



COMPANY ACTIVITIES UPDATE

HIGHLIGHTS

- **New gold intercepts at Porto Estrela prospect, Brazil include [3m@14.7g/t](#) within a wider interval of [9m@7.8g/t](#) from 79 m in drillhole PEDDH007.**
- **Wider interval of disseminated low gold grade at Porto Estrela include [20m@0.93g/t](#) from 5m also in hole PEDDH007.**
- **Chip sample from “Ceara” Quartz-sulphide veinlet within Porto Estrela prospect return gold assays up to 500g/t.**
- **Six trenches from a total of 16, have returned gold assays > 1g/t and up to 16.4 g/t of gold.**
- **Initial chip sample from quartz-sulphide veins return gold assays up to 24.5 g/t from the “Cabelo” Prospect, 20kms west from Porto Estrela – Apiacas.**
- **Strong start for GeoLogica Sondagens - the Company’s wholly owned contract drilling subsidiary.**

EXPLORATION UPDATE

PORTO ESTRELA PROSPECT

The Porto Estrela Prospect is located in the northern portion of Mato Grosso State in Brazil and lies in the western section of Cougar’s Alta Floresta Gold Project known as Apiacas District, as shown in Annexure A. The overall target area at the Porto Estrela Prospect is 6km long and +500m across strike. Four large areas of artisanal gold mining (“**Garimpos**”) are located within the central portion of this area. Previous gold production from these Garimpos, plus nearby smaller Garimpos, is estimated to be in excess of one (1) million ounces of gold.

The Company has now received the core sample assays results from hole PEDDH 007, and preliminary results from several discontinuous intervals sampled in the next hole PEDDH008. Diamond drilling completed to date totals 12 holes for 2,124m as part of a planned 3,000m diamond core program at the Company’s Porto Estrela Prospect in Brazil (See Table 1). The drilling to date has revealed a suite of related evolved granitic rocks, which indicate that gold is present in the later melt phases, especially pegmatites and aplites where highest grade intercept was found (Hole 7 – [9m@7.83g/t](#) , including [3m@14.7g/t](#) of gold). Low-grade disseminated mineralization occurs mostly in the silica-rich granitoids at several depths.

Of significant interest, due to the width and continuity, is the interval of [20m@0.93g/t](#) from 5 m in hole 7. This intercept supports the large tonnage model currently being pursued with the current drilling program. Drillhole 8 also returned some low grade intercepts but sampling to date has been discontinuous and incomplete especially in its shallower parts, much of which have yet to be sampled and analysed. (see Table 2.)

The above mentioned characteristics, and the presence of a suite of elements which include gold, minor silver, bismuth, tellurium and tin with tungsten, along with low sulphide contents and slight hydrothermal alteration, distinguishes this mineralisation as fitting the model of deep, Intrusion Related Gold Mineralisation. Thin and high-gold grade quartz-veins like the Ceara Vein (~500 g/t) suggest that sheeted veins may occur within this geological framework.

COUGAR METALS						
Alta Floresta Project						
Apiacas District						
Prospect:		Porto Estrela				
Hole_ID	Collar		RL (m)	Orientacion		Depth (m)
	North	East		Dip	Azimuth	
DDH-01	8963210	473634	295	-52	340	251.8
DDH-02	8963386	473359	258	-52	180	266.83
DDH-03	8963660	473477	266	-52	180	159.95
DDH-04	8963632	473473	265	-52	0	29.00
DDH-05	8963632	473469	266	-52	0	25.50
DDH-06	8963629	473469	266	-52	0	202.25
DDH-07	8963544	473833	262	-52	200	278.15
DDH-08	8963566	473844	261	-52	200	187.60
DDH-09	8963290	473900	284	-52	180	322.25
DDH-10	8963526	473758	270	-52	110	169.55
DDH-11	8963466	474437	304	-52	105	145.55
DDH-12	8963466	474437	304	-52	105	85.5
Total Metres						2123.93

Table 1: 2009 Porto Estrela Drillholes

APIACAS PROJECT
Porto Estrela Prospect

Hole No.	Intercept Thickness (m)	Interval From-To	Au grade g/t
PEDDH007	20	5-24m	0.93
	9	79-88m	7.83
Including	3	80-83m	14.7
	8	88-96m	0.26
PEDDH008	6	27-33m	0.40
	8	46-54m	0.56
	12	102-114m	0.45

Table 2: Drillhole intersections – Holes PEDDH007 and 008.

As a part of the target generation programme, 16 trenches varying from 6 to 30 meters long were opened and 1 m long horizontal channel samples were collected along the complete length of each trench. Six trenches returned gold values higher than 1 g/t of gold and as high as 16.5 g/t gold.

Much of the central part of the 6km x 0.5km Porto Estrela Prospect has yet to be investigated in detail, including any initial drilling. Magnetic field data has proved useful to date and the acquisition of additional data over the main prospect areas is contemplated in the first half of the year which is expected to greatly assist in the targeting of future drill holes.

