



Contract Drilling Business Update

ASX Announcement

12 June 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 granted tenements covering an area in excess of 1,000km² and where past production is estimated at five million ounces of gold. The immediate exploration focus is centred on the Ze Vermelho Gold Prospect where the Company has received numerous high grade gold assay results and where it is currently undertaking trial mining, 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 an established mineral drilling business in Brazil, providing surface diamond, reverse circulation and RAB drilling services to the Brazilian mineral resource industry. The Company currently has a fleet of 9 available rigs..

The Company also holds the mineral rights to the Pyke Hill Measured plus Indicated Resources of 14.7mt @ 0.9% Ni (March 2008).

Directors

Randal Swick – Chairman
Jeff Moore – Director
Paul Hardie – Director

Senior Management

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

Capital Structure

Shares on Issue: 462,211,076
52 week range: \$0.02 - \$0.11
Last Price (20/3/12): \$0.06
Market Capitalisation: \$27.7 million

Substantial Shareholders

Savvy Capital Management – 30.12%
Marcia Swick – 17.52%
Top 20 – 59%

HIGHLIGHTS

Contract Drilling

- **Two diamond drill rigs successfully relocated from Uruguay to Brazil. 2 RC rigs to commence transit by sea to Brazil this week.**
- **Service contracts in place for 2 RC drill rigs, 1 Diamond and 1 air-core rig.**
- **2 drill rigs currently deployed on Company exploration projects with a third rig (RC rig RC03) to be deployed on arrival from Uruguay.**
- **Of the 9 rig Brazilian fleet, 7 rigs are currently in work or contracted to go to work in short term.**
- **Active tender pipeline with several tenders currently at advanced stage.**

Cougar Metals NL (ASX Code: CGM) is pleased to provide an update with respect to current activities within its contract drilling business.

After considerable time delay and administrative frustration, Cougar Metals recently received customs permission to import its 2 RC drill rigs and 2 Diamond drill rigs into Brazil from Uruguay.

The 2 Diamond drill rigs were shipped approximately 2 weeks ago and are in Brazil, transiting to Belo Horizonte where the drilling business is headquartered.

The 2 RC drill rigs will depart by sea later this week and are expected to arrive at Belo Horizonte en route to jobs by the end of the month.

The time gap between finishing work in Uruguay and departing for Brazil has allowed the Company the opportunity to undertake extensive maintenance and repair on all four rigs; necessary as the rigs had been fully employed for the previous 18 months.

The Company currently has drill fleet of nine (9) available drill rigs within Brazil; all owned. The composition of the fleet is 3 Surface RC drill rigs, 5 Surface Diamond drill rigs and 1 Surface RAB/Air-Core drill rig. The company also has an additional RC drill rig (a new Atlas Copco T3W) in Uruguay yet to be mounted on a carrier.

According to the Metals Economic Group (MEG), a leading provider of information and analysis to the global mining industry, global non-ferrous exploration has rebounded in 2010 and 2011 after bottoming out in early 2009 following the global financial crisis (*Source: World Exploration Trends 2012 Report for PDAC International Conference, March 2012*).

Latin America (comprising Mexico, Chile, Peru, Brazil, Columbia and Argentina) was the top exploration destination in 2011, accounting for 25% of the total global non-ferrous exploration spend of US\$18.2 billion; a position Latin America has held for the better part of the last two decades.

Within Latin America, exploration expenditure targeting gold increased significantly in 2011 buoyed by strong growth in Columbia, Guyana, Brazil and Mexico; base metals exploration expenditure however slipped to its smallest share in more than a decade.

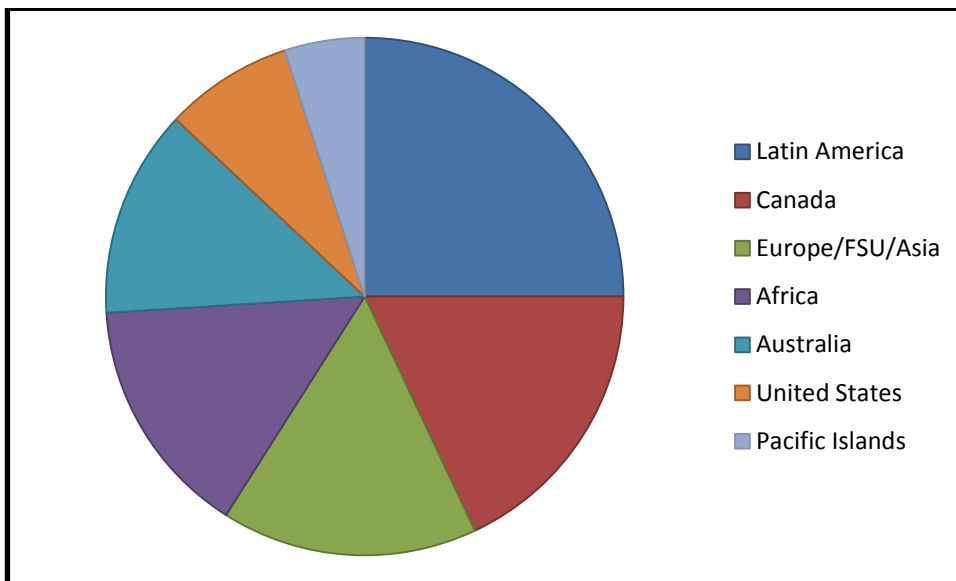


Chart: Global Nonferrous Exploration Budgets by Region, 2011
Source: Metals Economics Group, 2012
Corporate Exploration Strategies

The table below reflects the current contractual position in relation to the Company's drill fleet:

Rig Reference	Description	Contracted (yes/no)	Contract Particulars
RC01	KL150	yes	Engaged under ongoing arrangement with Beadell Resources Ltd at the Tucano Project.
RC02	Thor 5000	yes	In transit from Uruguay to commence 10,000m drill program for external client in Mato Grosso, Brazil
RC03	Modified TH60	yes	In transit from Uruguay to commence program at Company's Apiacas Project, Mato Grosso, Brazil.
DD01	Sandvik 710e	yes	Cougar – Ze Vermelho
DD02	Sandvik 710e	yes	4,000m program commencing mid-June.
DD03	Sandvik 710e	yes	Cougar – Ze Vermelho
DD04	Sandvik 710e	No	<i>Tenders pending</i>
DD05	Sandvik 710e	No	<i>Tenders pending</i>
AC01	Modified GS100 RAB/Air-Core	yes	Contract commencing mid June 2012; rig expected to be engaged for remainder of 2012 calendar year.

In summary, Cougar's Brazilian drilling business having operated for more than four years is now an accepted provider of high quality drilling services that is well placed to compete within Brazil's large mining and exploration market. The relocation of rigs from Uruguay whilst frustrating is now nearing completion and the Company looks forward to a return to strong levels of activity.

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
Executive Chairman