IP Survey Identifies High Priority Drill Targets

ASX Announcement

27 March 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 1,450km^2 and where past production is estimated at five million ounces of gold. Much of the immediate focus is centred on 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, which 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 growing mineral drilling businesses in Brazil and Uruguay, 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 13 rigs with plans to grow this in the near future.

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).

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: 406,223,576
52 week range: $0.02 - $0.11
Last Price (20/3/12): $0.085
Market Capitalisation: $34.5 million

Substantial Shareholders
Savvy Capital Management – 34.06%
Marcia Swick – 19.61%
Top 20 – 64.84%

HIGHLIGHTS

- **Preliminary interpretation of GAIP Survey identifies many high priority targets in the immediate vicinity of Ze Vermelho for immediate drill testing.**
- **GAIP Survey identifies Pedra Branca trend continuing to the ESE for 450 metres (limit of survey data).**
- **Both the newly identified Pedra Branca and Ze Vermelho structures correspond to well defined chargeability and resistivity highs observed in the GAIP Survey.**
- **GAIP Survey identifies a number of additional anomalies that display similar geophysical characteristics to Ze Vermelho within the survey area.**
- **Preliminary review of lines of pole-dipole IP and dipole-dipole IP indicate that the IP anomalies may continue at depth, suggesting vertical continuity.**

Cougar Metals NL (ASX Code: CGM) is pleased to provide preliminary interpretation results from the high resolution GAIP Survey conducted over the Company's Ze Vermelho Gold Project in Brazil.

Background

As part of the Company's exploration program at Ze Vermelho a geophysical program was implemented in December 2011.

Fugro-Geomag Brasil was engaged to conduct high resolution Gradient Array, Pole-Dipole and Dipole-Dipole Induced Polarisation Surveys (GAIP, PDIP and DDIP respectively) and Time-Domain Electromagnetic surveys (TDEM Surveys).

The Company has engaged independent geophysical consultants, Resource Potentials Pty Ltd (**RESPOT**), to analyse and interpret the survey data.

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RESPOT Report dated 26 March 2012

A report detailing a preliminary interpretation of the results of the high resolution GAIP Survey conducted by Fugro-Geomag Brasil over Ze Vermelho (area: 800m x 800m; line spacing of 20m, station spacing of 10m), has been provided by RESPOT and the salient points are as follows:

1. The Ze Vermelho mineralisation is characterised by a chargeable and resistive zone in the GAIP data. The anomalous chargeability response is attributed to disseminated sulphide mineralisation that is commonly associated with gold mineralisation encountered in the Ze Vermelho area within resistive quartz veins.

2. The GAIP Survey identifies the Pedra Branca quartz vein structure (where recent drilling identified significant gold mineralisation - refer ASX Announcement 'Outstanding Gold Results at Pedra Branca', *March 2012*) intersecting the anomalous GAIP response of the known Ze Vermelho mineralisation – refer Figure 1 below.

3. The GAIP Survey suggests that the Pedra Branca quartz vein structure cross cuts the NW-SE structure controlling the Ze Vermelho mineralisation.

4. The Pedra Branca structure is observed as an ESE trending string of chargeable zones (refer Figure 1 below) and is clearly observed extending 450m east, to the boundary of the GAIP survey area. The chargeable regions observed along the structure could indicate the presence of further sulphide mineralisation along the trend.

5. An E-W linear trend of resistive responses is observed in Figure 2 (below), and represents the continuation of the Pedra Branca structure to the west. This trend cross cuts the Ze Vermelho structure and continues west intersecting a parallel feature of comparable size and with a chargeability and resistivity high of similar amplitude to the Ze Vermelho Structure. This anomalous feature is yet to be drill tested.

6. Several other anomalous GAIP responses are also observed along the Pedra Branca structure, and throughout the survey area.

7. Preliminary processing results for the PDIP and DDIP data indicate that the IP anomalies continue at depth, suggesting vertical continuity. This is validated by current drilling and underground development at Ze Vermelho, which demonstrates that mineralisation continues to a depth of at least 107m (ZV-DDH-023). Final processing results of the PDIP and DDIP surveys are expected in the near future.

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Figure 1 below is an image of the GAIP chargeability and highlights the Ze Vermelho and Pedra Branca structures (red colours represent high chargeability).

