



Ze Vermelho Trial Mining Update Alta Floresta Gold Project 9 October 2012

Cougar Metals NL is a Perth based exploration company listed on the Australian Securities Exchange (ASX:CGM).

The Company is focused on exploring the highly prospective Alta Floresta gold belt in central west Brazil, where it holds tenements covering an area in excess of 883km² and where past production is estimated at five million ounces of gold. Much of the immediate focus is centred on the Ze Vermelho Gold Prospect where the Company has received numerous highly encouraging high grade gold assay results and where it is currently undertaking trial mining. This is providing important information about the structure and grade of mineralisation, whilst at the same time generating strong cash-flows from the treatment of the ore.

The Company also operates a growing mineral drilling business in South America, providing surface diamond, reverse circulation, and RAB drilling services to the rapidly growing South American mineral resource industry. The Company currently operates a fleet of 9 rigs.

In addition, the Company also holds the mineral rights to the Pyke Hill Measured plus Indicated Resources of 14.7mt @ 0.9% Ni (March 2008) located in Australia.

Directors

Roger Hussey – Chairman
Randal Swick – Managing Director
Jeff Moore – Director
Paul Hardie – Director

Senior Management

Randal Swick – Managing Director
Michael Fry – CFO & Company Secretary
Jayme Leite – Operations Manager

Capital Structure

Shares on Issue: 462,211,076
52 week range: \$0.02 - \$0.11
Last Price (5/10/12): \$0.032
Market Capitalisation: \$14.8 million

Substantial Shareholders

Savvy Capital Management – 29.44%
Marcia Swick – 17.36%

HIGHLIGHTS

- Improved gold production during month of September with gold sales of R\$965,389 (~A\$470,000). July gold sales of R\$685,743 (~A\$335,000) and August gold sales of R\$675,752 (~A\$330,000).
- Near-completion of infrastructure upgrade program involving installation of rail lines, portable conveyors and improved air ventilation.
- Rail link installed to -124m level to provide easier access and increase haulage rates from underground.
- Work set to re-commence at -124 metre level with infrastructure program nearing completion.
- Re-commencement of vat leaching with VAT 04 completed in late September and VAT 05 due to commence mid-October.
- 41 linear metres of drive opened since 1 July 2012
- 1,456 tonnes of ore processed through gravity plant since 1 July 2012.
- Geological modelling has identified four mineralised structures which may represent one single structural related mineralised system.

Ze Vermelho Mineralisation

Examination of underground structures and ore characteristics of Ze Vermelho has revealed a complex mineralisation style. To date, four main mineralised styles have been defined; the Main Ze Vermelho (MZVZ), Pedra Branca (PB), Upper Ze Vermelho (UZVZ) and Pyrite-bearing quartz veins zones (see figure below). These mineralised zones may represent one single structurally-related mineralised system.

