



Quarterly Activities Report for the quarter ended 31 December 2012

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

The Company has been focused on exploring the Alta Floresta gold belt in central west Brazil that is estimated to have produced five million ounces of gold. Currently approximately 855 km² of exploration tenements are held by CGM. The Company had developed the Ze Vermelho Gold Prospect through a trial mining permit where high grade gold bearing material was mined and treated at the site through a gravity and cyanide processing facility.

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

In addition, the Company also holds the nickel and cobalt laterite mineral rights to the Pyke Hill prospect located 40km east of the Murrin Murrin Nickel operations in Western Australia. The prospect contains a Measured and Indicated Resources of 14.7mt @ 0.9% Ni and 0.06% Co. (March 2008).

Directors

Roger Hussey – Chairman
Randal Swick – Managing Director
Paul Hardie – Non-executive Director

Senior Management

Randal Swick – Managing Director
Roger Hussey - Chairman
Michael Fry – CFO & Company Secretary
Paul Nagerl – Exploration Manager
Victor Bella – Brazil Drilling Manager
Fernando Pena – Uruguay Drilling Manager

Capital Structure

Shares on Issue: 462,211,076
52 week range: \$0.01 - \$0.11
Last Price (30/10/12): \$0.01
Market Capitalisation: \$5.1 million

Substantial Shareholders

Savvy Capital Management – 29.44%
Marcia Swick – 17.36%

HIGHLIGHTS

Ze Vermelho Exploration

- Ze Vermelho exploration activities were halted in late November on account of the weakening of the mineralised structure at depth and subsequent low gold production. Substantial knowledge has been acquired through exploration at Ze Vermelho and the numerous other nearby gold occurrences which shall be reviewed in light of the search for a significant gold deposit within Cougar's properties.
- The Ze Vermelho trial mine remains on care and maintenance with pumps in place to ensure water level remain below the shaft collars. Limited personnel are retained to secure the plant and equipment.
- Following the completion of the 6th cycle, vat leaching was suspended for the wet season and indefinitely pending the result of the project review.
- Significant staff reductions were implemented in December to correspond with the cessation of trial mining.
- Gold Sales of R\$ 1.55 million (approx AUD 0.76 million)

Exploration at other prospects

- An underground bulk sample extraction program was carried out at the Candinho gold occurrence located within the Traira Prospect, Paranaita District. Initial results were discouraging.

Highlights (cont)

- Peixoto office was sold for R\$350,000 (approx AUD 175,000).
- Cougar currently holds 51 properties under exploration licenses or application for exploration licenses.
- Further reductions in properties are anticipated for 2013.

Drilling Business

- The Brazilian drilling business generated an income of R\$ 1.763 million during the quarter, below the September quarter revenue of R\$ 2.16 million.
- Award of two substantial drilling contracts during the quarter, with one being terminated by mutual consent in January 2013.

Corporate

- Retirement of Jeffery Moore as director.
- All resolutions passed at the Company's Annual General Meeting.
- Subsequent to the quarter an agreement was executed with Minera Aratiri, a former client of Cougar Drilling Services in Uruguay for the payment of \$400,000 USD in settlement of all outstanding issues between the companies. Payment is to be received in full by April 1, 2013.

EXPLORATION ACTIVITIES

Background

The exploration portfolio of Cougar Metals NL ("**Cougar**" or "**Company**") consists 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).

Alta Floresta Project (Mato Grosso State, 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) and comprises three groups of tenements covering approximately 855 km² over a 330 km section of the Alta Floresta Gold Belt. Government records estimate past production from this belt to be 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 districts.

