



AND CONTROLLED ENTITIES

ABN 27 100 684 053

**ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2010**

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CORPORATE DIRECTORY

Directors

Randal Swick (Managing Director and Executive Chairman)
Jeffrey Moore (Non-Executive Director)
Paul Hardie (Non-Executive Director)
Ian Herbison (Resigned 18 February 2010)

Company Secretary

Chris Bossong

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Auditors

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CHAIRMAN'S REVIEW

Dear Shareholder

On behalf of the Board of Directors of Cougar Metals NL, I am pleased to present to you the 2010 Annual Report.

The 2010 financial year in many ways mirrored the previous financial year. With the effects of the global financial crisis flowing through to much of the 2010 financial year it is pleasing to note that signs of a recovery was well underway. As such the Company focused much of its efforts again on maximising profits from its Brazilian drilling business GeoLogica Sondagens and continuing with low cost but effective exploration at its Alta Floresta Projects.

Unfortunately though, and despite GeoLogica's drilling fleet operating at full capacity for much of the first half of the financial year, profits were insufficient to fund all of the Company's expenses and a capital raising was necessary midway through the financial year to assist funding Cougar's activities.

The second half of the financial year was the Company's most positive to date with the key highlights being the:

- drilling business securing its single largest drilling program to date and the business expanded outside of Brazil; and
- outstanding gold assays returned from surface sampling at the Alta Floresta Project in Brazil

The Company's other core exploration project, the Pyke Hill nickel/cobalt resource in Western Australia, remains a valuable asset and the Company continues to look for a suitable joint venture partner or purchaser of the asset.

The year ahead will see Cougar continue its focus on exploration drilling at the Alta Floresta Project and the expansion of its contract drilling business throughout South America.

Sadly though, the financial year did not begin well with GeoLogica Sondagens suffering a fatality in Brazil. It was a reminder to all of us that not only are there risks involved in the advancement of a company's objectives, but life is finite and it is important to keep our pursuits and problems in perspective.

The second half achievements are a tremendous testament and reward for to the hard work of the Cougar team. I would like to thank the Directors, employees and contractors of Cougar Metals and its subsidiaries for their dedicated work throughout the year and I look forward to the Company's advancement through their efforts in the 2011 financial year.

Yours faithfully



Randal Swick
Executive Chairman

DIRECTORS' REPORT

Your Directors present their report on the company and its controlled entities for the financial year ended 30 June 2010.

DIRECTORS

The names of the Directors in office and at any time during, or since the end of, the year are:

Randal Swick	Managing Director and Executive Chairman
Ian Herbison	Technical Director (Resigned 18 February 2010)
Jeffrey Moore	Non-Executive Director
Paul Hardie	Non-Executive Director (Appointed 18 February 2010)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

COMPANY SECRETARY

Melissa Fry was appointed company secretary on 13 January 2009 and resigned on 20 October 2009. Randal Swick was appointed company secretary on 30 November 2009 and resigned on 18 February 2010. Chris Bossong was appointed company secretary on 18 February 2010.

PRINCIPAL ACTIVITIES

During FY10, the Company's activities focussed on the following key areas:

- Exploration, evaluation and rationalisation of the Alta Floresta Gold Project in Brazil; and
- The provision of mineral drilling services to exploration and mining companies in Brazil.

The principal activities of the Company during the course of the financial year were:

- a) Exploration activities, including drilling, trenching and sampling, at the Company's Alta Floresta Gold Project in Mato Grosso, Brazil; and
- b) The provision of mineral drilling services to exploration and mining companies in Brazil and Uruguay through CGM's wholly owned subsidiaries GeoLogica Sondagens and Cougar Drilling Services respectively.

No significant change in the nature of these activities occurred during the financial year.

OPERATING RESULTS

The Statement of Comprehensive Income shows revenue from ordinary activities for the Group for the year ended 30 June 2010 of \$5,501,312 (2009: \$5,349,973).

The Statement of Comprehensive Income shows a net loss from ordinary activities after tax attributable to the members of the Group for the year ended 30 June 2010 of \$3,858,586 (2009: \$2,202,477 loss).

The net assets of the Consolidated Entity as at 30 June 2010 were \$7,215,675 (2009:\$ 5,877,863).

DIVIDENDS PAID OR RECOMMENDED

The Directors recommend that no dividend be paid for the year ended 30 June 2010, nor have any amounts been paid or declared by way of dividend since the end of the previous financial year.

REVIEW OF OPERATIONS

Alta Floresta Project (Brazil)

Overview

The Alta Floresta Project is located within the Southern Amazon Craton in the northern part of Mato Grosso State in central west Brazil. The project comprises three discrete groups of tenements covering approximately 1,450km² within a 330km long portion of the Alta Floresta gold belt, where government records estimate past production in excess of five million ounces of gold. The tenement groups are located in the Peixoto/Novo Mundo, Paranaita and Apiacas regions respectively.

The project offers significant potential for discovery of large tonnage, disseminated gold deposits, as well as high-grade quartz-sulphide vein gold deposits. The potential for large deposits is evidenced by the plus 1 million ounce gold discovery 25km north of Peixoto, and by the widespread mineralisation now being outlined in Cougar's Apiacas and Peixoto tenements.

History

Gold was first discovered in the Alta Floresta mineral province over 30 years ago. Based on government reports, past production within the Alta Floresta Gold Belt is estimated at more than 5 million ounces. Virtually all of this gold was mined from alluvial material or weathered rock, stopping as fresh rock was encountered and gold recovery through gravity methods was no longer effective. Most mining ceased within the top 40m from surface. The main producers of gold in the region were local artisanal miners ("garimpeiros") who worked surface gold rich accumulations in creeks and drainages, and near surface, soft weathered clay rich zones, which yielded coarse gold.

Tenement Granting

Many of the tenements comprising the Alta Floresta Project cover ground referred to as "Garimpeiro Reserves", which is considered the most prospective ground in the district. These reserves contain the areas where much of the historical mining activity has occurred and which were previously set aside and restricted to the exclusive use of garimpeiros. During the year 31 new tenements were granted in favour of the Company, covering an area of 481km² within the Peixoto, Paranaita and Apiacas districts. At year end, only 12 km² remained ungranted and the Company expects these tenements to be granted in the 2011 year.

Exploration Focus

The Company's exploration strategy is to preferentially focus on the identification of prospects and targets likely to represent large tonnage gold deposits within the Alta Floresta Mineral Province.

Exploration Activities for FY10

Cougar's exploration activities at the Alta Floresta Project during the 2010 financial year have dominantly focused on the Apiacas and Peixoto Districts, with work centred on regional and prospect scale mapping, drilling at the Company's most advanced Porto Estrela prospect and rock chip, grab and channel sampling.

In late July, Cougar commenced a 3,000m drilling programme at the Porto Estrela prospect. The aim of the programme was to test targets defined from earlier field work and the programme was completed within the year with the best intercepts including 3m @ 14.7g/t Au (within a wider interval of 9m @ 7.8g/t Au), 20m @ 0.93g/t Au and 5m @ 2.7g/t Au

The Company also continued to focus and work on generating new and promising targets, with much of the work consisting of detailed mapping and rock grab, chip and channel sampling. From this work numerous high grade gold assays have been returned from prospects in the Apiacas and Peixoto districts, highlighted by gold grades up to 1,420g/t and 626g/t Au respectively in quartz veins. This work has also identified a 10 kilometre gold mineralised shear zone, including 3 prospects in the Peixoto district.

Exploration Focus for FY11

Exploration focus for the coming year will focus primarily on the Peixoto District with some work in Paranaita. At Peixoto, the Company will finish the current trenching program currently underway and look to develop the Cidinha and Baixao Velho targets through a preliminary drilling program of 2,000m at each target respectively.

At Paranaita the Company will continue to seek Joint Venture partners in respect of exploration and possible bulk sampling programs on various targets including the Company's Ze Vermelho prospect.

Pyke Hill Project (Western Australia)

Previous exploration drilling conducted by Cougar at the Pyke Hill Project on M39/159 east of Leonora, Western Australia delineated a measured and indicated resource, using a 0.5% nickel cut-off grade, of 14.7M tonnes at 0.90% Ni and 0.06% Co, which contains 131,000 tonnes of nickel and 8,800 tonnes of cobalt.

This resource is closed off in all directions. There are a set of variable grade vs tonnage figures, but further exploration or drilling will not significantly change this overall resource figure in terms of tonnes vs grade or contained metal. The Company is now focused on looking at all possibilities to advance the Project.

Drilling Business

Overview

Cougar's wholly owned contract drilling company, GeoLogica Sondagens Ltda ("**GeoLogica**"), is located in the city of Belo Horizonte, Minas Gerais, Brazil and provides rotary air blast ("**RAB**"), reverse circulation ("**RC**") and diamond drilling services to the Brazilian mining industry. GeoLogica commenced operations in 2007 and has grown its fleet to 8 operational rigs, including 7 diamond and 1 RC rig (4 owned, 4 hired).

Following the award of a drilling program in Uruguay in April of this year, which is the Company's largest single drilling programme since inception, Cougar now also operates a drilling company in Uruguay and has formed a Uruguayan sister company to GeoLogica, Palinir S.A. trading as Cougar Drilling Services – Uruguay ("**CDS**"). CDS is a wholly owned subsidiary of Cougar Brasilia Pty Ltd, a wholly owned subsidiary of Cougar Metals NL. CDS has 4 operational rigs in Uruguay, bringing Cougar's total fleet of drilling rigs to 12.

DIRECTORS' REPORT (CONTINUED)

Activities for FY10

Brazil

Cougar's rig fleet in Brazil operated at full capacity for most of the year, with new projects commencing in Para, Mato Grosso, Rio Grande do Sul and Amapari. The Company continued to suffer from the downturn in the industry from the Global Financial Crisis with reduced prices being the main effect for most of the year. Since April however the market has improved significantly with prices and profitability returning to previous levels. The Company's Beadell contract commenced just prior to the year's end and required significant capital outlays. It is expected that this contract will perform well for the Company in the 2011 year.

At as the date of this report the Brazilian operations have contracts in excess of A\$4m on hand.

Uruguay

During the second half of year the Company was awarded its first drilling programme outside of Brazil, being the single largest drilling programme secured to date and underpinning a major expansion of the Company's operations throughout South America. In addition, and as part of the drilling programme, the Company was advanced an interest free loan to assist with the acquisition of 3 new rigs and associated equipment. The loan is to be repaid progressively by way of discounted drilling rates during the course of the drilling program forecasted to generate US\$7 million in revenue.

At as the date of this report the Uruguayan operation has one contract in excess of A\$8m on hand.

CORPORATE ACTIVITIES

On 25 November 2009 the company issued 22,550,901 ordinary shares at an issue price of \$0.028 each raising \$631,425 pursuant to a placement.

On 4 February 2010, the Company completed its renounceable entitlements issue being 233,333,334 shares at \$0.021.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

No significant changes in the Group's state of affairs occurred during the financial year other than the following:

- On 25 November 2009 the company issued 22,550,901 ordinary shares at an issue price of \$0.028 each raising \$631,425 pursuant to a placement.
- On 29 September 2009 a further A\$250,000 of loan funds were received by the Company from Rosanne Swick.
- Randal Swick stepped in as interim Company Secretary on 30 November 2009, following the resignation of Melissa Fry who served in this role from 13 January 2009 to 30 November 2009. Chris Bossong took over the role of Company Secretary on 18 February 2010.
- The Restructured Rights Issue was completed on 4 February 2010, being the issue of 233,333,334 shares at \$0.021, raising \$4.9m and allowing the company to retire all secured debt and apply the balance of funds to further exploration at its Alta Floresta Gold Project, the importation of its second RC rig from South Africa and provide general working capital.
- Paul Hardie was appointed as a non-executive director on 18 February 2010, following the resignation of Ian Herbison, who served as Technical director from 24 May 2002 to 18 February 2010

DIRECTORS' REPORT (CONTINUED)

- Martin Jeffrey was appointed to the role of Diamond Drilling Manager.
- Completed a 3,000m drilling program at the Porto Estrela Gold Project in Brazil, with best intersects including 5m @ 2.7g/t Au, 3m @ 14.7g/t Au and 20m @ 0.93g/t Au.
- Assay results from surface sampling within the Apiacas and Peixoto District of the Alta Floresta Project returned, gold grades up to 1,420g/t and 626g/t respectively and confirmation of a 10km gold mineralised shear zone.
- Award of 20,000m drilling programme in Brazil.
- Expansion of drilling fleet to 12 operational rigs.

