

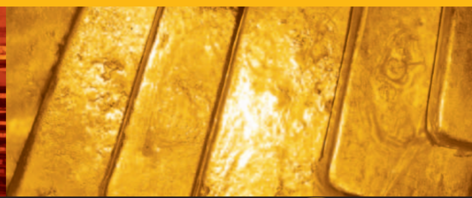

ANNUAL REPORT 12

COUGAR
METALS NL

CORPORATE DIRECTORY

Directors
Roger Hussey (Non-Executive Chairman)
Randal Swick (Managing Director)
Jeffrey Moore (Non-Executive Director)
Paul Hardie (Non-Executive Director)

Company Secretary
Michael Fry

Registered Office
Level 45, 108 St Georges Terrace
Perth WA 6000

Auditors
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CHAIRMAN'S LETTER

Dear Shareholders,

It is my pleasure to present the 2012 Annual Report for your company, Cougar Metals NL.

Having joined the Company as its Chairman in July of this year I am quickly coming to an understanding of the Company and its operating businesses of gold exploration and contract drilling.

Whilst I understand that the Company has experienced challenging conditions in the last financial year, many of these challenges have now been met and the Company is well-positioned for future success in its businesses.

The company carried out a successful capital raising in March 2012 and has utilised these funds to upgrade and expand many parts of its businesses, including trial mining at Ze Vermelho, exploration of various prospects, and Brazilian drilling activities.

The gold price is currently close to its 10 year peak and it appears possible, according to some analysts, that the price will rise further during 2013. As a modest producer which receives revenue from its gold operations to facilitate exploration over its prospective Alta Floresta Gold Project , this outlook is favourable for the Company. A continuing strong gold price will also assist the Company's drilling business in Brazil.

Despite various challenges, the Company has achieved a great deal during 2012. It has significantly furthered its geological understanding of the Ze Vermelho Gold Mine, where it has been trial mining since December 2010. The results of drilling and from development at Ze Vermelho have identified four discrete gold bearing structures which are the focus of current activities. Having recently completed an upgrade of infrastructure at the minesite the operation is expected to continue its trial mining exploration activities with greater efficiency and lower operating costs.

The Company has also carried out exploration at a number of its prospects in the region and in several instances encountering high grade gold mineralisation. Many of these prospects require follow-up work during 2013 in pursuit of the Company's objective to identify a large gold deposit within its project area.

The Company's drilling services business has operated in Brazil for over five years. With the division operating market leading drill rigs and employing well trained staff the business is well regarded in the industry for its high productivity levels and quality of service.

In conclusion I would like to thank my fellow directors and the small but hard-working Cougar Metals management team for their continued efforts in advancing all aspects of the Company's activities in what have quite often been difficult conditions.

Yours sincerely

Roger Hussey

Roger Hussey
Chairman

OPERATIONS REPORT

EXPLORATION OVERVIEW

Cougar Metals holds an exploration portfolio consisting of the Alta Floresta Gold Project in Brazil and the Pyke Hill Nickel/ Cobalt Project in Western Australia.

Pyke Hill Project (Western Australia)

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

No new work was conducted during the financial year. The resource is closed off in all directions and further exploration or drilling is highly unlikely to materially change the overall resource figure. The Company regularly reviews the possibilities to advance the Project.

Alta Floresta Project (Mato Grosso, Brazil)

The Alta Floresta Project is located within the Southern Amazon Craton in the northern portion of Mato Grosso State in central west Brazil (refer to Figure 1). The Project comprises three groups of tenements covering approximately 833km^2 and distributed over a 330km section of the Alta Floresta gold belt ("AFGB"). Government records estimate past production from the AFGB in excess of five million ounces of gold, principally via the processing of alluvial and shallow high grade quartz veins by garimpeiros (artisanal miners). The tenement groups are, from southeast to northwest, located in the Peixoto, Paranaita and Apiacas regions.

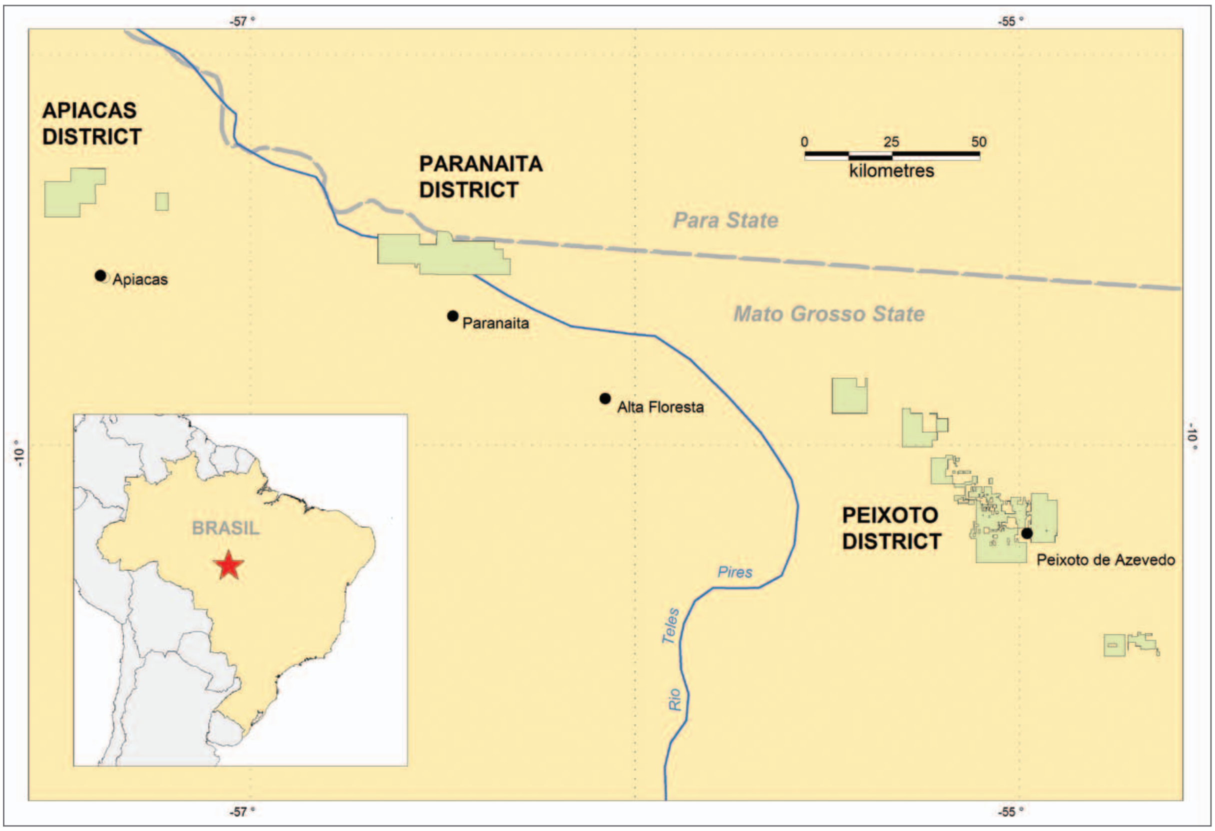

Figure 1: Location of Alta Floresta Project in Mato Grosso State, Brazil

OPERATIONS REPORT

Ze Vermelho Gold Mine

The exploration focus during FY2012 was primarily concentrated on the Ze Vermelho Gold Mine, and the area surrounding it.

Background

The Ze Vermelho Gold Mine is located in the Paranaita District and consists of an historic open pit from which four shafts were sunk, the most significant of which extended approximately 50 metres underground. Ze Vermelho was worked in the early 1990's but reportedly was abandoned due to a plummeting gold price at that time. Records reveal that gold production from the open pit was approximately 70,000 ounces.

In the early part of FY2011, the pit was de-watered exposing the shafts, one of which was subsequently cleared of debris allowing access to, and the sampling of, the vein structure. Encouraging results were obtained and a decision to continue exploration was made. The Company has previously conducted drilling from surface aimed at intersecting the vein at depths below the extent of development work in order to target development efforts and to better understand the confines of the mineralisation. Exploration is now primarily conducted by the development of underground drives through the structure and the subsequent processing of that material.

Coinciding with the decision to explore through underground development the Company established a gravity processing plant in order to assess the mined material and provide funding to the operation.

More recently the Company has completed the construction of a cyanide leaching circuit designed to treat the tailings from the gravity processing plant.

Exploration through Trial Mining

Development drives have been extended down to the -124 metre level (i.e. 124 metres below the shaft entrance). Drive development is both along the strike and dip of the ore zone. Horizontal drives are developed along the strike from inclined drives that are developed down dip.

So far, two inclined drives, 40_45 and 40_451N have been opened. The latter will constitute the main exploration via of the program. Horizontal drives already opened are the -54, -64, -74, -84, -90, -106, -116, -124 m levels both to SE and NW of the 40_45 and 40_451N drives.

Exploration has been conducted through bulk sampling and processing of material collected within the drives. The ore is hauled to surface where it is crushed and passes through a gravity processing plant before being stockpiled for subsequent treatment using cyanide. Gold collected from the gravity processing is sold and assists in funding the ongoing underground development and surface drilling.