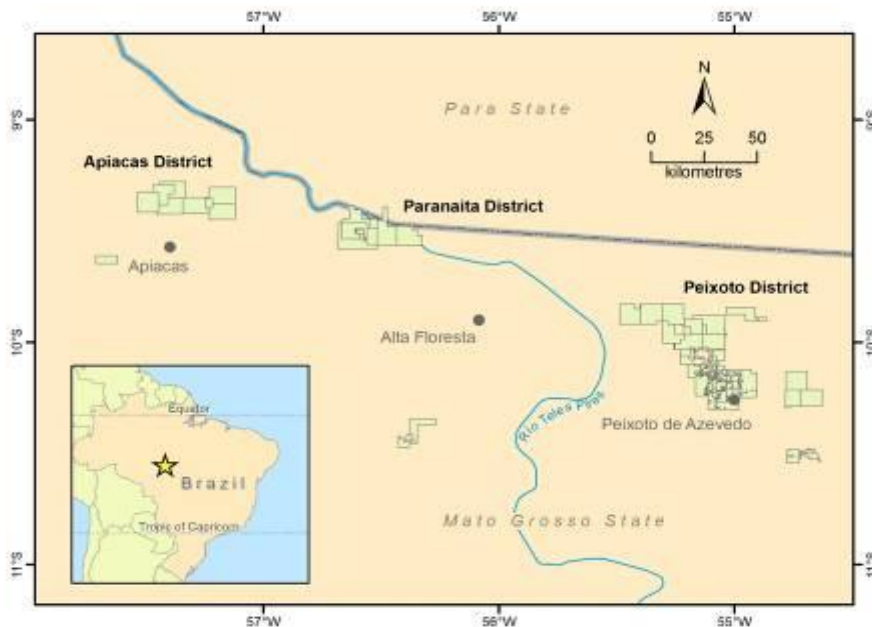


Figure 1: Location of Alta Floresta Project in Mato Grosso State, Brazil

The Ze Vermelho project lies within the Alta Floresta Project, Paranaita District, and consists of an historic open pit with 4 vertical shafts constructed at the base of the pit. Mining operations ceased at Ze Vermelho in the 1990's following the production of approximately 70,000oz Au. In late 2010 Cougar re-opened a shaft and following the sampling of underground material commenced a trial mining operation.

Due to the difficulties in targeting and obtaining valuable drill data, exploration results were derived principally from the trial mining activities. Infrastructure was acquired and installed allowing the processing of underground material through a gravity separation plant and also the cyanide leaching of the resulting tailings.

Due to pinching of the gold bearing system at depth, constraints on underground development and the resulting low gold production, a decision was made in November 2012 to cease the trial mining operation.

EXPLORATION AND PRODUCTION UPDATE

Pyke Hill Project (Western Australia)

No new work was conducted during the December quarter. The Company continues to seek third parties who may have an interest in participation in the project.

Alta Floresta Project (Mato Grosso State, Brazil)

Ze Vermelho Project

Work during the quarter included the Ze Vermelho trial mining, reconnaissance mapping and an underground bulk sampling exercise at the Candrinho gold occurrence within the Traira prospect, however results were discouraging.

Re-interpretation of the gradient I.P. survey and incorporation of the surface E.M. surveys completed at Ze Vermelho and Filao do Meio showed a positive correlation with the known mineralisation. However highly conductive overburden and the narrow nature and often disseminated concentration of associated sulphide mineralisation did not provide a strong E.M. response. Bore hole E.M. results supported the known intersections but did not indicate strong off hole anomalies for drill testing. The gradient I.P. survey results indicated a distinct chargeability and resistivity anomaly associated with the Ze Vermelho mineralised trend.

Final assay results were received for a number of diamond drill holes from the Ze Vermelho and Filao do Meio targets. Results continued to show the high grade concentration and narrow widths of the gold mineralisation associated with these occurrences. The distribution along apparent related regional structures of these and other gold occurrences in the region is suggestive of a larger gold mineralising system. Reconciliation of a significant information base acquired through trial mining and exploration of these occurrences will be used to update the Company's regional exploration strategy.

Regional Exploration Activities

No exploration activities were carried out at the Peixoto and Apiacas District areas. Discussions with potential partners to explore these areas are ongoing.

Gold Production

During the December 2012 quarter the Company processed a total of 1,098t of ore (Sept 2012 quarter: 1,502t) through the gravity processing plant located on site at Ze Vermelho and recovered a total of 15,323 (492oz) of gold (Sept quarter 788oz) resulting in an average mean grade gravity recovered of 14.0 g/t of gold as shown in the table below.

| Month | Tonnes Processed | Gravity Recovered Gold (g) | Grade (g/t from gravity) |
|--------------|-------------------------|-----------------------------------|---------------------------------|
| October | 396 | 6,519 | 16.4 |
| November | 522 | 6,570 | 12.6 |
| December | 180 | 2,234 | 12.4 |
| TOTAL | 1,098 | 15,323 | 14.0 |

Table 1: Gravity Gold Production during quarter ended 31 December 2012

A total of 1,098 tonnes of tailings was stockpiled for future leaching.