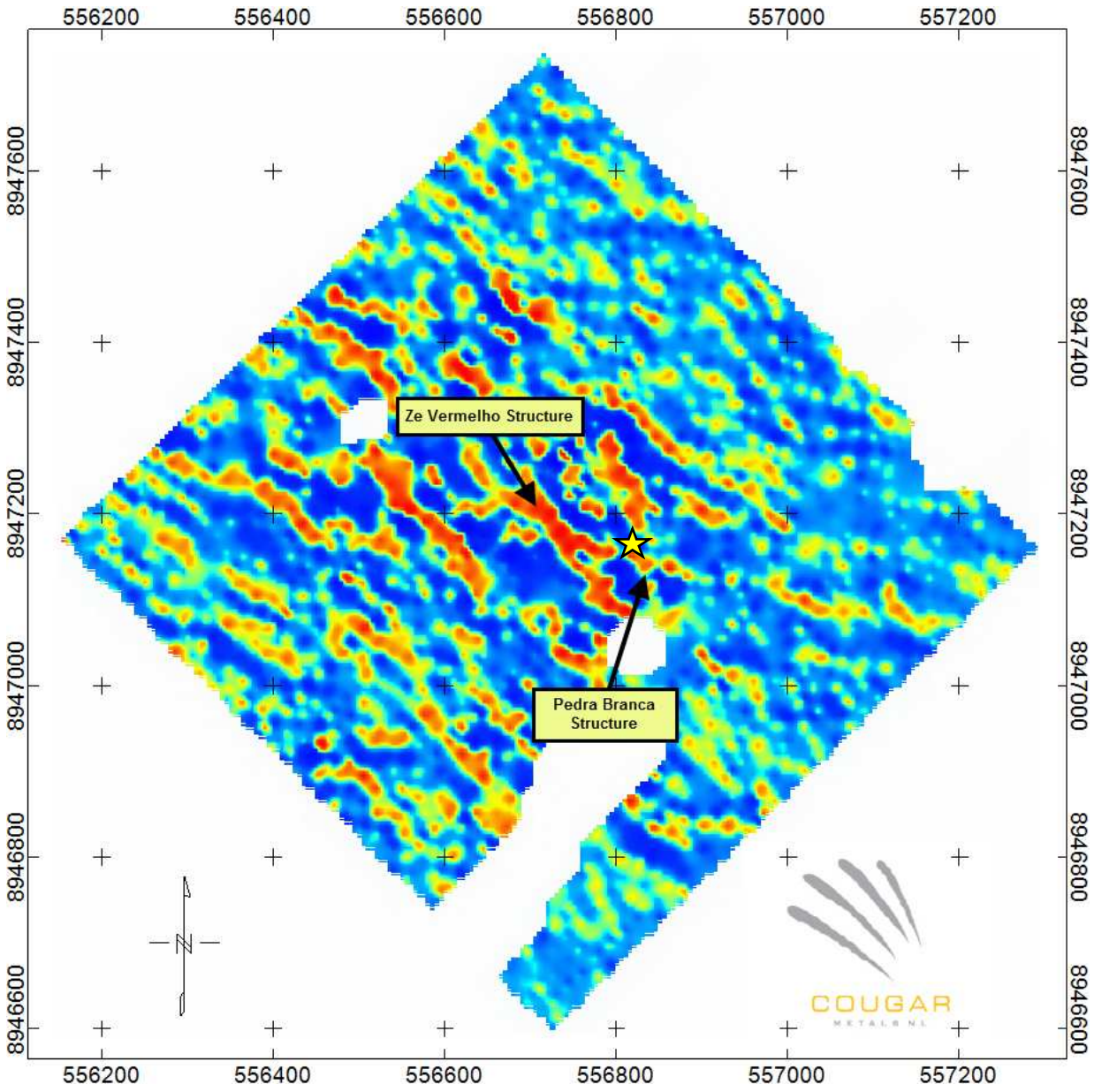

Figure 1: Image of the chargeability response from the high resolution GAIP survey (red represents highly chargeable). The Ze Vermelho Structure is a highly chargeable zone due to the presence of sulphides that are associated with gold mineralisation in the area. The Pedra Brance structure is observed with an ESE trend, and intersecting the Ze Vermelho. High grade gold intervals have been intercepted at this intersection (yellow star highlights the drill hole collar location of ZV-DDH-24).

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Figure 2 below shows the apparent resistivity of the GAIP survey (red colours show the resistive features).

