

COUGAR METALS NL
ABN 27 100 684 053

RIGHTS ISSUE PROSPECTUS

For a pro rata renounceable rights issue to Shareholders of three (3) New Shares for every two (2) Existing Shares held at an issue price of 2.1 cents per New Share to raise up to \$5,446,042 (before costs).

The Offer is conditionally underwritten by Patersons Securities Limited (ABN 69 008 896 311) (AFSL 239052) to an amount of \$4,900,000, representing 233,333,334 New Shares. Refer to Section 8.4 of this Prospectus for details of the terms of the Underwriting Agreement.

Important Notice

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the New Shares being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The New Shares offered by this Prospectus should be considered as speculative.

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KEY DATES

Lodgement of Prospectus with ASIC and ASX	23 December 2009
Existing Shares quoted ex-Rights and Rights trading commences	30 December 2009
Record Date for determining Entitlements	6 January 2010
Prospectus despatched to Eligible Shareholders	12 January 2010
Rights trading ends	19 January 2010
New Shares quoted on a deferred settlement basis	20 January 2010
Closing Date	27 January 2010
Allotment and issue of New Shares	4 February 2010
Despatch of holding statements	4 February 2010

These dates are indicative only and subject to change. The Company, in conjunction with the Underwriter, reserves the right, subject to the Corporations Act and the Listing Rules, to vary the above dates.

1 IMPORTANT NOTES

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisers.

This Prospectus is dated 23 December 2009 and a copy of this Prospectus was lodged with ASIC and ASX on that date. ASIC and ASX take no responsibility for the content of this Prospectus.

The expiry date of this Prospectus is 22 January 2011 (**Expiry Date**). No securities will be allotted or issued on the basis of this Prospectus after the Expiry Date.

The Company will apply to ASX for Official Quotation of the New Shares. Applications for New Shares offered pursuant to this Prospectus can only be submitted on an original Entitlement Form or a Shortfall Application Form which accompanies this Prospectus.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required, or whether any other formalities need to be considered and followed.

Offers to New Zealand investors are regulated offers made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and the *Corporations Regulations* 2001 (Cth). In New Zealand, this is Part 5 of the *Securities Act* 1978 and the *Securities (Mutual Recognition of Securities Offerings – Australia) Regulations* 2008.

The Offer and the content of this Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act sets out how the Offer must be made.

There are differences in how securities are regulated under Australian law. The rights, remedies and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies and compensation arrangements for New Zealand securities. Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Offer. If you need to make a complaint about the Offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve currency exchange risk. The currency for the New Shares is not New Zealand dollars. The value of the New Shares will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the New Shares to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

As noted in Section 3.11 of this Prospectus, the Company will apply to ASX for Official Quotation of the New Shares. If Official Quotation is granted, the New Shares will be able to be traded on ASX. If you wish to trade the New Shares through that market, you will have to make arrangements for a participant in that market to sell the New Shares on your behalf. As ASX does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the Company and the trading of the New Shares may differ from securities markets that operate in New Zealand.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

In making representations in this Prospectus, regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

This Prospectus, including each of the documents attached to or accompanying it and which form part of this Prospectus, is important and should be read in its entirety prior to making an investment decision. If you do not fully understand this Prospectus or are in any doubt as to how to deal with it, you should consult your professional adviser. In particular, it is important that you consider the risk factors (refer to Section 7 of this Prospectus) that could affect the performance of the Company before making an investment decision.

Some words and expressions used in this Prospectus have defined meanings which are explained in the Glossary contained in Section 10 of this Prospectus.

ELECTRONIC PROSPECTUS

A copy of this Prospectus can be downloaded from the website of the Company at www.cgm.com.au or the website of ASX at www.asx.com.au. Any person accessing the electronic version of this Prospectus for the purposes of making an investment in the Company must be an Australian or New Zealand resident and must only access the Prospectus from within Australia or New Zealand.

The Corporations Act prohibits any person passing onto another person an Entitlement Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

2 CHAIRMAN'S LETTER

23 December 2009

Dear Shareholders,

As announced on 22 December 2009 and on behalf of the Board, I am pleased to offer you an opportunity to participate in the Company's restructured pro rata renounceable rights issue of three (3) New Shares for every two (2) Existing Shares held at an issue price of 2.1 cents per New Share to raise up to \$5,446,042 (before costs).

The Offer is renounceable which means that Shareholders who do not wish to subscribe for some or all of the New Shares under the Offer can sell some or all of their Rights. It also enables Shareholders to purchase additional Rights if they wish. Please refer to Section 4 of this Prospectus for information on how to deal with your Entitlement.

The Offer is conditionally underwritten by Patersons to an amount of \$4,900,000, representing 233,333,334 New Shares, pursuant to the terms of the Underwriting Agreement. Details of the Underwriting Agreement are set out in Section 8.4 of this Prospectus.

The Company needs to raise additional funds and, after careful deliberation, the Board has taken the view that a pro rata renounceable rights issue to Shareholders combined with the Placement is the most appropriate and fair way for the Company to raise additional capital in the current global financial and economic environment. These capital raisings will provide a number of benefits to the Company, including the following:

- repayment of the Company's existing secured debt;
- strengthening of the Company's overall financial position; and
- provision of additional working capital for the Company.

On behalf of the Board, I invite you to carefully consider the contents of this Prospectus and invite you to participate in the Offer.

Yours sincerely

Randal Swick
Chairman

3 DETAILS OF THE OFFER

3.1 Introduction

The Company is offering Eligible Shareholders the opportunity to participate in a pro rata renounceable offer of three (3) New Shares for every two (2) Existing Shares held on the Record Date, at an issue price of 2.1 cents per New Share to raise up to \$5,446,042 (**Offer**).

As at the date of this Prospectus, the Company has 172,890,242 Shares, 3,425,725 Contributing Shares and 1,000,000 unlisted Options on issue. On the basis that no Contributing Shares are paid up and no unlisted Options are exercised prior to the Record Date, the Offer will be for 259,335,363 New Shares.

Up to 263,761,088 New Shares could be issued under the Offer if all of the Contributing Shares on issue are paid up and all of the unlisted Options on issue are exercised between the date of this Prospectus and the Record Date.

3.2 Underwriting

The Offer is conditionally underwritten by Patersons to an amount of \$4,900,000, representing 233,333,334 New Shares. A summary of the Underwriting Agreement is set out in Section 8.4 of this Prospectus.

In addition, Mrs Rosanne Swick, a related party of the Company and the major secured creditor, has agreed to sub-underwrite the Offer on a priority basis to the extent of her secured debt, the effect of which will be to extinguish in full the debt owed to Mrs Swick. Further details relating to this sub-underwriting agreement are set out in Section 8.4 of this Prospectus.

3.3 Entitlement to Participate

Eligible Shareholders who are on the Company's share register at the close of business on the Record Date, being 5:00pm (WST) on 6 January 2010, will receive Entitlements to acquire three (3) New Shares for every two (2) Existing Shares held, at an issue price of 2.1 cents per New Share.

Fractional Entitlements will be rounded up to the nearest whole number of New Shares. For this purpose, holdings in the same name are aggregated for calculation of Entitlements. If the Company considers that holdings have been split to take advantage of rounding, the Company reserves the right to aggregate holdings held by associated Eligible Shareholders for the purpose of calculating Entitlements.

An Entitlement Form setting out your Entitlement to New Shares accompanies this Prospectus.

Eligible Shareholders may apply for Shortfall Shares as described in Section 3.5 of this Prospectus.

3.4 Minimum Subscription

The minimum subscription in respect of the Offer is \$4,900,000, being the amount conditionally underwritten by Patersons.

3.5 Shortfall

If you do not wish to take up any part of your Entitlement you are not required to take any action. That part of your Entitlement not taken up will form part of the Shortfall.

The offer of the Shortfall (**Shortfall Offer**) is a separate offer pursuant to this Prospectus and will remain open for 3 months following the Closing Date or such other date as the Directors may determine in their absolute discretion.

The issue price of any Shares offered pursuant to the Shortfall Offer shall be 2.1 cents, being the price at which the Offer has been made to Eligible Shareholders pursuant to this Prospectus. Eligible Shareholders or other investors may apply for Shares under the Shortfall Offer by completing the Shortfall Application Form accompanying this Prospectus.

The Shortfall Shares will be placed at the discretion of the Directors in consultation with the Underwriter. Applications for Shortfall Shares under the Shortfall Offer may not be accepted and these application monies will be refunded (without interest) in accordance with the provisions of the Corporations Act. Neither the Company nor the Underwriter guarantees that you will receive any Shortfall Shares applied for.

3.6 Rights Trading

Your Rights to the New Shares pursuant to the Offer are renounceable. This enables Shareholders who do not wish to subscribe for some or all of the New Shares under the Offer to sell some or all of their Rights, and also enables Shareholders to purchase additional Rights if they wish.

The Rights will be quoted on ASX. Trading of Rights will commence on ASX on 30 December 2009 and will cease at the close of trading on 19 January 2010.

Individual applicants are responsible for determining their allocations of Rights and New Shares before trading in them. Trading in Rights or New Shares before receiving confirmation of your allocation is at your own risk.