In addition, during the December quarter the Company recovered a total of 3,432g Au from cyanide vat leaching of tailings.

Total gold production for the December quarter was 18,755g (603oz) of gold.

Vat Leaching

Whilst the tailings treatment via cyanide leaching remains a profitable exercise, all leaching has been halted pending a post wet season re-assessment of tailings quantity, grade and available options with respect to the treatment or sale of the tailings.

An accurate estimation of gold contained in the tailings remains to be determined with different methodologies resulting in varying values. Sampling of the tailings material on a daily basis yield high values (+25 g/t) however subsequent leaching and sampling of the tailings has yielded approximately 6-7 g/t Au. Immediately prior to the cessation of activities at Ze Vermelho in December 2012, 20 tonnes of material was re-processed through the gravity plant yielding 10 g/t Au gravity recovered gold.

Following the wet season a further and thorough sampling program will be conducted to establish a more accurate figure of what remains.

CONTRACT DRILLING BUSINESS UPDATE

Brazil

Revenue for the December 2012 quarter from external clients was R\$ 1.73 million (approx AUD 0.86 million (September quarter: R\$2.16m or ~AUD\$1.08m).

Two new significant contracts were won during the quarter – 20,000m of RC drilling with Beadell Resources and 14,000m of RC drilling with Aura Minerals. Subsequent to the quarter the Aura Minerals contract was mutually terminated on account of access issues for the company's equipment.

The Brazilian contract drilling industry remains depressed on account of a seasonal downturn, reduced exploration activity and the continuing lack of exploration approvals by the Brazilian Mines Department (DNPM).

The Company expects that activity will increase following the end of the wet season and if a resolution to the granting of new mining claims is forthcoming a significant increase in demand for drilling services within Brazil is expected.

Uruguay

During the quarter the Company's Uruguayan subsidiary, Cougar Drilling Services completed a drilling program utilizing a hired rig. Revenue for the program totaled USD 539,000.

CORPORATE UPDATE

The Company's Annual General Meeting was held on November 29, 2012 with all proposed resolutions being passed. These being the adoption of the Company's remuneration report and the re-election of Mr Roger Hussey as a director of the Company.

Mr Jeffery Moore retired as a director of Cougar Metals and did not seek re-election at the Annual General Meeting.

Following the cessation of trial mining activities at Ze Vermelho by the Company's wholly owned subsidiary, Cougar Brasil Mineracao Ltda, all but essential employees (approximately 70) were dismissed. Liabilities of the operation remain significant with a final payment to employees of approximately R\$150,000 (~ AUD 75,000) to be made on February 28, 2013. Creditors of the operation total, as at the date of this document, approximately R\$975,000 (~ AUD 485,000). Negotiations with creditors to effect payment over time are in progress.

ACTIVITIES SUBSEQUENT TO THE END OF THE QUARTER

Contract Drilling

In January 2013 the drilling contract between Aura Minerals and GeoLogica Sondagens was terminated by mutual consent on account of the unsuitability of GeoLogica's equipment for the available locations within Aura Minerals drilling program.

Corporate

On January 24, 2013 Cougar Metals' wholly owned subsidiary, Cougar Brasilia Pty Ltd executed an agreement with its former client Minera Aratiri in Uruguay to settle all outstanding matters between the two entities. As a result Cougar Brasilia is to receive a total of USD 400,000 in three tranches being USD 150,000 by Feb 1, USD 150,000 by March 1 and USD 100,000 by April 1, 2013.

On January 2, 2013 3,000,000 options held by Mr Jeffery Moore were cancelled in accordance with the terms of their issue.

PROPOSED ACTIVITIES FOR THIRD QUARTER FY2013:

Exploration:

- Strategic Review of Brazilian exploration targets utilising existing data sets
- Re-sampling program of Ze Vermelho tailings ponds following cessation of wet season – possibly March 2013.
- Continued evaluation of new projects

Drilling Division:

- Continued marketing of drilling services
- Continued operation of RC drilling rig at Beadell's Amapa project.

Corporate:

- Conclusion of Peixoto office sale
- Consideration of the Company's funding requirements

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

A handwritten signature in black ink that reads "Randal Swick".

RANDAL SWICK
Managing Director

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.