



Quarterly Activities Report for the quarter ended 30 June 2016

Cougar Metals NL is a Perth based exploration company listed on the Australian Securities Exchange (ASX: CGM).

In January 2013, Cougar entered into an option to acquire a 51% undivided interest in the Shoal Lake Gold East Project containing the Mikado and Cedar Island historic mines. The Project is located in the Shoal Lake region of Ontario, Canada; an area containing a number of past gold producers and significant exploration results.

Work on the Project is suspended.

The Company also operates a mineral drilling business in Brazil providing surface diamond, reverse circulation and RAB drilling services to the Brazilian mineral resource industry. The Company currently operates a fleet of 9 rigs.

In Australia, the Company holds the laterite nickel and cobalt mineral rights to the Pyke Hill prospect located 40km east of the Murrin Murrin Nickel operations in Western Australia. The prospect contains a Measured and Indicated Resources of 14.7mt @ 0.9% Ni and 0.06% Co. (March 2008).

Directors

Randal Swick – Executive Chairman
Michael Fry – Executive Director
David Symons – Non Executive Director

Senior Management

Randal Swick – Managing Director
Michael Fry – CFO & Company Secretary

Capital Structure

Shares on Issue: 665,268,524
52 week range: \$0.001 - \$0.008
Last Price (28/7/16): \$0.007
Market Capitalisation: \$ 4.567 million

Substantial Shareholders

Marcia Swick – 41.5%
Savvy Capital Management – 20.8%

HIGHLIGHTS OF THE FOURTH QUARTER OF FY16

Canada Exploration

- In January 2016, the results of the arbitration initiated by Cougar's wholly owned Canadian subsidiary in relation to the Shoal Lake East Gold Project were handed down with Cougar succeeding on all major matters raised in the arbitration proceedings. The arbitrator awarded Cougar costs totalling CDN\$297,165.44 on an indemnity basis.
- The Option Agreement remains in force but suspended pending compliance of the orders of the arbitration.

Sale of Brazilian Tenement Portfolio

- Legal action continues in relation to the recovery outstanding monies of approximately US\$1.2M owed in respect of the purchase of Cougar Brasil Mineracao Ltda.

Drilling Business

- Revenue from the provision of contract drilling services for the quarter ended 30 June 2016 was R\$2.173 million (quarter ended 31 March 2016: R\$1.028 million).
- This quarter's revenue represents the best quarterly revenue performance since the quarter ended 30 June 2014, and more than double the quarter just gone.
- Activity and confidence within the Brazilian mining industry is displaying signs of improvement as a consequence of stabilised gold and iron ore prices, and expectation that the proposed changes to the mining code, first proposed in 2009, will be abandoned. The improved confidence is reflected by a noticeable increase in mergers and acquisitions, and joint venturing activity in recent months and increasing exploration activity.
- Associated with increased activity in the Brazilian mining industry, demand for drilling services has also displayed improvement in recent months with drilling rates, long suppressed, showing recovery.
- Cougar is forecasting to have a minimum of four rigs (of its fleet of 9 rigs) in work during the second half of calendar year 2016.

ACTIVITIES REPORT

Cougar Metals NL (ASX Code: CGM) (“**Cougar**” or “**the Company**”) is pleased to provide its activities report for the quarter ended 30 June 2016.

EXPLORATION ACTIVITIES

Cougar’s exploration effort is focused on the Shoal Lake region, located in the northwestern Province of Ontario, Canada. Cougar also holds a Nickel and Cobalt Resource, located at its Pyke Hill Project near Leonora, Western Australia which it is seeking to sell or joint venture.

Shoal Lake East Gold Project (Ontario, Canada)

Background

In January 2013, the Company entered into an Option Agreement with Kenora Prospectors & Miners, Limited (“KPM”) to acquire a 51% interest in its project located in the Province of Ontario, Canada. The option has been assigned to Cougar’s wholly owned Canadian subsidiary Tycoon Gold Resources Inc (Tycoon).

The project is host to the past producing Mikado and Cedar Island gold mines, a portion of the advanced undeveloped Cedar Island Mainland Gold Deposit, and a number of other significant gold occurrences. These occurrences describe a number of gold mineralised trends on the property and provide significant potential for the development of a high grade gold production operation.

Following the execution of the option agreement and the first two option payments, the vendors failed to respond to Tycoon’s reasonable requests to satisfy certain alleged breaches under the agreement. The Vendor counter claimed that Tycoon was in default of payments, which led to the instigation of arbitration proceedings.

In January 2016, the arbitrator, Mr John A.M. Judge, handed down his decision finding for Tycoon on all major matters and awarding Tycoon costs totalling CAD\$297,165.44, on an indemnity basis.

In arriving at his decision, Mr John A.M. Judge, stated “Here, it is clear that Tycoon has succeeded on all major issues raised in the arbitration. Tycoon has not engaged in any misconduct and there is no principled basis on which to justify depriving Tycoon, as the successful party, of an award of costs in its favor.”

The Award specifically states that the Notice of Termination issued by KPM is null and void, meaning that the Agreement remains in force but suspended pending compliance by KPM of the orders of the arbitration.

Project Summary and Description

Refer Appendix 1

Activities During the Current Quarter

Work on the Shoal Lake East Gold Project remains in suspension pending compliance by KPM of the orders of the arbitration.

Pyke Hill Project (Western Australia)

Background

The Pyke Hill Project is located 40km southeast of the Murrin Murrin Nickel Operation in Western Australia. Cougar holds the nickel and cobalt laterite rights to the project and in March 2008 published a Measured and Indicated Resources of 14.7 million tonnes grading 0.9% Ni and 0.06% Co for 131,621 tonnes of contained nickel metal (using a 0.5% Ni cut-off).