Gold Mineralisation at Ze Vermelho

Through a combination of surface drilling and processing of bulk samples taken from drives, the Company has been able to define four main mineralised structures being (i) the Main Ze Vermelho (MZVZ), (ii) Pedra Branca (PB), (iii) Upper Ze Vermelho (UZVZ) and (iv) Pyrite-bearing quartz veins zones (see figure below). These mineralised zones may represent one single structurally-related mineralised system.

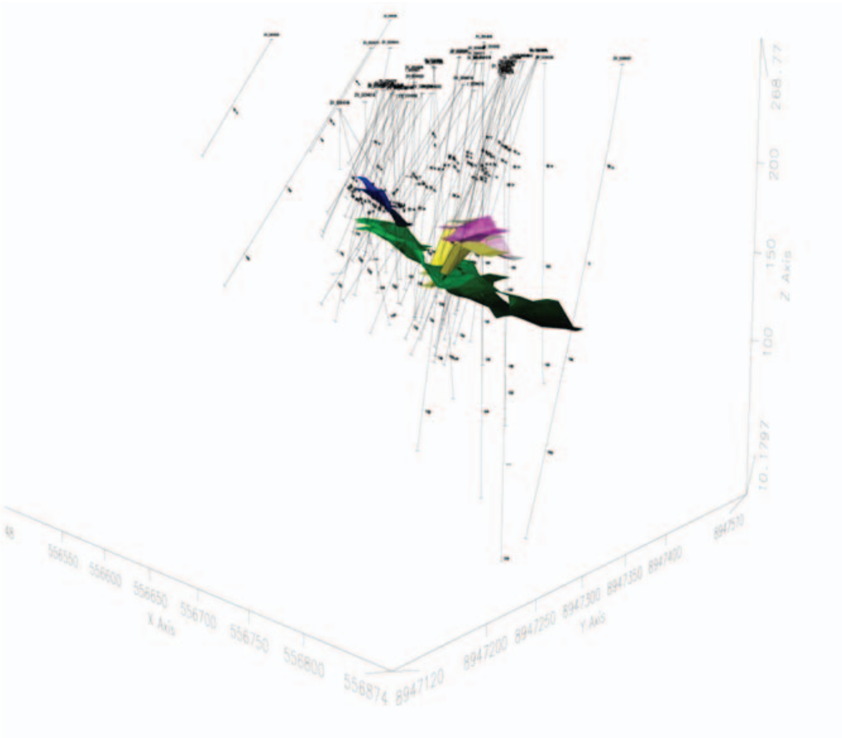

Figure 2: Three dimensional view of the modelled mineralised zones along the Ze Vermelho and Pedra Branca trend; MZVZ in magenta, PB in green, UZVZ in yellow, and Pyrite-bearing quartz veins zone in yellow. Note the semi-parallelism of UZVZ to MZVZ and the crosscutting relationship of Pyrite-bearing quartz vein to MZVZ and UZVZ.

Ze Vermelho Gold Mineralisation

The Main Ze Vermelho Zone (MZVZ) has to date been the sole focus of the trial mining program. This mineralised zone consists of a northwest striking and gently northeast dipping quartz vein impregnated by massive to disseminated sulphide; predominantly pyrite. This zone contains high concentrations of gold associated with the pyrite. Occasionally the vein is enveloped by a quartz mylonite which may also show appreciable amounts of pyrite and contain elevated concentrations of gold. Initially thought to be a separate prospect, subsequent work has now identified the Pedra Branca prospect as the southeastern extension of the MZVZ.

The Upper Ze Vermelho Zone (UZVZ) consists of quartz veins with disseminated and banded pyrite hosting gold similar to the MZVZ. It occurs between a depth of 10 to 50 metres overlaying the MZVZ and appears to be spatially restricted to the area dominated by the MZVZ.

Pyrite-bearing quartz veins comprise a group of veins with banded, massive and disseminated pyrite. This mineralised structure strikes northwest and dips at a higher angle to the southwest when compared the other mineralised zones. The Pyrite-bearing veins appear to crosscut the other mineralised zones and are interpreted to represent late tension faults.

The MZVZ and UZVZ show a structural behaviour related to the filling of damaged zones of a thrust fault system and associated minor folds. As a result, the mineralised vein pinches and swells resulting in a strong variation in width both along strike and down dip.

Material Processing

During FY2012, the Company generated gold sales of approximately A$5.56 million, reflecting a significant improvement on the prior year (FY2011 gold sales: $2.94 million). Included in FY2012 gold sales was the sale of gold recovered from gravity plant tailings processed through a cyanide leaching circuit from November 2011, following the construction of the circuit.

Construction of the cyanidation circuit was a significant achievement and incorporates two leaching vats, a liquor rich-tank, carbon tanks, an elution and electrowinning circuit plus a gold room and laboratory.

OPERATIONS REPORT

Infrastructure Upgrade

Significant infrastructure upgrades were conducted during the year including the construction of the cyanide leaching circuit, first aid station, laboratory, sample preparation facility and the installation of power lines to supply power from the main grid. Towards the end of FY2012 the Company commenced a further infrastructure upgrade program at Ze Vermelho involving the deepening of a second working shaft to -54m and the installation of rail lines down the main inclined drive, man-portable conveyors and an the installation of an improved air ventilation system. The program was implemented so as to improve efficiency, productivity, safety and access.

When fully commissioned, the rail network will extend from the base of shaft 2 (-54m) to the depth of the current underground workings (-124m level). As the workings at Ze Vermelho extend below the -124m level, the rail system will be extended accordingly.

The implementation of the infrastructure upgrade program had a negative effect on gold production during the latter part of FY2012 however the program was necessary for the ongoing operation of trial mining.

Currently the mineralisation at the lower levels (from -116m to – 124m) has shown a narrowing of the high grade ore shoot which has also been a factor in the lower gold production in the latter part of FY2012. Narrowing and swelling of the high grade ore shoot has been witnessed in upper levels and is to be expected; however, more work is required at the -124m level and beyond to determine if the narrowing is permanent or only transitory.

Objective of Exploration at Ze Vermelho

The objective of the work being performed at Ze Vermelho is to ultimately define a resource and to simultaneously fund exploration activities through the cash-flows generated incidental to the resource definition process.

In addition, the work at Ze Vermelho enables the Company to better understand the geology of the area and assist in finding additional economic resources.

Regional Prospects

During the course of FY2012, preliminary geological assessment involving mapping, soil chemistry and drilling was undertaken at a number of known prospects within the Company's granted tenement areas including Cidinha, Filao do Meio, Jacutinga, Traira and Tambaqui.

In most instances the drilling undertaken at the regional prospects encountered high grade but narrow gold mineralisation. Further exploration programs are planned for these prospects.

Drilling Business Overview

Background

Due to a concern over the quality and cost of the drilling services available within Brazil, the Company elected to acquire two drilling rigs in 2005 to undertake drilling on its own tenements. Soon other companies began inquiring about Cougar undertaking drilling for them which gave rise to the establishment of a subsidiary drilling business in 2007. Geologica Sondagens Ltda was incorporated and an office established in Belo Horizonte.

Over the ensuing five years, Cougar's Brazil drilling business has grown in size and gained a reputation for providing a high quality service. Geologica Sondagens Ltda operates market leading drilling rigs and employs competent and well-trained staff, all of whom are Brazilian locals.

In 2010 an opportunity arose in Uruguay with the Company being awarded a substantial drilling contract by Minera Aritiri S.A.; the largest contract award to the Group to date. To service the contract, Palinir S.A. trading as "Cougar Drilling Services" was incorporated; and four (4) drilling rigs were acquired plus a further 2 rigs hired, bringing the fleet assigned to the contract to six (6) rigs. Work commenced in July 2010 with the rigs operating 24 hours per day, 7 days per week.

OPERATIONS REPORT

Operations during FY2012

During FY2012, significant internal drilling programs were performed by Geologica Sondagens at Ze Vermelho and the Group's regional prospects. This level of activity necessitated that two (2) of the Company's five (5) drill rigs be permanently utilised on internal work programs.

On the external work front, Geologica Sondagens was consistently busy throughout FY2012, with one of its drill rigs being allocated for the entire year to ASX listed Beadell Resources Ltd and short term contracts being completed for a number of other external clients.

The fact that work performed for the Group is charged at cost, impacts profitability. With a lesser internal drilling requirement forecast for FY2013 it is expected that Geologica Sondagens can focus primarily on external client work and maximise its profitability.

In Uruguay, a decision by the Company's principal client to halt all drilling work at the end of January 2012 was a significant setback. The Company was forced to reduce from six (6) rigs in work at the end of November 2011 to none over the course of 3 months. With no alternative in-country prospects it was decided to dismiss all (approximately 120) employees and relocate the equipment to Brazil.

Due to the fact that our drilling equipment was now used the importation process to Brazil was complicated and lengthy. In addition, several labour strikes by Brazilian customs officers and shipping delays added to the frustration of the process, which is thankfully now complete.

The impact of the cessation of drilling within the Uruguayan drilling business, and internal work programs, upon revenues and profits was significant with FY2012 revenues declining by greater than 50 % (in excess of $6 million) in comparison to FY2011 and this led to the Company incurring a loss before tax of approximately $1m; which is in stark contrast with a profit before tax of approximately $4 million in the prior financial year.