AFTER BALANCE DATE EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years except for the following:

Roseanne Swick provided a loan to the Company for \$500,000. The loan was received in two tranches (\$300,000 on 6 August 2010 and a further \$200,000 on 20 September 2010), is interest bearing and is repayable in \$50,000 monthly instalments commencing 30 November 2010.

On 8 September 2010 the Company issued 9,000,000 options exercisable at \$0.035 on or before 9 September 2013 to Directors.

On 10 September 2010 the Company announced the return of high-grade gold assays results from channel and bulk samples at the Cidinha Prospect, Alta Floresta Gold Project, Brazil.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The focus of the Group moving forward is the continued expansion of the drilling business in South America to meet demand for quality mineral drilling services whilst continuing to explore the Alta Floresta project. A significant increase in drilling services and exploration activity is expected in the 2011 financial year.

ENVIRONMENTAL ISSUES

The Group has a policy of at least complying with its environmental performance obligations. The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

INFORMATION ON DIRECTORS

Randal Swick	Managing Director and Executive Chairman
Qualifications	B.Eng. (Mech)
Experience	Randal Swick is a mechanical engineer with approximately 20 years experience in the metals and mining industry with a strong focus on gold and nickel exploration. Randal Swick brings considerable knowledge gained from experience as a drilling contractor and from his involvement in the management of several private companies involved in exploration and mining throughout Western Australia in both the surface and underground environments.
Special Responsibilities	Randal Swick is responsible for Cougar's wholly owned drilling business and spends the majority of his time in Brazil ensuring the continued growth of this business.
Interest in Shares and Options	33,765,060 ordinary fully paid shares
Directorships held in other listed entities	Randal Swick has not been a Director of any other listed entities in the past three years.
Jeffrey Moore	Non-Executive Director
Qualifications	B.Sc. MAusIMM
Experience	Jeffrey Moore is a geologist with extensive technical, managerial and project finance experience in exploration and mining for publicly listed companies. During his career, he has generated and managed projects for commodities including precious metals, base metals, diamonds, nickel and industrial minerals throughout Australia, Central and South America, Africa and Asia.
Interest in Shares and Options	1,500,000 ordinary fully paid shares
Directorships held in other listed entities	Allied Gold Limited – 10 February 2004 to 14 July 2008 Abra Mining Limited – 7 April 2006 to present
Paul Hardie	Non-Executive Director– Appointed 18 February 2010
Qualifications	B.Ec. LLB
Experience	Paul Hardie is a solicitor who specialises in providing corporate and general commercial advice to a number of public and private clients on a wide range of matters including mergers and acquisitions, initial public offerings and other capital raisings, property law and a variety of Corporations Act and Listing Rules compliance matters. Prior to establishing his own law practice. Paul Hardie gained extensive experience in areas of business management, commercial litigation and property law and was part of the mergers and acquisitions team of a large national law firm.
Interest in Shares and Options	25,000 contributing shares
Directorships held in other listed entities	Indago Resources Limited – 15 October 2009 to present Paul Hardie has not been a Director of any other listed entities in the past three years.

DIRECTORS' REPORT (CONTINUED)

Ian Herbison	Non-Executive Director – Resigned 18 February 2010
Qualifications	B.Sc. (Geology)
Experience	Ian Herbison is a geologist with over 35 years experience in the metals and mining industry, with specific experience in the areas of gold and base metal exploration. He brings to the Company invaluable expertise in the development and implementation of gold and base metal exploration programs throughout Australia and has an impressive track record of exploration successes.
Special Responsibilities	Ian Herbison is responsible for the course of the exploration activities and the optimum evaluation of Cougar's exploration tenement assets, for the development and action to add further exploration projects to Cougar's inventory and assets, together with ensuring the capabilities and extent of the exploration teams Cougar uses and employs to conduct its exploration activities.
Interest in Shares and Options	Nil
Directorships held in other listed entities	Ian Herbison has not been a Director of any other listed entities in the past three years.

REMUNERATION REPORT - AUDITED

This report details the nature and amount of remuneration for each Director of Cougar Metals NL, and for the executives receiving the highest remuneration.

Remuneration Policy

The Board of Directors established a Remuneration Committee for the purpose of reviewing and making recommendations with respect to the remuneration practices of the Company. The Board of Directors prepared and approved a charter as the basis on which the committee will be constituted and operated. The role of the Remuneration Committee is to provide an independent mechanism for the determination, implementation and assessment of the remuneration practices of the Company, including remuneration packages and incentive schemes for executive Directors and senior management, and fees payable to Non-Executive Directors.

The remuneration policy of Cougar Metals NL and its Controlled Entities has been designed to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on share price performance. The Board believes that remuneration policy is appropriate and effective in its ability to attract, retain and motivate suitably qualified and experienced Directors and executives to run and manage the economic entity, as well as create goal congruence between the Directors and executives and the Company's shareholders.

Specifically, the remuneration policy has been put in place to ensure that:

- 1) remuneration policies and systems support the Company's wider objectives and strategies;
- 2) Directors' and senior executives remuneration is aligned to the long-term interests of shareholders within an appropriate control framework;
- 3) Directors' and senior executives remuneration reflect the persons' duties and responsibilities;
- 4) Directors' and senior executives remuneration is comparative in attracting, retaining and motivating suitably qualified and experienced people; and
- 5) there is a clear relationship between performance and remuneration.

DIRECTORS' REPORT (CONTINUED)

The tables below set out summary information about the Consolidated Entity's earnings and movements in shareholder wealth for the five years to 30 June 2010:

	30 June 2010	30 June 2009	30 June 2008	30 June 2007	30 June 2006
	\$	\$	\$	\$	\$
Revenue	5,649,045	5,471,827	3,499,832	268,270	268,270
Net profit/(loss) before tax	(3,858,586)	(2,202,477)	(2,983,680)	(4,287,735)	1,338,009
Net profit/(loss) after tax	(3,858,586)	(2,202,477)	(2,983,680)	(4,073,247)	634,093

	30 June 2010	30 June 2009	30 June 2008	30 June 2007	30 June 2006
Share price at start of year	\$0.0300	\$0.0700	\$0.2100	\$0.3600	\$0.0800
Share price at end of year	\$0.0200	\$0.0300	\$0.0700	\$0.2100	\$0.3600
Dividend	-	-	-	-	-
Basic loss per share	(\$0.0126)	(\$0.0131)	(\$0.0393)	(\$0.0601)	\$0.0143
Diluted loss per share	(\$0.0126)	(\$0.0131)	(\$0.0393)	(\$0.0524)	\$0.0126

All remuneration paid to Directors and executives is valued at the cost to the Company and expensed. Shares given to Directors and executives are valued as the difference between the market price of those shares and the amount paid by the Director or executive. Options are valued using the Black-Scholes methodology or other accepted methodologies.

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-Executive Director, executive Director and senior executive management remuneration is separate.

Non-Executive Director Remuneration

Objective

The Board seeks to set remuneration at a level which provides the Company with the ability to attract and retain suitably qualified and experienced Directors, whilst incurring a cost which is acceptable to shareholders.

Structure

Each Non-Executive Director receives a fee for being a Director of the Company. Non-Executive Directors should be adequately remunerated for their time and effort and the risks involved. Non-Executive Directors are remunerated to recognise the responsibilities, accountabilities and associated risks of being a Director. All Non-Executive Directors' performance and remuneration is reviewed on an annual basis by the Managing Director, who in turn makes a recommendation to the Remuneration Committee. The Company has two Non-Executive Directors being Jeffrey Moore, who receives \$36,000 per annum plus superannuation of 9% and Paul Hardie, who receives \$36,000 per annum. Non-Executive Directors are eligible to participate in employee share and option arrangements.

Board operating costs do not form part of Non-Executive Directors' remuneration.

Executive Directors and Senior Executives Remuneration

Objective

The Company aims to reward executive Directors and senior executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company.

Fixed Remuneration

The components of the executive Directors and senior executives fixed remuneration are determined individually and may include:

- 1) cash remuneration;
- 2) superannuation contributions made by the Company;
- 3) accommodation and travel benefits;
- 4) motor vehicle, parking and other benefits; and
- 5) reimbursement of entertainment, home office and telephone expenses.

The senior executives' remuneration is reviewed on an annual basis by the Managing Director, who in turn makes a recommendation to the Remuneration Committee. However due to prevailing market conditions, the Managing Director recommended a review of the remuneration not be undertaken for 30 June 2010.

In determining a remuneration package, the Remuneration Committee reviews the individual's remuneration relative to positions in comparable companies through the use of market data. Where appropriate, the package is adjusted to keep pace with market trends and ensure continued remuneration competitiveness. In conducting a comparative analysis, the Company's expected performance for the year would be considered in the context of the Company's capacity to fund remuneration budgets. From time to time, a review of the total remuneration package by an independent consultant in this field may be undertaken to provide an independent reference point.

Variable Remuneration

The executive Directors and senior executives may receive variable remuneration as follows:

- 1) short term incentives - the executive Directors and senior executives are eligible to participate in a bonus if so determined by the Board and Remuneration Committee; and
- 2) long term incentives - the executive Directors and senior executives are eligible to receive shares and options if so determined by the Board and Remuneration Committee.

Employment Contracts

During the year, the Consolidated Entity had entered into employment contracts with the following executive Directors:

Randal Swick

The key terms of Randal Swick's current service agreement, through Vedrell Pty Ltd, are as follows:

- The service arrangement continues until terminated.
- Remuneration is required to be reviewed every six months by the Remuneration Committee.
- There are no termination benefits at the completion of the contract term. However, if the Company wishes to terminate the contract, other than if Randal Swick was found guilty of any gross misconduct or a serious and persistent breach of the service agreement, the Company is required to pay to Randal Swick that amount which otherwise would have been paid under the service agreement for a period of six months, plus an additional two months (calculated on a pro rata basis) in respect of each year of service, and vehicle expenses in the amount of \$10,000.

Ian Herbison

The key terms of Ian Herbison's current service agreement, through Rosmar Holdings Pty Ltd, were as follows:

- The service arrangement continues until terminated.
- Remuneration is required to be reviewed every six months by the Remuneration Committee.
- There are no termination benefits at the completion of the contract term. However, if the Company wishes to terminate the contract, other than if Ian Herbison was found guilty of any gross misconduct or a serious and persistent breach of the service agreement, the Company is required to pay to Ian Herbison that amount which would otherwise would have been paid under the service agreement for a period of six months, plus an additional one month (calculated on a pro rata basis) in respect of each year of service.
- Ian Herbison resigned as a Director on 18 February 2010.