3.7 Acceptances and Entitlements

The Offer may be accepted in whole or in part prior to the Closing Date subject to the rights of the Company and the Underwriter to extend the offer period or close the Offer early.

Instructions for completion of the acceptance of your Entitlement are set out on the Entitlement Form which accompanies this Prospectus.

Acceptance cannot exceed your Entitlement as shown on the Entitlement Form. If it does, acceptance will be deemed to be for your maximum Entitlement and any surplus subscription funds will be returned.

Shareholders wishing to acquire New Shares in addition to their Entitlement shown on the Entitlement Form may purchase additional Rights on ASX or apply for Shortfall Shares in the manner set out in Sections 3.5 and 4.2 of this Prospectus.

3.8 Market Prices of Existing Shares on ASX

The highest and lowest market sale price of the Existing Shares which are on the same terms and conditions as the New Shares offered under this Prospectus during the 3 months immediately preceding the lodgement date of this Prospectus with ASIC and the last market sale price before the lodgement date of this Prospectus are set out below.

	3 Month High	3 Month Low	Last Market Sale Price
Existing Shares	12.0 cents on 30 September 2009	2.2 cents on 22 December 2009	2.3 cents on 22 December 2009

3.9 Opening and Closing Dates

The Offer will open for receipt of acceptances on 12 January 2010 and will close on 27 January 2010, subject to the right of the Company, in consultation with the Underwriter, to vary these dates.

3.10 Allotment

Application Monies will be held in trust for applicants until allotment of the New Shares. The Company will be entitled to all interest paid or accrued on Application Monies.

No allotment of New Shares will occur until ASX grants permission to quote the New Shares. New Shares are expected to be allotted by no later than 5:00pm (WST) on 4 February 2010. Statements of holdings of New Shares will be mailed after allotment occurs.

3.11 ASX Quotation

Application for admission of the New Shares to Official Quotation will be made within 7 days after the date of this Prospectus.

If such an application is not made within these 7 days, or the New Shares are not admitted to Official Quotation within 3 months after the date of this Prospectus, then the Company will not allot or issue any New Shares and all Application Monies received pursuant to this Prospectus will be repaid as soon as practicable, without interest.

The fact that ASX may agree to grant Official Quotation of the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares. ASX takes no responsibility for the contents of this Prospectus.

3.12 Ranking of New Shares

The New Shares will rank equally in respect of dividends and in all other respects (eg, voting, bonus issues) as Existing Shares.

A summary of the rights and liabilities attaching to the New Shares is set out in Section 6 of this Prospectus.

3.13 Overseas Shareholders

The Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of New Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and New Shares will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

Shareholders resident in New Zealand should contact their professional advisers as to whether any governmental or other consents are required, or other formalities need to be observed, to enable them to exercise their Entitlement under the Offer.

Pursuant to Listing Rule 7.7, the Company, subject to approval by ASIC, has appointed Patersons as its nominee to sell the Rights to which Non-qualifying Foreign Shareholders are entitled under the Offer. Patersons will only sell these Rights if, in the reasonable opinion of Patersons, there is a viable market in the Rights and a premium over the expenses of sale can be obtained. Any such sale will be at a price and be conducted in a manner that Patersons determines in its absolute discretion.

The proceeds of sale (in Australian dollars) will be distributed to the Non-qualifying Foreign Shareholders for whose benefits the Rights have been sold in proportion to their Shareholdings as at the Record Date (after deducting the costs of the sale and the distribution of the proceeds), save that individual amounts of less than \$10 will be retained by the Company. There can be no guarantee that a market for the Rights of Non-qualifying Foreign Shareholders will exist and Patersons is under no obligation to take up any Entitlement for which it is unable to find a qualified buyer. If there is no viable market for the Rights of the Non-qualifying Foreign Shareholders, their Entitlement will be allowed to lapse and may be subscribed for as Shortfall Shares. Neither the Company nor Patersons will be liable for any failure to sell the Rights or to sell the Rights at any particular price.

3.14 CHESS

The Company participates in the Clearing House Electronic Sub-register System (**CHESS**). ASTC, a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and the ASTC Settlement Rules.

Under CHESS, applicants will not receive a certificate but will receive a statement of their holding of New Shares. If you are broker sponsored, ASTC will send you a CHESS statement. The CHESS statement will set out the number of New Shares issued under this Prospectus, provide details of your holder identification number and give the participation identification number of the sponsor.

If you are registered on the issuer sponsored sub-register, your statement will be dispatched by the Company's share registrar and will contain the number of New Shares issued to you under this Prospectus and your security holder reference number.

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

3.15 Taxation Implications

The Directors do not consider that it is appropriate to give Shareholders advice regarding the taxation consequences of the Company conducting the Offer, applying for New Shares under this Prospectus or trading in Rights, as it is not possible to provide a comprehensive summary of the possible taxation positions of individual Shareholders. The Company, its advisers and officers do not accept any responsibility or liability for any taxation consequences to Shareholders arising out of, or in connection with, the Offer. Shareholders should, therefore, consult their own professional tax adviser in connection with the taxation implications of the Offer.

3.16 Privacy Act

If you complete an application for New Shares, you will be providing personal information to the Company (directly or through the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the application for New Shares, the Company may not be able to accept or process your application.

3.17 Enquiries

Any questions concerning the Offer should be directed to the Managing Director on (08) 9381 1755 or by email at r.swick@cgm.com.au.

4 ACTION REQUIRED BY SHAREHOLDERS

As an Eligible Shareholder, you may:

- take up all of your Entitlement (refer to Section 4.1);
- apply for Shortfall Shares (refer to Section 4.2);
- sell all of your Entitlement on ASX (refer to Section 4.3);
- take up part of your Entitlement and sell the balance on ASX (refer to Section 4.4);
- deal with part or all of your Entitlement other than on ASX (refer to Section 4.5); or
- allow all or part of your Entitlement to lapse (refer to Section 4.6).

4.1 To take up all of your Entitlement

Please complete the Entitlement Form, which accompanies this Prospectus, in accordance with the instructions contained on the form. Forward your completed Entitlement Form, together with your cheque for the amount shown to reach the Company's share registry, Security Transfer Registrars Pty Ltd, at either of the following addresses by 5:00pm (WST) on 27 January 2010:

By Hand:	By Post:
770 Canning Highway Applecross WA 6153	PO Box 535 Applecross WA 6953

Cheques or bank drafts in Australian dollars should be made payable to “**Cougar Metals NL**” and crossed “**Not Negotiable**”. Cash will not be accepted and no receipts will be issued.

4.2 To apply for Shortfall Shares

Eligible Shareholders may, in addition to their Entitlement, apply for Shortfall Shares by completing a Shortfall Application Form in accordance with the instructions contained on the form, and forwarding the completed Shortfall Application Form together with a cheque for the appropriate Application Monies to reach the Company's share registry (at the address shown above), by 5:00pm (WST) on 27 January 2010. Refer to Section 3.5 of this Prospectus for further details if you wish to apply for Shortfall Shares.

4.3 If you wish to sell all of your Entitlement

Complete the section marked “**Instructions to Stockbroker**” on the back of the Entitlement Form, which accompanies this Prospectus, in accordance with the instructions contained on the form and lodge it with your stockbroker as soon as possible.

Rights trading will commence on ASX on 30 December 2009. Sale of your Rights must be completed by 19 January 2010 when Rights trading is expected to cease.

4.4 If you wish to take up part of your Entitlement and sell the balance

Please complete the Entitlement Form, which accompanies this Prospectus, by inserting the number of New Shares for which you wish to accept (being less than as specified on the Entitlement Form) and complete the section marked “**Instructions to Stockbroker**” on the back of the form in respect of that part of your Entitlement you wish to sell.

Forward the form to your stockbroker together with your cheque for the total amount payable in respect of the New Shares accepted. Your stockbroker will need to ensure that the completed Entitlement Form reaches the Company’s share registry (at the address shown above), by 5:00pm (WST) on 27 January 2010.

Cheques or bank drafts in Australian dollars should be made payable to “**Cougar Metals NL**” and crossed “**Not Negotiable**”. Cash will not be accepted and no receipts will be issued.

Rights trading will commence on ASX on 30 December 2009. Sale of your Rights must be completed by 19 January 2010 when Rights trading is expected to cease.

4.5 If you wish to transfer your Entitlement other than on ASX

If you are a Shareholder and hold Existing Shares on the issuer sponsored sub-register, forward a completed Renunciation Form (obtainable through your stockbroker or the Company’s share registrar, Security Transfer Registrars Pty Ltd) together with your Entitlement Form completed by the transferee together with a cheque for the appropriate Application Monies to reach the Company’s share registry (at the address shown above), by 5:00pm (WST) on 27 January 2010.

If you are a Shareholder and hold Existing Shares registered on CHESS, you should contact your sponsoring broker.

Persons accepting a transfer of Entitlements as referred to above will need to pay the appropriate Application Monies in order to take up the Entitlements. Cheques or bank drafts in Australian dollars should be made payable to “**Cougar Metals NL**” and crossed “**Not Negotiable**”. Cash will not be accepted and no receipts will be issued.