With the relocation of the Uruguayan drill fleet to Brazil finalised the Company can now focus on placing the rigs in work and returning to profitable operations.

Drilling Fleet

Currently, the drilling fleet comprises of ten (10) surface rigs in total (4 RC, 5 diamond and 1 RAB rig). Of these, one RC rig remains in a free port within Uruguay awaiting better market conditions prior to importation to Brazil.

The Company also has the ability to supplement its owned rig fleet with hire rigs as and when the need arises.

Outlook

The Brazilian drilling market is affected by global market conditions and is presently experiencing lower exploration activity. Notwithstanding this, the Company has a number of good work opportunities and continues to secure short term work for several of its rigs.

Competent Persons Statement

The information in this report that relates to Mineral Resources has been compiled by Mr Paul Payne. Mr Payne, is a Member of the Australasian Institute of Mining and Metallurgy, is a full time employee of Runge Limited and has sufficient relevant experience to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves. Mr Payne consents to the inclusion in this report of the matters based on his information in the form and context that the information appears.

The information in this report that relates to Exploration Results is based on information compiled by Mr Paul Nagerl who is a member of the Association of Professional Geoscientists of Ontario. Mr Nagerl is an executive of Cougar Metals NL and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Nagerl consents to the inclusion in this report of the matters based on information provided by him and in the form and context in which it appears.

DIRECTORS' REPORT

Your Directors present their report on the company and its controlled entities for the financial year ended 30 June 2012.

DIRECTORS

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

Roger Hussey	Non-Executive Chairman (appointed 24 July 2012)
Randal Swick	Managing Director
Jeffrey Moore	Non-Executive Director
Paul Hardie	Non-Executive Director

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

COMPANY SECRETARY

Michael Fry was appointed Company Secretary on 5 August 2011 following the resignation of Chris Bossong.

PRINCIPAL ACTIVITIES

During the financial year, 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 and Uruguay.

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

(a) trial mining at the Ze Vermelho Gold Prospect, which has involved processing of ore extracted from underground mining, furthering the geological understanding of the prospect;

(b) the operation of a gravity processing plant to extract the gravity recoverable gold from the ore mined from the underground workings at Ze Vermelho;

(c) the establishment and operation of a cyanide leaching circuit to extract the cyanide extractable gold from the gravity processing plant tailings ore;

(d) exploration activities, including drilling, trenching and sampling, on other prospects within the granted tenement area at the Company's Alta Floresta Gold Project in Mato Grosso, Brazil which was principally successful in advancing targets including "Cidinha", "Tambaqui", "Filao do Meio" and "Traira"; and

(e) the provision of mineral drilling services to exploration and mining companies in Brazil and Uruguay through CGM's wholly owned subsidiaries GeoLogica Sondagens Ltda and Palinir S.A.

OPERATING RESULTS

The Statement of Comprehensive Income shows revenue from ordinary activities for the Group for the year ended 30 June 2012 of $15,908,737 (2011: $21,803,936). 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 2012 of $2,083,951 (2011: $3,141,799 profit).

The net assets of the Consolidated Entity as at 30 June 2012 were $13,029,444 (2011: $10,801,554).

DIVIDENDS PAID OR RECOMMENDED

The Directors recommend that no dividend be paid for the year ended 30 June 2012, 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 1,450km^2 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 a plus 1 million ounce gold discovery 25km north of Peixoto, and by the widespread mineralisation now being outlined in Cougar's Paranaita 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.

Tenements

Many of the tenements comprising the Alta Floresta Project cover ground within old "Garimpeiro Reserves", and considered some of the most prospective ground in the district. The historical reserves contain areas where much of the historical mining activity has occurred and which were previously set aside and restricted to the exclusive use of garimpeiros.

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 or early cashflow opportunities within the Alta Floresta Mineral Province.

Exploration Activities for FY12

Cougar's exploration activities at the Alta Floresta Project during the 2012 financial year have predominantly focused on the Ze Vemelho Gold Prospect located within the the Paranaita District, Mato Grosso state, Brazil.

Mining at Ze Vermelho dates back to the early 1980's during the second gold rush in mid-west Brazil. The mining activity started as an open-cut mine to approximately 40 metres depth and moved to underground mining through four timber-lined shafts, which all remain in good condition today. In 2003, a state owned exploration department, estimated that 70,000 ounces of gold had been recovered up to 1996, when mining ceased.

The Company's initial geological and underground investigations of the existing garimpeiro workings at Ze Vermelho included accessing the timber-lined shafts which are developed to a maximum depth of 54 metres and along approximately 100 metres of strike.

Those initial investigations showed that the shafts all intercepted a northwest trending sulphide-rich quartz vein up to 1.3 metres wide. Sampling of the exposed veinreturned high gold grades of up to 80g/t.

The initial investigations led the Company to commence trial mining at Ze Vermelho with material mined being initially treated by a simple gravity circuit followed at a later date by cyanidation of the tails.

The trial mining has enabled the Company to increase its understanding of the geological parameters pertaining to the mineralisation (such that it now understands that the high-grade gold is mostly associated with massive pyrite) whilst at the same time generating strong cash-flow to fund further exploration at Ze Vermelho and investment in capital. During the year ended 30 June 2012, the Company achieved gold sales of $5,564,507 (2011: $2,944,912) and has at surface approximately 4,000 tonnes of gravity plant tailings which are to be treated with cyanide through the Company's cyanide treatment circuit (which is constructed and operational).

Outside of Ze Vermelho the Company continued to undertake mapping, rock chip, grab and channel sampling, trenching and surface drilling to identify and advance new targets.

Exploration Focus for FY13

Exploration focus for the coming year will again focus primarily on the Ze Vermelho Gold prospect with a geophysical survey planned for the first half which is expected to provide additional information to allow targeted drill-testing.

The Company will also undertake drill-testing and further evaluation of targets elsewhere in its tenement ground.

The Company's geology team will also look to advance exploration of deeper and potentially larger systems within the granted tenement area.

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 investigating all possibilities to advance the Project.

Drilling Business

<u>Overview</u>

Cougar, through its two wholly owned contract drilling companies, GeoLogica Sondagens Ltda **("GeoLogica")** and Palinir S.A. trading as Cougar Drilling Services **("CDS")**, currently operates in Brazil and Uruguay.

Each of the drilling companies provides rotary air blast **("RAB")**, reverse circulation **("RC")** and diamond drilling services to the mining and resources industries.

<u>Activities for FY12</u>

Brazil

GeoLogica is headquartered in the city of Belo Horizonte, Minas Gerais, Brazil. Since commencing operations in 2007 it has grown its fleet to 5 owned rigs, including 3 diamond, 1 RC and 1 RAB rig. In addition, it hires rigs from time to time to supplement its owned fleet.

Cougar's rig fleet in Brazil operated at near to full capacity for most of the year, with two (2) of its rigs applied to internal programs. Internal work is undertaken at cost and this impacted both earnings and profitability.

With an expected reduction in internal drilling requirements during FY13 and an increase in rig numbers on account of four rigs being transferred from Uruguay, the Company expects an improved financial performance in the 2013 financial year.

Uruguay

In November 2011 Cougar's drilling services business in Uruguay was informed by its principal client of its intention to immediately cease all drilling. The notice was abrupt and unexpected. It had an immediate and dramatic effect on the business in Uruguay and with little other available work on offer due to the size of the mining industry in Uruguay, the decision was taken to relocate the Company's rigs to Brazil.

The most part of the second half of FY12 has been spent in preparing the rigs for importation into Brazil and despatching the rigs to Brazil. Considerable delays and administration frustrations were incurred in obtaining customs clearance to relocate the rigs into Brazil, only to have experienced delays in clearing customs once arrived in Brazil due to ongoing customs officers strikes.

The Company retains a small presence in Uruguay and this has seen the Company awarded external client work for commencement in mid-September 2012. It remains the intention of the Company to continue to service the Uruguayan mining industry.

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 12 July 2011, a total of 15,000,000 options were issued to the Chief Financial Officer and Company Secretary, Michael Fry (in accordance with the terms of his employment contract) pursuant to the Company's Employee Share Option Plan as follows:
    - 5,000,000 unlisted options exercisable at $0.041 on or before 4 July 2014;
    - 5,000,000 unlisted options exercisable at $0.051 on or before 4 July 2014; and
    - 5,000,000 unlisted options exercisable at $0.065 on or before 4 July 2014.
- On 5 April 2012, a total of 53,125,000 fully paid ordinary shares were issued to sophisticated investors and institutional clients of Patersons Securities Limited via a private placement at an issue price of 8 cents per share, which raised $4.25 million.
- On 8 May 2012, a total of 2,862,500 fully paid ordinary shares were issued to shareholders of the Company pursuant to a Share Purchase Plan Offer at an issue price of 8 cents per share, which raised $229,000.

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.

DIRECTORS' REPORT

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The focus of the Group moving forward is to re-establish the full utilisation of its drill rigs across its drilling businesses in South America whilst continuing to explore the Alta Floresta Gold Project.