DIRECTORS' REPORT (CONTINUED)**Details of Remuneration for the year ended 30 June 2010**

The remuneration for each Director and Key Management Personnel of the Group during the year was as follows:

2010	Short Term Employee Benefits			Post	Share	Total	Performance Related
	Salary, Fees and Commissions	Other	Non-Cash Benefits	Employment Benefits Superannuation Contributions	Based Payments Options		
	\$	\$	\$	\$	\$	\$	%
Key Management Personnel							
Randal Swick	157,084	9,335	-	-	-	166,419	0%
Ian Herbison	88,375	410	-	-	-	88,785	0%
Jeffrey Moore	35,916	-	-	3,510	-	39,426	0%
Paul Hardie	13,286	-	-	-	-	13,286	0%
Melissa Fry	23,250	-	-	-	-	23,250	0%
Chris Bossong	45,307	354	-	-	-	45,661	0%
	363,218	10,099	-	3,510	-	376,827	0%
2009	Short Term Employee Benefits			Post	Share	Total	Performance Related
	Salary, Fees and Commissions	Other	Non-Cash Benefits	Employment Benefits Superannuation Contributions	Based Payments Options		
	\$	\$	\$	\$	\$	\$	%
Key Management Personnel							
Randal Swick	157,948	15,000	-	-	-	172,948	0%
Ian Herbison	117,482	-	-	-	-	117,482	0%
Jeff Moore	28,000	-	-	2,520	-	30,520	0%
Mark Ceglinski	25,847	-	-	2,326	-	28,173	0%
Andrew Childs	5,500	-	-	-	-	5,500	0%
Andrew Gardner	120,000	13,370	-	10,800	-	144,170	0%
Melissa Fry	45,749	-	-	-	-	45,749	0%
Michael Fry	15,000	-	-	-	-	15,000	0%
	515,526	28,370	-	15,646	-	559,542	0%

Notes:

Salary includes consulting fees paid to Directors and to related parties of Directors.

There are no other contracts to which a Director is a party or under which a Director is entitled to a benefit other than as disclosed in this report or the financial statements.

All Directors are engaged through Cougar Metals NL.

There were no share based payment arrangements in existence during the year.

Options and Rights Holdings

No options or rights are held by Directors and Key Management Personnel. As at the date of this report, there are no options on issue. During the financial year the Company cancelled 1,000,000 employee options in accordance with the Rules of the Employee Option Plan.

DIRECTORS' REPORT (CONTINUED)

MEETING OF DIRECTORS

During the financial year, two meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

Director	Board Meetings		Audit and Compliance Committee Meetings	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
Randal Swick	2	2	-	-
Ian Herbison	2	2	-	-
Jeffrey Moore	2	2	-	-
Paul Hardie	2	2	-	-

INDEMNIFYING OFFICERS OR AUDITOR

During the financial year the Company entered into a deed of indemnity, insurance and access with Paul Hardie. The Company has previously entered into deeds of indemnity, insurance and access (**Deeds**) with all other Directors which continue to be relevant. Under these Deeds, the Company agreed to indemnify the Directors (to the maximum extent permitted by the Corporations Act 2001) against any liability incurred by the Directors in their capacity as officers of the Company. The Company is required to maintain insurance policies for the benefit of each Director for the term of the appointment (and for at least 7 years after the Director ceases to be an officer of the Company) and must also allow the Directors to inspect Board papers in certain circumstances. Since the end of the previous financial year, the Company has not paid any insurance premiums in respect of Directors' insurance contracts. The Company has not entered into any agreement to indemnify Deloitte Touche Tohmatsu against any claims by third parties arising from their report on the annual financial report.

OPTIONS

At the date of this report, there were no options on issue.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

CORPORATE GOVERNANCE

The Board of Directors is responsible for the corporate governance of the Company and has adopted a range of corporate governance policies consistent with the second edition of "Principles of Good Corporate Governance and Recommendations" released by the ASX Corporate Governance Council in 2007, to the extent that such recommendations are consistent with the current structure and objectives of the Company.

AUDITOR

Non-Audit Services

The Company may decide to employ its auditor Deloitte Touche Tohmatsu on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or Group are important.

The Board of Directors has considered the position and, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non audit services have been reviewed to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement APES110, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for the Group, acting as advocate for the Group or jointly sharing economic risk and rewards.

Auditor's Declaration of Independence

The auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 17.

Signed in accordance with a resolution of the Board of Directors in accordance with s298(2) of the Corporations Act 2001.



Randal Swick
Executive Chairman

Dated this 30th day of September 2010

The Board of Directors
Cougar Metals NL
Suite 33, Level 3
22 Railway Road
SUBIACO WA 6008

30 September 2010

Dear Board Members

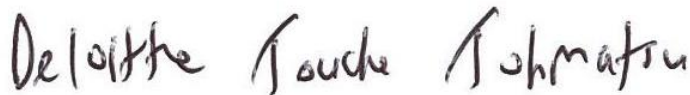
Cougar Metals NL

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Cougar Metals NL and controlled entities.


As lead audit partner for the audit of the financial statements of Cougar Metals NL and its controlled entities for the financial year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Chris Nicoloff
Partner
Chartered Accountants

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED
30 JUNE 2010**

	Note	Consolidated 2010 \$	Consolidated 2009 \$
Revenue	2	5,501,312	5,349,973
Finance revenue	2	19,192	23,762
Other revenue	2	128,541	98,092
		<u>5,649,045</u>	<u>5,471,827</u>
Accounting and audit expenses	3	(68,899)	(30,545)
Depreciation expense	3	(797,295)	(290,692)
Exploration costs impaired	3	(1,493,943)	-
Occupancy expenses	3	(154,981)	(107,193)
Office administration expenses	3	(278,888)	-
Corporate expenditure and professional fees	3	(148,194)	(30,351)
Drilling expenses	3	(5,177,852)	(4,521,819)
Finance costs	3	(109,660)	(251,326)
Other expenses from ordinary activities	3	(1,277,919)	(2,442,378)
Loss before income tax benefit		<u>(3,858,586)</u>	<u>(2,202,477)</u>
Income tax expense	4	-	-
Net loss for the year		<u>(3,858,586)</u>	<u>(2,202,477)</u>
Other comprehensive income for the year			
Exchange differences arising on translation of foreign operations		(98,095)	(96,011)
Total comprehensive result for the year		<u>(98,095)</u>	<u>(96,011)</u>
Loss attributable to: Owners of the parent		<u>(3,956,681)</u>	<u>(2,298,488)</u>
		<u>(3,956,681)</u>	<u>(2,298,488)</u>
Basic loss per share (cents)	7	(1.26)	(1.31)
Diluted loss per share (cents)	7	(1.26)	(1.31)

The accompanying notes form part of this financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT
30 JUNE 2010

	Note	Consolidated 2010 \$	Consolidated 2009 \$
ASSETS			
Current Assets			
Cash and cash equivalents	8	233,541	318,602
Trade and other receivables	9	456,712	535,165
Other current assets	10	118,659	12,108
Total Current Assets		808,912	865,875
Non-Current Assets			
Property, plant and equipment	12	3,179,923	2,463,190
Exploration and evaluation expenditure	13	5,358,797	5,407,218
Total Non-Current Assets		8,538,720	7,870,408
Total Assets		9,347,632	8,736,283
LIABILITIES			
Current Liabilities			
Trade and other payables	14	875,805	187,827
Provisions	15	14,110	20,833
Interest bearing loans and borrowings	16	64,696	164,139
Deferred revenue	17	1,177,346	-
Total Current Liabilities		2,131,957	372,799
Non-Current Liabilities			
Interest bearing loans and borrowings	16	-	2,485,621
Total Non-Current Liabilities		-	2,485,621
Total Liabilities		2,131,957	2,858,420
Net Assets		7,215,675	5,877,863
EQUITY			
Issued capital	18	20,420,122	15,125,629
Foreign exchange reserve	19	(194,106)	(96,011)
Other reserve	19	229,265	229,265
Accumulated losses		(13,239,606)	(9,381,020)
Total Equity		7,215,675	5,877,863

The accompanying notes form part of this financial report.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED
30 JUNE 2010**

	Issued	Accumulated	Foreign	Other	Total
	Capital	Losses	Exchange	Reserves	Equity
	\$	\$	Reserve	\$	\$
			\$		
Consolidated					
Balance at 1 July 2008	13,825,462	(7,178,543)	-	205,588	6,852,507
Loss for the year	-	(2,202,477)	-	-	(2,202,477)
Foreign currency translation			(96,011)	-	(96,011)
Total comprehensive income for the year		(2,202,477)	(96,011)	-	(2,298,488)
Shares issued during the year	1,300,167	-	-	-	1,300,167
Share based payments	-	-	-	23,677	23,677
Balance at 30 June 2009	15,125,629	(9,381,020)	(96,011)	229,265	5,877,863
Loss for the year	-	(3,858,586)	-	-	(3,858,586)
Foreign currency translation	-	-	(98,095)	-	(98,095)
Total comprehensive income for the year	-	(3,858,586)	(98,095)	-	(3,956,681)
Shares issued during the year	5,531,426	-	-	-	5,531,426
Capital raising costs	(236,933)	-	-	-	(236,933)
Balance at 30 June 2010	20,420,122	(13,239,606)	(194,106)	229,265	7,215,675

The accompanying notes form part of this financial report.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
30 JUNE 2010**

	Note	Consolidated 2010 \$	Consolidated 2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		5,579,764	5,283,551
Payments to suppliers and employees		(5,204,237)	(6,750,107)
Payments for exploration and evaluation		(3,186,763)	(650,014)
Interest received		21,066	23,762
Interest paid		(2,331)	(35,226)
		<hr/>	<hr/>
Net cash used in operating activities	8a	(2,792,501)	(2,128,034)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt from sale of plant and equipment		-	87,143
Purchase of plant and equipment		(1,057,003)	(1,110,061)
		<hr/>	<hr/>
Net cash used in investing activities		(1,057,003)	(1,022,918)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of securities		2,681,426	1,300,167
Payment of share issue costs		(236,933)	-
Proceeds from loan		1,432,522	1,000,000
Repayment of borrowings		(112,572)	(117,953)
		<hr/>	<hr/>
Net cash used in financing activities		3,764,443	2,182,214
Net increase/(decrease) in cash held		(85,061)	(968,738)
Cash at beginning of financial year	8	318,602	1,287,340
		<hr/>	<hr/>
Cash at end of financial year	8	233,541	318,602
		<hr/>	<hr/>

The accompanying notes form part of this financial report.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2010**

1 Statement of Significant Accounting Policies

(a) Basis of Preparation

Cougar Metals NL (the “Parent” or the “Company”) is a public company listed on the Australian Securities Exchange Limited (“ASX”) and is incorporated in Australia. Cougar Metals NL and its subsidiaries (collectively referred to as the “Cougar Metals Group” or the “Group”) operate in Western Australia and throughout the geographical region of Brazil. The financial report of the Company and its controlled entities for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 30 September 2010.

The financial report has been prepared on a historical cost basis, except where stated, and does not take into account changing money values or fair values of assets. In applying AIFRS, management is required to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of AIFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported. These accounting policies are consistently applied by each entity in the group. The significant accounting policies set out below have been applied in the preparation and presentation of the financial report for the year ended 30 June 2010 and the comparative information.

(b) New standards and interpretations

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out below.