4.6 Entitlements not taken up

If you decide not to accept all or part of your Entitlement, then your Entitlement will lapse.

Your Entitlement may have value and accordingly you should consider renouncing (selling) your Entitlement, rather than allowing it to lapse.

If you do not wish to take up any part of your Entitlement you are not required to take any action.

Subject to the terms of the Underwriting Agreement, the Corporations Act and the Listing Rules, the Company will deal with any New Shares not accepted in its absolute discretion.

If you do not wish to take up any part of your Entitlement you are not required to take any action. If you have any queries concerning your Entitlement, please contact the Company's share registry or your stockbroker or other professional adviser.

5 PURPOSE AND EFFECT OF THE OFFER AND PLACEMENT

5.1 Purpose of the Offer and Placement

The purpose of the Offer is to raise a minimum of \$4,900,000 and up to \$5,446,042 (before costs). The proceeds from the Offer will be combined with the funds raised under the Placement, and the total funds raised pursuant to the Offer and the Placement are planned to be used in accordance with the table set out below:

Proceeds of Offer and Placement

Repayment of Secured Debt ¹	\$2,850,000
Brazilian Mineral Drilling Business	\$800,000
Exploration	\$1,000,000
Evaluation of New Projects	\$100,000
Working Capital ²	\$484,045
Expenses of Offer and Placement ³	\$297,380
Total	\$5,531,425

Note:

1. Mrs Rosanne Swick, a related party of the Company, has a secured debt owed to her by the Company in the sum of \$2,850,000. Mrs Swick has agreed to sub-underwrite the Offer on a priority basis to the extent of her secured debt, the effect of which will be to extinguish in full the debt owed to Mrs Swick. Refer to Section 8.4 of this Prospectus for further details of this sub-underwriting agreement.
2. To the extent that the funds raised from acceptances of Entitlements and Shortfall Applications exceeds the underwritten amount of \$4,900,000, an additional \$200,000 will be applied to the Brazilian Mineral Drilling Business, an additional \$100,000 will be applied to Evaluation of New Projects and the balance of the excess funds raised under the Offer (after allowing for any additional expenses incurred as a result of the additional funds raised) will be applied to general working capital.
3. Refer to Section 8.12 of this Prospectus for further details relating to the estimated expenses of the Offer and the Placement.

5.2 Effect of the Offer and Placement

The principal effect of the Offer and the Placement will be that:

- (a) cash reserves will initially increase by a minimum of \$2,413,563 (if the Offer is subscribed up to the underwritten amount of \$4,900,000 (**Underwritten Amount**)) and a maximum of \$2,926,133 (if the Offer is fully subscribed) immediately after completion of the Offer and the Placement (after deducting the estimated expenses of the Offer and the Placement and repaying the secured debt); and

- (b) the number of Shares on issue will increase from 172,890,242 to a minimum of 406,223,576 Shares (if the Offer is subscribed up to the Underwritten Amount) and a maximum of 432,225,605 Shares (if the Offer is fully subscribed).

Set out below is:

- (c) an unaudited Consolidated Balance Sheet of the Company as at 30 September 2009; and
- (d) an unaudited pro forma Consolidated Balance Sheet of the Company as at 30 September 2009, incorporating the effect of the Offer and the Placement (assuming that the Offer is subscribed up to the Underwritten Amount); and
- (e) an unaudited pro forma Consolidated Balance Sheet of the Company as at 30 September 2009, incorporating the effect of the Offer and the Placement (assuming that the Offer is fully subscribed).

5.3 Consolidated Balance Sheets

The Consolidated Balance Sheet as at 30 September 2009 (unaudited) and the unaudited Pro Forma Consolidated Balance Sheets as at 30 September 2009 shown in the table below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position depending on whether the Offer is subscribed up to the Underwritten Amount or is fully subscribed, and in either case assuming that all Shares pursuant to the Placement have been issued. They have been prepared to provide Shareholders with information on the assets and liabilities of the Company and pro forma assets and liabilities of the Company as noted below. The historical and pro forma financial information is presented in an abbreviated form insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

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Consolidated Balance Sheet and Pro Forma Consolidated Balance Sheet as at 30 September 2009 (unaudited)

	Consolidated Unaudited 30-Sep-09	Consolidated Unaudited Pro forma (\$4,900,000 Underwritten) 30-Sep-09	Consolidated Unaudited Pro forma (Fully Subscribed) 30-Sep-09
	\$	\$	\$
Current Assets			
Cash and cash equivalents	264,994	2,678,557	3,191,127
Trade and other receivables	468,668	468,668	468,668
Inventories	7,958	7,958	7,958
Total Current Assets	<u>741,620</u>	<u>3,155,183</u>	<u>3,667,753</u>
Non-Current Assets			
Property plant and equipment	2,463,188	2,463,188	2,463,188
Deferred exploration expenses	5,856,711	5,856,711	5,856,711
Total Non-Current Assets	<u>8,319,899</u>	<u>8,319,899</u>	<u>8,319,899</u>
Total Assets	<u>9,061,519</u>	<u>11,475,082</u>	<u>11,987,652</u>
Current Liabilities			
Trade and other payables	50,671	50,671	50,671
Interest bearing loans and borrowings	192,221	192,221	192,221
Total Current Liabilities	<u>242,892</u>	<u>242,892</u>	<u>242,892</u>
Non-Current Liabilities			
Interest bearing loans and borrowings	2,820,483	0	0
Total Non-Current Liabilities	<u>2,820,483</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>3,063,375</u>	<u>242,892</u>	<u>242,892</u>
Net Assets (Liabilities)	<u>5,998,144</u>	<u>11,232,190</u>	<u>11,744,760</u>
Equity			
Contributed equity	15,125,629	20,359,675	20,872,245
Other reserve	133,254	133,254	133,254
Accumulated losses	(9,260,739)	(9,260,739)	(9,260,739)
Total Equity	<u>5,998,144</u>	<u>11,232,190</u>	<u>11,744,760</u>

Assumptions for Unaudited Pro forma Consolidated Balance Sheet

The unaudited pro forma Consolidated Balance Sheet disclosed above has been prepared on the basis that there has been no material movements in the assets and liabilities of the consolidated entity between 30 September 2009 and the date of this Prospectus other than:

1. The issue of 22,550,901 Shares at 2.8 cents pursuant to the Placement to raise a total of \$631,425 (before costs);
2. The issue of a minimum of 233,333,334 New Shares at 2.1 cents each (assuming that the Offer is subscribed up to the Underwritten Amount) pursuant to this Prospectus to raise not less than \$4,900,000 (before costs) and a maximum of 259,335,363 New Shares at 2.1 cents each (assuming that the Offer is fully subscribed) pursuant to this Prospectus to raise up to \$5,446,042 (before costs);
3. The repayment of the secured debt owed to Mrs Rosanne Swick, a related party of the Company. As at 30 September 2009, the total amount of the debt owed to Mrs Swick (inclusive of principal and accrued interest) was \$2,820,483. Further details relating to the secured debt are set out in Section 8.4 of this Prospectus; and
4. The payment of costs and expenses associated with the Offer and the Placement totalling an estimated \$297,380 (assuming that the Offer is subscribed up to the Underwritten Amount) or \$330,852 (assuming that the Offer is fully subscribed), and in either case expensed against issued capital.

5.4 Effect on Capital Structure

A comparative table of changes in the capital structure of the Company as a consequence of the Offer and the Placement is set out below, depending on whether the Offer is subscribed up to the Underwritten Amount or is fully subscribed.

Capital Structure After Completion of Offer (assuming Offer subscribed up to Underwritten Amount):

Shares	
172,890,242	Shares on issue at the date of this Prospectus
233,333,334	New Shares issued pursuant to this Prospectus
<u>406,223,576</u>	Total Shares Issued
Contributing Shares ¹	
<u>3,425,725</u>	Contributing Shares on issue at the date of this Prospectus
<u>3,425,725</u>	Total Contributing Shares Issued

Options ²

1,000,000	Unlisted Options exercisable at 30 cents on or before 31 December 2010.
<hr/> 1,000,000 <hr/>	Total Options Issued

Capital Structure After Completion of Offer (assuming Offer fully subscribed):

Shares

172,890,242	Shares on issue at the date of this Prospectus
259,335,363	New Shares issued pursuant to this Prospectus
<hr/> 432,225,605 <hr/>	Total Shares Issued

Contributing Shares ¹

3,425,725	Contributing Shares on issue at the date of this Prospectus
<hr/> 3,425,725 <hr/>	Total Contributing Shares Issued

Options ²

1,000,000	Unlisted Options exercisable at 30 cents on or before 31 December 2010.
<hr/> 1,000,000 <hr/>	Total Options Issued

Notes:

1. Holders of Contributing Shares may participate in the Offer by converting any or all of their Contributing Shares into Shares (by paying up the amount unpaid of 12.4 cents each) prior to the Record Date. If all of the existing Contributing Shares are converted before the Record Date, 3,425,725 Shares would be issued raising \$424,789.90. Accordingly, an additional 5,138,587 New Shares would be offered under the Offer and, if taken up, would raise approximately an additional \$107,910 (before costs). Any additional funds raised in relation to the Contributing Shares would be applied to general working capital. The underwriting arrangements do not extend to any rights associated with Shares arising from the conversion of Contributing Shares. Given the recent trading history in the Existing Shares and the latest closing price prior to the date of this Prospectus, the Directors believe that conversion of any Contributing Shares prior to the Record Date is unlikely.
2. Holders of Options may participate in the Offer by exercising any or all of their Options prior to the Record Date. If all of the existing Options are exercised before the Record Date, 1,000,000 Shares would be issued raising \$300,000. Accordingly, an additional 1,500,000 New Shares would be offered under the Offer and, if taken up, would raise an additional \$31,500 (before costs). Any additional funds raised in relation to the Options would be applied to general working capital. The underwriting arrangements do not extend to any rights associated with Shares arising from the exercise of Options. Given the recent trading history in the Existing Shares and the latest closing price prior to the date of this Prospectus, the Directors believe that exercise of any Options prior to the Record Date is unlikely.