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

Roger Hussey	Non-Executive Chairman
Qualifications	LL.B (Hons), M.A - Oxon (Hons), Stanford Executive Program
Experience	Mr Hussey has extensive experience as a Director and Chairperson having chaired publicly-listed companies such as Metro Industries Ltd and Parbury Henty Ltd, and government and community organisations including TAB (WA), Princess Margaret Hospital for Children and the Children's Medical Research Foundation. Mr Hussey is an experienced corporate executive and management consultant having worked for Australia's leading consultancy groups, prior to which he was the Chief Executive of the Century Holdings Ltd Group.
Interest in Shares and Options	Nil
Directorships held in other listed entities within past three years	Mr Hussey has not been a Director of any other listed entities in the past three years.

Randal Swick	Managing Director
Qualifications	B.Eng. (Mech)
Experience	Randal Swick is a mechanical engineer with approximately 25 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 businesses and spends the majority of his time in South America ensuring the continued growth of this business.
Interest in Shares and Options	81,000,000 ordinary fully paid shares 3,000,000 options exercisable at $0.035 on or before 9 September 2013
Directorships held in other listed entities within past three years	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	2,000,000 ordinary fully paid shares 3,000,000 options exercisable at $0.035 on or before 9 September 2013
Directorships held in other listed entities within past three years	Abra Mining Limited – 7 April 2006 to 30 September 2011 Alchemy Resources Limited – 1 December 2010 to 25 November 2011 Riedel Resources Limited – 30 September 2010 to present

Paul Hardie	Non-Executive Director
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 3,000,000 options exercisable at $0.035 on or before 9 September 2013
Directorships held in other listed entities within past three years	Indago Resources Limited – 15 October 2009 to 23 January 2012

DIRECTORS' REPORT

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.

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 2012:

	30 June 2012	30 June 2011 $	30 June 2010 $	30 June 2009 $	30 June 2008 $
Revenue	15,908,737	21,803,936	5,649,045	5,471,827	3,499,832
Net profit/(loss) before tax	(2,083,951)	4,045,953	(3,858,586)	(2,202,477)	(2,983,680)
Net profit/(loss) after tax	(2,083,951)	3,141,799	(3,858,586)	(2,202,477)	(2,983,680)

	30 June 2012	30 June 2011	30 June 2010	30 June 2009	30 June 2008
Share price at start of year	$0.0500	$0.0200	$0.0300	$0.0700	$0.2100
Share price at end of year	$0.0500	$0.0500	$0.0200	$0.0300	$0.0700
Dividend	-	-	-	-	-
Basic earnings / (loss) per share	($0.005)	$0.0077	($0.0126)	($0.0131)	($0.0393)
Diluted earnings / (loss) per share	($0.005)	$0.0077	($0.0126)	($0.0131)	($0.0393)

All remuneration paid to Directors and executives is valued at the cost to the Company and expensed. 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 Director 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 2012.

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 Corporate Services LLC, are as follows:

- The service arrangement continues until terminated;
- Fixed remuneration of $185,000 per annum;
- Remuneration is required to be reviewed every six months by the Remuneration Committee; and
- 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.

Michael Fry

The key terms of Michael Fry's employment is as follows:

- The employment arrangement continues until terminated;
- Remuneration is required to be reviewed annually by the Remuneration Committee;
- Fixed Remuneration of $220,000 per annum (inclusive of statutory superannuation);
- Short Term Incentive Payments of up to 30 % of Fixed Remuneration based on achievement of agreed key performance milestones; and
- There are no termination benefits at the completion of the contract term. However, if the Company wishes to terminate the contract, other than if Michael Fry was found guilty of any gross misconduct or a serious and persistent breach of the service agreement, the Company is required to pay to Michael Fry that amount which otherwise would have been paid under the service agreement for a period of three months, plus an additional two months (calculated on a pro rata basis) in respect of each year of service.

Jayme Leite

The key terms of Jayme Leite's employment is as follows:

- The consulting arrangement continues until terminated;
- Remuneration is required to be reviewed annually by the Remuneration Committee;
- Fixed Remuneration of R$260,000 per annum (~A$140,000); and
- Termination benefits in accordance with statutory entitlements in Brazil.

Details of Remuneration for the year ended 30 June 2012

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

	Short Term Employee Benefits			Post Employment Benefit	Share Based Payments		
2012	Salary, Fees and Commissions	Other	Non-Cash Benefits	Superannuation Contributions	(Options)	Total	% Options as Compensation
	$	$	$	$	$	$	%
Key Management Personnel							
Randal Swick	183,333	-	-	-	-	183,333	0 %
Jeffrey Moore	36,000	-	-	1,620	-	37,620	0 %
Paul Hardie	36,000	-	-	-	-	36,000	0 %
Michael Fry*	201,835	-	-	18,165	370,000	590,000	63 %
Jayme Leite	131,283	-	-	-	-	131,283	0 %
	588,451	**-**	**-**	**19,785**	**370,000**	**978,236**	**38%**

* appointed 4 July 2011

	Short Term Employee Benefits			Post Employment Benefits	Share Based Payments		
2011	Salary, Fees and Commissions	Other	Non-Cash Benefits	Superannuation Contributions	(Options)	Total	% Options as Compensation
	$	$	$	$	$	$	%
Key Management Personnel							
Randal Swick	192,500	30,909	-	-	53,400	276,809	19 %
Jeffrey Moore	36,000	-	-	3,240	53,400	92,640	58 %
Paul Hardie	36,000	-	-	-	53,400	89,400	60 %
Chris Bossong	98,132	1,491	-	-	-	99,623	0 %
Jayme Leite	117,332	-	-	-	-	117,332	0 %
	479,964	**32,400**	**-**	**3,240**	**160,200**	**675,804**	**30%**

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.

Options and Rights Holdings

On 4 July 2011, the company granted 15,000,000 options to Michael Fry (Chief Financial Officer and Company Secretary) pursuant to the Company's Employee Option Plan and these options vested immediately. The details of these options were:

- 5,000,000 unlisted options exercisable at $0.041 on or before 4 July 2014 which were determined to have a fair value at grant date of $0.027 each;
- 5,000,000 unlisted options exercisable at $0.051 on or before 4 July 2014 which were determined to have a fair value at grant date of $0.025 each; and
- 5,000,000 unlisted options exercisable at $0.065 on or before 4 July 2014 which were determined to have a fair value at grant date of $0.022 each.

Other than above, no options were vested, exercised or lapsed during the year.

DIRECTORS' REPORT

MEETING OF DIRECTORS

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

	Board Meetings		Audit and Compliance Committee Meetings	
Director	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
Roger Hussey *	-	-	-	-
Randal Swick	7	7	-	-
Jeffrey Moore	7	7	2	2
Paul Hardie	7	7	2	2

* appointed 24 July 2012

INDEMNIFYING OFFICERS OR AUDITOR

The Company has entered into deeds of indemnity, insurance and access **(Deeds)** with all 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 24,000,000 unlisted options on issue as follows:

- 9,000,000 unlisted options exercisable at $0.035 on or before 8 September 2013;
- 5,000,000 unlisted options exercisable at $0.041 on or before 4 July 2014;
- 5,000,000 unlisted options exercisable at $0.051 on or before 4 July 2014; and
- 5,000,000 unlisted options exercisable at $0.065 on or before 4 July 2014.

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 2012 has been received and can be found on page 20.

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

Randal Swick

Randal Swick
Managing Director

Dated this 28 day of September 2012

AUDITOR'S INDEPENDENCE DECLARATION

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The Board of Directors
Cougar Metals NL
Suite 32-35
Level 3, 22 Railway Road
SUBIACO WA 6008

28 September 2012

Dear Board of Directors

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.

As lead audit partner for the audit of the financial statements of Cougar Metals NL for the financial year ended 30 June 2012, I declare that to be 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

DELOITTE TOUCHE TOHMATSU

Darren Hall
Partner
Chartered Accountants


FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Revenue	2	**15,908,737**	21,803,936
Finance revenue		**11,892**	2,228
Other revenue		**42,930**	2,258
		15,963,560	21,808,422
Accounting and audit expenses		**(167,494)**	(96,574)
Corporate expenditure and professional fees		**(445,831)**	(39,298)
Depreciation expense	3	**(1,672,903)**	(1,339,868)
Impairment of trade receivables	9	**(180,145)**	-
Operating expenses		**(14,741,914)**	(14,892,233)
Finance costs	3	**(56,962)**	(576,464)
Office administration expenses		**(190,531)**	(416,460)
Other expenses from ordinary activities		**(221,732)**	(241,372)
Share based payments expense		**(370,000)**	(160,200)
(Loss) / profit before income tax benefit	3	**(2,083,951)**	4,045,953
Income tax benefit / (expense)	4	**-**	(904,154)
Net (loss) / profit for the year		**(2,083,951)**	3,141,799
Other comprehensive income for the year			
Exchange differences arising on translation of foreign operations		**(317,427)**	283,880
Other comprehensive income for the year		**(317,427)**	283,880
Total comprehensive income for the year		**(2,401,378)**	3,425,679
Basic (loss) / earnings per share (cents)	7	**(0.50)**	0.77
Diluted (loss) / earnings per share (cents)	7	**(0.50)**	0.76