Standards affecting presentation and disclosure

AASB 101 <i>Presentation of Financial Statements</i> (as revised in September 2007),	AASB 101(September 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
AASB 2007-8 <i>Amendments to Australian Accounting Standards arising from AASB 101</i> and	
AASB 2007-10 <i>Further Amendments to Australian Accounting Standards arising from AASB 101</i>	

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED
30 JUNE 2010**

1 Statement of Significant Accounting Policies (Continued)

AASB 2009-2 <i>Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments</i>	The amendments to AASB 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.
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Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2008-7 <i>Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>	The amendments deal with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting A-IFRS for the first time and with the recognition of dividend income from subsidiaries in a parent’s separate financial statements.
AASB 2008-1 <i>Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations</i>	The amendments clarify the definition of vesting conditions for the purposes of AASB 2, introduce the concept of ‘non vesting’ conditions, and clarify the accounting treatment for cancellations.
AASB 8 <i>Operating Segments</i>	AASB 8 is a disclosure Standard that has resulted in a redesignation of the Group’s reportable segments (see note 21).
Amendments to AASB 107 <i>Statement of Cash Flows</i> (adopted in advance of effective date of 1 January 2010)	<p>The amendments (part of AASB 2009-5 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>) specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.</p> <p>Consequently, cash flows in respect of development costs that do not meet the criteria in AASB 138 <i>Intangible Assets</i> for capitalisation as part of an internally generated intangible asset (and, therefore, are recognised in profit or loss as incurred) have been reclassified from investing to operating activities in the statement of cash flows. Prior year amounts have been restated for consistent presentation.</p>

(c) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards including Australian interpretations. The financial report includes the separate financial statements of the Parent and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards (“AIFRS”). Compliance with AIFRS ensures that the financial statements and notes of the Group comply with IFRS.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED
30 JUNE 2010**

1 Statement of Significant Accounting Policies (Continued)

(d) Going Concern

For the year ended 30 June 2010 the Consolidated Entity incurred losses of \$3,858,586 (2009: \$2,202,477); had cash outflows from operating activities of \$2,792,501 (2009: \$2,128,034) and it had a working capital deficiency of \$1,323,045 (2009: surplus \$493,076) as at 30 June 2010. Further, as disclosed in note 26, the Company incurred a loss of \$4,861,742, (2009: \$1,511,642) and had a working capital deficiency of \$367,581 (2009: \$36,014) as at that date.

The main contributing factors to the loss for the year ended 30 June 2010 were:

- Costs associated with the drilling business;
- Impairment of exploration costs of \$1,493,943; and
- Depreciation expense of \$797,295.

The main contributing factors to the net current liability position as at 30 June 2010 were:

- Trade creditors balance amounting to \$875,805; and
- Deferred revenue of \$1,177,346 within current liabilities.

These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Company and Consolidated Entity to continue as going concerns. Included within the trade creditors balance of \$875,805 are related party balances of \$275,710. At the date of this report the Company has received confirmations from those related parties that the debts will not be called until such time as sufficient cash and working capital is available.

The deferred revenue included in the current liabilities is sales revenue received in advance and is a non cash liability unless conditions in the drilling contract are not met. At the date of this report the Company is not in breach of any of the conditions set out in the drilling contract. Subsequent to year end the Company successfully raised \$500,000 through a related party loan and has utilised the funds to reduce current trade creditors.

The ability of the Company and Consolidated Entity to continue as going concerns is principally dependent upon the following:

- The drilling business becoming more profitable through the winning and execution of new contracts at commercial margins; and
- Future capital raising activity. Based on the cash flow forecasts which have been prepared based on historical gross margins, it is expected that approximately \$650,000 of equity and or debt funding will be required to be raised by February 2011 in order to ensure that the Company and Consolidated Entity can meet all debts as and when they fall due.

During the year the Company successfully raised additional funding by way of a placement and rights issue which resulted in funds of \$5,531,425 before costs, of which 135,714,289 shares (\$2,850,000) were issued for the extinguishment of the loan with Rosanne Swick and \$236,932 was used to pay issue costs.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Company's history of successful raising of capital to date, the directors are confident of the Company's ability to raise additional funds as and when they are required.

The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

1 Statement of Significant Accounting Policies (Continued)

Should the Company and Consolidated Entity be unable to continue as going concerns they may be required to realise their assets and extinguish their liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company and the Consolidated Entity be unable to continue as going concerns.

(e) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all of the entities that comprise the consolidated entity Cougar Metals NL (the "Parent").

The financial statements of subsidiaries are prepared for the same reporting period as the Parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Company has control.

(f) Foreign Currency Transactions and Balances

For the purpose of this report, the functional and presentation currency adopted is Australian Dollars.

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian Dollars, which is the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rate prevailing on the date the fair values were determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the income statement in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

1 Statement of Significant Accounting Policies (Continued)

On consolidation, the assets and liabilities of the Group's foreign operations (including comparatives) are translated in to Australian dollars at exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve.

(g) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and deposits repayable on demand with a financial institution. Cash balances and overdrafts in the balance sheet are stated at gross amounts with current assets and current liabilities, unless there is legal right of offset at the bank. The cash and cash equivalents balance primarily consists of cash, on call in bank deposits, bank term deposit with three month maturity and money market investments readily convertible into cash within 2 working days, net of outstanding bank overdrafts. Bank overdrafts are carried at the principal amount.

(h) Trade and other receivables

Trade receivables which generally have 30-60 days terms are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. The Group reviews the collectability of trade receivables on an ongoing basis and makes an objective judgement concerning amounts considered not collectible. The amount of the loss is recognised in the income statement within operating expenses and classified as doubtful debts. Any subsequent recovery of amounts previously written off, are recorded as other income in the income statement.

(i) Inventory

The Group maintains an inventory of drilling consumables for use in the rendering of drilling services. Inventory is measured at the lower of cost and net realisable value. An on-going review is conducted in order to ascertain whether items are obsolete or damaged, and if so determined, the carrying amount of the item is written down to its net realisable value.

(j) Recoverable Amount of Non-Current Assets

Non-current assets valued on the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds the recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs. Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

(k) Impairment of Non-Financial Assets

At each reporting date the Company conducts an internal review of asset values of its non financial assets to determine whether there is any evidence that the assets are impaired. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are independent cash inflows (cash generating units).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED
30 JUNE 2010**

1 Statement of Significant Accounting Policies (Continued)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit or group of units on a pro rata basis.

(l) Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes acquisition, being the fair value of the consideration provided, plus incidental costs directly attributable to the acquisition.

Subsequent costs directly related to an item of property are recognised in the carrying amount of that item of property plant and equipment only when it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs, including repairs and maintenance, are recognised in the income statement as an expense.

Depreciation is recognised in the income statement on a straight-line or diminishing value basis over the estimated useful life of each part of an item of property plant and equipment. Those items of property, plant and equipment under construction are not depreciated.

The following useful lives are used in the calculation of depreciation for each class of property, plant and equipment:

Leasehold Improvements	5 years
Plant and Machinery	5 – 10 years
Drilling Rigs	7 – 10 years
Other Drilling Equipment	5 – 10 years
Office Equipment	5 – 10 years

(m) Leased Assets

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreements as to reflect the risks and benefits incidental to ownership. Operating lease payments are leases under which the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item are recognised as an expense on a straight-line basis.

A finance lease effectively transfers to the lessee substantially all the risks and benefits incidental to ownership of the leased item, capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and recognised directly in net profit.

The cost of improvements to or on leased property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

1 Statement of Significant Accounting Policies (Continued)

(n) Trade and Other Payables

Trade payables and other payables are carried at amortised cost. They represent unsecured liabilities for goods and services procured by the Cougar Metals Group prior to the financial period that remain unpaid and occur when the Group becomes obligated to make future payments. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Employee Benefits

Liabilities for employee related benefits comprising wages, salaries, annual leave and long service leave are categorised as present obligations resulting from employees services provided up to and including the reporting date. The liabilities are calculated at discounted amounts based on remuneration wage and salary rates the Group expects to pay as at reporting date including related on-costs, such as payroll tax and workers compensation insurance, when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to report date.

Employee superannuation entitlements are charged as an expense when they are incurred and recognised as other creditors until the contribution is paid. Employee benefit expenses and revenues are recognised against profits on a net basis in their respective categories.

(p) Loans and Borrowings

Loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs incurred. Borrowings are subsequently measured at amortised cost utilising the effective interest rate method. Difference occurring between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. All borrowing costs are recognised as an expense in the period in which they are incurred.

(q) Financial Instruments

Debt and Equity Instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial Assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as fair value through profit or loss which are initially measured at fair value.

1 Statement of Significant Accounting Policies (Continued)

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Company financial statements.

Loans and Receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Non-current loans and receivables are measured at amortised cost using the effective interest rate method less impairment. Interest is recognised by applying the effective interest rate. Current trade receivables are recorded at the invoiced amount and do not bear interest.

Financial Liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(r) Revenue Recognition

Revenue from the sale of goods and rendering of services is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates and sales taxes. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs or services and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. Transfers of risks and rewards vary depending on the individual terms of the contract of sale and with local statute, but are generally when title and insurance risk has passed to the customer and the goods have been delivered to a contractually agreed location. Interest revenue is recognised as it accrues using the effective interest rate method.

(s) Current and Deferred Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

1 Statement of Significant Accounting Policies (Continued)

Deferred tax is recognised using the balance sheet method, in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Temporary differences are differences between the Group's tax base of an asset or liability and its carrying amount in the statement of financial position.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences or unused tax losses and tax credits can be deducted. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(s) Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets that relate to employee benefit arrangements are recognised and measured in accordance with AASB 112 *Income Taxes* and AASB 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share based payment awards are measured in accordance with AASB 2 *Share-based Payment*; and

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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1 Statement of Significant Accounting Policies (Continued)

- assets (or disposal groups) that are classified as held for sale in accordance with *AASB 5 Noncurrent Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial *accounting for a business combination is incomplete by the end of* the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(u) Earnings per Share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as an expense; and
- Other non discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(v) Share Based Payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

1 Statement of Significant Accounting Policies (Continued)

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED
30 JUNE 2010

	Consolidated 2010 \$	Consolidated 2009 \$
2 Revenue		
Sales revenue	5,501,312	5,349,973
Interest received	19,192	23,762
Other revenue	128,541	98,092
Total revenue	<u>5,649,045</u>	<u>5,471,827</u>
3 Loss for the year		
Expenses		
Accounting and audit expenses	68,899	30,545
Depreciation expense	797,295	290,692
Exploration costs impaired	1,493,943	-
Occupancy expenses	154,981	107,193
Office administration expenses	278,888	-
Corporate expenditure and professional fees	148,194	30,351
Drilling expenses	5,177,852	4,521,819
Finance costs	109,660	251,326
Other expenses from ordinary activities	1,277,919	2,442,378
Total expenses	<u>9,507,631</u>	<u>7,674,304</u>

4 Income tax benefit

Major components of income tax expense for the years ended 30 June 2010 and 30 June 2009 are:

a) Income tax recognised in profit and loss

Current income		
Current income tax charge	-	-
Adjustments in respect of previous current income tax	-	-
Deferred income tax		
Relating to origination and reversal of temporary differences	-	-
Benefit from previously unrecognised tax loss used to reduce deferred tax expense	-	-
Income tax expense (benefit) reported in income statement	<u>-</u>	<u>-</u>

A reconciliation of income tax expense (benefit) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the company's effective income tax rate for the Years ended 30 June 2010 and 30 June 2009 is as follows:

Accounting profit (loss) before tax from continuing operations	(3,956,681)	(2,202,477)
Loss before tax from discontinued operations	-	-
Accounting profit (loss) before income tax	<u>(3,956,681)</u>	<u>(2,202,477)</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED
30 JUNE 2010**

	Consolidated 2010 \$	Consolidated 2009 \$
4 Income tax benefit (Continued)		
At the statutory income tax rate of 30% (2009: 30%)	(1,187,004)	(660,743)
Add:		
Non-deductible expenses	987	7,103
Temporary differences not recognised	15,254	-
Tax loss not brought to account as a deferred tax asset	493,937	653,640
Less:		
Non assessable non exempt	676,826	-
	<hr/>	<hr/>
At effective income tax rate of 0% (2009: 0%)	-	-
	<hr/>	<hr/>
Income tax expense reported in income statement	-	-
Income tax attributable to discontinued operation	-	-
	<hr/>	<hr/>
	-	-

b) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Consolidated Assets		Consolidated Liabilities		Consolidated Net	
	30 June 2010 \$	30 June 2009 \$	30 June 2010 \$	30 June 2009 \$	30 June 2010 \$	30 June 2009 \$
Trade and other receivables	-	-	93	1,544	93	1,544
Deferred exploration costs	-	-	5,018	229,657	5,018	229,657
Employee benefits	-	(1,544)	-	-	-	(1,544)
Tax losses	(5,111)	(229,657)	-	-	(5,111)	(229,657)
Tax (assets)/liabilities	(5,111)	(231,201)	5,111	231,201	-	-
Set off of tax	5,111	231,201	(5,111)	(231,201)	-	-
Net tax (assets)/liabilities	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-	-	-

	Balance 30 June 2008 \$	Recognised in Income \$	Recognised in Equity \$	Balance 30 June 2009 \$
	Trade and other receivables	-	1,544	-
Deferred exploration costs	-	229,657	-	229,657
Employee benefits	-	(1,544)	-	(1,544)
Tax losses	-	(229,657)	-	(229,657)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED
30 JUNE 2010

4 Income tax benefit (Continued)

	Balance 30 June 2009	Recognised in Income	Recognised in Equity	Balance 30 June 2010
	\$	\$	\$	\$
Trade and other receivables	1,544	(1,451)	-	93
Deferred exploration costs	229,657	(224,639)	-	5,018
Employee benefits	(1,544)	1,544	-	-
Tax losses	(229,657)	224,546	-	(5,111)
	-	-	-	-
			Consolidated 2010	Consolidated 2009
			\$	\$

c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

Other payables	5,982	5,250
Provision for non-recovery	-	-
Provision for employee benefits	4,233	-
Capital raising costs	72,992	-
	927,131	811,739
Tax losses	1,010,338	816,989

The tax losses do not expire under current legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits.