6 RIGHTS AND LIABILITIES ATTACHING TO NEW SHARES

The following is a summary of the more significant rights and liabilities attaching to New Shares to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to the New Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) Share Capital

All issued Shares rank equally in all respects.

(b) Voting Rights

At a general meeting of the Company, every holder of Shares present in person, by an attorney, representative or proxy has one vote on a show of hands and on a poll, one vote for each Share held, and for every Contributing Share held, a fraction of a vote equal to the proportion which the amount paid up bears to the total issue price of the Contributing Share. Where there is an equality of votes, the chairperson has a casting vote.

(c) Dividend Rights

Subject to the rights of holders of Shares issued with any special or preferential rights (at present there are none), the profits of the Company which the Directors may from time to time determine to distribute by way of dividend are divisible among the Shareholders in proportion to the Shares held by them respectively, according to the amount paid up (not credited as paid up) on the Shares.

(d) Rights on Winding Up

Subject to the rights of holders with Shares with special rights in a winding up (at present there are none), on a winding up of the Company all assets which may be legally distributed amongst the Shareholders will be distributed in proportion to the Shares held by them respectively, accordingly to the amount paid up or credited as paid up on the Share.

(e) Transfer of Shares

Shares in the Company may be transferred by instrument in any form which complies with the Constitution, the Corporations Act, the Listing Rules and the ASTC Settlement Rules. The Directors may refuse to register a transfer of Shares only in those circumstances permitted by the Constitution, the Listing Rules and the ASTC Settlement Rules.

(f) Calls on Shares

Where Shares are issued as partly paid, the Directors may make calls upon the holders of those Shares to pay the whole of, or a portion of the balance of, the issue price. If a Shareholder fails to pay a call or instalment of a call, then subject to the Corporations Act and the Listing Rules, the Shares in respect of the call may be forfeited and interest and expenses may be payable in accordance with the Constitution, the Corporations Act and the Listing Rules or proceedings taken to recover the amount unpaid.

(g) Further Increases in Capital

The allotment and issue of any new Shares is under the control of the Directors and, subject to any restrictions on the allotment of Shares imposed by the Constitution, the Listing Rules or the Corporations Act, the Directors may allot, issue or grant Options over or otherwise dispose of those Shares to such persons, with such rights or restrictions as they may from time to time determine.

(h) Variation of Rights Attaching to Shares

Where Shares of different classes are issued, the rights attaching to the Shares of a class (unless otherwise provided by their terms of issue) may only be varied by a special resolution of the Company, and by a special resolution passed at a general meeting of the holders of those Shares of that class or with the written consent of the holders of at least 75% of the votes attached to the issued Shares of that class.

(i) General Meeting

Each holder of Shares will be entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive notices, accounts and other documents required to be furnished to Shareholders under the Constitution, the Corporations Act and the Listing Rules.

7 RISK FACTORS

7.1 Introduction

An investment in the Company is not risk free and investors should consider the risk factors described in Sections 7.2 and 7.3 of this Prospectus, together with information contained elsewhere in this Prospectus, before deciding whether to apply for New Shares. These risks are not intended to be an exhaustive list of the risk factors to which the Company is exposed.

The Company's business is subject to risk factors, both specific to its business activities and of a general nature. Individually, or in combination, these might affect the future operating performance of the Company and the value of an investment in the Company. There can be no guarantee that the Company will achieve its stated objectives or that any forward looking statements or forecasts will eventuate. An investment in the Company should be considered in light of all risks, both specific and general. Each of the risks set out in Sections 7.2 and 7.3 of this Prospectus could, if they eventuate, have a material adverse impact on the Company's operating and financial performance.

Potential investors should specifically consider these risks, and understand that an investment in the Company is speculative, in order to fully appreciate the risks associated with an investment in the Company. Investors should carefully consider these factors in light of their own personal circumstances and should seek professional advice from their stockbroker, accountant or independent financial adviser before deciding whether to apply for New Shares.

7.2 Risks Specific to the Company

Industry Downturn

The Company's financial performance is sensitive to the level of demand within the mining and resources industry. The level of activity in the industry can be cyclical and sensitive to a number of factors beyond the control of the Company. In addition, the Company may not be able to predict the timing, extent or duration of the activity cycles in the industry.

Recognition of Revenue

The Company's financial performance is partly influenced by the ability of its Brazilian mineral drilling business, GeoLogica Sondagens, to secure new contracts for the provision of drilling services and complete those contracts in a timely and efficient manner. Where new and existing contracts are delayed, the recognition of revenue for those contracts may be deferred to later accounting periods.

Entry of New Competitors

The entry of new competitors in the mineral drilling services sector could result in reduced operating margins and loss of market share. Such occurrences could adversely affect the Company's operating and financial performance. The mineral drilling services sector is highly capital intensive which acts as a barrier to entry to new competitors. However, the competitive nature of the sector means that there can be no assurance that the Company (through the operations of GeoLogica Sondagens) will be able to compete successfully against current or future competition.

Land Access Risk

The Company's Brazilian projects require access to land owned by private landowners or the Brazilian Government. Access agreements must therefore be negotiated with the landowners and/or the Brazilian Government as required from time to time.

Ability to Exploit Successful Discoveries

It may not always be possible for the Company to exploit successful discoveries which may be made in areas in which the Company has an interest. Such exploitation would involve obtaining the necessary licences or clearances from relevant authorities that may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. Further, the decision to proceed to further exploitation may require participation of other companies whose interests and objectives may not be the same as Cougar's. Such further work may require the Company to meet or commit to financing obligations for which it may not have planned.

Country Risk

The Company has projects located in Brazil which is an emerging market with associated political, economic, legal and social risks. Consideration should be given to the risks associated with operating in Brazil as Brazil's economy and legal system are different from that of most developed countries. There can be no assurance that the systems of government and the political system will remain stable. There can be no guarantee that government regulations relating to foreign investment, repatriation of foreign currency, taxation and the mining industry in Brazil will not be amended or replaced in the future to the detriment of the Company's business and or projects. The Directors are unaware of any such proposals at the date of this Prospectus. Outcomes before courts in Brazil may be less predictable than in Australia, which could affect the enforceability of contracts entered into by the Company in this country.

Exploration and Evaluation Risks

The success of the Company depends on the delineation of economically minable reserves and resources, access to required development capital, movement in the price of commodities, securing and maintaining title to the Company's exploration and mining

tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities.

Exploration on the Company's existing exploration and mining tenements may be unsuccessful, resulting in a reduction in the value of those tenements, diminution in the cash reserves of the Company and possible relinquishment of the exploration and mining tenements.

Joint Venture Parties, Agents and Contractors

The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party, or the insolvency or managerial failure by any of the contractors used by the Company in any of its activities, or the insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

Resources Estimations

Resource estimates are expressions of judgment based on knowledge, experience and resource modelling. As such, resource estimates are inherently imprecise and rely to some extent on interpretations made. Despite employing qualified professionals to prepare resource estimates, such estimates may nevertheless prove to be inaccurate. Furthermore, resource estimates may change over time as new information becomes available. Should the company encounter mineralisation or geological formations different from those predicted by past drilling, sampling and interpretations, resource estimates may need to be altered in a way that could adversely affect the Company's operations.

Reliance on Key Personnel

The Company's success depends largely on the core competencies of its Directors and management, and their familiarisation with (and ability to operate in) the mining and resources industry, and the Company's ability to retain its key executives.

Inaccessibility or Insufficiency of Labour and Supplies

The strong commodity cycle and large number of resource projects being developed in the resources industry in commodity producing countries such as Australia and Brazil has led to increased demand and competition for skilled personnel, contractors, materials and supplies. Some of the Company's competitors are larger and may have greater resources to invest in attracting and retaining employees or gaining access to long term supplies of critical resources.

7.3 General Risks

Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and future production activities, as well as on its ability to fund those activities.

Market Conditions

The market price of the Company's securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general, and resources stocks in particular. Shares listed on ASX, and in particular shares of mining and exploration companies have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the Shares regardless of the Company's performance. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

Market Liquidity

Due to recent volatility in global financial and credit markets, the stock market liquidity of the Company's securities has been reduced and accordingly, it may be difficult for Shareholders to realise the value of their investment in the Company.