CABELO PROSPECT

The Cabelo Prospect is located 15 Km northwest of Apiacas Town and has been recently mined by “Garimpeiros” in two open pits, Pit 1 and Pit 2 (See Annexure B for location map). It consists of a series of thin (up to 3cm wide) and parallel quartz veins resembling the well-known sheeted vein structures which are commonly associated with the Intrusion Related Gold Systems. The Cabelo mineralized structure has a confirmed length of 600 m along a N15E strike. Width varies from 0.5m to 2 m where two to ten quartz veins can be recognized. Preliminary work of chip sampling was carried out from late November to Mid December last year. A set of 17 chip samples were collected and the best results are presented in table 3.

Sample No.	Description	Au Grade (g/t)
111350	Quartz-sulphide vein	3.58
111361	Quartz-sulphide vein plus box work	24.4
111363	Quartz-pyrite-sericite vein	5.25
111364	Brecciated quartz-pyrite veins	16.7
111366	Quartz vein	0.95

Table 3. High Grade gold assays from quartz veins at Cabelo Prospect.

Exploration Programme for Year 2010

Apiacas District

The Company plans to continue exploration at the Porto Estrela prospect, and also to investigate several other high grade quartz veins which have been identified in the district, including the most recent at the Cabelo Prospect (above). These may be discrete separate high grade veins, or could reflect the presence of veining as part of a much larger system closely associated with the Intrusive gold model. Initial work this year will complete sampling of the most recent drill holes, complete the geological logging and further assess the recent results from the initial drilling at Porto Estrela, and complete more detailed geological mapping in areas with some outcrop or exposure from garimpos prior to recommencing drilling after the end of the wet season. Further geological mapping and sampling at the high grade veins may be followed up with trenching, and detailed aeromagnetic surveying will be conducted over the main area at Porto Estrela. The drilling rig utilised at Porto Estrela has been redeployed for contract work while this review is undertaken to identify the next drill targets.

Peixoto District

Geological work has now commenced within the Company's Peixoto tenements where it is planned to focus on the already identified numerous high grade gold-bearing quartz-sulphide vein systems. This prospective area was applied for in 2004/2005 and has only recently been granted to the Company after being aggressively contested by other parties. It is now possible for Cougar to assess, geologically map and further sample the highest priority targets identified through the limited previous work. Drilling programs will be planned for the first half of the year to follow up this work on the most promising veins.

Grab samples of quartz-sulphide material from more than 30 vein prospects within the tenement area have returned assays in excess of 1 ounce per tonne. This represents some 40% of all vein prospects which have been examined to date.



GeoLogica Sondagens.

Cougar Metals wholly owned contract drilling company, GeoLogica Sondagens Ltda (GeoLogica) has enjoyed a strong start to the 2010 calendar year with five rigs commencing work within the first week of January, and another two rigs to be employed by the 25th of January. This will see Cougar's four in country rigs employed as well as an additional three hired rigs.

Work in hand now exceeds R\$ 4.8 million (AUD \$3.2M), with the diamond drilling fleet and the company's sole in country RC rig fully employed for the next three months.

Subject to the completion of the capital raising currently underway, GeoLogica will complete the importation of its second RC drilling rig from South Africa, complete with drill rods and drilling tools, into Brazil. Discussion are underway with interested parties in regards to placing this unit to work in early April, following the planned commissioning the rig at GeoLogica's Belo Horizonte workshop.

Additionally the Company has purchased a comprehensive stock of spare components including 2 motors and a high pressure compressor which will be despatched from Perth in early February.

The early demand for drilling services is encouraging and bodes well for the continued expansion of this division.

Rights Issue.

Shareholders are reminded that the rights issue to raise approximately \$5.4M is scheduled to close on January 27. The offer is underwritten by Patersons Securities to \$4.9 million. In the event there is a shortfall above this amount, shareholders can apply for additional stock in accordance with the instructions outlined in Section 3.5 of the Prospectus dated 23 December 2009.

The net funds raised pursuant to the rights issue will be applied to retiring secured debt (\$2.8 Million), assisting the growth of GeoLogica, advancing the Company's prospective exploration portfolio in Brazil and general working capital.

Should shareholders have any queries in regards to this please contact the undersigned on 9381 1755.

Yours faithfully

A handwritten signature in black ink that reads "Randal Swick". The signature is written in a cursive, flowing style.

RANDAL SWICK
Executive Chairman



The information in this report that relates to exploration results is based on information compiled by the Technical Director of Cougar Metals NL, Mr Ian Herbison, who is a Director of the Company and is a member of the Australian Institute of Geoscientists. Mr Herbison has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Herbison consents to the inclusion in the report of matters based on his information in the form and content in which it appears.