The accompanying notes form part of this financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the Year Ended 30 June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
ASSETS			
Current Assets			
Cash and cash equivalents	8	**2,009,082**	208,903
Trade and other receivables	9	**596,447**	2,389,039
Inventory	10	**1,820,147**	697,824
Other current assets	11	**44,511**	43,491
Total Current Assets		**4,470,187**	3,339,257
Non-Current Assets			
Property, plant and equipment	12	**5,325,154**	4,182,024
Exploration and evaluation expenditure	13	**7,244,785**	6,111,755
Total Non-Current Assets		**12,569,939**	10,293,779
Total Assets		**17,040,126**	13,633,036
LIABILITIES			
Current Liabilities			
Trade and other payables	14	**1,698,471**	1,487,200
Provisions	15	**929,117**	920,022
Interest bearing loans and borrowings	16	**657,187**	424,260
Total Current Liabilities		**3,284,775**	2,831,482
Non-Current Liabilities			
Interest bearing loans and borrowings	16	**725,907**	-
Total Non-Current Liabilities		**725,907**	2,831,482
Total Liabilities		**4,010,682**	2,831,482
Net Assets		**13,029,444**	10,801,554
EQUITY			
Issued capital	17	**24,679,390**	20,420,122
Foreign exchange reserve	18	**(227,653)**	89,774
Other reserve	18	**759,465**	389,465
Accumulated losses		**(12,181,758)**	(10,097,807)
Total Equity		**13,029,444**	10,801,554

The accompanying notes form part of this financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended 30 June 2012

	Issued Capital $	Accumulated Losses $	Foreign Exchange Reserve $	Share Based Payments Reserves $	Total Equity $
Consolidated					
Balance at 1 July 2010	**20,420,122**	**(13,239,606)**	**(194,106)**	**229,265**	**7,215,675**
Profit for the year	-	3,141,799	-	-	3,141,799
Foreign currency translation	-	-	283,880	-	283,880
Total comprehensive income for the year	-	3,141,799	283,880	-	3,425,679
Share based payments	-	-	-	160,200	160,200
Balance at 30 June 2011	**20,420,122**	**(10,097,807)**	**89,774**	**389,465**	**10,801,554**
Loss for the year	-	(2,083,951)	-	-	(2,083,951)
Foreign currency translation	-	-	(317,427)	-	(317,427)
Total comprehensive income for the year	-	(2,083,951)	(317,427)	-	(2,401,378)
Share based payments	-	-	-	370,000	370,000
Shares issued during the year	4,479,000	-	-	-	4,479,000
Capital raising costs	(219,732)	-	-	-	(219,732)
Balance at 30 June 2012	**24,679,390**	**(12,181,758)**	**(227,653)**	**759,465**	**13,029,444**

The accompanying notes form part of this financial report.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**17,521,185**	18,694,263
Payments to suppliers and employees		**(16,518,522)**	(14,961,190)
Interest received		**11,892**	2,228
Interest paid		**(56,962)**	(529,596)
Net cash generated by operating activities	8a	**957,593**	3,205,705
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		**(2,053,280)**	(2,773,633)
Payments for exploration and evaluation		**(1,450,458)**	(769,406)
Net cash (used in) investing activities		**(3,503,738)**	(3,543,039)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of securities		**4,479,000**	-
Payment of share issue costs		**(219,732)**	-
Proceeds from loan		**450,701**	660,963
Repayment of borrowings		**(363,645)**	(348,267)
Net cash generated by financing activities		**4,346,324**	312,696
Net increase/(decrease) in cash and cash equivalents held		**1,800,179**	(24,638)
Cash and cash equivalents at beginning of financial year	8	**208,903**	233,541
Cash and cash equivalents at end of financial year	8	**2,009,082**	208,903

The accompanying notes form part of this financial report.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2012

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. The registered office of Cougar Metals NL is at Level 45, 108 St Georges Terrace, Perth in Western 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 and Uruguay. The financial report of the Company and its controlled entities for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 28 September 2012.

The financial report has been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

(b) Application of new and revised accounting standards

Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements.

Standards affecting presentation and disclosure

Amendments to AASB 7 'Financial Instruments: Disclosure'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project) clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.
Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project) clarify that an entity may choose to present the required analysis of items of other comprehensive income either in statements of changes in equity or in the notes to the financial statements.
AASB 1054 'Australian Additional Disclosures' and AASB 2011-1 'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project'	AASB 1054 sets out the Australian-specific disclosures for entities that adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in additions to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss).
	AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRSs. The application of AASB 1054 and AASB 2011-1 in the current year has resulted in the simplification of disclosures in regards to audit fees, franking credits and capital and other expenditure commitments as well as an additional disclosure on whether the Group is a for-profit or not-for-profit entity.

1 Statement of Significant Accounting Policies (Continued)

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 2009-12 'Amendments to Australian Accounting Standards'	The application of AASB 2009-12 makes amendments to AASB 8 'Operating Segments' as a result of the issuance of AASB 124 'Related Party Disclosures' (2009). The amendment to ASSB 8 requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The Standard also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2009-12 has not had any material effect on amounts reported in the Group's consolidated financial statements.
AASB 2010-5 'Amendments to Australian Accounting Standards'	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2010-5 has not had any material effect on amounts reported in the Group's consolidated financial statements.
AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'	The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments-Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred and derecognised but the transferor retains some level of continuing exposure in the asset. To date, the Group has not entered into any transfer arrangements of financial assets that are derecognised but with some level of continuing exposure in the asset. Therefore, the application of the amendments has not had any material effect on the disclosures made in the consolidated financial statements.

1 Statement of Significant Accounting Policies (Continued)

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9', AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)' and AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'	1 January 2015	30 June 2016
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013

1 Statement of Significant Accounting Policies (Continued)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013
Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'	1 January 2013	30 June 2014
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014	30 June 2015
Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2013	30 June 2014

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 January 2015	30 June 2016
AASB 2012-5 'Amendments to Australian Accounting Standards'	1 June 2013	30 June 2014

1 Statement of Significant Accounting Policies (Continued)

(c) Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

(d) Going Concern

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

The Consolidated Entity has generated a loss for the year of $2,083,951 (Company: Loss $696,279) and incurred negative cash flows from operating and investing activities of $2,545,785 (2011: 337,334).

As at 30 June 2012, the Consolidated Entity has net current assets of $1,185,412 (Company: $1,460,697), which includes $2,009,082 (Company: $1,935,007) in cash and cash equivalents, $596,447 (Company: Nil) in trade receivables and $1,698,471 (Company: $305,177) in trade and other payables.

The ability of the Company and Consolidated Entity to continue as going concerns is principally dependent upon the ability of the consolidated entity to continue to generate positive cash flows from:

(1) its contract drilling business in Brazil, including extending existing drilling activity at comparable rates; and

(2) the ongoing trial mining at Ze Vermelho, Brazil.

In the event the above matters are not achieved, the Company and Consolidated Entity will likely be required to raise funds for working capital from debt or equity sources.

The Directors have reviewed the Company and Consolidated Entity's overall position and outlook in respect of the matters identified above and are of the opinion that the use of the going concern basis is appropriate in the circumstances.

Should the Company and Consolidated Entity be unable to achieve successful outcomes in relation to the matters discussed above, material uncertainty would exist as to the ability of the Company and Consolidated Entity to continue as going concerns and therefore 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.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Company and 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 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.

1 Statement of Significant Accounting Policies (Continued)

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

The functional and presentation currency of the Group 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.

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.

1 Statement of Significant Accounting Policies (Continued)

(i) Inventory

Ore tailings are physically measured or estimated and valued at the lower of cost and 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).

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
Furniture and Fittings	5 – 10 years
Plant and Equipment	7 – 10 years
Drilling Rigs	7 – 10 years
Motor Vehicles	5 – 10 years
Other Drilling Equipment	5 – 10 years
Office Equipment	5 – 10 years

1 Statement of Significant Accounting Policies (Continued)

(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.

(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.

1 Statement of Significant Accounting Policies (Continued)

(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.

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.

1 Statement of Significant Accounting Policies (Continued)

(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.

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 assets are recognised for deductible timing differences and unused tax losses only if it is probable that future taxable amounts will be sufficient to utilise those deductible timing differences and unused tax losses.

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.

(t) 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.

1 Statement of Significant Accounting Policies (Continued)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 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
- 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.

(u) 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.

(v) 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.

1 Statement of Significant Accounting Policies (Continued)

(w) 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.

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.

(x) Exploration and Evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

(b) exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

1 Statement of Significant Accounting Policies (Continued)

(y) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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 the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Revenue recognition

In making their judgement, the directors considered the detailed criteria for the recognition of revenue from the sale of goods set out in AASB 118 'Revenue' and, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the goods. The Directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate.

Impairment of non-financial assets

Impairment is recognised when there is a reasonable doubt that trade receivables are uncollectible.

Share based payment transactions

The Group measures the cost of equity-settled transactions with management personnel and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes model, with the assumptions detailed in note 18. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Exploration expenditure

The group's accounting policy for exploration and evaluation assets is set out in note 1 (w).

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment

As described above, the Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the directors determined that the useful lives of certain items of equipment should be shortened, due to developments in technology.