Activities During the Current Quarter

No new work was conducted during the quarter. The Company continues to seek a sale or third parties who may have an interest in participating in the Project.

SUMMARY OF TENEMENTS AND CHANGES

In accordance with ASX Listing Rule 5.3, Cougar advises of the following:

Project	Tenement Reference	Interest held by Cougar at 30 June 2015	Changes during the quarter (acquisitions /disposals)	Interest held by Cougar at 31 March 2016
Pyke Hill Nickel (Australia)*	M39/159	Ni/Co rights - 100%	-	Ni/Co rights - 100%
Shoal Lake Gold (Canada)	MH9	100%	-	100%
Shoal Lake Gold (Canada)	MH10	100%	-	100%
Shoal Lake Gold (Canada)	MH40	100%	-	100%
Shoal Lake Gold (Canada)	D259	100%	-	100%

* Cougar holds 100% of the Nickel and Cobalt Laterite rights in relation to the tenement, with tenement ownership to be transferred to Cougar upon the commencement of mining activities.

CONTRACT DRILLING BUSINESS ACTIVITIES

Geologica Sondagens is a wholly owned subsidiary of Cougar which provides contract drilling services to the mining industry in Brazil. Geologica Sondagens is headquartered in Belo Horizonte and operates a fleet of RC and Diamond Drilling rigs.

Geologica Sondagens revenue for the quarter ended 30 June 2016 was R\$2.173 million as compared with the previous quarter (ended 31 March 2016) of R\$1.028 million, reflecting a significant improvement.

In fact, this quarter's revenue represents the best quarterly revenue performance since the quarter ended 30 June 2014, and more than double the quarter just gone.

The overall Brazil mining industry is displaying signs of improvement with confidence seemingly returning. Several factors appear to have contributed including the stabilisation of gold and iron ore prices, and expectation that the proposed changes to the mining code, first proposed in 2009, will be abandoned. The improved confidence is reflected by a noticeable increase in mergers and acquisitions, and joint venturing activity in recent months and increasing exploration activity.

This improvement in the Brazil mining industry is being reflected in the demand for drilling services with tendering enquiries having noticeably increased.

During the quarter, Geologica Sondagens extended its contract with Beadell Resources (to end January 2017) and secured work for three rigs with another client who is embarking on an aggressive exploration program in Para State, expected to last at least 3 months.

CORPORATE UPDATE

Brazil Tenement Portfolio

In November 2013, the Company announced that it had reached agreements to sell 100% of its mining tenements in Brazil for USD \$3.25 million (net of transaction costs and liabilities) with proceeds to be received progressively over 2 years.

The Group has received ~US\$2.2 million pertaining to the sale of its Brazilian mining portfolio.

Tauari Holdings Ltda is currently in default of its payment arrangements in relation to the balance of purchase monies outstanding. Legal action is being taken to recover outstanding monies of approximately US\$1.2M owed in respect of the purchase of Cougar Brasil Mineracao Ltda.

For further information please contact the undersigned via email using r.swick@cgm.com.au or alternatively contact Michael Fry (Director, CFO & Company Secretary) on +61 8 9226 5002.

Yours sincerely
COUGAR METALS NL



RANDAL SWICK
Executive Chairman and Managing Director

Competent Person Statements:

The information in this report that relates to the Mineral Resource Estimate for the Pyke Hill Project is based on information compiled by Mr Paul Payne, a Member of the Australasian Institute of Mining and Metallurgy, and a full time employee of Runge Limited at the time the Mineral Resource Estimate was completed. Mr Payne had sufficient relevant experience to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves. Mr Payne has previously consented to the inclusion in reports of the information presented in the form and context in which it appears. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The information in this release that relates to geological information, exploration results and historical resource estimates for the Shoal Lake Project (Canada) is based on information compiled by Mr Paul Nagerl and was in the view of Mr Nagerl an accurate representation of the data available for the project. Mr Nagerl was, at the time of compilation of the information, a member of the Association of Professional Geoscientists of Ontario and was engaged on a full-time basis as the Company's Exploration Manager through his personal services entity, Nagerl Geological Services Inc. Mr Nagerl is no longer engaged by Cougar Metals NL or its controlled entities. Mr Nagerl has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Nagerl has previously consented to the publishing of this information in the form and context that the information appears.

APPENDIX 1: PROJECT DESCRIPTION AND SUMMARY – SHOAL LAKE GOLD PROJECTS



Location of the Shoal Lake project area in the north-western portion of the Province of Ontario

Discovery of gold in the Shoal Lake area was made during the late 19th century gold rush and led to the development of a number of gold deposits in north-western Ontario. At Shoal Lake, mining of gold commenced in 1893 and continued intermittently until 1936 when the regional focus changed to other developing gold belts within Ontario and in North America.

Shoal Lake is situated 15 kilometres south of the trans-Canada Highway between the Cities of Kenora and Winnipeg; and easily accessible year round. The Shoal Lake East property comprises mineral rights and surface rights in 28 patented mining claims totalling 637 hectares under option from KPM. Under the terms of this agreement, Cougar has the option to earn a 51% interest in the properties by making scheduled payment over five years totalling CAN\$ 5.875 million and completing a work program to extract a bulk sample from the Cedar Island Mainland gold deposit.

The property has undergone substantial exploration activity and holds the past producers Mikado and Cedar Island mines as well as a number of significant gold occurrences defining a series of semi-parallel convergent mineralized trends. The primary focus of this project is the advanced Cedar Island Mainland (CIML) gold deposit which is the mainland continuation of the historic Cedar Island mine.