



ASX Announcement – 10 December 2010

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Cougar set to commence small scale gold mining at Alta Floresta Project

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- **Enters into agreement to mine gold at Ze Vermelho prospect, Paranaíta**
 - **Auriferous quartz vein accessed by four existing timber-lined shafts over 150 metres of strike**
 - **Initial 360 tonne bulk sample averages 27.8g/t gold in gravity concentrate**
 - **Tailings retained for future treatment**
 - **Mining rate of 40 tonnes per day targeted in the next three months**
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Cougar Metals NL is pleased to announce that its wholly owned gold exploration subsidiary, Cougar Brasil Mineração Ltda (“**Cougar Brasil**” or “**the Company**”), has reached an agreement with local mining operation company DOMA-Agronegócios E Mineração Ltda (“**DOMA**”) to explore and mine for gold at its Ze Vermelho prospect (“**the Mining Agreement**”). The Mining Agreement is governed by a Trial Mining License, and will be under the supervision of the Company’s technical staff. DOMA is a recognised small scale mining company in Brazil and has previously contract mined for other foreign listed companies.

The historic Ze Vermelho workings cover an area of 3 hectares (200 metres x 150 metres) in the Paranaíta District of the Company’s Alta Floresta Gold Project (Figure 1). Mining at Ze Vermelho dates back to the early 1990’s during the second gold rush in mid-west Brazil. The mining activity started as an open-cut mine to 30 metres depth. Anecdotal reports are that the artisanal miners subsequently divided into four groups and moved to underground mining through four timber-lined shafts, which all remain in good condition today. Gold production is reported to have reached up to 1 kilogram per day, from which it is estimated a minimum of 20,000 tonnes was processed during six years. In 2003, Metamat, the Mato Grosso State Mining Company, estimated that 70,000 ounces of gold had been recovered up to 1996, when mining ceased.

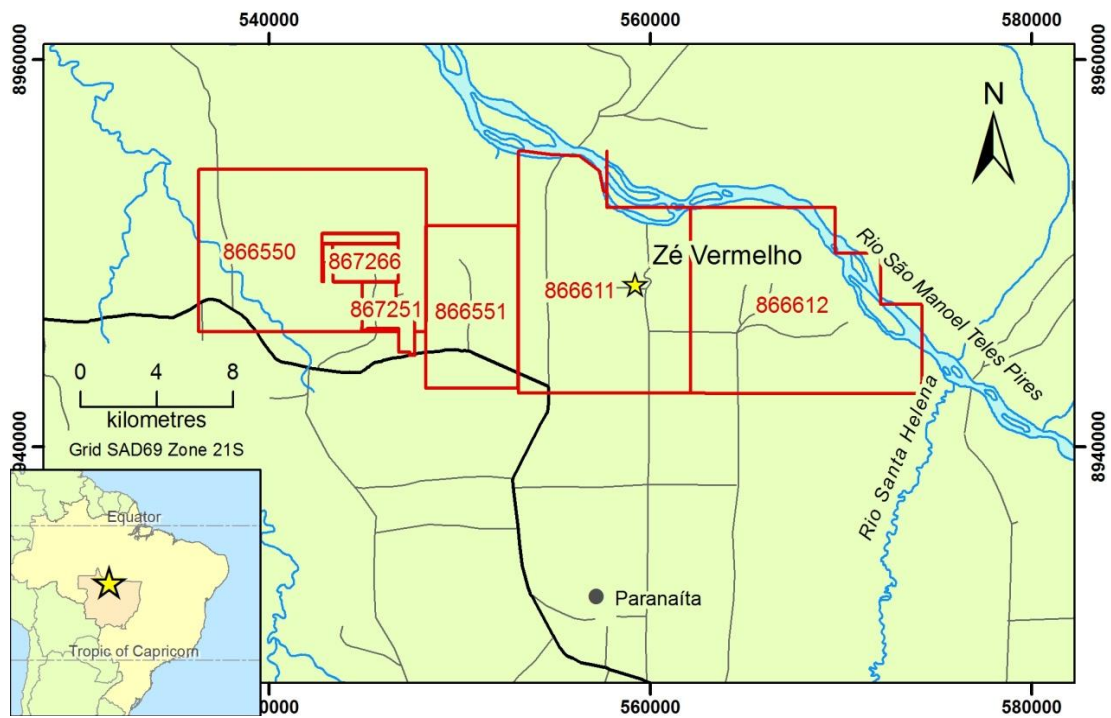


Figure 1: Location of Ze Vermelho Prospect, Paranaita District, Mato Grosso State, Brazil