5 Directors and key management personnel compensation

a) Directors and key management personnel

The following persons were Directors and key management personnel of Cougar Metals NL during the financial year:

Randal Swick	Managing Director and Executive Chairman	
Ian Herbison	Non-Executive Director	Resigned 18 February 2010
Jeffrey Moore	Non-Executive Director	
Paul Hardie	Non-Executive Director	Appointed 18 February 2010
Andrew Gardner	General Manager	
Melissa Fry	Company Secretary	Resigned 30 November 2009
Randal Swick	Company Secretary	Appointed 30 November 2009 Resigned 18 February 2010

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED
30 JUNE 2010**

5 Directors and key management personnel compensation (Continued)

a) Remuneration

2010	Short Term Employee Benefits			Post Employment Benefits	Share Based Payments	Total	Performance Related
	Salary, Fees and Commission s	Other	Non- Cash Benefits	Superannuation Contributions	Options		
	\$	\$	\$	\$	\$	\$	%
Randal Swick	157,084	9,335	-	-	-	166,419	0%
Ian Herbison	88,375	410	-	-	-	88,785	0%
Jeffrey Moore	35,916	-	-	3,510	-	39,426	0%
Paul Hardie	13,286	-	-	-	-	13,286	0%
Melissa Fry	23,250	-	-	-	-	23,250	0%
	<u>317,911</u>	<u>9,745</u>	<u>-</u>	<u>3,510</u>	<u>-</u>	<u>331,166</u>	<u>0%</u>
2009							
Randal Swick	157,948	15,000	-	-	-	172,948	0%
Ian Herbison	117,482	-	-	-	-	117,482	0%
Jeffrey Moore	28,000	-	-	2,520	-	30,520	0%
Mark Ceglinski	25,847	-	-	2,326	-	28,173	0%
Andrew Childs	5,500	-	-	-	-	5,500	0%
Andrew Gardner	120,000	13,370	-	10,800	-	144,170	0%
Melissa Fry	45,749	-	-	-	-	45,749	0%
Michael Fry	15,000	-	-	-	-	15,000	0%
	<u>515,526</u>	<u>28,370</u>	<u>-</u>	<u>15,646</u>	<u>-</u>	<u>559,542</u>	<u>0%</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED
30 JUNE 2010**

5 Directors and key management personnel compensation (Continued)

b) Equity instrument disclosures relating to key management personnel

- i) Options provided as remuneration and shares issued on exercise of such options
No options or rights are held by Directors and Key Management Personnel.
- ii) Shareholdings

The numbers of shares in the company held during the financial year by each Director of Cougar Metals NL, including their personally related parties, are set out below:

2010	Balance at beginning of year	Granted during year as compensation	Balance on resignation	Other changes during year	Balance at end of year
Randal Swick	33,765,060	-	-	-	33,765,060
Ian Herbison	2,763,159	-	(2,763,159)	-	-
Jeffrey Moore	833,333	-	-	-	833,333
Paul Hardie	-	-	-	-	-
Melissa Fry	-	-	-	-	-
	37,361,552	-	(2,763,159)	-	34,598,393
2009	Balance at beginning of year	Granted during year as compensation	Balance on resignation	Other changes during year	Balance at end of year
Randal Swick	16,465,061	-	-	17,299,999	33,765,060
Ian Herbison	2,763,159	-	-	-	2,763,159
Jeffrey Moore	-	-	-	833,333	833,333
Mark Ceglinski	250,000	-	-	(250,000)	-
Andrew Childs	1,300,000	-	-	(386,000)	914,000
Andrew Gardner	-	-	-	-	-
Melissa Fry	-	-	-	-	-
Michael Fry	-	-	-	-	-
	20,778,220	-	-	17,497,332	38,275,522

c) Remuneration practices

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned and overall performance of the Company. The contracts for service between the Company and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement specified directors and executives are paid employee benefit entitlements accrued to date of retirement. Specified executive directors and specified executives are paid a percentage between 5% and 10% of their salary in the event of any redundancy. Any options not exercised before or on the date of termination lapse.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED
30 JUNE 2010

5 Directors and key management personnel compensation (Continued)

d) Transactions with the Company

A number of directors of the Company, or their director-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. The terms and conditions of the transactions with directors and their director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate amounts paid during the year relating to directors and their director-related entities were as follows:

Related entities	Transaction	2010
		\$
Vedrell Pty Ltd – Randal Swick	Provision of consulting services	166,419
Rosmar Holdings Pty Ltd – Ian Herbison	Provision of consulting services	88,375
Hardies Lawyers – Paul Hardie	Provision of consulting services	13,286
MBF Consulting Pty Ltd – Melissa Fry	Provision of consulting services	23,250
SMS Assets	Purchase of assets	266,253
SMS Operations	Provision of services	22,072
Related entities	Transaction	2009
		\$
Vedrell Pty Ltd – Randal Swick	Provision of consulting services	172,948
Rosmar Holdings Pty Ltd – Ian Herbison	Provision of consulting services	98,547
Resources Recruitment Pty Ltd – Andrew Childs	Provision of consulting services	5,500
MBF Consulting Pty Ltd – Melissa Fry	Provision of consulting services	45,749
MBF Consulting Pty Ltd – Michael Fry	Provision of consulting services	15,000

Consolidated	Consolidated
2010	2009
\$	\$

6 Auditor's remuneration

Remuneration of the auditor of the parent entity for:

Auditing or reviewing the annual report - PKF	17,703	30,545
Auditing or reviewing the annual report – Deloitte Touche Tohmatsu	14,000	-
Other services - PKF	9,468	-
	41,171	30,545

7 Earnings per share

Reconciliation of earnings to profit/(loss)

Profit/(loss)	(3,858,586)	(2,202,477)
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No.	No.
2010	2009

Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS

257,372,891	120,062,467
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED
30 JUNE 2010

	Consolidated 2010 \$	Consolidated 2009 \$
8 Cash and cash equivalents		
Cash at bank and in hand	2,824	318,602
Short-term bank deposits	<u>230,717</u>	-
	<u>233,541</u>	<u>318,602</u>

a) Reconciliation of cash flow from operations with loss after income tax

Loss after income tax	(3,858,586)	(2,202,477)
Non-cash flows in profit		
Depreciation	797,295	290,692
Exploration expenditure written off	1,493,943	-
Share based payments	-	23,677
Provision of non-recovery of loan	-	-
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	78,453	(77,371)
(Increase)/decrease in inventories	-	294,250
(Increase)/decrease in other assets	(106,551)	144,517
(Increase)/decrease in exploration costs	(338,819)	(899,409)
Increase/(decrease) in trade payables and accruals	(858,236)	298,087
Cashflow from operations	<u>(2,792,501)</u>	<u>(2,128,034)</u>

b) Non-cash financing and investing activities

Other than the debt for equity conversion of Roseanne Swick's loan, there were no non-cash financing and investing activities that occurred during the year. Refer to Note 16.

9 Trade and other receivables

Current

Accrued income	<u>456,712</u>	535,165
	<u>456,712</u>	<u>535,165</u>

- a) Trade debtors are non-interest bearing and generally on 30 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.
- b) Due to the short term nature of these receivables their carrying value is assumed to approximate their fair value.
- c) Effective interest rates risk and credit risk – information concerning the effective interest rate and credit risk of both current and non-current receivables is detailed in note 25.

10 Other assets

Prepayments	2,527	-
Other	<u>116,132</u>	12,108
	<u>118,659</u>	<u>12,108</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED
30 JUNE 2010

11 Controlled entities

Entity	Country of Incorporation	Percentage Ownership (%)*	
		2010	2009
Cougar Brasilia Pty Ltd	Australia	100	100
Cougar Mineracao Ltda	Brazil	100	100
Geologica Sondagens Ltda	Brazil	100	100
Palinir Sociedad Anonima	Uruguay	100	-

* Percentage of voting power is in proportion to ownership

	Consolidated 2010 \$	Consolidated 2009 \$
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12 Property, plant and equipment

Property:		
At cost	141,278	141,278
Accumulated depreciation	(10,952)	(6,667)
	<u>130,326</u>	<u>134,611</u>
Furniture and equipment:		
At cost	166,117	161,357
Accumulated depreciation	(144,132)	(118,797)
	<u>21,985</u>	<u>42,560</u>
Drilling plant and equipment:		
At cost	3,935,358	2,589,874
Accumulated depreciation	(1,217,368)	(680,510)
	<u>2,717,990</u>	<u>1,909,364</u>
Leasehold improvements:		
At cost	2,454	2,454
Accumulated depreciation	(898)	(409)
	<u>1,556</u>	<u>2,045</u>
Other plant and equipment:		
At cost	282,607	109,928
Accumulated depreciation	(90,693)	(27,464)
	<u>191,914</u>	<u>82,464</u>
Motor vehicles:		
At cost	613,772	613,772
Accumulated depreciation	(497,620)	(321,626)
	<u>116,152</u>	<u>292,146</u>
	<u>3,179,923</u>	<u>2,463,190</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED
30 JUNE 2010**

12 Property, plant and equipment (Continued)

a) Movement in carrying amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year.