2 Revenue

	Consolidated 2012 $	Consolidated 2011 $
Services rendered – contract drilling	**10,344,231**	18,859,024
Revenue – gold production	**5,564,507**	2,944,912
Total revenue	**15,908,737**	21,803,936

3 Expenses

Loss before tax is arrived after charging the following expenses:

	Consolidated 2012 $	Consolidated 2011 $
(a) Depreciation		
Depreciation expense	**1,672,903**	1,339,868
(b) Finance costs		
Interest expense	**56,962**	576,464
(c) Employee benefits		
Wages and salaries	**5,100,476**	4,518,637
Equity based payments	**370,000**	160,200
Other	**733,274**	1,682,982
	6,203,750	6,361,819

4 Income tax benefit

Major components of income tax expense for the years ended 30 June 2012 and 30 June 2011 are:

(a) Income tax recognised in profit and loss

	Consolidated 2012 $	Consolidated 2011 $
Current income		
Current income tax charge	-	904,154
Deferred income tax	-	-
Income tax expense reported in the income statement	-	904,154

4 Income tax benefit (Continued)

A reconciliation of income tax expense applicable to accounting (loss) / 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 2012 and 30 June 2011 is as follows:

	Consolidated 2012 $	Consolidated 2011 $
Accounting (loss) / profit before tax for the period	**(2,083,951)**	4,045,953
Income tax rate of 30% (2011: 30%)	**(625,185)**	1,213,786
Add:		
Non-deductible expenses	**370,000**	48,060
Temporary differences not recognised	**5,241**	(4,895)
Tax loss not brought to account as a deferred tax asset	**(329,899)**	-
Utilisation of tax loss not previously recognised	**(136,776)**	(167,903)
Recognition of tax loss not previously recognised	**-**	(4,063)
Difference in overseas tax rate	**56,821**	(180,831)
Income tax expense recognised in profit or loss	**-**	904,154

At reporting date the consolidated entity has unused tax losses of $6,113,186 (2011: $5,783,287) that are available for offset against future taxable profits.

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
Jeffrey Moore	Non-Executive Director
Paul Hardie	Non-Executive Director
Michael Fry	Chief Financial Officer and Company Secretary
Jayme Leite	Geology Manager

(b) Key Management Compensation

The aggregate compensation made to key management personnel of the group is set out below.

	2012 $	2011 $
Deferred tax assets have not been recognised in respect of the following items:		
Short term employee benefits	**588,451**	479,964
Post-employment benefits	**12,216**	3,240
Equity based payments	**370,000**	160,200
Other	**-**	32,400
	970,667	675,804

5 Directors and Key Management Personnel Compensation (Continued)

(c) Equity instrument disclosures relating to key management personnel

(i) Option holdings:

The numbers of options in the Company held during the financial year by each Director and key management person of Cougar Metals NL, including their personally related parties, are set out below:

2012	Balance at beginning of year	Granted during year as compensation	Balance on resignation	Other changes during year	Balance at end of year
Randal Swick	3,000,000	-	-	-	3,000,000
Jeffrey Moore	3,000,000	-	-	-	3,000,000
Paul Hardie	3,000,000	-	-	-	3,000,000
Michael Fry	-	15,000,000	-	-	15,000,000
Jayme Leite	-	-	-	-	-

2011	Balance at beginning of year	Granted during year as compensation	Balance on resignation	Other changes during year	Balance at end of year
Randal Swick	-	3,000,000	-	-	3,000,000
Jeffrey Moore	-	3,000,000	-	-	3,000,000
Paul Hardie	-	3,000,000	-	-	3,000,000

(ii) Shareholdings

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

2012	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	-	-	47,239,940	81,000,000
Jeffrey Moore	2,000,000	-	-	-	2,000,000
Paul Hardie	25,000	-	-	-	25,000
Michael Fry	1,567,000	-	-	-	1,567,000
Jayme Leite	-	-	-	-	-

2011	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
Jeffrey Moore	1,500,000	-	-	500,000	2,000,000
Paul Hardie	25,000	-	-	-	25,000

(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.

5 Directors and Key Management Personnel Compensation (Continued)

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

Related entities	Transaction	2012 $
Vedrell Pty Ltd – Randal Swick	Provision of consulting services	60,000
Corporate Management Services LLC – Randal Swick	Provision of consulting services	123,333
Hardies Lawyers – Paul Hardie	Provision of consulting services	36,000

Related entities	Transaction	2011 $
Vedrell Pty Ltd – Randal Swick	Provision of consulting services	192,500
Hardies Lawyers – Paul Hardie	Provision of consulting services	36,000

6 Auditor's remuneration

	Consolidated 2012 $	Consolidated 2011 $
Remuneration of the auditor of the parent entity for:		
Auditing or reviewing the financial report – Deloitte Touche Tohmatsu	**49,000**	30,472
	49,000	30,472

7 Earnings per share

	2012 $	2011 $
(Loss) / profit used in the calculation of earnings per share	**(2,083,951)**	3,141,799

	2012 No.	2011 No.
Weighted average number of ordinary shares used in calculating EPS	**419,179,912**	406,223,576
Shares deemed to be issued for no consideration in respect of share options	**15,000,000**	9,000,000
Weighted average number of shares used in calculating EPS	**434,179,912**	415,223,576

8 Cash and cash equivalents

	Consolidated 2012 $	Consolidated 2011 $
Cash at bank and in hand	174,631	128,363
Short-term bank deposits	1,834,451	80,540
	2,009,082	208,903

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

(Loss) / profit after income tax	(2,083,951)	3,141,799
Non-cash flows in profit		
Depreciation	1,672,903	1,339,868
Exploration expenditure written off	-	(408)
Share based payments	370,000	160,200
Impairment expense	180,145	-
Loss on sale/ write-off of property, plant & equipment	109,024	-
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	1,612,447	(1,932,327)
(Increase)/decrease in inventories	(1,122,323)	(697,824)
(Increase)/decrease in other assets	(1,020)	75,168
Increase/(decrease) in trade payables and accruals	220,368	2,296,575
Increase/(decrease) in deferred revenue	-	(1,177,346)
Net cash generated by operating activities	957,593	3,205,705

(b) Non-cash financing and investing activities

There were no non-cash financing and investing activities that occurred during the year.

9 Trade and other receivables

Current		
Trade Debtors	**776,592**	2,389,039
Provision for Doubtful Debts	**(180,145)**	-
	596,447	2,389,039

(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) At 30 June 2012, included in trade debtors was an amount of US$577,000 which was outstanding from Minera Aratiri S.A. for drilling services performed. Since year end, a total of US$105,000 has been received from Minera Aratiri S.A. in reduction of the amount owing. A provision for doubtful debts of US$186,000 ($A$180,145) has been raised against the remaining amount due from Minera Aritiri S.A. at 30 June 2012. All other trade debtors in existence at 30 June 2012 were within normal terms and conditions; and subsequently all outstanding amounts been received.

(d) 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 24.

10 Inventory

	Consolidated 2012 $	Consolidated 2011 $
Gold in circuit	**1,571,150**	697,824
Consumables	**248,997**	-
	1,820,147	697,824

11 Other assets

	Consolidated 2012 $	Consolidated 2011 $
Prepayments	**12,705**	18,762
Other	**31,806**	24,729
	44,511	43,491

12 Property, plant and equipment

	Consolidated 2012 $	Consolidated 2011 $
Property:		
At cost	**141,278**	141,278
Accumulated depreciation	**(17,638)**	(13,400)
	123,640	127,878
Furniture and equipment:		
At cost	**172,249**	170,913
Accumulated depreciation	**(165,200)**	(159,618)
	7,049	11,295
Drilling plant and equipment:		
At cost	**8,160,235**	6,110,878
Accumulated depreciation	**(3,823,947)**	(2,414,359)
	4,336,289	3,696,519
Leasehold improvements:		
At cost	**2,454**	2,454
Accumulated depreciation	**(1,878)**	(1,389)
	576	1,065
Other plant and equipment:		
At cost	**902,122**	444,261
Accumulated depreciation	**(310,795)**	(177,015)
	591,327	267,246
Motor vehicles:		
At cost	**921,249**	613,772
Accumulated depreciation	**(654,976)**	(535,751)
	266,273	78,021
	5,325,154	4,182,024

12 Property, plant and equipment (Continued)

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 2012	Property $	Furniture and equipment $	Drilling plant and equipment $	Leasehold improvements $	Other plant and equipment $	Motor vehicles $	Total $
Balance at the beginning of year	127,878	11,295	3,696,519	1,065	267,246	78,021	4,182,024
Additions	-	1,336	2,069,073	-	547,170	307,478	2,925,057
Disposals/ Write-off	-	-	(19,715)	-	(89,309)	-	(109,024)
Depreciation	(4,238)	(5,582)	(1,409,588)	(489)	(133,781)	(119,225)	(1,672,903)
Carrying amount at the end of year	123,640	7,049	4,336,289	576	591,326	266,274	5,325,154

Consolidated 2011	Property $	Furniture and equipment $	Drilling plant and equipment $	Leasehold improvements $	Other plant and equipment $	Motor vehicles $	Total $
Balance at the beginning of year	130,326	21,985	2,717,990	1,556	191,914	116,152	3,179,923
Additions	-	4,796	2,175,519	-	161,654	-	2,341,969
Disposals	-	-	-	-	-	-	-
Depreciation	(2,448)	(15,486)	(1,196,990)	(491)	(86,322)	(38,131)	(1,339,868)
Carrying amount at the end of year	127,878	11,295	3,696,519	1,065	267,246	78,021	4,182,024

Fixed assets have been allocated for impairment testing purposes to the following cash-generating units:

- Drilling equipment
- Other plant and equipment

A discount rate of 9 % and a profit growth rate of 10 % have been used in the impairment testing.