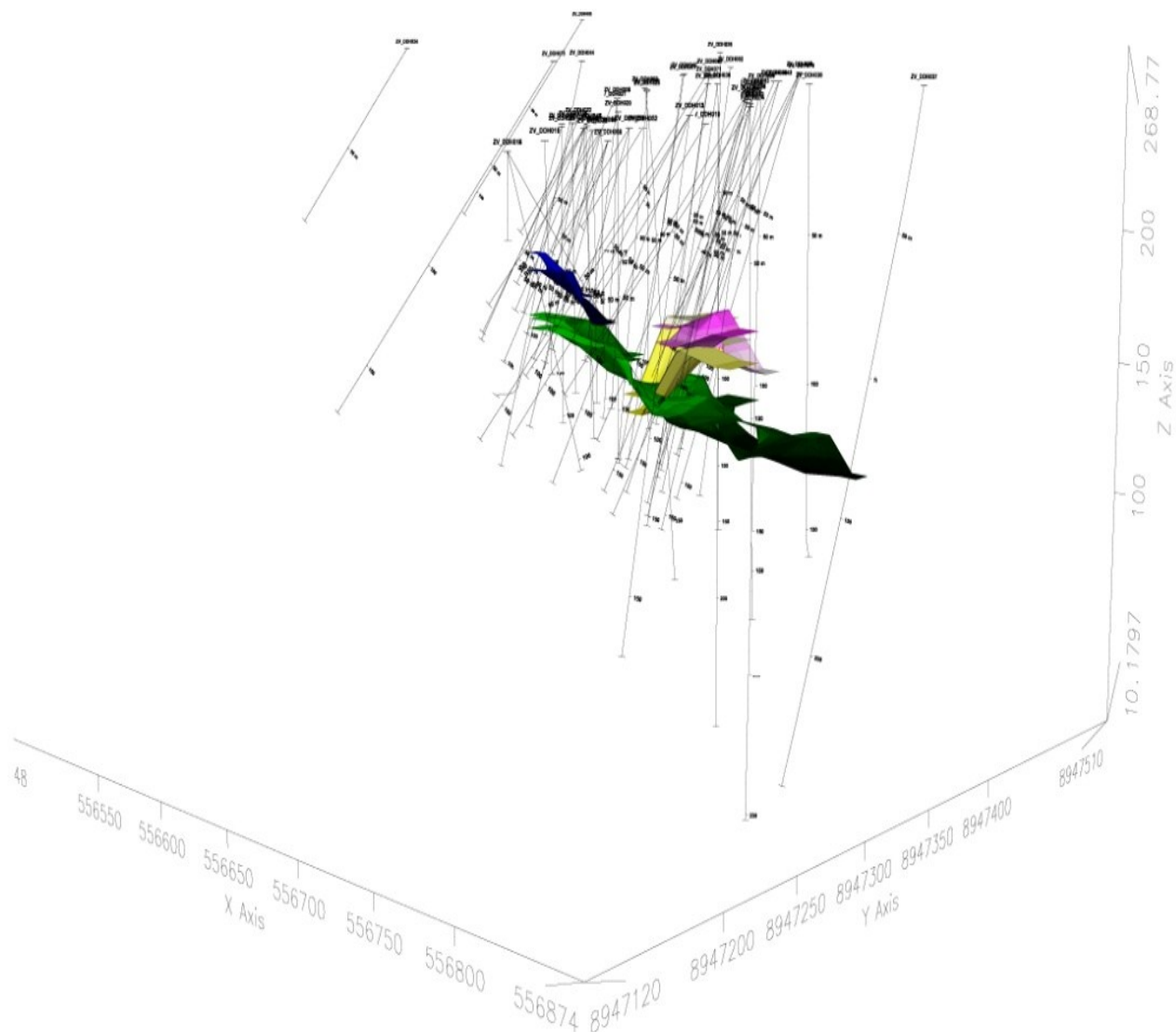


Figure 1. Three dimensional view of the modeled mineralised zones along the Ze Vermelho and Pedra Branca trend; MZVZ in magenta, PB in green, UZVZ in yellow, and Pyrite-bearing quartz veins zone in yellow. Note the semi-parallelism of UZVZ to MZVZ and the crosscutting relationship of Pyrite-bearing quartz vein to MZVZ and UZVZ.

The MZVZ has been the 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 in association with pyrite. It may or may not be enveloped by a quartz mylonite which may show appreciable amounts of pyrite and then also contain elevated concentrations of gold. Initially thought to be a separate prospect, subsequent work has identified the Pedra Branca prospect as the southeastern extension of the MZVZ.

The 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 plunge.

Trial Mining at Ze Vermelho

The Ze Vermelho trial mining program comprises the development of a gold resource through underground development supported by surface diamond drilling. Drive development is both along the strike and dip of the ore zone. Horizontal drives are developed along the strike while inclined drives are developed and follow the plunge of the ore.

To date, two inclined drives, 40_45 and 40_451N have been opened. The latter will provide the main exploration access of the program. Horizontal drives opened are the -54, -64, -74, -84, -90, -106, -116, -124 metre levels both to the southeast and the northwest of the 40_45 and 40_451N drives.

The drive development framework delineates a number of rectangular ore blocks. To date 11 ore blocks have been defined, namely, Panels 1 to 7 which are high-grade panels and 4 low grade panels SE106-90, SE90-84, SE84-74, SE74-64.

Drive opening

During the period, 41 linear metres of drive were opened and yielded 501 tonnes of ore. The ore was processed through the gravity plant and returned 3,418 grams (109.9 oz) of gold (see Table 1 below). The mean gravity recovered grade of this ore was 6.82 g/t Au.