Consolidated	Property	Furniture and equipment	Drilling plant and equipment	Leasehold improvements	Other plant and equipment	Motor vehicles	Total
2010	\$	\$	\$	\$	\$	\$	\$
Balance at the beginning of year	134,611	42,560	1,909,364	2,045	82,464	292,146	2,463,190
Additions	-	4,760	1,345,484	-	172,679	-	1,522,923
Disposals	-	-	-	-	-	-	-
Depreciation	(4,285)	(25,335)	(536,858)	(489)	(63,229)	(175,994)	(806,190)
Carrying amount at the end of year	130,326	21,985	2,717,990	1,556	191,914	116,152	3,179,923
Consolidated	Property	Furniture and equipment	Drilling plant and equipment	Leasehold improvements	Other plant and equipment	Motor vehicles	Total
2009	\$	\$	\$	\$	\$	\$	\$
Balance at the beginning of year	140,027	47,033	1,223,009	18,507	40,778	420,558	1,889,912
Additions	-	22,282	1,067,264	-	52,703	-	1,142,249
Disposals	-	-	-	(16,217)	-	-	(16,217)
Re-translation	(1,836)	-	(9,894)	-	(258)	(3,983)	(15,971)
Depreciation	-	(16,109)	(266,345)	(245)	(7,993)	-	(290,692)
Depreciation capitalised	(3,580)	(10,646)	(104,670)	-	(2,766)	(124,429)	(246,091)
Carrying amount at the end of year	134,611	42,560	1,909,364	2,045	82,464	292,146	2,463,190
					Consolidated 2010 \$	Consolidated 2009 \$	

13 Deferred exploration expenditure

Expenditure brought forward	5,407,218	4,507,809
Expenditure incurred during year	1,445,522	899,409
Expenditure impaired during year	(1,493,943)	-
Expenditure carried forward	5,358,797	5,407,218

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the mining areas. Amortisation of the costs carried forward for the development phase is not being recognised pending the commencement of production. The Board assessed the Company's projects during the year and determined that capitalised exploration in respect to its Australian tenements were impaired.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED
30 JUNE 2010

	Consolidated 2010 \$	Consolidated 2009 \$
14 Trade and other payables		
Current		
Trade payables	688,769	167,494
Audit accrual	17,000	17,000
Other accruals	159,897	-
Payroll liabilities	10,139	500
GST	-	2,833
	<u>875,805</u>	<u>187,827</u>

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value. The Payables disclosed are unsecured.

15 Provisions

Employee entitlements	<u>14,110</u>	20,833
	<u>14,110</u>	<u>20,833</u>

16 Interest bearing liabilities

Current		
Hire purchase liabilities	<u>64,696</u>	164,139
	<u>64,696</u>	<u>164,139</u>

Terms and conditions relating to the above financial instruments:

- Hire purchase liabilities generally have a lease term of 18 months with the financier having an interest in the asset until the final payment is made. The average interest rate is 7%. Financiers secure their interest by registering a charge over the leased assets.
- Interest rate risk exposure: Details of the Group exposure to interest rate changes on interest bearing liabilities are set out in note 25.
- Fair value disclosures: Details of the fair value of interest bearing liabilities for the Group are set out in note 25.

Assets pledged as security

Hire purchase liabilities are secured by the asset for which the agreement relates.

At 30 June 2010 the following assets were acquired through such agreements:

Net carrying value		
Motor vehicles	165,017	165,017
Drilling plant and equipment	<u>1,440,759</u>	<u>1,440,759</u>
	<u>1,605,776</u>	<u>1,605,776</u>
Non-Current		
Loan from director related entity	-	<u>2,485,621</u>
	-	<u>2,485,621</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED
30 JUNE 2010

16 Interest bearing liabilities (Continued)

Terms and conditions relating to the above financial instruments:

- This loan was restructured at 30 June 2009. Interest will continue to accrue on this loan equal to NAB overdraft rates and be capitalised into the loan. On 4 February 2010, Mrs Rosanne Swick was issued 135,714,289 shares at \$0.021 each for a total consideration of \$2,850,000 to extinguish the loan in its entirety.
- Details of the Group exposure to interest rate changes on interest bearing liabilities are set out in note 25.

Assets pledged as security

The loan from director related party is secured by a fixed and floating charge over the company's assets. Hire purchase liabilities are secured by the asset for which the agreement relates.

Bank guarantees

Total facilitates	\$30,000
Used at Balance Date	\$30,000

The above guarantee relates to bonds placed on the mining tenements held and undertaken by the Bank on behalf of the Company.

	Consolidated 2010 \$	Consolidated 2009 \$
--	-------------------------------------	-------------------------------------

17 Deferred revenue

Deferred revenue	1,177,346	-
	1,177,346	-

18 Issued capital

Ordinary fully paid ordinary shares (a)	20,416,696	15,122,203
Contributing shares partly paid to \$0.01	3,426	3,426
	20,420,122	15,125,629

	2010 \$	2010 No.	2009 \$	2009 No.
a) Ordinary shares				
Balance at beginning of year	15,122,203	150,339,341	13,822,036	85,333,111
Shares issued during year				
22 December 2008 (i)	-	-	1,300,167	65,006,230
25 November 2009 (ii)	631,425	22,550,901	-	-
4 February 2010 (iii)	2,050,000	97,619,045	-	-
4 February 2010 (iv)	2,850,000	135,714,289	-	-
Share issue costs	(236,932)	-	-	-
Balance at end of year	20,416,696	406,223,576	15,122,203	150,339,341

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED
30 JUNE 2010

18 Issued capital (Continued)

- i) On 25 November 2009 the company issued 22,550,901 ordinary shares at an issue price of \$0.028 each raising \$631,425 pursuant to a placement.
- ii) On 4 February 2010 the company issued 97,619,045 ordinary shares at an issue price of \$0.021 each as part of a renounceable rights issue.
- iii) On 4 February 2010 the company issued 135,714,289 ordinary shares at an issue price of \$0.021 each in consideration for extinguishment of the loan from Roseanne Swick.

b) Share options

2010

Date of expiry	Exercise price	Balance at beginning of year	Issued during year	Lapsed during year	Expired during year	Exercised during year	Balance at end of year
31 December 2010	\$0.30	1,000,000	-	(1,000,000)	-	-	-
		1,000,000	-	(1,000,000)	-	-	-

2009

Date of expiry	Exercise price	Balance at beginning of year	Issued during year	Lapsed during year	Expired during year	Exercised during year	Balance at end of year
31 December 2010	\$0.30	1,000,000	-	-	-	-	1,000,000
		1,000,000	-	-	-	-	1,000,000

The above options were issued to an employee of the Group pursuant to the Company's Employee Share Option Plan, details of which are included in note 19.

Consolidated	Consolidated
2010	2009
\$	\$

19 Reserves

Share based payments (a)	229,265	229,265
Foreign exchange	(194,106)	(96,011)
	35,159	133,254

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED
30 JUNE 2010**

19 Reserves (Continued)

a) Share based payments reserve

Share based payments recognised in Reserves of the Company consists of an Employee Share Option Plan (ESOP) and performance rights granted to certain Directors, employees and consultants of the Company. The Black and Scholes Option Valuation model was used in the calculation. The following tables give the assumptions made in determining the fair value of the options and the rights issued.

	2010	2009
b) Employee share options		
Dividend yield	-	-
Expected volatility	-	55%
Risk-free interest rate	-	7.5%
Expected life of option	-	1.8 years
Option exercise price	-	\$0.30
Share price at grant date	-	\$0.22

20 Contingent assets and contingent liabilities

The company's subsidiary Cougar Brasilia Pty Ltd entered into an agreement with Minera Aratiri S.A for the provision of drilling services. As at 30 June 2010, the company had received revenue in advance of \$1,177,346 (refer note 17). If Cougar Brasilia Pty Ltd are unable to complete the minimum drill meterage of 75,000 linear meters by 31 December 2010 for reasons within its reasonable control, the company is required to pay US\$32 for every meter short of the minimum drill meterage.

The Directors are not aware of any contingent liabilities or contingent assets as at 30 June 2010.

	Consolidated 2010 \$	Consolidated 2009 \$
21 Capital and leasing commitments		
Finance leases		
<1 year	41,674	173,436
1 – 5 years	-	-
>5 years	-	-
Minimum lease payments	41,674	173,436
Future finance charges	(669)	(9,297)
Lease liability	41,005	164,139
Comprising:		
Current liability	41,005	164,139
Non-Current liability	-	-
	41,005	164,139

Exploration expenditure

In addition, the Group has minimum expenditure obligations relating to its Australian tenements of \$53,000 (2009: \$53,800) and obligations to meet in Brazil in respect of annual rents on granted tenements of \$182,853 (2009: \$183,356).

22 Segment reporting

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The entity's primary segments are two businesses, being drilling operations and mineral exploration and resource development.

Drilling operations consists of providing rigs, equipment, consumables and services for drilling holes for the purpose of extraction and presentation of rock and soil samples on a contract basis for mining and exploration companies solely in Brazil. This business depends upon the supply and utilisation of drilling rigs, the skills and training of the drilling services personnel and the ability to negotiate the contracts under which these services are provided to customers.

Mineral exploration and resource development involves the geological pursuit of identifying mineral resource systems for the purposes of extraction and or sale.

During the year ended 30 June 2010 the consolidated entity operated in the following Geographic Segments: Australia, Brazil and Uruguay. (2009: Australia and Brazil).

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions

An internally determined transfer price is set for all inter-entity sales. This price is re-set quarterly and is based on what would be realised in the event the sale was made to an external party at arm's-length. All such transactions are eliminated on consolidation for the Groups financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- impairment of assets and other non-recurring items of revenue or expense

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED
30 JUNE 2010

22 Segment reporting (Continued)

Comparative information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

(a) Operating segments

	Australia Exploration & Evaluation \$	Brazil Exploration & Evaluation \$	Brazil Drilling Operations \$	Uruguay Drilling Operations \$	Total Operations \$
30 June 2010					
Revenue					
Sales to external customers	-	-	5,501,312	-	5,501,312
Finance revenue	19,192	-	-	-	19,192
Other	29,704	-	-	98,837	128,541
Segment revenue	48,896	-	5,501,312	98,837	5,649,045
Segment profit/(loss)	(2,139,032)	(677,679)	(245,738)	(796,137)	(3,858,586)
Assets and liabilities					
Segment assets	495,729	7,871,885	543,251	436,767	9,347,632
Segment liabilities	(730,019)	(81,584)	(102,054)	(1,218,300)	(2,131,957)
Segment net assets	(234,290)	7,790,301	441,197	(781,533)	7,215,675
Addition of non-current assets	9,950	747,823	302,517	462,633	1,522,923
Depreciation	(17,266)	(627,231)	(69,417)	(92,276)	(806,190)
	Australia Exploration & Evaluation \$	Brazil Exploration & Evaluation \$	Brazil Drilling Operations \$	Total Operations \$	
30 June 2009					
Revenue					
Sales to external customers	-	-	5,349,973	-	5,349,973
Finance revenue	23,762	-	-	-	23,762
Other	87,143	-	10,949	-	98,092
Segment revenue	110,905	-	5,360,922	-	5,471,827
Segment profit/(loss)	(1,209,524)	(804,404)	(188,549)	-	(2,202,477)
Assets and liabilities					
Segment assets	1,028,748	6,901,381	806,154	-	8,736,283
Segment liabilities	(2,611,558)	(177,268)	(69,594)	-	(2,858,420)
Segment net assets	(1,582,810)	6,724,113	736,560	-	5,877,863
Addition of non-current assets	20,940	-1,121,309	-	-	1,142,249
Depreciation	(16,354)	(274,338)	-	-	(290,692)

Included in revenue is \$2,635,531 (2009: \$511,106) which arose from sales to the Group's largest customer.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED
30 JUNE 2010**

23 Events after balance sheet date

No matter or circumstances have arisen since the end of the reporting date and the date of this report which significantly affects or may significantly affect the results of the operations of the Company except for the following:

Roseanne Swick provided a loan to the Company for \$500,000. The loan was received in two tranches (\$300,000 on 6 August 2010 and a further \$200,000 on 20 September 2010), is interest bearing and is repayable in \$50,000 monthly instalments commencing 30 November 2010.

On 8 September 2010 the Company issued 9,000,000 options exercisable at \$0.035 on or before 9 September 2013 to Directors.

On 10 September 2010 the Company announced the return of high-grade gold assays results from channel and bulk samples at the Cidinha Prospect, Alta Floresta Gold Project, Brazil.

Consolidated 2010	Consolidated 2009
\$	\$

24 Related party transactions

The parent entity advanced loans and provided accounting and administrative assistance to the other entities in the wholly-owned group during the current financial year. With the exception of the accounting and administrative assistance, which was provided free of charge, and interest free loans provided by the parent entity, these transactions were on commercial terms and conditions. The interest free loans have been measured in accordance with AASB 139: Financial Instruments: Recognition and Measurement.