13 Deferred exploration expenditure

	Consolidated 2012 $	Consolidated 2011 $
Expenditure brought forward	**6,111,755**	5,358,797
Expenditure incurred during year	**1,133,030**	752,958
Expenditure impaired during year	**-**	-
Expenditure carried forward	**7,244,785**	6,111,755

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.

14 Trade and other payables

	Consolidated 2012 $	Consolidated 2011 $
Current		
Trade payables	**61,834**	720,082
Audit accrual	**35,000**	14,000
Other accruals	**1,583,879**	740,988
Payroll liabilities	**17,758**	12,130
	1,698,471	1,487,200

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	**13,699**	4,603
Income tax	**915,419**	915,419
	929,117	920,022

16 Interest bearing liabilities

Current		
Hire purchase liabilities	**610,435**	-
Loans from non-related entities	**46,752**	52,108
Loan from director related entity	**-**	372,152
	657,187	424,260
Non-Current		
Hire purchase liabilities	**261,342**	-
Loan from director related entity	**464,565**	-
	725,907	-

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 24.
- Fair value disclosures: Details of the fair value of interest bearing liabilities for the Group are set out in note 24.

16 Interest bearing liabilities (Continued)

Assets pledged as security

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

Loan from director related entity:

- This loan was restructured on 16 March 2011 and is interest bearing at a rate equal to the standard variable interest rate applicable to secured overdraft facilities of $500,000 or less and is repayable at the rate of $50,000 per month until fully repaid.

Terms and conditions relating to the above financial instruments:

- Details of the Group exposure to interest rate changes on interest bearing liabilities are set out in note 24.

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.

17 Issued capital

	Consolidated 2012 $	Consolidated 2011 $
Ordinary fully paid ordinary shares (a)	**24,675,964**	20,416,696
Contributing shares partly paid to $0.01	**3,426**	3,426
	24,679,390	20,420,122

(a) Ordinary shares

	2012 $	2012 No.	2011 $	2011 No.
Balance at beginning of year	**20,416,696**	**406,223,576**	20,416,696	406,223,576
Shares issued during year				
5 April 2012	**4,250,000**	**53,225,000**	-	-
8 May 2012	**229,000**	**2,862,500**	-	-
Share issue costs	**(219,732)**	**-**	-	-
Balance at end of year	**24,675,964**	**462,311,076**	20,416,696	406,223,576

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

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to the share capital from 1 July 1999 and therefore the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

17 Issued capital (Continued)

(b) Share options

2012 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
8 September 2013	$0.035	9,000,000	-	-	-	-	9,000,000
4 July 2014	$0.041	-	5,000,000	-	-	-	5,000,000
4 July 2014	$0.051	-	5,000,000	-	-	-	5,000,000
4 July 2014	$0.065	-	5,000,000	-	-	-	5,000,000
		9,000,000	**15,000,000**	**-**	**-**	**-**	**24,000,000**

2011 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
8 September 2013	$0.035	-	9,000,000	-	-	-	9,000,000
		-	9,000,000	-	-	-	9,000,000

The above options were issued to an employee of the Group pursuant to the Company's Employee Share Option Plan.

18 Reserves

	Consolidated 2012 $	Consolidated 2011 $
Share based payments (a)	**759,465**	389,465
Foreign exchange	**(227,653)**	89,774
	531,812	479,239

(a) Share based payments reserve

Share based payments recognised in Reserves of the Company consists of options granted to certain Directors, employees and consultants of the Company issued pursuant to an Employee Share Option Plan (ESOP). 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.

	2012	2011
(b) Employee share options		
Dividend yield	**0%**	0 %
Expected volatility	**90%**	130 %
Risk-free interest rate	**4.84%**	4.50 %
Expected life of option	**3 years**	3 years
Option exercise price	**$0.041 - $0.065**	$0.035
Share price at grant date	**$0.05**	$0.025
Fair value at grant date	**$0.027 - $0.022**	$0.018

19 Contingent assets and contingent liabilities

The Directors are not aware of any contingent liabilities or contingent assets as at 30 June 2012.

20 Capital and leasing commitments

	Consolidated 2012 $	Consolidated 2011 $
Finance leases		
<1 year	**700,682**	-
1 – 5 years	**277,548**	-
>5 years	**-**	-
Minimum lease payments	**978,230**	-
Future finance charges	**(106,453)**	-
Lease liability	**871,777**	-
Comprising:		
Current liability	**610,434**	-
Non-Current liability	**261,342**	-
	871,777	-

Operating lease commitments

The Group has operating lease commitments with respect to its drilling and exploration businesses of $325,004 (2011: $441,292).

Exploration expenditure

The Group has minimum expenditure obligations relating to its Australian tenements of $53,000 (2011: $53,000) and obligations to meet in Brazil in respect of annual rents on granted tenements of $146,873 (2011: $189,596).

21 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 three businesses, being drilling operations, mineral exploration and resource development and gold operations.

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 in Brazil and Uruguay. 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 2012 the consolidated entity operated in the following Geographic Segments: Australia, Brazil and Uruguay. (2011: Australia, Brazil and Uruguay).

21 Segment reporting (Continued)

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

21 Segment reporting (Continued)

(a) Operating segments

	Australia Exploration & Evaluation $	Brazil Exploration & Evaluation $	Brazil Drilling Operations $	Uruguay Drilling Operations $	Brazil Gold Operations $	Total Operations $
30 June 2012						
Revenue						
Sales to external customers	-	-	5,172,122	5,172,109	5,564,507	15,908,738
Finance revenue	11,860	-	32	-	-	11,892
Other	-	-	35,547	7,383	-	42,930
Segment revenue	**11,860**	**-**	**5,207,701**	**5,179,492**	**5,564,507**	**15,963,560**
Segment (loss) / profit before tax	**(777,979)**	**-**	**(464,305)**	**(997,589)**	**155,921**	**(2,083,951)**
Assets and liabilities						
Segment assets	3,894,280	7,160,105	920,503	1,745,171	3,320,067	17,040,126
Segment liabilities	(1,291,597)	-	(669,631)	(1,066,047)	(983,407)	(4,010,682)
Segment net assets / (liabilities)	**2,602,683**	**7,160,105**	**(250,873)**	**(679,124)**	**2,336,660**	**(13,029,444)**
Addition of non-current assets	808,079	-	499,084	256,988	1,360,906	2,925,057
Depreciation	(670,472)	-	(182,258)	(411,919)	(408,255)	(1,672,903)
30 June 2011						
Revenue						
Sales to external customers	183,957	-	6,475,382	12,199,685	2,944,912	21,803,936
Finance revenue	2,228	-	-	-	-	2,228
Other	2,258	-	-	-	-	2,258
Segment revenue	**188,443**	**-**	**6,475,382**	**12,199,685**	**2,944,912**	**21,808,422**
Segment (loss) / profit before tax	**(836,322)**	**564**	**59,213**	**4,036,615**	**785,883**	**4,045,953**
Assets and liabilities						
Segment assets	344,922	6,480,459	2,869,866	2,803,736	1,134,053	13,633,036
Segment liabilities	(750,683)	(21,277)	(173,552)	(1,641,944)	(244,026)	(2,831,482)
Segment net assets / (liabilities)	**(405,761)**	**6,459,182**	**2,696,314**	**1,161,792**	**890,027**	**10,801,554**
Addition of non-current assets	18,652	712,859	817,432	1,357,549	188,436	3,094,928
Depreciation	(14,389)	(47,326)	(738,846)	(364,067)	(175,240)	(1,339,868)

Information about major customers

Included in revenues arising from gold and drilling sales of $15,908,738 (2011: $21,803,936) are revenues of approximately $3.8m (2011: approximately $12.8m) which arose from drilling services to the Group's largest customer. No other single customer contributed 10 % or more to the Group's revenue for both 2012 and 2011.

22 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 Group.

23 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.

	Consolidated 2012 $	Consolidated 2011 $
The following balances were outstanding with related parties at year end:		
Loans from related parties:		
Advances from director related party (Rosanne Swick)	**464,565**(ii)	372,151(i)
Payable to:		
R Swick	**123,333**	227,403
P Hardie	**3,000**	3,300

(i) Loans advanced to commonly controlled entities from the parent entity are non-interest bearing and not repayable within the next 12 months.

(ii) Loan from director related entity: this loan was restructured on 24 September 2012 and is repayable on 15 October 2013. Interest is payable on a portion of the outstanding loan balance at the rate of 7 % per annum from 1 July 2012 until it is repaid.

Subsidiary	Principal Activity	Place of Incorporation	Percentage Ownership 2012	Percentage Ownership 2011
Cougar Mineracao Ltda	Exploration and evaluation	Brazil	100 %	100 %
Cougar Brasilia Pty Ltd	Exploration and evaluation	Australia	100 %	100 %
Geologica Sondagens Ltda	Drilling	Brazil	100 %	100 %
Palinir Sociedad Anonima	Drilling	Uruguay	100 %	100 %

24 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 optimisation 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 25.

(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 Uruguay 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) and US Dollar (USD) / 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 and USD/AUD exchange rate cycle.

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' 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 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.

