Notice of Breach where-in Cougar was alleged to have made disparaging public remarks about DNI and its management. The process will follow a structured timeline, with an order from the arbitrator expected in the month of September.

As stated in the announcement of 26 July 2019, the Company expects a resolution in Cougar's favour with an order for immediate payment of CAN 2.25million from DNI.

Subsequent to this, the Company, via various discussions with DNI management, is aware that DNI is working towards the payment of the next instalment of its settlement agreement and potentially an offer of an upfront cash settlement to finalize the settlement arrangement.

**Lind Notice**

**7. Does CGM consider the Debt Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?**

Yes, assuming the Debt Information relates to the demand for repayment of outstanding monies by Lind.

**8. If the answer to question 7 is "no", please advise the basis for that view.**  
N/A



**9. When did CGM first become aware of the Debt Information?**

The Executive Chairman became aware of an email from Lind's lawyers on the evening of Thursday 15<sup>th</sup> August 2019.

**10. If the answer to question 7 is "yes" and CGM first became aware of the Debt Information before the relevant date, did CGM make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe CGM was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps CGM took to ensure that the information was released promptly and without delay.**

The Executive Chairman reviewed the email from Lind's Lawyers at 7 pm on Thursday 15<sup>th</sup> August 2019 and notified Scott Reid (a director) on the evening of the 15<sup>th</sup> and the other director (David Symons) on the morning of Friday 16<sup>th</sup> August 2019.

The Board was required to consider the effect of the Debt notice on the Company, in the context of concurrent ongoing discussions with the Lind funders around a repayment plan of the Lind note, which the Company believed would allow for no default to occur.

At the same time, the Company notes that the share trading in its securities has been thin for the past 3 months, with multiple sellers at \$0.001 and no buyers. As such, any negative impact from any market release associated with the Debt Information would not have an effect on the price of the Company's shares as the shares were already selling at \$0.001.

The lack of market activity is evidenced by 9,204,792 shares being traded at \$0.001 during the period of 15 August to 20 August, representing \$9,204.

Therefore it could be argued in the context of Guidance Note 8 that the information could not have a material effect on the price or value of the entity's securities, as there was no market for any price movement or material effect on price to occur given selling was already at the lowest ASX approved pricing step.

The Board was of the view that there was not an opportunity for the trading of shares in an uninformed or false market.

Once the board had considered the Debt Information, an appropriate announcement was formulated with the document being circulated on 19<sup>th</sup> August for final edits and approval.

The announcement was released on 20<sup>th</sup> August.

**11. When is CGM required to repay the Debt?**

If the notice of default is valid then according to the Lind Agreement the Company is required to repay the Debt within 60 business days of the 14 August 2019 being November 7, 2019.

**12. How does CGM propose to repay the Debt noting that the Appendix 5B stated that CGM had \$124,000 at 30 June 2019.**

As noted above, the Board is of the opinion that the sale of drilling equipment and the payment by DNI will provide sufficient capital for the Company to repay the Debt.

**Compliance and authorisation**

Cougar Metals NL ABN 27 100 684 053

[www.cgm.com.au](http://www.cgm.com.au)



- 13. Please confirm that CGM is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.**

The Company remains in compliance with Listing Rule 3.1, with all relevant information about the Company's financial position disclosed to shareholders in various market releases.

- 14. Please confirm that CGM's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of CGM with delegated authority from the board to respond to ASX on disclosure matters.**

The response to the ASX query letter has been circulated to the full Board of the Company for comment and the Company Secretary has been authorised to send the final reply to the ASX.

Yours sincerely  
**COUGAR METALS NL**  
**RANDAL SWICK**  
*Executive Chairman*



5 September 2019

Reference: EMH

Mr Ben Donovan  
Company secretary  
Cougar Metals NL  
Ground Floor  
16 Ord Street  
West Perth WA 6005

By email:

Dear Mr Donovan

**Cougar Metals NL ('CGM'): Appendix 5B and Aware Query**

ASX refers to the following:-

**Appendix 5B**

1. CGM's Appendix 5B quarterly report for the period ended 30 June 2019 lodged with ASX Market Announcements Platform on 31 July 2019 (the 'Appendix 5B').

ASX notes that CGM has reported:

- Receipts from customers of \$295,000
- net operating cash flows for the quarter of \$72,000;
- cash at the end of the quarter of \$206,000; and
- estimated cash outflows for the next quarter of \$124,000.

It is possible to conclude, based on the information in the Appendix 5B that if CGM were to continue to expend cash at the rate indicated by the Appendix 5B, CGM may not have sufficient cash to continue funding its operations.

**DNI Metals**

2. CGM's announcement of 26 April 2019 in which CGM announced that it had received CAD\$250,000 (approximately A\$264,000) from DNI Metals Inc ("DNI") as part of the Settlement Agreement dated 24 September 2018 between DNI and CGM. The announcement stated that CAD\$2,250,000 remained to be paid as part of the settlement with the next payment of CAD\$250,000 due on 24 June 2019.
3. CGM's announcement of 27 June 2019 in which CGM announced that it had served a Notice of Default on DNI in relation to the payment due on 24 June 2019.
4. CGM's announcement of 26 July 2019 in which CGM announced that the default by DNI had been referred to an arbitrator and CGM expected a swift resolution in its favour.

**Lind**

5. CGM's announcement of 20 August 2019 in which CGM announced that it had received a conversion request from the Australian Special Opportunity Fund, LP ("Lind") to convert 55,555,555 shares in CGM which CGM had elected not to convert. The announcement further stated that subsequently CGM had been issued with a default notice from Lind to repay the outstanding debt of \$810,000 plus interest ("Debt") within 60 business days.

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(the “Debt Information”)

In view of the above, ASX asks CGM to respond separately to each of the following questions and requests for information:

**Appendix 5B**

1. Please explain what comprises the sum of \$295,000 in receipts from customers in the Appendix 5B in addition to the receipt of \$264,000 from DNI.
2. Why have these amounts been included in the Appendix 5B as receipts from customers
3. Does CGM expect to have negative operating cash flows for the time being and, if not, why not?
4. Has CGM taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
5. Does CGM expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

**DNI Default**

6. Please provide an update on the status of the arbitration in relation to the DNI default including details of the arbitration and the time frame in which it is anticipated to be concluded.

**Lind Notice**

7. Does CGM consider the Debt Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
8. If the answer to question 7 is “no”, please advise the basis for that view.
9. When did CGM first become aware of the Debt Information?
10. If the answer to question 7 is “yes” and CGM first became aware of the Debt Information before the relevant date, did CGM make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe CGM was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps CGM took to ensure that the information was released promptly and without delay.
11. When is CGM required to repay the Debt?
12. How does CGM propose to repay the Debt noting that the Appendix 5B stated that CGM had \$124,000 at 30 June 2019.

**Compliance and authorisation**

13. Please confirm that CGM is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.
14. Please confirm that CGM’s responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of CGM with delegated authority from the board to respond to ASX on disclosure matters.

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### When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **3:00 PM AWST Tuesday, 10 September 2019**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in CGM's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, CGM's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at [ListingsCompliancePerth@asx.com.au](mailto:ListingsCompliancePerth@asx.com.au). It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

### Listing Rule 3.1 and Listing Rule 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to CGM's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that CGM's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

### Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in CGM's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

### Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

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Yours sincerely

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**Elizabeth Harris**  
Manager, Listings Compliance (Perth)