Amounts receivable from entities in the wholly owned group⁽ⁱ⁾

Non-current receivables (loans)	-	-
	-	-

The following balances were outstanding with related parties at year end:

Loans from related parties:		
Advances from director related party	-(ii)	2,485,621
Included in creditors:		
Swick Mining Services Limited	288,325	-
Payable to:		
R Swick	44,400	-

- i) Loans advanced to commonly controlled entities from the parent entity are non-interest bearing and not repayable within the next 12 months.
- ii) During the year the company issued 135,714,289 shares to Rosanne Swick to extinguish the outstanding debt.

Subsidiary	Principal Activity	Place of Incorporation	Percentage Ownership	
			2010	2009
Cougar Mineracao Ltda	Exploration and evaluation	Brazil	100%	100%
Cougar Brasilia Mineraco Ltda	Exploration and evaluation	Brazil	100%	100%
Geologica Sondagens Ltda	Drilling	Brazil	100%	100%
Palinir Sociedad Anonima	Drilling	Uruguay	100%	-

25 Financial instruments

a) Financial risk management objectives

The Group's accounting and finance function co-ordinates access to domestic and financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), foreign currency risk, credit risk, liquidity risk and cash flow interest rate risk. The Group seeks to minimise the effects of these risks, where deemed appropriate.

b) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balances. The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 16, cash and cash equivalents and equity attributable to equity holders of the Parent, comprising issued capital, reserves, other equity and retained earnings (accumulated losses) as disclosed in Note 26.

c) Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group enters into funding agreements with a variety of financial institutions to manage its exposure to interest rate risk.

d) Foreign currency risk

As a result of the operating activities in Brazil and the ongoing funding of overseas operations from Australia, the Group's balance sheet can be affected by movements in the Brazilian Real (BRL) / Australian Dollar (AUD) exchange rates. The Group seeks to mitigate the effect of its foreign currency exposure by timing its purchase and payment to coincide with highs in the BRL/AUD exchange rate cycle.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

100% of the Group's sales are denominated in currencies other than the functional currency of the operating entity making the sale, with the majority of costs relating to drilling costs also denominated in the unit's functional currency.

Presently, each operating entity's profits and surplus cashflows are reinvested back into the operating entity to fund and facilitate ongoing growth, thus eliminating the need for measures to mitigate currency exposure.

e) Interest rate risk management

The Group is not exposed to any significant interest rate risk as entities within the Group are not party to significant borrowing arrangements. The necessity to undertake hedging activities is evaluated regularly to align with interest rate views and defined risk appetite; currently the Management of the Company takes the view that hedging activity is unnecessary. The Parent and the Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

f) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. On-going credit evaluation is performed on the financial condition of accounts receivable.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED
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25 Financial instruments (Continued)

g) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Accounting Department and Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

h) Liquidity and interest risk tables

The following tables detail the Parent's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been presented based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group may be required to pay. The table includes both interest and principal cash flows.

i) Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk; there is no interest rate risk exposure in the parent entity therefore no parent entity details are displayed in the following table.

Consolidated 2010	Weighted average effective interest rate %	Floating interest rate	Fixed interest rate maturing			Non- interest bearing	Total
			< 1 year	1 – 5 years	> 5 years		
		\$	\$	\$	\$	\$	\$
Financial liabilities:							
Hire purchase liabilities	8.4%	-	64,696	-	-	-	64,696
Payables	0.0%	-	-	-	-	875,805	875,805
Total financial liabilities		-	64,696	-	-	875,805	940,501

Consolidated 2009	Weighted average effective interest rate %	Floating interest rate	Fixed interest rate maturing			Non- interest bearing	Total
			< 1 year	1 – 5 years	> 5 years		
		\$	\$	\$	\$	\$	\$
Financial liabilities:							
Hire purchase liabilities	8.4%	-	164,139	-	-	-	164,139
Payables	0.0%	-	-	-	-	187,827	187,827
Loan – Roseanne Swick	10.0%	-	-	2,485,621	-	-	2,485,621
Total financial liabilities			164,139	2,485,621	-	187,827	2,837,587

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED
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25 Financial instruments (Continued)

j) Sensitivity analysis

The sensitivity table below show the effect on profit and equity after tax if interest rates at the balance date had been an increased or decreased by 1% (100 basis points) with all other variables held constant, taking into account all underlying exposures. The 100 basis point deviation has been selected as this is considered reasonable given the current level of both short and long term Australian interest rates. A 100 basis point sensitivity would move interest rates payable from 8.22% to 9.22% in an interest rate appreciation environment. Given that the Group borrows in the form of hire purchase agreements, the market for such instruments remains competitive.

Borrowings consist of hire purchase agreements, a fixed interest facility and hence are considered to have no interest sensitivity.

It is considered that no price risk movements exist given that predominantly all purchases are made within the Brazilian market and the largest cost component is labour.

Consolidated 2010	Carrying amount (\$'000)	Interest rate risk				Foreign exchange rate risk			
		-1% Profit (\$'000)	-1% Equity (\$'000)	+1% Profit (\$'000)	+1% Equity (\$'000)	-1% Profit (\$'000)	-1% Equity (\$'000)	+1% Profit (\$'000)	+1% Equity (\$'000)
Financial assets									
Cash and cash equivalents	234	(2)	(2)	2	2	-	-	-	-
Accounts receivable	457	-	-	-	-	(5)	(5)	5	5
Financial liabilities									
Accounts payable	(876)	-	-	-	-	9	9	(9)	(9)
Hire purchase liabilities	(65)	1	1	(1)	(1)	-	-	-	-
Deferred revenue	(1,177)	-	-	-	-	12	12	(12)	(12)
Total increase / (decrease)	(1,427)	(1)	(1)	1	1	16	16	(16)	(16)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED
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25 Financial instruments (Continued)

Consolidated 2009	Carrying amount (\$'000)	Interest rate risk				Foreign exchange rate risk			
		-1% Profit (\$'000)	-1% Equity (\$'000)	+1% Profit (\$'000)	+1% Equity (\$'000)	-1% Profit (\$'000)	-1% Equity (\$'000)	+1% Profit (\$'000)	+1% Equity (\$'000)
Financial assets									
Cash and cash equivalents	318	(3)	(3)	3	3	-	-	-	-
Accounts receivable	535	-	-	-	-	(53)	(53)	53	53
Financial liabilities									
Accounts payable	(187)	2	2	(2)	(2)	-	-	-	-
Hire purchase liabilities	(164)	2	2	(2)	(2)	-	-	-	-
Borrowings	(2,485)	25	25	(25)	(25)	-	-	-	-
Total increase / (decrease)	(1,983)	26	26	(26)	(26)	(53)	(53)	53	53

	Parent Entity 2010 \$	Parent Entity 2009 \$
26 Parent entity disclosures		
(a) Financial position		
ASSETS		
Current Assets		
Cash and cash equivalents	243,779	77,814
Trade and other receivables	-	-
Other current assets	118,659	12,108
Total Current Assets	362,438	89,922
Non-Current Assets		
Trade and other receivables	6,461,421	7,280,422
Financial assets	100	145,100
Property, plant and equipment	19,796	28,302
Exploration and evaluation expenditure	16,726	765,522
Total Non-Current Assets	6,498,043	8,219,346
Total Assets	6,860,481	8,309,268

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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	Parent Entity 2010 \$	Parent Entity 2009 \$
26 Parent entity disclosures (Continued)		
LIABILITIES		
Current Liabilities		
Trade and other payables	715,909	105,103
Provisions	14,110	20,833
Interest bearing loans and borrowings	-	-
Total Current Liabilities	730,019	125,936
Non-Current Liabilities		
Interest bearing loans and borrowings	-	2,485,621
Total Non-Current Liabilities	-	2,485,621
Total Liabilities	730,019	2,611,557
Net Assets	6,130,462	5,697,711
EQUITY		
Issued capital	20,420,122	15,125,629
Other reserve	229,265	229,265
Accumulated losses	(14,518,925)	(9,657,183)
Total Equity	6,130,462	5,697,711
(b) Financial performance		
Net loss for the year	(4,861,742)	(1,511,642)
Other comprehensive income for the year		
Exchange differences arising on translation of foreign operations	-	-
Total comprehensive result for the year	(4,861,742)	(1,511,642)

DIRECTORS' DECLARATION

The Directors declare that:

- a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company and the Consolidated Entity;
- c) in the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as disclosed in Note 1; and
- d) the Directors have been given the declarations required by s295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to s295(5) of the Corporations Act 2001.



Randal Swick
Managing Director

Dated this 30th day of September 2010

Independent Auditor's Report to the members of Cougar Metals NL

Report on the Financial Report

We have audited the accompanying financial report of Cougar Metals NL, which comprises the consolidated statement of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 18 to 54.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1c, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- (a) the financial report of Cougar Metals NL is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1c.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1(d) in the financial report which indicates that the consolidated entity incurred a net loss of \$3,858,586 and had cash outflows from operating activities of \$2,792,501 during the year ended 30 June 2010 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by \$1,323,045. These conditions, along with other matters as set forth in Note 1(d), indicate the existence of a material uncertainty which may cast significant doubt about the ability of the company and the consolidated entity to continue as going concerns and whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

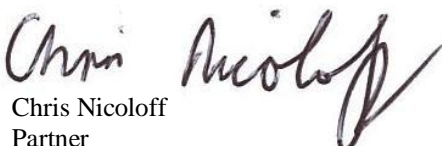
Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 14 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Cougar Metals NL for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.


DELOITTE TOUCHE TOHMATSU


Chris Nicoloff
Partner
Chartered Accountants
Perth, 30 September 2010

The board of directors is responsible for the corporate governance of the Company and has adopted a range of corporate governance policies consistent with the “Principles of Good Corporate Governance and Recommendations” released by the ASX Corporate Governance Council in March 2003 and revised in August 2007, to the extent that such recommendations are appropriate to the structure and operations of the Company. A summary of the major policies is set out below.

Functions and Responsibilities of Board and Management

The role of the board is to develop strategies for the growth of the Company and its assets and monitor and evaluate the implementation of those strategies against set performance objectives. The board is responsible for the corporate governance of the Company and considers a wide range of corporate governance issues on a regular basis, including accountability and control, risk management, ethical conduct, financial stability, performance appraisal and human resource management. Each director has the ability, as agreed to by the board, to seek independent professional advice at the Company’s expense on an Company related matter on an as required basis.

The board of directors is structured with the required mix of skills and experience to ensure that the Company’s growth strategies can be effectively implemented. The composition of the board is continually monitored to ensure that it has the appropriate mix of skills and experience. The responsibility for the day-to-day operation and administration of the Company is delegated by the board of directors to the Managing Director.

The Company’s Management is responsible for implementing the Company’s strategy and managing the affairs of the Company on a day-to-day basis. The performance of the Managing Director and Management is measured against objectives and outcomes determined at the commencement of each financial year and against the requirements set out in the job descriptions for the members of Management.

Board Structure

Given the current size and nature of the Company’s operations, the board of directors has assumed the responsibilities that would ordinarily be assigned to a nomination committee with respect to the nomination, appointment, retention and removal of directors. When a vacancy or perceived deficiency in skill or experience exists at board level, the directors are responsible for the recruitment and appointment of the most suitable candidate, who shall hold office until the next annual general meeting, where the appointee is required to stand for re-election.

No director shall hold office for a period of more than three years without having to stand for re-election (excluding the Managing Director). All board appointments will be made and maintained subject to the rules of the Company’s constitution.