Cougar applied for an exploration licence over Ze Vermelho in 2004. The Company undertook rock chip sampling in the Paranaita area, some of which returned assay results in excess of 10g/t gold (Figure 2). Ze Vermelho was recognised as being of interest at that time, however, the exploration licence on which Ze Vermelho is situated was not granted until November 2009. In the intervening period, Cougar Brasil purchased the land upon which Ze Vermelho prospect is located to prevent unauthorised garimpeiro activities.

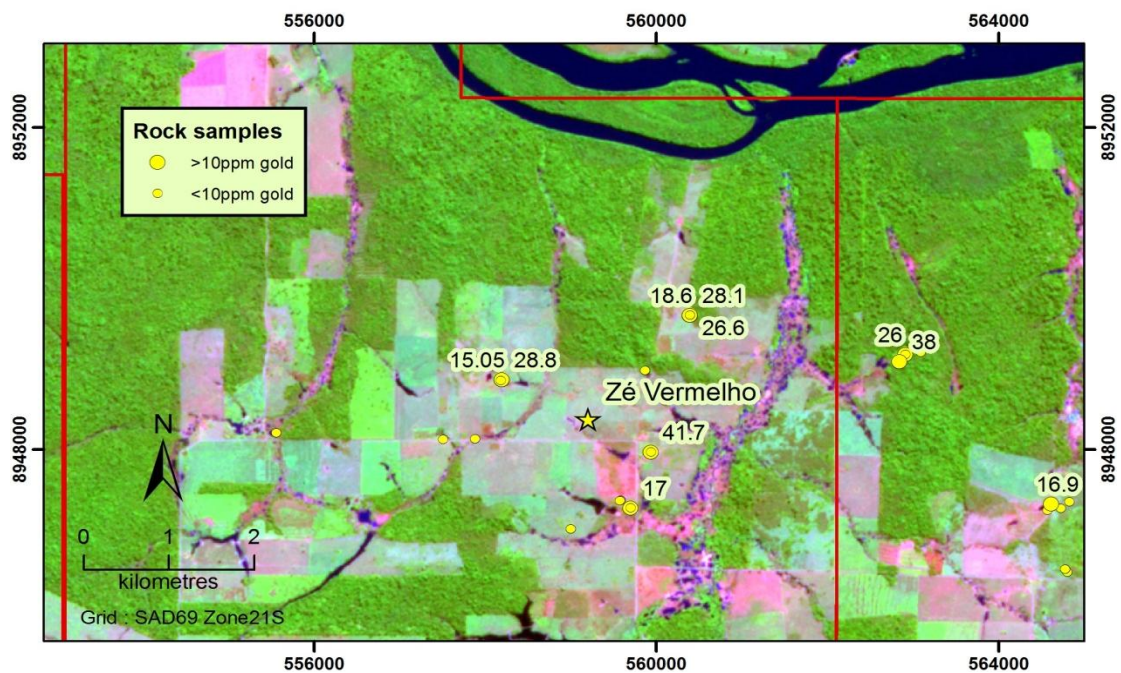


Figure 2: Landsat image over Ze Vermelho Prospect, showing Cougar Brasil rock samples from 2004-2005 with anomalous gold assay values labelled. Garimpeiro workings are clearly visible

The Company's recent geological and underground investigations of garimpeiro workings at Ze Vermelho include accessing the timber-lined shafts which are developed to a maximum depth of 64 metres and along 150 metres of strike. All of the shafts intercepted a northwest trending sulphide-rich quartz vein up to 1.3 metres wide. The vein predominantly occurs along the contact of a bluish-grey, biotite-monzogranite and a quartz-sericite mylonite up to 3 metres wide.

The Ze Vermelho vein is open along strike and to depth, and a drilling rig has been mobilised by DOMA to commence drill testing the vein. A fifth shaft exists 800 metres further along strike, however, it is located on private property yet to be accessed by Cougar.

Activities undertaken thus far include bulk sampling of the underground workings and surface stockpiles, and surface rehabilitation.