About Cougar Metals NL:

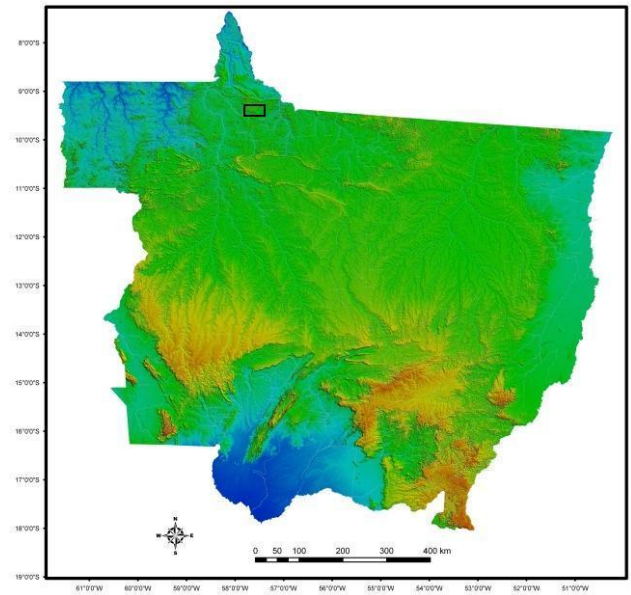
Cougar Metals NL is a Perth based exploration company listed on the Australian Stock Exchange (ASX:CGM). The Company is focused on exploring the Alta Floresta Project in central west Brazil, where past production is estimated at five million ounces of gold. Cougar also operates a mineral drilling business in Brazil, providing surface diamond, reverse circulation and RAB drilling services to the Brazilian mining industry.

Website: www.cgm.com.au

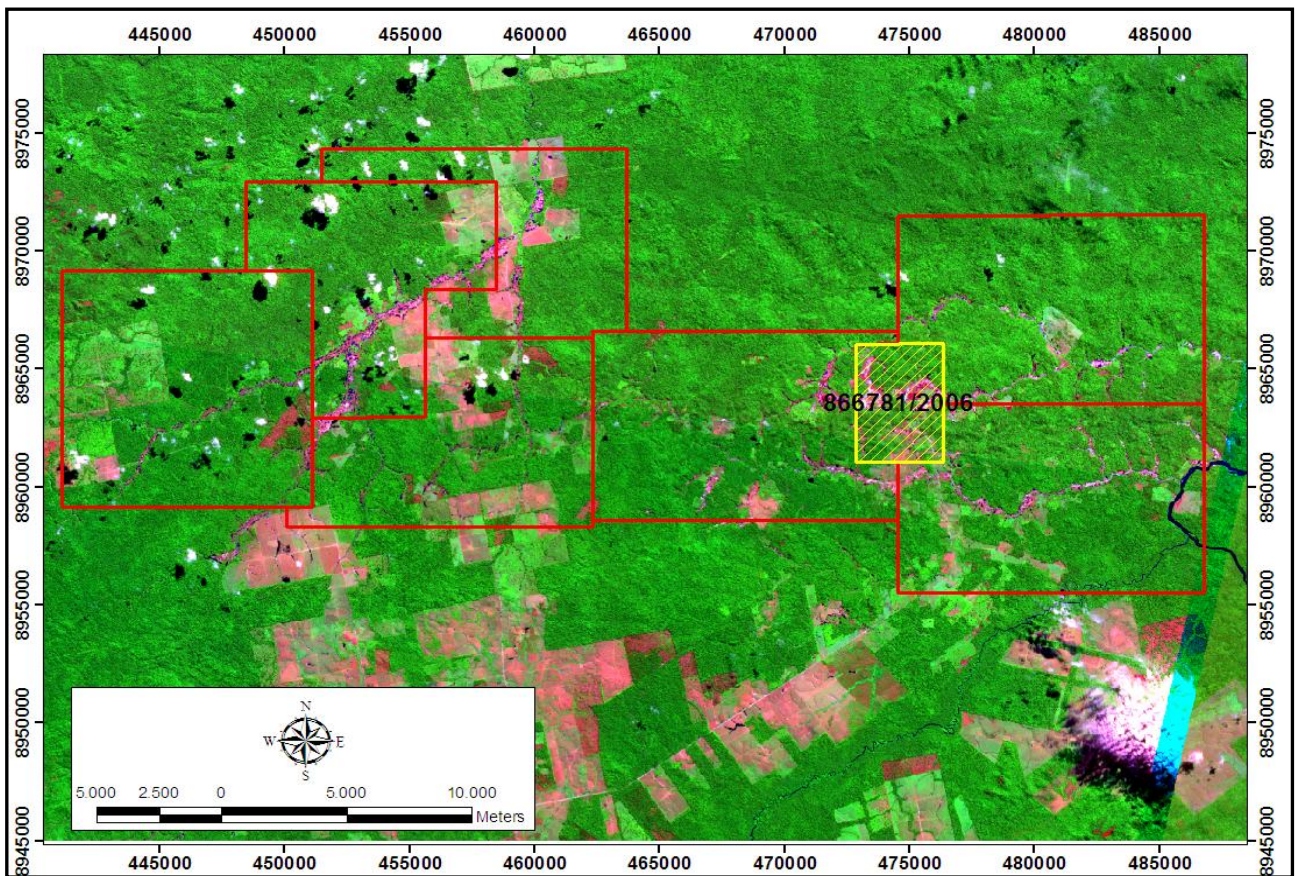
ANNEXURE A – PORTO ESTRELA PROSPECT LOCATION



Map of South America



**Map of Mato Grosso State
(Cougar's Apiacas Licenses shown in black)**



ANNEXURE B – CABELO PROSPECT LOCATION MAP