Details of qualifications, experience, responsibilities and tenure of current directors are set out in the directors report. The board is currently comprised of three directors: one executive, being Randal Swick (Managing Director) and two Non-Executive Directors, being Jeffrey Moore and Paul Hardie. Technical Director, Ian Herbison, resigned during the year. Due to the size and nature of the Company’s operations, it is currently not practical nor financially viable for the Company to justify that a majority of the Board should be independent directors.

The Board is required to assess the independence of its Non-Executive Directors at least annually. In assessing independence, the Board considers all circumstances relevant to determining whether the Non-Executive Director is free from any interest and any business or other relationship, which could, or reasonably be perceived to, materially interfere with that Director’s ability to exercise unfettered and independent judgement on Company issues. At the date of this report, the board includes two Non-Executive Directors. [The board has assessed that Jeffrey Moore and Paul Hardie are considered to be independents as they do not have any contractual relationships with the Company, or through a business affiliate which results in greater than 10% revenue of gross assets for either party.

Ethical Decision Making

All directors, executives, management and employees are expected to act with the upmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The board of directors is committed to the establishment of appropriate ethical standards for the Company.

All directors, executives, management and employees must comply with all relevant laws and regulations. The board is required to be notified as soon as a conflict of interest arises so that an appropriate resolution can be determined.

As a measure to ensure that insider trading does not occur, all directors, executives, management and designated employees must notify the Managing Director in writing prior to being permitted to undertake any transaction that results in a change in their relevant interest in the securities of the Company. The Managing Director will assess the information available to the person wishing to trade in the securities of the Company and the information available to the market, and will then advise of the appropriateness of such a trade.

The Managing Director must advise the board in writing prior to trading in the securities of the Company. The Board will assess the information available to the Managing Director and the information available to the market, and will then advise on the appropriateness of such a trade.

Financial Reporting

Given the current size and nature of the Company's operations, the board of directors is not in a position to justify the establishment of an audit committee. The board has assumed the responsibilities that would ordinarily be assigned to an audit committee. Such matters include reviewing the annual report, financial report and other information to be externally distributed, reviewing external audit reports and the performance of external auditors, monitoring the internal control framework, evaluating Company performance, monitoring legal compliance and maintaining budgeting control and responsible accounting procedure. The external auditor will be requested to attend the annual general meeting of the Company, where shareholders will be able to discuss with the external auditor the conduct of the external audit and the preparation and content of the audit report.

Prior to the consideration of the financial report by the board of directors, the Managing Director and the Financial Controller are required to represent in writing to the board that the Company's financial report:

- Presents a true and fair view, in all material respects, of the Company's financial condition and operational results; and
- Has been prepared in accordance with relevant accounting standards.

The Managing Director and Financial Controller are also required to represent in writing to the board that:

- the above statement made by the Managing Director and Financial Controller pertaining to the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board; and
- the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material aspects.

Such representations do not diminish the ultimate responsibility of the board to ensure the integrity of the Company's financial reporting.

Continuous Disclosure

The Company will adhere to the disclosure requirements of the Corporations Act 2001 and ASX Listing Rules. The board will aim to identify all price sensitive information and ensure that it is disclosed to ASX in a timely and efficient manner. All ASX releases shall be reviewed for accuracy and completeness by a director prior to release to the market.

Shareholder Communications

The Company's website will be updated for all ASX releases, shareholder notifications, media and analyst briefings and other general information useful to investors. The Company has established an email subscription service for distribution of ASX releases to interested stakeholders. Shareholders will be encouraged and given the opportunity to ask questions at general meetings, as well as directly to the Company at any other time during the year.

The Company keeps shareholders and the market regularly informed through annual, half-year and quarterly reports and other required statutory information. The Company discloses material information to the ASX and media as required and regularly provide updates to the ASX on operational matters.

Risk Assessment and Management

The board of directors is responsible for putting in place practices and monitoring procedures designed to identify significant areas of business risk, both internal and external. The effectiveness of these practices and procedures in identifying risk will be reviewed at least annually. All risks identified pertaining to the Company will be incorporated into a risk profile that will be regularly reviewed and updated by the board.

The board is responsible for the effective management of any risks identified. Where considered appropriate, the board will draw upon the expertise of appropriately qualified external consultants to assist in identifying, dealing with or mitigating risk.

Remuneration

The board of directors has established a Remuneration Committee for the purposes of reviewing and making recommendations with respect to remuneration practices of the Company. The board of directors prepared and approved a Remuneration Committee Charter as the basis on which the committee was constituted and is operated. The role of the Remuneration Committee is to provide an independent mechanism for the determination and assessment of the remuneration practices of the Company, including remuneration packages and incentive schemes for executive directors and senior management, and fees payable to Non-Executive directors. The aim of the committee is to ensure that the remuneration practices of the Company are commensurate with industry standards and companies of similar operational and financial position.

The Remuneration Committee has the ability, as agreed to by the board, to seek independent professional advice at the Company's expense on any matter on an as required basis, such as acquiring available information which measures the remuneration levels in the various labour markets in which the Company competes.

The Remuneration Committee should ensure that the board of directors is provided with sufficient information to ensure informed decision making. Formal recommendations of the committee are not binding on the board, however the board is encouraged to comply with such recommendations to ensure that the integrity of the Company's corporate governance procedures and Remuneration Committee is maintained.

No formal Remuneration Committee meetings were held during the year, although informal discussions between members were held. A review of the remuneration for FY10 is yet to be completed.

See *Directors' Report* for details and discussion of the remuneration of directors and executives.

ASX ADDITIONAL INFORMATION

Holdings as at 20 September 2010

No. Securities Held	Fully Paid Shares No. Holders	Listed Options No. Holders
1 – 1,000	42	-
1,001 – 5,000	50	-
5,001 – 10,000	83	-
10,001 – 100,000	451	-
> 100,001	297	-
Total no. holders	923	-
No. holders of less than a marketable parcel	253	-
Percentage of the 20 largest holders	65.94%	-
Total on issue	406,223,576	-

Substantial shareholders as at 20 September 2010

	No. Shares	%
Savvy Cap Management Pty Ltd <Savvy Family A/C>	187,206,164	46.08
Vendex Pty Ltd <Vendex Family A/C>	26,000,060	6.40

20 Largest holders of securities as at 20 September 2010

Fully paid ordinary shares	No. Shares	%
1) Savvy Cap Management Pty Ltd <Savvy Family A/C>	187,206,164	46.08
2) Vendex Pty Ltd <Vendex Family A/C>	26,000,060	6.40
3) Anthony James Ellis	4,952,573	1.22
4) Rino Pasquale Pisano	4,804,850	1.18
5) Randal Swick	4,243,000	1.04
6) Rino Pasquale & D Pisano <R Pisano F/F A/C>	3,850,000	0.95
7) Lindal Holdings Pty Ltd	3,571,429	0.88
8) Gordon Holdings Qld Pty Ltd	3,300,000	0.81
9) Geraldton Agricultural SV	3,000,000	0.74
10) Herbert Gregory Greber	3,000,000	0.74
11) Toltec Holdings Pty Ltd	2,895,626	0.71
12) Colbern Fiduciary Nominees Pty Ltd	2,700,000	0.66
13) Rosmar Holdings Pty Ltd <Rosmar S/F A/C>	2,600,000	0.64
14) Rowntree Pty Ltd <Rowntree Family A/C>	2,573,020	0.63
15) K & T Swick Pty Ltd <K & T Swick Family A/C>	2,533,334	0.62
16) CAN 139 886 025 Pty Ltd	2,382,811	0.59
17) Randal Lloyd Swick	2,167,000	0.53
18) Ianaki Semerdziew	2,150,000	0.53
19) Madhur Lata Chandra	2,022,000	0.50
20) Chen Tian You & Ho Lee P	2,000,000	0.49
	267,951,867	65.94

Unlisted options as at 20 September 2010

Details of unlisted option holders are as follows:

Class of unlisted options	No. Options
Options exercisable at \$0.035 on or before 9 September 2013	9,000,000
Holders of more than 20% of this class	
Randal Swick	3,000,000
Jeffrey John Moore	3,000,000
Paul Andrew Hardie <Hardie Family Fund A/C>	3,000,000

Unlisted equity securities as at 20 September 2010

Details of unlisted equity security holders are as follows:

Class of unlisted equity securities	No. Contributing Shares
Contributing Shares (Issue price \$0.125, \$0.001 paid)	3,425,725
Holders of more than 20% of this class	
Rosmar Holdings Pty Ltd <Rosmar Super Fund A/C>	1,400,000
Rowntree Pty Ltd <Rowntree Family A/C>	800,625

Voting rights

The Constitution of the company makes the following provision for voting at general meetings:

On a show of hands, every ordinary shareholder present in person, or by proxy, attorney or representative has one vote. On a poll, every shareholder present in person, or by proxy, attorney or representative has one vote for any share held by the shareholder.

Restricted securities

There are no restricted securities or securities subject to voluntary escrow.

ASX ADDITIONAL INFORMATION (CONTINUED)**Mining Tenements**

Tenements may be subject to various overlaps, amalgamations and conversions, and native title claims.
Pyke Hill (Western Australia)

Number	Date of Grant	Area in km²
M39/159	30/08/1988	5.4

Alta Floresta Project (Brazil)

Number	Date of Grant	Area in ha
Apiacas		
8689/05	04/08/2005	4,044.52
282/06	20/01/2006	6,844.66
289/06	20/01/2006	906.11
6148/06	19/06/2006	10,000.00
6867/08	09/07/2008	1,566.27
6868/08	09/07/2008	2,932.00
6869/08	09/07/2008	3,405.38
6871/08	09/07/2008	2,176.35
7609/08	29/07/2008	121.77
7614/08	29/07/2008	218.39
7607/08	29/07/2008	31.66
7610/08	29/07/2008	49.97
7613/08	29/07/2008	49.11
7601/08	29/07/2008	1,566.18
7600/08	29/07/2008	487.06
7608/08	29/07/2008	286.63
7612/08	29/07/2008	193.32
7611/08	29/07/2008	516.48
7602/08	29/07/2008	784.11
7603/08	29/07/2008	309.13
7606/08	29/07/2008	106.65
7604/08	29/07/2008	259.35
7605/08	29/07/2008	2,045.90
12774/08	14/10/2008	2,164.64
12779/08	14/10/2008	1,560.41
8656/05	05/02/2009	7,530.88
8685/05	05/02/2009	8,941.34
8686/05	05/02/2009	9,351.24
8687/05	05/02/2009	9,332.07
8657/05	05/02/2009	5,693.53
8688/05	05/02/2009	8,566.61
8087/09	27/07/2009	52.25
8088/09	27/07/2009	2,966.56
8089/09	27/07/2009	4,708.63
8090/09	27/07/2009	170.33
8091/09	27/07/2009	415.94
8092/09	27/07/2009	172.78
9802/09	26/08/2009	9,998.45
9782/09	26/08/2009	90.43
12965/09	16/11/2009	9,816.50
12969/09	16/11/2009	57.18
12970/09	16/11/2009	49.25
12971/09	16/11/2009	303.60
12972/09	16/11/2009	76.82
12973/09	16/11/2009	33.68
12974/09	16/11/2009	27.02

ASX ADDITIONAL INFORMATION (CONTINUED)

Number	Date of Grant	Area in ha
Apiacas		
12975/09	16/11/2009	191.42
12978/09	16/11/2009	49.99
12977/09	16/11/2009	48.86
12978/09	16/11/2009	1,073.41
12979/09	16/11/2009	49.62
12980/09	16/11/2009	521.29
12981/09	16/11/2009	49.98
12982/09	16/11/2009	184.03
280/06	24/12/2009	615.07
8641/06	28/12/2009	8,696.03
1062/10	12/02/2010	673.30
1219/10	19/02/2010	1,434.77
1912/10	12/03/2010	306.31
2647/10	24/03/2010	3,441.10
2651/10	24/03/2010	133.31
12298/06	21/05/2010	1,750.00