Five samples blasted from underground and six face samples of the vein returned gold values ranging between 23.1g/t and up to 80.5g/t (Table 1).

A 360 tonnes bulk sample was also treated to produce a gravity concentrate of 10 kilograms of gold, for an average recovered grade of 27.8g/t gold. The related tailings assayed between 7.1g/t and 190g/t gold, and will be treated with cyanide upon construction of an appropriate processing facility.

Table 1: Results from underground sampling at Ze Vermelho prospect, Paranaíta District

Sample	Location	Mining Level (metres below surface)	Sample type	Vein width (cm)	Au ppm	Ag ppm
130009	Shaft 1	-24	face	67	79.0	27
130023	Shaft 1	-24	face	52	54.9	35
130025	Shaft 2	-30	face	88	36.0	33
130026	Shaft 2	-30	face	114	59.1	42
130001	Shaft 3	-45	ROM	60	46.0	19
130003	Shaft 3	-53	ROM	55	23.1	21
130004	Shaft 3	-58	ROM	83	79.8	46
130005	Shaft 3	-64	ROM	123	69.8	19
130007	Shaft 3	-64	ROM	96	80.5	57
130028	Shaft 4	-32	face	102	51.7	45
130032	Shaft 4	-32	face	96	60.4	56

"ROM" indicates a 1 kilogram split from approximately 500 kilograms of underground bulk sample after crushing to less than 5 mm.

"face" indicates a chip or channel sample across vein in a face

Material mined from Ze Vermelho will initially be treated by a simple gravity circuit followed at a later date by cyanidation of the tails.

The Trial Mining Licence at Ze Vermelho allows for the extraction of up to 50,000 tonnes of mineralisation annually and can be extended for a period of up to 28 months upon approval by the National Department of Mineral Production.

The small scale gold production at Ze Vermelho is expected to provide Cougar Brasil with cashflow from gold sales, but also significant information on the geology and nature of gold mineralisation. The information gathered during mining will allow the Company to direct its exploration activities on the Ze Vermelho vein and on other veins in the area in an efficient manner.

Terms of the Mining Agreement

Under the terms of the Mining Agreement, DOMA is to develop the Ze Vermelho mine at a targeted mining rate of 40 tonnes per day by April 2011. An initial target mining rate of 10 tonnes per day is set to be achieved by the end of December 2010. The first gold production from Ze Vermelho is expected by the end of December 2010.

DOMA is to meet all mining, processing and capital costs of the operation in exchange for 30% of the net proceeds from gold sales, after the deduction of expenses. DOMA will be reimbursed capital expenses equal to 10% of total capital expenditure, per month against gold sales.

Gold produced from the Ze Vermelho prospect will be the property of Cougar Brasil, which will be responsible for sales and the subsequent distribution of revenue.

For further information, please contact the undersigned on (08) 9381 1755.

Yours faithfully



RANDAL SWICK

Executive Chairman

The information in this report that relates to exploration results is based on information compiled by Dr Christopher Stephens who is a consultant to the Company. Dr Stephens is Principal of CJ Stephens Consulting Pty Ltd is a member of the Australian Institute of Geoscientists (AIG) and the Australia Institute of Mining and Metallurgy (AusIMM). Dr Stephens 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". Dr Stephens consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

About Cougar Metals NL:

Cougar Metals NL is a Perth based exploration company listed on the Australian Securities Exchange (ASX:CGM). The Company is focused on exploring the Alta Floresta Gold Project in central west Brazil, where past production is estimated at five million ounces of gold. The Company also operates growing mineral drilling businesses in Brazil and Uruguay, providing surface diamond, reverse circulation and RAB drilling services to the Brazilian and Uruguayan mining industries. The Company also holds the mineral rights to the Pyke Hill JORC compliant Measured and Indicated Resource of 14.7mt @ 0.9% Ni and 0.06% Co.



Figure 3: Existing old workings at the Ze Vermelho Prospect prior to the Company's recent activities



Figure 4: Double Shaft Number 4 at the Ze Vermelho Prospect



Figure 5: Underground working at the Ze Vermelho Prospect Shaft 3, -58 Level



Figure 6: 67 cm wide quartz-sulphide vein which assayed 79g/t gold (Shaft 1, Sample 130009, -24 Level)