Product, Commodity Price and Exchange Rate Risks

To the extent the Company is involved in mineral production the revenue derived through the sale of commodities may expose the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian and Brazilian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar, and the Brazilian real and the Australian dollar as determined in international markets.

Future Capital Requirements

The Company's activities will require substantial expenditures. If the Company is unable to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Offer there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain

additional resources on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to Shareholders and any debt financing if available may involve restrictive covenants, which limit the Company's operations and business strategy.

The Company's ability to raise further finance on favourable terms for its business and to pursue opportunities, and its borrowing costs, will depend upon market conditions and its operating performance. A negative change in the Company's credit ratings would have an adverse effect on its ability to borrow and its cost of funds. Also, the Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and this could have a material adverse effect on the Company's activities.

Other Risks

The future viability and profitability of the Company is also dependent on a number of other factors that affect the performance of businesses in all industries and not just the resources and drilling industries, including, but not limited to, the following:

- strength of the equity and share markets in Australia and throughout the world;
- competition for future business opportunities from other companies, including existing producers; and
- acts of terrorism or an outbreak of international hostilities may impact the operations of the Company or more generally the operation of global financial markets, including the share market.

8 ADDITIONAL INFORMATION

8.1 Nature of this Prospectus

This Prospectus is a prospectus to which the special content rules under Section 713 of the Corporations Act apply. That provision allows the issue of a more concise prospectus in relation to offers of securities in a class which has been continuously quoted by ASX for the 3 months prior to the date of this Prospectus.

8.2 Continuous Disclosure Obligations

The Company is a "disclosing entity" (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Shares. The New Shares which will be issued pursuant to this Prospectus are in the same class of Shares that have been quoted on the Official List during the 12 months prior to the issue of this Prospectus.

This Prospectus is a "transaction specific prospectus". In general terms "transaction specific prospectuses" are only required to contain information in relation to the effect of the issue of New Shares on the Company and the rights attaching to the Shares. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

8.3 Availability of Other Documents

The Company, as a disclosing entity under the Corporations Act, states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of this Prospectus and the Closing Date:
 - (i) the financial statements of the Company for the financial year ended 30 June 2009 being the last financial statements for a financial year, of the Company lodged with ASIC before the issue of this Prospectus;
 - (ii) any half year financial statements of the Company lodged with ASIC since the lodgement of the last financial statements for the year ended 30 June 2009 lodged with ASIC before the issue of this Prospectus; and
 - (iii) any documents used to notify ASX of information relating to the Company in the period from lodgement of the financial statements referred to in paragraph (i) above until the issue of this Prospectus in accordance with the Listing Rules as referred to in Section 674(1) of the Corporations Act.

Copies of all documents lodged with ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The Company has lodged the following announcements with ASX since the lodgement of the 2009 audited financial statements:

Date	Description of Announcement
22/12/2009	Appendix 3B
22/12/2009	Deferred CGMNA – Suspension from Official Quotation
22/12/2009	Renounceable Issue Restructure
17/12/2009	Trading Halt
30/11/2009	Renounceable Issue – Prospectus Despatch
30/11/2009	Company Secretary Appointment/Resignation
30/11/2009	Results of Meeting
30/11/2009	Supplementary Prospectus
30/11/2009	Amendment to Rights Issue Timetable
25/11/2009	Cleansing Statement
23/11/2009	Investor Presentation
17/11/2009	Letter to Contributing Shareholders
16/11/2009	Letter to Option Holders

Date	Description of Announcement
16/11/2009	Renounceable Issue
16/11/2009	Appendix 3B
12/11/2009	Placement and Renounceable Rights Issue
09/11/2009	Trading Halt
30/10/2009	Quarterly Activities Report REVISED
30/10/2009	Notice of Annual General Meeting/Proxy Form
30/10/2009	Annual Report
30/10/2009	Quarterly Cashflow Report
30/10/2009	Quarterly Activities Report
13/10/2009	Progress Report Diamond Drilling – Brazil
30/09/2009	Full Year Statutory Accounts June 2009

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

8.4 Material Contracts

The following are summaries of the significant terms of the material agreements which relate to the business of the Company.

Underwriting Agreement

Pursuant to the Underwriting Agreement, the Underwriter has agreed to underwrite the Offer to an amount of \$4,900,000, representing 233,333,334 New Shares, and to manage and co-ordinate the Offer. Upon completion of the Offer, the Company has agreed to pay the Underwriter an underwriting fee of \$131,000 (being 5% of the Underwritten Amount plus 1% of the Priority Sub-underwriting Commitment) plus 5% of any additional funds raised under the Offer. In addition, the Company has paid the Underwriter a placement fee of \$16,571 in relation to the Placement, and will pay the Underwriter a management fee of 1% of the total amount raised under the Offer and the Placement, and a corporate advisory fee of \$60,000. The Company will also reimburse the Underwriter for its reasonable costs and expenses incurred in connection with the Offer and the Placement, and will also pay any applicable GST on any fees payable to the Underwriter.

In the event that the Company terminates the Underwriting Agreement, or the Underwriter terminates the Underwriting Agreement for cause, the corporate advisory fee of \$60,000 is payable to the Underwriter as a termination fee.

The Underwriter may procure any person to sub-underwrite such portion of the New Shares as the Underwriter, in its absolute discretion, thinks fit. The Underwriting Agreement is conditional upon satisfaction of the following conditions on or before the date of lodgement of the Prospectus with ASIC:

- (a) the Underwriter being satisfied with the due diligence investigations in relation to the Prospectus;
- (b) the Underwriter being satisfied with the form of the Prospectus (in its absolute discretion) and having given its consent to be named in the Prospectus;
- (c) the Company's solicitors providing a legal sign off letter in relation to the legal due diligence investigations to the satisfaction of the Underwriter;
- (d) the Prospectus being lodged with ASIC on or before 23 December 2009 or such other date as the Underwriter and the Company agree in writing; and
- (e) the Underwriter entering into sub-underwriting agreements with sub-underwriters for the Underwritten Amount and otherwise on terms and conditions satisfactory to the Underwriter (in its absolute discretion).

The obligation of the Underwriter to underwrite the Offer is subject to certain events of termination. The Underwriter may terminate its obligations under the Underwriting Agreement on the occurrence of specified events, including:

- (a) **(Indices Fall)**: any of the S&P/ASX 200 Index or the S&P/ASX 200 Materials Index as published by ASX is, at any time after the date of the Underwriting Agreement, 10% or more below its respective level at the close of business on the business day prior to the date of the Underwriting Agreement;
- (b) **(Prospectus)**: the Company does not lodge this Prospectus on the date for lodgement indicated in this Prospectus, or this Prospectus or the Offer is withdrawn by the Company;
- (c) **(No Official Quotation)**: Official Quotation has not been granted by the date specified in the timetable for the Offer as the date by which the Company must give the Underwriter written notice of the Shortfall Shares or, having been granted, is subsequently withdrawn, withheld or qualified;
- (d) **(Supplementary Prospectus)**: the Underwriter forms the view on reasonable grounds that a supplementary or replacement prospectus should be lodged with ASIC for any of the reasons referred to in Section 719 of the Corporations Act and the Company fails to lodge a supplementary or replacement prospectus in such form and content and within such time as the Underwriter may reasonably require, or the Company lodges a supplementary or replacement prospectus without the prior written agreement of the Underwriter;
- (e) **(Non-compliance with Disclosure Requirements)**: it transpires that this Prospectus does not contain all of the information required by Section 713 of the Corporations Act;

- (f) **(Misleading Prospectus)**: it transpires that there is a statement in this Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is a material omission from this Prospectus (having regard to the provisions of Sections 711, 713 and 716 of the Corporations Act);
- (g) **(Restriction on Allotment)**: the Company is prevented from allotting the New Shares within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi governmental agency or authority;
- (h) **(Withdrawal of Consent to Prospectus)**: any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in this Prospectus or to be named in this Prospectus, withdraws that consent;
- (i) **(ASIC Application)**: an application is made by ASIC for an order under Section 1324B of the Corporations Act (or any other provision of the Corporations Act) in relation to this Prospectus and such application has not been dismissed or withdrawn by the date by which the Company must give the Underwriter written notice of the Shortfall Shares;
- (j) **(ASIC Hearing)**: ASIC gives notice of its intention to hold a hearing under Section 739 of the Corporations Act in relation to this Prospectus to determine if it should make a stop order in relation to this Prospectus, or ASIC makes an interim or final stop order in relation to this Prospectus under Section 739 of the Corporations Act;
- (k) **(Takeovers Panel)**: the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Part 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel;
- (l) **(Authorisation)**: any authorisation which is material to anything referred to in this Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter;
- (m) **(Indictable Offence)**: a director or senior manager of the Company or any of its subsidiaries is charged with an indictable offence;
- (n) **(Sub-underwriters)**: any of the sub-underwriters that are introduced by the Company do not, or threaten not to, comply with their obligations under the relevant sub-underwriting agreements; and
- (o) **(Termination Events)**: the occurrence of any of the following termination events that has, or is likely to have, a material adverse effect on the outcome of the Offer or on the assets, condition, trading or financial position, performance or

profitability of the Company, or could give rise to a liability of the Underwriter under the Corporations Act:

- (i) **(Default)**: default or breach by the Company of any terms, conditions, covenant or undertaking under the Underwriting Agreement;
- (ii) **(Incorrect or Untrue Representation)**: any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect;
- (iii) **(Contravention of Constitution or Act)**: a contravention by the Company or any of its subsidiaries of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
- (iv) **(Adverse Change)**: an event occurs which gives rise to a material adverse effect or any adverse change or any development (including a prospective adverse change) after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses or prospects of the Company including, without limitation, if any forecast in this Prospectus becomes incapable of being met or, in the Underwriter's reasonable opinion, is unlikely to be met in the projected time;
- (v) **(Error in Due Diligence Results)**: it transpires that any of the due diligence results or any part of the verification materials in relation to the Offer were false, misleading or deceptive or that there was an omission from them;
- (vi) **(Significant Change)**: a "new circumstance" as referred to in Section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;
- (vii) **(Public Statements)**: without the prior approval of the Underwriter, a public statement is made by the Company in relation to the Offer or this Prospectus other than in accordance with the Underwriting Agreement;
- (viii) **(Misleading Information)**: any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the affairs of the Company or any of its subsidiaries is or becomes misleading or deceptive, or likely to mislead or deceive;
- (ix) **(Official Quotation Qualified)**: Official Quotation is qualified or becomes conditional;

- (x) **(Change in Law or Policy)**: there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia of any of its States or Territories any legislation or prospective legislation, or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy;
- (xi) **(Prescribed Occurrence)**: a “Prescribed Occurrence” (as defined in the Underwriting Agreement) occurs, other than as disclosed in this Prospectus;
- (xii) **(Suspension of Debt Payments)**: the Company suspends payment of its debts generally;
- (xiii) **(Event of Insolvency)**: an “Event of Insolvency” (as defined in the Underwriting Agreement) occurs in respect of the Company or any of its subsidiaries;
- (xiv) **(Judgments)**: a judgment in an amount exceeding \$100,000 is obtained against the Company or any of its subsidiaries and is not set aside or satisfied within 7 days;
- (xv) **(Litigation)**: litigation, arbitration, administrative or industrial proceedings are commenced or threatened against the Company or any of its subsidiaries, other than any claims foreshadowed in this Prospectus (when read together with any supplementary prospectus);
- (xvi) **(Board and Management Composition)**: there is a change in the composition of the Board or a change in the senior management of the Company before completion of the Offer without the prior written consent of the Underwriter (which consent shall not be unreasonable withheld);
- (xvii) **(Change in Shareholdings)**: there is a material change in the major or controlling shareholdings of the Company or any of its subsidiaries, or a takeover offer or scheme arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to the Company or any of its subsidiaries;
- (xviii) **(Timetable)**: there is a delay in any specified date in the timetable for the Offer due to the neglect or default of the Company which is greater than 5 business days;
- (xix) **(Force Majeure)**: an event of “Force Majeure” (as defined in the Underwriting Agreement) affecting the Company’s business or any of its obligations under the Underwriting Agreement lasting in excess of 7 days occurs;

- (xx) **(Certain Resolutions Passed)**: the Company or any of its subsidiaries passes or takes any steps to pass a resolution under Sections 254, 257A or 260B of the Corporations Act or a resolution to amend its constitution, without the prior written consent of the Underwriter;
- (xxi) **(Capital Structure)**: the Company or any of its subsidiaries alters its capital structure in any manner not contemplated by this Prospectus;
- (xxii) **(Breach of Material Contracts)**: any of the contracts referred to in this Section 8.4 of this Prospectus are terminated or substantially modified;
- (xxiii) **(Investigation)**: any person is appointed under any legislation in respect of companies to investigate the affairs of the Company;
- (xxiv) **(Hostilities)**: there is an outbreak or a material escalation of hostilities (whether or not war has been declared) involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, India, Pakistan, or the Peoples Republic of China, Israel or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world; or
- (xxv) **(Market Conditions)**: a suspension or material limitation in trading generally on ASX occurs, or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriter that are considered standard for agreements of this nature.

Loan Agreement with Rosanne Thelma Swick

Rosanne Thelma Swick is a related party of the Company by virtue of her being the mother of the Managing Director, Mr Randal Swick. By an agreement dated 5 November 2009 between the Company and Rosanne Thelma Swick (**Consolidated Loan Agreement**), the Company and Mrs Swick agreed to consolidate the secured debt owed by the Company to Mrs Swick under previous loan agreements dated 16 June 2008 (as varied by deed dated 31 August 2008), 10 November 2008, and the further sum of \$250,000 for general working capital advanced to the Company on 22 September 2009. The Company and Mrs Swick also agreed that, as at 22 September 2009, the total amount of the consolidated loan (inclusive of principal and interest) was \$2,811,117.51 (**Consolidated Loan**).

The material terms of the Consolidated Loan Agreement are as follows:

1. Interest will accrue on the outstanding Consolidated Loan at a rate equivalent to that charged by commercial banks on secured overdraft facilities of an equal amount;
2. Interest will be capitalised into the Consolidated Loan and be payable by the Company to Mrs Swick on 31 December 2010 or when the Consolidated Loan is repaid in full, whichever is the earlier;
3. The total amount owed by the Company under the Consolidated Loan Agreement (including interest on the Consolidated Loan) (**Total Debt**) is secured by a first ranking fixed and floating charge over the assets of the Company, excluding any mining tenements held by the Company or any of its related corporations, in favour of Mrs Swick (**Charge**); and
4. The Total Debt is repayable in the following manner:
 - (a) the Company may elect to repay all or part of the Total Debt in cash at any time on or before 31 December 2010 provided that, if the Company gives notice of its intention to repay all or part of the Total Debt in this manner, Mrs Swick may elect within 30 days to have some or all of that part of the Total Debt repaid by the issue of a convertible note to Mrs Swick or her nominee (subject to all necessary shareholder approvals) and the balance (if any) repaid in cash;
 - (b) Mrs Swick may elect at any time on or before 31 December 2010 to have all or part of the Total Debt repaid by the issue of a convertible note to Mrs Swick or her nominee (subject to all necessary shareholder approvals); and
 - (c) if any portion of the Total Debt remains outstanding as at 31 December 2010, the Company must repay the outstanding amount in cash by no later than 31 December 2010.

The material terms of the convertible notes (which may be issued to Mrs Swick in repayment of all or part of the Total Debt) are as follows:

1. Interest will accrue on the initial face value of the convertible note (**Note**) at the rate of 12% per annum;
2. Interest will be capitalised into the outstanding face value of the Note and be payable by the Company to the noteholder on 30 June 2011 or when the Note is either converted or redeemed in full, whichever is the earlier;
3. At any time on or before 30 June 2011, the noteholder may elect to convert all or part of the outstanding face value of the Note into Shares at the lesser of 10 cents or 90% of the volume weighted average sale price of Shares over the 10 Trading Days immediately prior to the relevant conversion date;

4. The Company may elect to redeem all or part of the Note for cash at any time on or before 30 June 2011 provided that, if the Company gives notice of its intention to redeem all or part of the Note in this manner, the noteholder may elect within 30 days to have some or all of that part of the Note converted into Shares at the lesser of 10 cents or 90% of the volume weighted average sale price of Shares over the 10 Trading Days immediately prior to the relevant conversion date;
5. The noteholder may elect at any time after 31 December 2010 to redeem all or part of the Note for cash by giving the Company 60 days written notice;
6. Any portion of the face value of the Note which remains outstanding as at 30 June 2011 must be redeemed for cash by the Company in full by no later than 30 June 2011;
7. There are no voting rights attached to the Notes until such time as they are converted into Shares, however, the noteholder will have the same rights as holders of Shares to participate in pro rata issues (including rights issues) and distributions (other than dividend payments) to holders of Shares;
8. The Shares issued as a result of a conversion of the Note shall rank equally with all existing Shares on issue in every respect; and
9. The Note will be unsecured.

Deed with Rosanne Thelma Swick

The Company has had substantial difficulty raising additional funds in the current global financial and economic environment. Based on feedback it has received from prospective debt and equity financiers, the Company believes that one of the main reasons it has had such difficulty attracting additional funds has been the presence of the existing debt owed to Mrs Swick and her security over certain assets of the Company. Accordingly, the Directors formed the view that it was in the best interests of the Company to structure the Offer in a way that would enable it to fully repay the existing secured debt to Mrs Swick, whilst also strengthening the Company's overall financial position and providing much needed additional working capital to further develop its exploration tenements and expand its drilling operations in Brazil.