24 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 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.

24 Financial instruments (Continued)

(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.

Consolidated 2012	Weighted average effective interest rate	Floating interest rate	Fixed interest rate maturing < 1 year	1 – 5 years	> 5 years	Non-interest bearing	Total
	%	$	$	$	$	$	$
Financial assets:							
Cash and cash equivalents	4.56 %	174,631*	1,834,451	-	-	-	**2,009,082**
Trade and other receivables	-	-	-	-	-	596,447	**596,447**
Total financial assets		174,631	1,834,451	-	-	596,447	**2,606,528**
Financial liabilities:							
Loan – related entity	7 %	-	-	464,565	-	-	**464,565**
Loan – non-related entity	10 %	-	657,187	261,342	-	-	**918,529**
Trade and other payables		-	-	-	-	1,698,471	**1,698,471**
Total financial liabilities		-	657,187	725,907	-	1,698,471	**3,081,565**

Consolidated 2011	Weighted average effective interest rate	Floating interest rate	Fixed interest rate maturing < 1 year	1 – 5 years	> 5 years	Non-interest bearing	Total
	%	$	$	$	$	$	$
Financial assets:							
Cash and cash equivalents	0.75 %	128,263*	80,540	-	-	100	**208,903**
Trade and other receivables	0.00 %	-	-	-	-	2,389,039	**2,389,039**
Total financial assets		128,263	80,540	-	-	2,389,139	**2,597,942**
Financial liabilities:							
Loan – related entity	9.76 %	-	372,152	-	-	-	**372,152**
Loan – non-related entity	0.00 %	52,108	-	-	-	-	**52,108**
Trade and other payables	0.00 %	-	-	-	-	1,534,068	**1,534,068**
Total financial liabilities		-	372,152	-	-	1,534,068	**1,958,328**

* expected maturity profile is less than 1 year

24 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 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 0.62% to 1.62% in an interest rate appreciation environment.

Interest rate risk

The Group's exposure to market risk for change in interest rates relates primarily to their interest bearing liabilities.

The following sensitivity analysis is based on the interest rate exposures in existence at the balance sheet date. At 30 June 2012, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post tax profit higher / (lower)		Other Equity higher / (lower)	
Judgements of reasonably possible movements	2012	2011	2012	2011
	$000	$000	$000	$000
+ 1% (100 basis points)	6	(2)	-	-
- 1% (100 basis points)	(6)	2	-	-

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances for the year.

Fair value of financial instruments

Directors consider that carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

25 Parent entity disclosures

		Parent Entity 2012 $	Parent Entity 2011 $
(a)	**Financial position**		
	ASSETS		
	Current Assets		
	Cash and cash equivalents	**1,935,007**	58,294
	Trade and other receivables	**-**	202,352
	Other current assets	**44,512**	43,491
	Total Current Assets	**1,979,519**	304,137
	Non-Current Assets		
	Trade and other receivables	**8,823,670**	6,711,815
	Financial assets	**100**	100
	Property, plant and equipment	**684,788**	10,203
	Exploration and evaluation expenditure	**42,664**	30,582
	Total Non-Current Assets	**9,551,221**	6,752,700
	Total Assets	**11,530,740**	7,056,837
	LIABILITIES		
	Current Liabilities		
	Trade and other payables	**305,177**	373,628
	Provisions	**13,699**	4,603
	Interest bearing loans and borrowings	**199,946**	372,151
	Total Current Liabilities	**518,822**	750,682
	Non-Current Liabilities		
	Interest bearing loans and borrowings	**772,774**	-
		772,774	-
	Total Liabilities	**1,291,596**	750,682
	Net Assets	**10,239,144**	6,306,155
	EQUITY		
	Issued capital	**24,679,390**	20,420,122
	Other reserve	**759,466**	389,466
	Accumulated losses	**(15,199,712)**	(14,503,433)
	Total Equity	**10,239,144**	6,306,155
(b)	**Financial performance**		
	Net profit / (loss) for the year	**(696,279)**	15,492
	Other comprehensive income for the year		
	Exchange differences arising on translation of foreign operations	**-**	-
	Total comprehensive result for the year	**(696,279)**	15,492

There were no contingent assets or contingent liabilities existing at year end for the parent entity.

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(c); 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 28th day of September 2012

INDEPENDENT AUDITOR'S REPORT
to the members of Cougar Metals NL

Deloitte.

Deloitte Touche Tohmatsu
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Report on the Financial Report

We have audited the accompanying financial report of Cougar Metals NL, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of cash flows and the 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 22 to 57.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2a, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the consolidated financial statements comply 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. Those 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 company's preparation of the financial report that gives a true and fair view, 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 company'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.

INDEPENDENT AUDITOR'S REPORT
to the members of Cougar Metals NL

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Cougar Metals NL, would be in the same terms if given to the directors as at the time of this auditor's report.

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 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2(a).

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our opinion, we draw attention to Note 1b in the financial report which indicates that the ability of the consolidated entity to continue as going concern is dependent upon its ability to continue to generate positive cash flows from its drilling businesses and trial mining operation at Ze Vermelho, Brazil. These conditions, along with other matters as set forth in Note 1b, 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 therefore, they may be unable to realise their assets and extinguish their liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 17 of the directors' report for the year ended 30 June 2012. 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.

Opinion

In our opinion the Remuneration Report of Cougar Metals NL for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Darren Hall

Partner
Chartered Accountants
Perth, 28 September 2012

CORPORATE GOVERNANCE STATEMENT

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, 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 four directors: one executive, being Randal Swick (Managing Director) and three Non-Executive Directors, being Roger Hussey, Jeffrey Moore and Paul Hardie.

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. The board has assessed that Roger Hussey, Jeffrey Moore and Paul Hardie are all 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 and Responsible 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.

The Company is currently working to implement a policy concerning diversity.

Financial Reporting

Given the current size and nature of the Company's operations, the board of directors in 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 Chief Financial Officer 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.

CORPORATE GOVERNANCE STATEMENT

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.

Two formal Remuneration Committee meetings were held during the year, and in addition informal discussions between members were held from time to time. A review of the remuneration for FY13 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 18 September 2012

No. Securities Held	Fully Paid Shares No. Holders	Listed Options No. Holders
1 – 1,000	100	-
1,001 – 5,000	48	-
5,001 – 10,000	102	-
10,001 – 100,000	483	-
> 100,001	392	-
Total no. holders	1,125	-
No. holders of less than a marketable parcel	250	-
Percentage of the 20 largest holders	59.79 %	-
Total on issue	462,211,076	-

Substantial shareholders as at 18 September 2012

	No. Shares	%
SAVVY CAP MGNT PL <SAVVY FAM A/C>	138,366,224	29.94
SWICK, MARCIA	81,000,000	19.61

20 Largest holders of securities as at 18 September 2012

Fully paid ordinary shares	No. Shares	%
1) SAVVY CAP MGNT PL <SAVVY FAM A/C>	138,366,224	29.04
2) SWICK, MARCIA	47,239,940	10.22
3) SWICK, MARCIA	32,410,060	7.01
4) JP MORGAN NOMINEES AUSTRALIA	15,207,500	3.29
5) K & T SWICK PL <K & T SWICK FAM A/C>	5,106.354	1.10
6) JINGIE INVESTMENTS PTY LTD	3,750,000	0.81
7) RAMNEG PL <TAMARK A/C>	3,400,000	0.74
8) CARAOUTZADIS, ANESTIS	2,935,325	0.64
9) PISANO, RINO PASQUALE	2,650,000	0.57
10) FITZGERALD KIM M + K J <FITZGERALD S/F A/C>	2,550,479	0.55
11) DUNCAN, GREGORY JAMES	2,500,000	0.54
12) WILLIAMSON D P + G L <WILLIAMSON FAM S/F>	2,500,000	0.54
13) BURTON, JEFFREY JOHN	2,475,000	0.54
14) BUCKLEY HOLDINGS PTY LTD	2,300,000	0.50
15) KITSON PTY LTD	2,275,000	0.49
16) CARAOUTZADIS, VASILIS	2,259,090	0.49
17) GORDON HLDGS QLD PL	2,233,500	0.48
18) WOOLSTHORPE INVESTMENTS	2,160,378	0.47
19) OPEN SERVER RESOURCES PTY LTD	2,050,000	0.44
20) I C SUPER FUND PTY LTD	2,000,000	0.43
	276,368,850	59.79

ASX ADDITIONAL INFORMATION

Unlisted options as at 18 September 2012

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
Options exercisable at $0.041 on or before 4 July 2014	5,000,000
Holders of more than 20% of this class	
Michael Fry	5,000,000
Options exercisable at $0.051 on or before 4 July 2014	5,000,000
Holders of more than 20% of this class	
Michael Fry	5,000,000
Options exercisable at $0.065 on or before 4 July 2014	5,000,000
Holders of more than 20% of this class	
Michael Fry	5,000,000

Unlisted equity securities as at 18 September 2012

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

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 km^2
M39/159	30/08/1988	5.4

Alta Floresta Project (Brazil)

Number	Date of Grant	Area in ha
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
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

ASX ADDITIONAL INFORMATION

Number	Date of Grant	Area in ha
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
12975/09	16/11/2009	191.42
12976/09	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
15954/10	09/12/2010	345.00
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



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