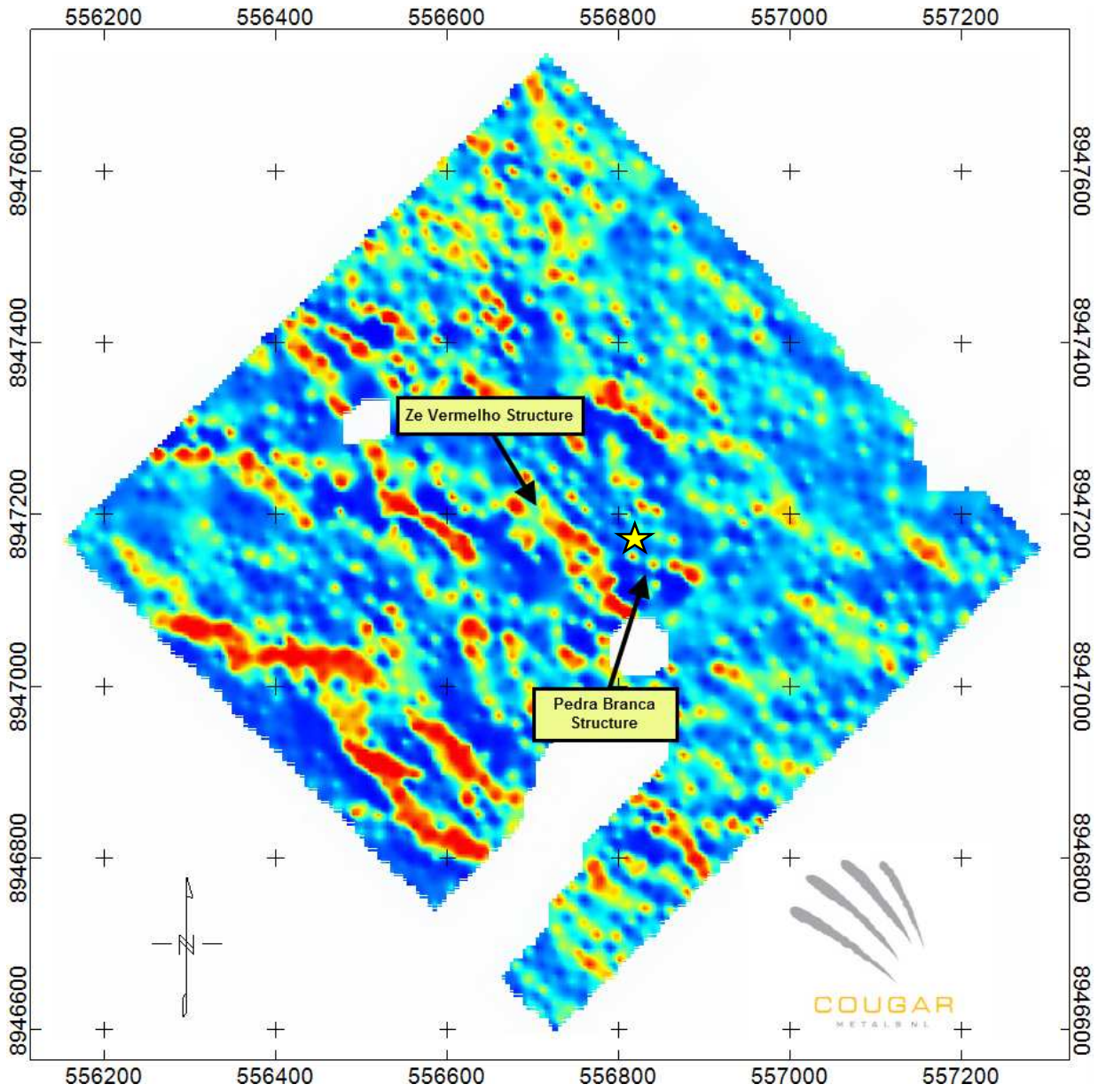

Figure 2: Image of the apparent resistivity from the high resolution GAIP survey (red represents highly resistive). The quartz veining of the Ze Vermelho Structure has resulted in a resistive response. The Pedra Branca Structure is observed continuing to the west as a string of resistive zones. The yellow star highlights the drill hole collar location of ZV-DDH-24 which intersected significant gold mineralisation.

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The results of the GAIP Survey have been used to design an upcoming drilling program to identify further gold mineralisation within the Ze Vermelho area. The proposed drill holes overlaid on an image of the GAIP chargeability are as follows:

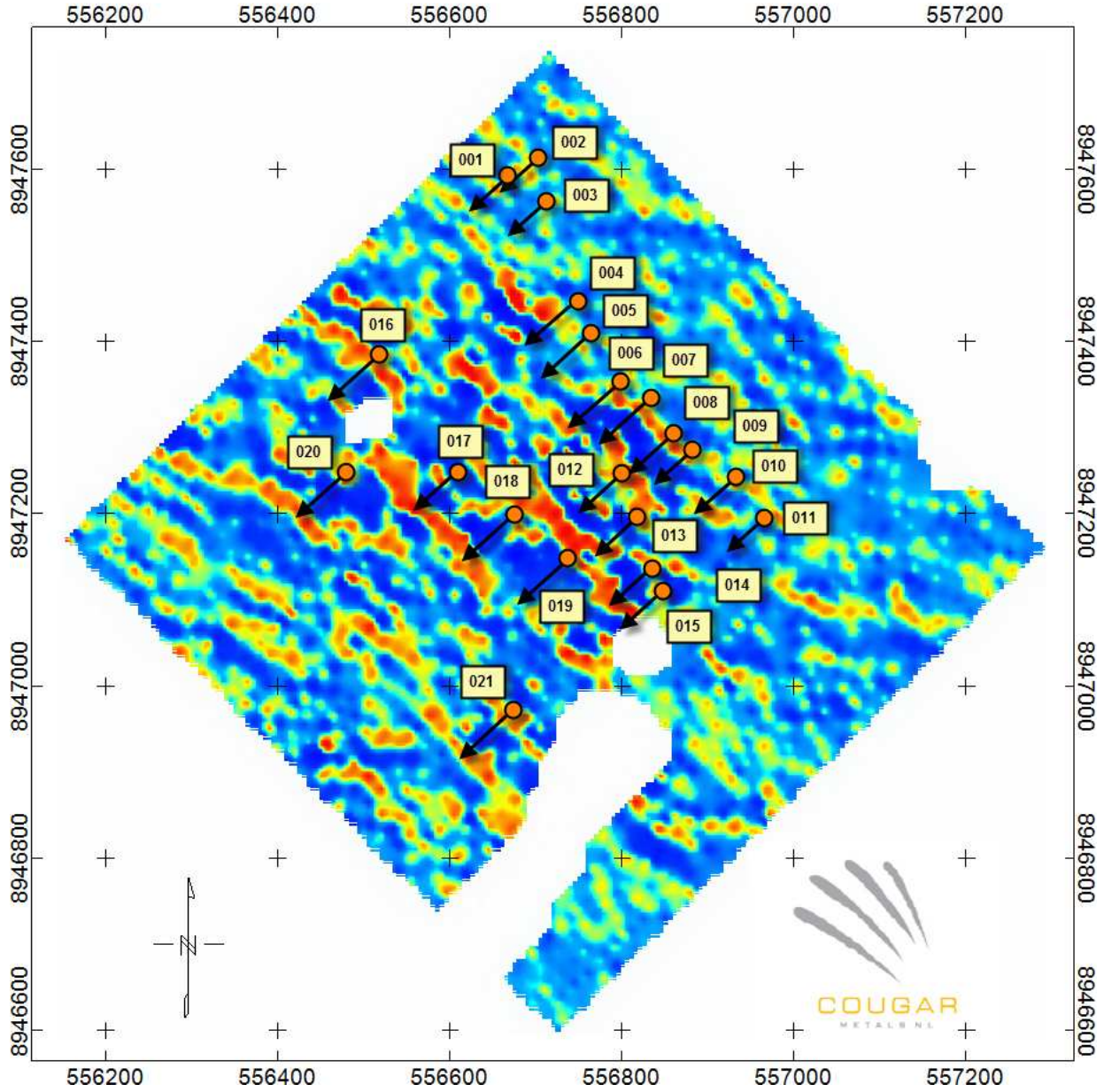

Figure 3: Proposed drill hole location for the upcoming drilling program.

TDEM Survey Results

The Ze Vermelho Prospect area was also surveyed by a high resolution time domain, fixed loop electromagnetic surveys (TDEM). A review of the TDEM data is currently underway by RESPOT for the purposes of identifying potential zones of massive sulphide mineralisation. The results of the TDEM review, integrated with the GAIP data, may identify further mineralised zones.

Final processing and interpretation results of these surveys are expected shortly.

Comments

Per Randal Swick (*Managing Director, Cougar Metals NL*):

"The Company is excited by the results of the GAIP Survey. Existing known mineralised structures are clearly identifiable in the GAIP images verifying the effectiveness of the survey and providing confidence in the survey as an effective exploration tool.

As a result of the preliminary interpretation, we now have 21 drill holes planned to test a number of these anomalies, with further interpretation expected to lead to additional anomalies warranting drill testing.

Of significant interest is the GAIP response provided by the Pedra Branca structure which can be observed to extend over a strike length greater than 450m. This response in conjunction with drill results to date and our visual observation of the core provides significant encouragement.

We currently have two rigs dedicated to exploring these targets at Ze Vermelho. In addition, a third rig will be mobilised to the project area in order to test additional targets generated in the district through surface sampling and mapping programs."

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

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Competent Persons Statement

The information in this release that relates to Exploration Results is based on information compiled by Dr Jayson Meyers who is a Fellow of the Australian Institute of Geoscientists. Dr Meyers is a consultant to 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". Dr Meyers 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.

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