As at 18 December 2009, the amount of the Total Debt was \$2,881,051.31. By a deed dated 18 December 2009 between the Company and Rosanne Thelma Swick, a related party of the Company (**Deed**), the Company and Mrs Swick agreed that, in consideration of the Company agreeing to repay the sum of \$2,850,000.07 (**Settlement Amount**) to Mrs Swick upon completion of the Offer:

- (a) Mrs Swick (or her nominee) will sub-underwrite the Offer on a priority basis to the extent of the Settlement Amount (**Priority Sub-underwriting Commitment**) by agreeing to subscribe for the first 135,714,289 Shortfall Shares (**Priority Shortfall Shares**);

- (b) Mrs Swick will not exercise her right to be issued a Note in accordance with the Consolidated Loan Agreement, and will instead accept payment of the Settlement Amount in full and final settlement of the Total Debt;
- (c) Mrs Swick will release the Charge upon receipt of payment of the Settlement Amount and issue of the Priority Shortfall Shares to her (or her nominee); and
- (d) the Company will procure the payment of a sub-underwriting fee equal to 1% of the Priority Sub-underwriting Commitment (being \$28,500) to Mrs Swick (or her nominee).

The effect of the Deed and the Priority Sub-underwriting Commitment is that the debt owed to Mrs Swick is capped at the Settlement Amount (and Mrs Swick foregoes any additional interest that she would otherwise be entitled to under the relevant loan agreement from 18 December 2009) and will be repaid in full upon completion of the Offer. Moreover, repayment of the Settlement Amount will be by way of the issue of up to a maximum of 135,714,289 Shares. However, if the number of Shortfall Shares is less than 135,714,289 Shares, the Settlement Amount will be repaid by the issue of all of the Shortfall Shares (at an issue price of 2.1 cents per Share) with the balance to be paid in cash out of the funds raised under the Offer.

The transactions contemplated by the Deed are subject to and conditional upon the Offer being completed by 28 February 2010 (or such later date as is agreed in writing by the Company and Mrs Swick), failing which the Deed will terminate and the Consolidated Loan Agreement and the Charge will continue in full force and effect in accordance with their terms.

8.5 Disclosure of Underwriter and Sub-underwriter Voting Power

As set out in Section 8.4 of this Prospectus, the Offer is underwritten by the Underwriter to an amount of \$4,900,000. The Underwriter does not have any relevant interest in the Company as at the date of this Prospectus.

If the Underwriter is required to subscribe for New Shares offered pursuant to the Offer up to the Underwritten Amount (excluding the Priority Shortfall Shares), the Underwriter would increase its relevant interest in the Company from 0% to 97,619,045 Shares, being 22.59% of the Company's Shares, upon completion of the Offer (assuming that there is 100% Shortfall and that the Underwriter does not acquire any Shares prior to the close of the Offer).

The Company understands (based on information presently available to it) that it is the current intention of Mr Randal Swick, the Managing Director of the Company, to not take up any of his Entitlement of 50,647,590 Shares under the Offer. The effect of this is that Mr Swick's shareholding in the Company will be diluted upon completion of the Offer.

The Underwriter has advised the Company that it has entered into sub-underwriting agreements with a number of sub-underwriters to sub-underwrite its obligations under

the Underwriting Agreement in respect of the Shortfall Shares up to the Underwritten Amount. By an agreement dated 18 December 2009 between the Underwriter and Mrs Rosanne Thelma Swick, a related party of the Company (**Priority Sub-underwriting Agreement**), Mrs Swick agreed that she (or her nominee) will sub-underwrite the Offer on a priority basis to the extent of the Settlement Amount by agreeing to subscribe for the Priority Shortfall Shares. Other than Mrs Swick, none of the remaining sub-underwriters are related parties of the Company.

The Company understands (based on information presently available to it) that it is the current intention of Mrs Rosanne Swick to not take up any of her Entitlement of 77,237,813 Shares under the Offer. To comply with the requirement to fully disclose Mrs Swick's potential voting power in the Company and the effect of her sub-underwriting, the table below sets out various scenarios to indicate the effect on the Company's shareholding depending on the number of Shortfall Shares (if any). The potential maximum increase in the voting power of Mrs Swick is set out below and will only occur if there is at least 135,714,289 Shortfall Shares. In the table below it is assumed that Mrs Swick will not take up any of her Entitlement as a Shareholder under the Offer.

Rosanne Swick's Relevant Interest	Number of Shares held by Rosanne Swick	Voting Power of Rosanne Swick in Company
As at date of this Supplementary Prospectus	51,491,875	29.78%
After issue of New Shares under Offer (assuming Offer subscribed up to Underwritten Amount and only 127,885,403 Shortfall Shares ie, Rosanne Swick's Entitlement and Randal Swick's Entitlement)	179,377,278	44.16%
After issue of New Shares under Offer (assuming Offer subscribed up to Underwritten Amount and 135,714,289 Shortfall Shares)	187,206,164	46.08%
After issue of New Shares under Offer (assuming Offer subscribed up to Underwritten Amount and more than 135,714,289 Shortfall Shares)	187,206,164	46.08%
After issue of New Shares under Offer (assuming Offer fully subscribed and only 127,885,403 Shortfall Shares ie, Rosanne Swick's Entitlement and Randal Swick's Entitlement)	179,377,278	41.50%
After issue of New Shares under Offer (assuming Offer fully subscribed and 135,714,289 Shortfall Shares)	187,206,164	43.31%
After issue of New Shares under Offer (assuming Offer fully subscribed and more than 135,714,289 Shortfall Shares)	187,206,164	43.31%

The Company understands (based on information presently available to it) that Mrs Rosanne Swick's current intentions with respect to the Company are for the Board to continue with its existing exploration activities and the further development of its mineral drilling business in Brazil. The Company understands that these intentions remain unchanged if Mrs Swick increases her voting power in the Company to 43.31% by virtue of her fulfilling her maximum obligation under the Priority Sub-underwriting Agreement.

Pursuant to the Corporations Act, other than as set out above, Mrs Swick is not permitted to increase her holding of Shares prior to the Record Date or the close of the Offer. Further, Mrs Swick is not permitted under the Corporations Act to apply for Shortfall Shares under the Shortfall Offer.

The Underwriter has advised the Company that, aside from Mrs Swick, none of the other sub-underwriters, individually, will have a voting power in the Company in excess of 20% and that none of them will acquire a substantial interest in the Company by way of sub-underwriting the Offer.

The intentions and statements of future conduct set out above must also be read as being subject to the legal obligation of the Directors at the time to act in good faith in the best interests of the Company and for proper purposes and to have regard to the interests of all Shareholders.

8.6 Directors' Interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or the Offer.

8.7 Directors' Holdings of the Company's Securities

Directors' interests in securities of the Company at the date of this Prospectus are:

Name	Shares	Contributing Shares	Options
Mr Randal Swick	33,765,060	–	–
Mr Ian Herbison	2,763,159	1,400,000	–
Mr Jeffrey Moore	833,333	–	–

The Directors may participate in the Offer to the extent that they are Eligible Shareholders as at the Record Date.

8.8 Directors' Remuneration

The Constitution provides that the Directors may be paid for their services as Directors. Non-executive Directors may only be paid a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting, to be divided among the non-executive Directors and in default of agreement then in equal shares. The Company has paid \$406,394 in the financial year ended 30 June 2008, \$354,623 in the financial year ended 30 June 2009 and \$177,642 in the current financial year (including GST where applicable) by way of remuneration for services provided by all Directors, companies associated with the Directors or their associates in their capacity as Directors, employees, consultants or advisers. Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

8.9 Litigation

As at the date of this Prospectus, the Company is not involved in any material legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

8.10 Consents of Experts and Advisers

Each of the persons referred to in this Section 8.10:

- does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based other than as specified in this Section;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section; and
- has not authorised or caused the issue of this Prospectus.

Pursuant to Section 716 of the Corporations Act, Patersons has given, and at the time of lodgement of this Prospectus, has not withdrawn its consent to be named as Lead Manager and Underwriter to the offer of the first 233,333,334 New Shares under this Prospectus, in the form and context in which it is named.

Patersons was not involved in the preparation of any part of this Prospectus and did not authorise or cause the issue of this Prospectus. Patersons does not make any statement in this Prospectus, nor is any statement in it based on any statement made by Patersons. To the maximum extent permitted by law, Patersons expressly disclaims and takes no responsibility for any material in, or omission from, this Prospectus other than the reference to its name.

Pursuant to Section 716 of the Corporations Act, Hardies Lawyers have consented to being named in this Prospectus in the capacity as solicitors to the Company, and have not withdrawn such consent prior to the lodgement of this Prospectus with ASIC. Hardies Lawyers have not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus, and takes no responsibility for any part of this Prospectus

References to Security Transfer Registrars Pty Ltd (as share registry to the Company) and PKF Chartered Accountants (as auditors to the Company) appear for information purposes only.

8.11 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, the Underwriter and all other persons named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus do not have, and have not had in the 2 years before the date of this Prospectus, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- the Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) and no other benefit has been given or agreed to be given to any of those persons for services provided by those persons in connection with the formation or promotion of the Company or the Offer.