Month	Jul-12			Aug-12			Sep-12			Totals		
Drive_ID	Linear (m)	ROM (t)	Au99 (g)	Linear (m)	ROM(t)	Au99 (g)	Linear (m)	ROM (t)	Au99 (g)	Linear (m)	ROM (t)	Au99 (g)
40_451N	9.4	82.0	839.2	7.4	102.7	489.8	1.5	17.3	46.4	18.3	201.9	1,375.4
45_220	1.5	20.4	372.9	-	-	-	-	-	-	1.5	20.4	372.9
54SE	-	-	-	-	-	-	4.5	65.5	276.4	4.6	65.5	276.4
116SE	1.3	6.7	84.5	2.3	35.0	179.1	-	-	-	3.6	41.7	263.5
116NW	-	-	-	6.7	85.1	450.3	-	-	-	6.7	85.1	450.3
124NW	1.6	13.7	290.0	4.4	72.2	389.8	-	-	-	6.0	86.0	679.8
Total	13.8	122.8	1,586.6	20.8	295.0	1,509.0	6.0	82.8	322.8	40.7	500,62	3,418.3

Table 1. Details for drive openings during quarter ended 30 September 2012

Mining of Panels

During the same period, 791 tonnes of ore from previously defined panels were mined (see Table 2 for details) producing 15,604 grams (~501.7 oz) of gravity recovered gold resulting in a mean gravity recovered grade of 19.7 g/t au.

Month	Jul-12		Aug-12		Sep-12		Totals	
Panel_ID	ROM (t)	Au99 (g)	ROM (t)	Au99 (g)	ROM (t)	Au99 (g)	ROM (t)	Au99 (g)
1	106.8	2,392.0	-	-	45.6	3,163.4	152.4	5,555.4
2	-	-	148.9	3,663.5	115.0	1,845.1	263.9	5,508.5
3	62.0	569.7	-	-	-	-	62.0	569.7
4	54.6	1,524.7	-	-	-	-	54.5	1,524.6
5	35.6	168.8	8.7	500.2	-	-	44.3	669.0
6	-	-	15.6	327.7	-	-	15.6	327.7
7	47.1	204.5	-	-	151.1	1,245.1	198.2	1,449.6
Total	306.1	4,859.7	173.2	4,491.4	311.7	6,253.6	790.9	15,604.6

Table 2. Details for gold production from underground panels during quarter ended 30 September 2012.

Leaching program

Tailings stock

During the period, 1,380 tonnes of tailings (from the gravity processing plant) were stockpiled for future treatment. Total tailing stock is now estimated at approximately 5,700 tonnes.

VAT Leaching

As previously reported, gold recoveries from vat leaching of tailings ores to date have been significantly lower than expected as compared with the estimated head grade and initial metallurgical test work. Initial investigation indicates that the gold distribution of ore at depth varies from the material used for the initial metallurgical test work. A second round of metallurgical test work is currently underway to determine the processing changes that can be implemented to increase the gold recovery from the tailings ores.

In the interim, vat leaching of tailings despite the lower than expected recovery of gold remains economic and is continuing.

During the period, VAT 04 containing 533 tonnes of tailings was vat leached and yielded 3,699 grams (~119 oz) of gold, with a mean recovered grade of 6.94 g/t.

Currently VAT 05 is being prepared with 560 tonnes of tailings and is expected to commence leaching by mid-October.

Mine Infrastructure Upgrade Program - Underground

Over the past few months the Company has been undertaking an infrastructure upgrade program within the underground workings at Ze Vermelho involving the installation of rail lines, conveyors and an improved air ventilation system. The program was implemented to enable ore to be more efficiently mined and delivered to surface as well as improving access and workplace safety.

Currently commissioning of the final section of the installed rails, which extend from the base of shaft 2 (-54m) to the depth of the current underground workings (-124m level), is underway. As the workings at Ze Vermelho extend below the -124m level the Company will continue to extend the rail system.

The completion of this initial rail infrastructure program is expected to significantly increase production levels and at the same time reduce operational costs and allow the Company to

economically process lower grade ore while continuing development of the trial program and exploring for additional high grade ore shoots.

For further information please contact the undersigned via email at r.swick@cgm.com.au or alternatively contact Michael Fry (CFO & Company Secretary) on +61 8 9381 1755.

Yours sincerely
COUGAR METALS NL



RANDAL SWICK
Managing Director

Competent Persons Statement

The information in this release 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.