Patersons have been paid a placement fee of \$16,571 in relation to the Placement. In addition, Patersons will be paid an underwriting fee of \$131,000 plus 5% of any funds raised in addition to the Underwritten Amount, and a management fee of \$55,314 (plus 1% of any funds raised in addition to the Underwritten Amount) and a corporate advisory fee of \$60,000 in relation to the Offer and the Placement. All such fees are exclusive of

GST and disbursements. Patersons have not received any other payment or payments from the Company for the financial years ended 30 June 2008, 30 June 2009 and for the current financial year.

Hardies Lawyers will be paid approximately \$5,000 (exclusive of GST and disbursements) for legal advice and assistance in relation to certain aspects of this Prospectus, assisting the Company in relation to its due diligence regime, reviewing the Underwriting Agreement and providing general legal advice in relation to the Offer and the Placement.

Hardies Lawyers received from the Company the sum of \$13,094.00 for the financial year ended 30 June 2008, \$33,782.68 for the financial year ended 30 June 2009 and \$37,278 for the current financial year. These amounts were paid for the provision of legal services to the Company during those years.

8.12 Estimated Expenses

Assuming that the Offer is subscribed up to the Underwritten Amount, the estimated expenses of the Offer and the Placement are as follows:

ASIC fees	\$2,010
ASX fees	\$14,850
Placement and underwriting fees	\$157,571
Management fees	\$55,314
Corporate advisory fees	\$60,000
Legal fees	\$5,000
Other expenses	\$2,635
Total	\$297,380

Assuming that the Offer is fully subscribed, the estimated expenses of the Offer and the Placement are as follows:

ASIC fees	\$2,010
ASX fees	\$15,559
Placement and underwriting fees	\$184,873
Management fees	\$60,775
Corporate advisory fees	\$60,000
Legal fees	\$5,000
Other expenses	\$2,635
Total	\$330,852

8.13 Electronic Prospectus

Pursuant to Class Order 00/044, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic

application form on the basis of a paper prospectus lodged with ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic prospectus, please ensure that you have received the entire Prospectus accompanied by the Entitlement Form and the Shortfall Application Form. If you have not, please phone the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both.

The Company reserves the right not to accept an application form from a person if it has reason to believe that when that person was given access to the electronic application form, it was not provided together with the electronic prospectus and any relevant supplementary or replacement prospectus, or any of those documents were incomplete or altered.

8.14 Governing Law

This Prospectus and the contracts formed on acceptance of Entitlements and Shortfall Applications are governed by the laws applicable in Western Australia. Each applicant for New Shares submits to the exclusive jurisdiction of the courts of Western Australia.

9 DIRECTORS' CONSENT

Each of the Directors has consented to the lodgement of this Prospectus with ASIC in accordance with Section 720 of the Corporations Act.

Dated the 23rd day of December 2009

**Signed for and on behalf of
Cougar Metals NL
Mr Randal Swick, Managing Director**

10 GLOSSARY

“A\$”, “\$” and **dollars** means Australian dollars, unless otherwise stated.

Application Monies means monies received from Eligible Shareholders in respect of their Entitlements or from applicants in respect of Shortfall Shares pursuant to any Shortfall Applications.

ASIC means the Australian Securities & Investments Commission.

ASTC means ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532).

ASTC Settlement Rules means the settlement rules of ASTC.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as Australian Securities Exchange operated by it.

Board means the board of directors of the Company from time to time.

CHESS means the Clearing House Electronic Sub-register System operated by ASTC or such other prescribed clearing and settlement facility operated by ASTC from time to time.

Closing Date means 27 January 2010 or, subject to the Listing Rules, such other date as may be determined by the Directors and the Underwriter.

Company or **Cougar** means Cougar Metals NL (ABN 27 100 684 053).

Constitution means the constitution of the Company as at the date of this Prospectus.

Contributing Share means a share in the capital of the Company partly paid to 0.1 cents with 12.4 cents to pay.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company at the date of this Prospectus.

Eligible Shareholder means a Shareholder, as at the Record Date, whose registered address is in Australia or New Zealand.

Entitlement or **Right** means a Shareholder’s entitlement (or right) to subscribe for New Shares under this Prospectus.

Entitlement Form means the entitlement and acceptance form accompanying this Prospectus.

Existing Share means a Share issued before the Record Date.

GST means any tax imposed by or under the GST Act without regard to any input tax credit.

GST Act means *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Listing Rules means the listing rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the Official List, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

New Share means a fully paid ordinary share in the capital of the Company to be issued under this Prospectus.

Non-qualifying Foreign Shareholder means a Shareholder whose registered address is not situated in Australia or New Zealand.

Offer means the offer of New Shares under this Prospectus, being the pro rata renounceable rights issue to Shareholders of three (3) New Shares for every two (2) Existing Shares held at the Record Date at an issue price of 2.1 cents per New Share.

Official List means the official list of entities that ASX has admitted and not removed.

Official Quotation means official quotation of the Company's securities on ASX.

Option means an option to acquire a Share.

Placement means the placement of 22,550,901 Shares at an issue price of 2.8 cents per Share to raise approximately \$631,425 (before costs).

Priority Sub-underwriting Commitment has the meaning given in Section 8.4 of this Prospectus under the heading entitled "Deeds with Rosanne Thelma Swick".

Prospectus means the prospectus constituted by this document.

Record Date means 5:00pm (WST) on 6 January 2010.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means the holder of a Share.

Shortfall means the New Shares not accepted by Eligible Shareholders under the Offer.

Shortfall Application means an application for Shortfall Shares made by a Shareholder or any other person pursuant to a Shortfall Application Form.

Shortfall Application Form means an application form for Shortfall Shares accompanying this Prospectus.

Shortfall Offer means the offer of the Shortfall Shares in accordance with Section 3.5 of this Prospectus.

Shortfall Shares means New Shares in respect of which Entitlement Forms (and the relevant subscription monies) have not been lodged with the Company (or its share registry) by 5:00pm (WST) on the Closing Date.

Underwriter or **Patersons** means Patersons Securities Limited (ABN 69 008 896 311).

Underwriting Agreement means the underwriting agreement dated 23 December 2009 between the Underwriter and the Company.

Trading Day means any day on which the Shares are traded on ASX.

WST means Western Standard Time.

11 CORPORATE DIRECTORY**Directors**

Mr Randal Swick (Managing Director)
Mr Ian Herbison (Technical Director)
Mr Jeffrey Moore (Non-Executive Director)

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

Tel: (08) 9315 2333

Fax: (08) 9315 2233

Company Secretary

Mr Randal Swick

Solicitors

Hardies Lawyers
45 Ventnor Avenue
West Perth WA 6005

Auditors

PKF Chartered Accountants
Level 7, 28 The Esplanade
Perth WA 6000

Web Address

www.cgm.com.au

Registered Office

Cougar Metals NL
Unit 35, 22 Railway Road
Subiaco WA 6008

INSTRUCTIONS TO APPLICANTS

Please post or deliver the completed Shortfall Application Form together with a cheque to the share registry of the Company. If an Applicant has any questions on how to complete this Shortfall Application Form, please telephone the Company Secretary on (08) 9381 1755. The Form must be received by the Company.

A. Application for Shares

The Shortfall Application Form must only be completed in accordance with instructions included in the Prospectus.

B. Name of Applicant

Write the Applicant's FULL NAME. This must be either an individual's name or the name of a company. Please refer to the bottom of this page for the correct form of registrable title. Applications using the incorrect form of registrable title may be rejected.

C. Name of Joint Applicants or Account Designation

If JOINT APPLICANTS are applying, up to three joint Applicants may register. If applicable, please provide details of the Account Designation in brackets. Please refer to the bottom of this page for instructions on the correct form of registrable title.

D. Address

Enter the Applicant's postal address for all correspondence. If the postal address is not within Australia, please specify Country after City/Town.

E. Contact Details

Please provide a contact name and daytime telephone number so that the Company can contact the Applicant if there is an irregularity regarding the Shortfall Application Form.

F. CHESS HIN or existing SRN Details

The Company participates in CHESS. If the Applicant is already a participant in this system, the Applicant may complete this section with their existing CHESS HIN. If the applicant is an existing shareholder with an Issuer Sponsored account, the SRN for this existing account may be used. Otherwise leave the section blank and the Applicant will receive a new Issuer Sponsored account and statement.

G. Cheque Details

Make cheques payable to Cougar Metals NL – Shortfall Offer" in Australian currency and cross them "Not Negotiable". Cheques must be drawn on an Australian Bank. The amount of the cheque should agree with the amount shown on the Shortfall Application Form.

H. Declaration

By completing the Shortfall Application Form, the Applicant will be taken to have made to the Company the declarations and statements therein. The Shortfall Application Form does not need to be signed.

If a Shortfall Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the Directors as to whether to accept a Shortfall Application Form, and how to construe, amend or complete it, shall be final. A Shortfall Application Form will not however, be treated as having offered to subscribe for more Shares than is indicated by the amount of the accompanying cheque.

Forward your completed application together with the application money to:

Cougar Metals NL
C/- Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities are allowed to hold securities. Shortfall Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Shortfall Application Forms cannot be completed by persons under 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Company Use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use the trustee(s) personal name(s).	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s).	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships Use the partners personal names.	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names.	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s).	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Use the name of the trustee of the fund.	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund