



Quarterly Activities Report for the quarter ended 31 December 2013

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

During calendar year 2013 Cougar executed Option Agreements over two projects in the Shoal Lake region of Ontario, Canada; an area containing a number of past producers and significant exploration results.

In January 2013, Cougar entered into an option to acquire a 51% undivided interest in the Shoal Lake Gold Project containing the Mikado and Cedar Island historic mines.

In October 2013, Cougar entered into an option to acquire a 100% interest in the advanced Duport Gold Project hosting the Duport Gold deposit and several patented and staked claims.

Cougar's principal exploration focus is to progress its Shoal Lake projects.

The Company also held a significant tenement holding in Brazil within the Alta Floresta gold belt in central west Brazil. In December 2013 the Company reached agreements to dispose of its entire holdings.

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

In Australia, the Company 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 – Non Executive Chairman
Randal Swick – Managing Director
Paul Hardie – Non Executive Director

Senior Management

Randal Swick – Managing Director
Michael Fry – CFO & Company Secretary
Johan Van der Stricht – COO
Paul Nagerl – Exploration Manager

Capital Structure

Shares on Issue: 665,268,524
52 week range: \$0.00 - \$0.004
Last Price (30/1/14): \$0.004
Market Capitalisation: \$2.66 million

HIGHLIGHTS OF THE SECOND QUARTER OF FY14

Canada Exploration

Duport Gold Project

- Option Agreement executed in October 2013 with the Sheridan Platinum Group over the Duport Gold Project, an advanced, high grade development opportunity with potential to fast track to production.
- Over 2,900 metres of underground development on 8 levels from decline with over 90,000 metres of diamond drilling from surface and underground completed.
- Historic resource estimations (non-JORC).
- Awaiting registration of Duport tenements, and field season, prior to commencing activities under Option Agreement.
- Work during the quarter was preliminary in nature.

Shoal Lake Gold Project

- KPM has rejected CGM's request for arbitration of alleged material contractual breaches by KPM. Cougar now proceeding with Court action to appoint an arbitrator.
- Exploration activities suspended pending resolution of litigation.

Brazil Exploration

- Agreements reached with parties to dispose of 100% of mining tenements in Brazil for USD \$3.25 million (net of transaction costs and liabilities). Funds to be received progressively over 2 years.
- Proceeds received to date total USD\$ 650,000

Contract Drilling Business

- Revenue from the provision of contract drilling services for the quarter ended 31 December 2013 were R\$1.973 million (quarter ended 30 September 2013: R\$2.87 million).
- Industry activity in Brazil remains suppressed consistent with lower activity levels in the global mining industry which softened markedly over the course of calendar year 2013.
- The Company currently has 3 drill rigs in short term work.

Corporate

- Wholly owned Canadian subsidiary "Duport Gold Company Limited" was incorporated in October 2013; through which exploration activities on the Duport Project will be conducted and administered.

ACTIVITIES REPORT

Cougar Metals NL (ASX Code: CGM) (“**Cougar**” or “**the Company**”) is pleased to provide its activities report for the quarter ended 31 December 2013.

EXPLORATION ACTIVITIES

Background

Cougar Metals NL holds an exploration portfolio consisting of the Pyke Hill Nickel/Cobalt Project in Western Australia, the Alta Floresta Gold Project in Brazil, and the recently acquired Shoal Lake Gold and Duport Gold projects in the Shoal Lake region of Ontario, Canada. The Shoal Lake Gold and Duport Gold projects were the principal focus during the quarter.

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 quarter. The Company continues to seek third parties who may have an interest in participation in 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.

Government records estimate past production from the AFGB 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 Company’s Project Area encompass a large number of gold occurrences and small past producers.

During the quarter the Company successfully negotiated three sales agreements to dispose of its entire holding in the district for net proceeds of approximately USD 3.25 Million to be paid over the next 2 years. To date approximately USD \$650,000 has been received by the company.

Duport Gold Project (Ontario, Canada)

In October 2013, the Company entered into an Option Agreement with the Sheridan Platinum Group Limited (Sheridan) to acquire a 100% interest in its Duport Gold project located in the Province of Ontario, Canada. In accordance with the terms of the Option Agreement, Cougar can acquire a 100% undivided interest in the project by maintaining

the property and making aggregate payments totalling CAD\$ 6.4 million over 4 years as follows:

- CAD\$ 200,000 following execution of the agreement, subject to evidence of the registration, in the name of Sheridan, of all properties under the Agreement.
- CAD\$ 1,200,000 in six equal payments spaced three months apart and commencing on the first anniversary date of evidence of registration of the properties under Sheridan.
- CAD\$ 5 million on the fourth anniversary date of evidence of registration of the properties under Sheridan.

Sheridan will retain a 3% NSR on production from the Duport Gold Deposit and a 1.5% NSR on production of deposits greater than 500,000 oz gold from the totality of the property other than the Duport Gold Deposit.

The Duport Gold project covers ~2,500 hectares and comprises patent mining and staked claims.

Gold at Duport was first discovered in 1896 and this was quickly followed by the sinking of a vertical shaft. Subsequent development occurred on 4 underground levels coincided with the production of high grade gold ore.

Gold production from the Duport halted in 1936 and the property was only intermittently explored until its control came under Consolidated Professor Mines Limited (“CPM”) in 1973. CPM work on the property included a substantial amount of diamond drilling and new underground development on 8 levels accessed via a decline and culminated in a decision to proceed to production.

CPM halted development operations in 1989 due to the prevailing economic environment and the necessity for a full environmental impact assessment thrust upon the company at that time.

Underground access for the Duport Gold Deposit is from an island on Shoal Lake. The lake straddles the Ontario - Manitoba Provincial border and is the supply of potable water for the City of Winnipeg. The Duport Gold deposit is located 13 kilometres from the City’s water intake. A final development plan proposed by CPM located the ore processing facility onto the mainland in a different watershed.

Environmental work carried out by CPM (1979-1995) addressed the preservation of the existing water quality and traditional land use of the Shoal Lake watershed.

Resource estimations were completed by CPM following each phase of exploration through to 1989. A subsequent resource estimation was completed by Roscoe Postle Associates Inc. (“RPA”) in 2006. These estimations completed by both CPM and RPA are not JORC compliant.

Shoal Lake Gold Project (Ontario, Canada)

On 29 January 2013, the Company entered into an Option Agreement with Kenora Prospectors & Miners, Limited (KPM) to acquire a 51% interest in its Shoal Lake gold project located in the Province of Ontario, Canada (Project). The Shoal Lake Gold Project is located approximately twenty (20) kilometres from the Manitoba and US borders, and fifteen (15) kilometres south of the Trans Canadian Highway. Terms of the option were released to the market on 5 February, 2013.

Tycoon Gold Resources Inc., a wholly owned Canadian subsidiary of Cougar Metals NL, was established on 1 March 2013 to undertake exploration of the Shoal Lake Gold Project pursuant to the KPM Option Agreement.

The project is host to two past producers - the Mikado Mine and Cedar Island Mine. Within the project area, discovery and mine development began in 1893 and 1897 respectively for the Mikado Mine and Cedar Island Mine and both produced gold intermittently until 1936.

No further significant work was undertaken on the property until 1980 when it was optioned to Dennison Mines. This option terminated in 1982. KPM, the Property holder, completed trenching in 1985 and Bond Gold (formerly St. Joe Canada) optioned the property between 1985 and 1992, during which time it undertook a significant amount of drilling. Amador Gold then optioned the property between 2002 and 2004 and completed the most recent drilling campaign.

In excess of 197 drill holes totaling over 39,000 metres have been drilled on the property.

Following the execution of the option agreement and the first two option payments, the vendors failed to respond to the Company's reasonable requests to advance exploration activities, including the provision of data and authorisations to deal with the relevant governing authorities. The Vendor also claimed that the Company was in default of payments despite the option agreement clearly demonstrating this was not the case. Ultimately the Company requested arbitration over the disagreements between the parties in order for the issues to be determined. KPM refused the invitation to arbitrate the issues. The Company has now instigated legal proceedings against KPM requesting, amongst other issues, that the initial disputed issues be referred to arbitration (as per the option agreement). A court hearing date is yet to be set.

Work on the Shoal Lake Gold Project is suspended whilst these matters are being resolved.

EXPLORATION ACTIVITIES DURING THE CURRENT QUARTER

Duport Project

As described above, during the quarter ended 31 December 2013, the Company entered into an Option Agreement over the Duport Project; the key terms of which are set out above.



Location of the Duport Gold Project at Shoal Lake, Province of Ontario, Canada.

Prevailing rock types underlying the Duport project area include felsic, mafic and ultramafic metavolcanics, and schists intruded by felsic dykes and sills. The predominant host to the gold is highly sheared and fractured tuffaceous interflow material containing sulphide mineralization in the form of pyrite and arsenopyrite with lesser pyrrhotite and chalcopyrite. The interflow rocks are interpreted to be conformable with surrounding volcanic sequences and their consistency and traceability is considered to be of great importance potentially leading to the discovery of additional gold deposits along strike.

Gold mineralisation at Duport is classified as epigenetic hydrothermal situated in the wide Cameron Island Deformation Zone. Its tenor is generally directly proportional to the percentage of arsenopyrite and associated pyrite, and the degree of silicification. Two similar parallel trending deformation zones adjacent to the east are also known to demonstrate gold potential and are included in the project area.

Gold on the property was first discovered in 1896 and quickly followed by the sinking of a vertical shaft. Subsequent development on 4 underground levels coincided with the production of high grade gold ore.

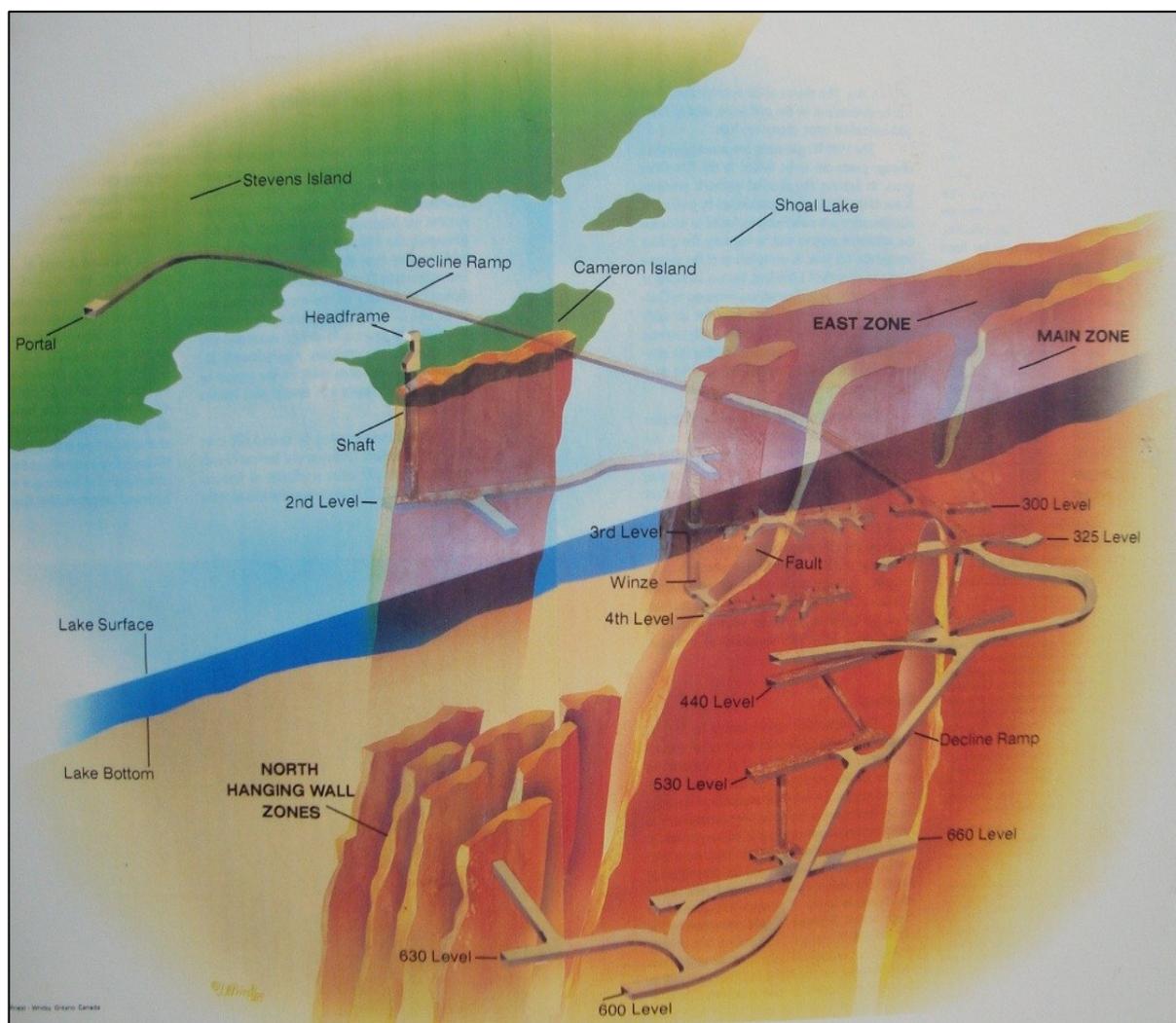
“During 1934-36, 1215 tons of high grade was shipped to smelters, yielding 4637 oz gold and 1142 oz silver ... from a small high grade lens” Drybrough 1944¹

Gold production from the Duport halted in 1936 and the property was only intermittently explored until its control came under Consolidated Professor Mines Limited (“CPM”) in 1973. CPM work on the property included a substantial amount of diamond drilling and new underground development on 8 levels accessed via a decline and culminated in a decision to proceed to production.

CPM halted development operations in 1989 due to the prevailing economic environment and the necessity for a full environmental impact assessment thrust upon the company at that time.

Underground access for the Duport Gold Deposit is from an island on Shoal Lake. The lake straddles the Ontario - Manitoba Provincial border and is the supply of potable water for the City of Winnipeg. The Duport Gold deposit is located 13 kilometres from the City's water intake. A final development plan proposed by CPM located the ore processing facility onto the mainland in a different watershed. Environmental work carried out by CPM (1979-1995) addressed the preservation of the existing water quality and traditional land use of the Shoal Lake watershed. Cougar intends to work closely with First Nation's to advance the project.

The gold occurs as free gold in association with sulphide and is known to contain a refractory component which responds well to conventional oxidation methods. Comprehensive test work by CPM, utilising several underground bulk samples, resulted with gold recovery percentages well into the 90s being achieved. The test work culminated in an engineered plant design.



Diagrammatic view of historic underground development and interpreted mineralised zones

Historic Resource Estimations

Resource estimations were completed by CPM following each phase of exploration through to 1989². A subsequent resource estimation was completed by Roscoe Postle Associates Inc. (“RPA”) in 2006³.

Pursuant to the requirements of ASX Listing Rule 5.12.9, Cougar provides the following cautionary notes:

1. The resource estimations completed by both CPM and RPA are not JORC compliant.
2. A competent person has not yet done sufficient work to classify the historical estimates as mineral resources or ore reserves in accordance with the JORC Code.
3. It is uncertain that following evaluation and/or further exploration work that the historical estimates will be able to be reported as mineral resources or ore reserves in accordance with the JORC Code.

These historic resource estimations demonstrate the high grade nature of gold mineralisation at Duport and are expected to be supported following a JORC compliant resource calculation. Cougar is currently compiling the available historic information in order to complete a JORC compliant resource estimation.

The CPM resources estimations illustrate the evolution of the Duport Gold Deposit from 1980 through to 1989. These utilised the block tonnage method and the following criteria.

- 1980-81 estimates used a cut-off grade of 0.15oz/t (4.7g/t) Au over 4.0ft (1.22m) and cut individual assays to 1.00oz/t (31.1g/t) Au.
- 1982-89 estimates used a cut-off grade 0.15oz/t (4.7g/t) Au over 4.0ft (1.22m) and cut intersection to 1.00oz/t (31.1g/t) Au.
- 1989A estimation used block tonnage for true width weighted average and the 1989B estimation used block area for true width weighted average.
- Intersections equal to or greater than the cut off grade were allowed a maximum horizontal influence of 50ft (15.2m) and maximum vertical influence of 75ft (22.9m) in both directions. Distances less than 100ft (30.4m) horizontally and 150ft (45.7m) vertically between holes were halved for block boundary positioning.
- True widths for intersections were calculated.
- A 10% zero grade dilution factor was applied and is considered to be conservative as a number of intercept shoulders invariably carry traces of gold.
- 1980-86 tonnage factor of 11.5 ft³/ton (2.79g/cm³) and 1987-89 tonnage factor of 11.0 ft³/ton (2.91g/cm³).
- A 50ft (15.2m) crown pillar allowance was used below the assumed bedrock.
- The Association of Professional Engineers of Ontario guidelines were followed to distinguish the categories of the gold bearing blocks whereby:

Proven was used for underground development heading blocks

Probable was used for contiguous drill indicated blocks

Possible was used for non-contiguous drill indicated blocks

Inferred was used for non-drill indicated blocks based the weighted averages for each bounding block, and

- Waste was used for areas with drill holes having low values.

The “Proven” and “Probable” resource categories above relate most favorably with the JORC “Measured” and “Indicated” resources categories. The “Possible” and “Inferred” resource categories used above relate most favorably with the JORC “Inferred” resource category.

Table of CPM resource estimations

YEAR	Tonnes	Avg Width m	Avg Au g/t	% Prov & Prob	% Pos & Inf	Global Au oz
1980	627,385	2.62	12.9	39.9	60.1	260,032
1981	694,847	2.74	12.8	43.8	56.2	284,929
1982	1,851,445	2.92	11.4	24.1	75.9	673,487
1983	1,747,465	2.96	11.7	33.0	67.0	654,925
1985A	1,311,095	2.77	11.4	47.6	52.4	476,928
1985B	1,221,936	2.56	11.0	48.5	51.5	431,025
1986A	1,374,006	2.50	11.7	49.2	50.8	514,958
1986B	1,387,148	2.50	11.7	49.0	51.0	519,884
1987A	1,713,238	2.31	12.3	48.1	51.9	679,868
1987B	1,755,960	2.65	11.4	48.1	51.9	645,358
1988	1,887,768	2.28	12.0	47.8	52.2	728,318
1989A	1,827,311	2.28	12.0	50.0	50.0	704,993
1989B	1,827,311	1.80	12.0	50.0	50.0	704,993

CPM’s final resource estimation in 1989 utilised the information from 442 drill hole intersections, 9 underground levels, and 3 raises.

RPA completed its resource estimation under National Instrument (NI) 43-101 which is the Canadian equivalent to the Joint Ore Reserves Committee Code (JORC Code) which regulates the publication of mineral exploration reports on the Australian Stock Exchange (ASX). RPA’s resource estimation utilised the contour method resulting in an Indicated Mineral Resources of 424,000t averaging 13.40g/t Au for a total 182,000oz plus an Inferred Mineral Resource of 387,000t averaging 10.69g/t Au for a total 131,000oz; differing substantially from the earlier estimations reported by CPM. These mineral resource categories equate to the same categories under JORC.

RPA applied a 6.9g/t Au lower cut-off grade, 68.6g/t Au top cut grade, and 1.5m minimum width and used a tonnage factor of 11.0 ft³/ton (2.91g/cm³) referring to this determination in the final 1989 CPM resource estimation. The RPA estimation was based on 81,391m of drilling including 7,054m drilled in 2005. It appears that RPA did not have access to a complete dataset from underground mapping and sampling.

A review of the sampling methods applied and the assay protocols utilised indicate a systematic approach with acceptable quality control and assurance protocols being applied providing confidence to the reliability of the data.

Refer Appendix A of ASX announcement dated 28 October for details with respect to disclosure requirements under ASX Listing Rule 5.12 in regard to these historic resource calculations.

Cougar is currently compiling the historic information and creating a database in order to calculate a JORC compliant resource estimation.

SUMMARY OF TENEMENTS AND CHANGES

In accordance with ASX Listing Rule 5.3, Cougar advises of the following:

Project	Tenement Reference	Interest held by Cougar at 30 September 2013	Changes during the quarter (acquisitions /disposals)	Interest held by Cougar at 31 December 2013
Pyke Hill Nickel (Australia)	M39/159	100%	-	100%
Alta Floresta Gold (Brazil)	8689/05	100%	-	100%
Alta Floresta Gold (Brazil)	282/06	100%	-	100%
Alta Floresta Gold (Brazil)	289/06	100%	-	100%
Alta Floresta Gold (Brazil)	6148/06	100%	-	100%
Alta Floresta Gold (Brazil)	6867/08	100%	-	100%
Alta Floresta Gold (Brazil)	6869/08	100%	-	100%
Alta Floresta Gold (Brazil)	7614/08	100%	-	100%
Alta Floresta Gold (Brazil)	7607/08	100%	-	100%
Alta Floresta Gold (Brazil)	7613/08	100%	-	100%
Alta Floresta Gold (Brazil)	7601/08	100%	-	100%
Alta Floresta Gold (Brazil)	7600/08	100%	-	100%
Alta Floresta Gold (Brazil)	7612/08	100%	-	100%
Alta Floresta Gold (Brazil)	12774/08	100%	-	100%
Alta Floresta Gold (Brazil)	8092/09	100%	-	100%
Alta Floresta Gold (Brazil)	9802/09	100%	-	100%
Alta Floresta Gold (Brazil)	12965/09	100%	-	100%
Alta Floresta Gold (Brazil)	15954/10	100%	-	100%
Alta Floresta Gold (Brazil)	1062/10	100%	-	100%
Alta Floresta Gold (Brazil)	1219/10	100%	-	100%
Alta Floresta Gold (Brazil)	2647/10	100%	-	100%
Shoal Lake Gold (Canada)	MH9	100%	-	100%
Shoal Lake Gold (Canada)	MH10	100%	-	100%
Shoal Lake Gold (Canada)	MH40	100%	-	100%
Shoal Lake Gold (Canada)	D259	100%	-	100%

Note: during the quarter the Company reached agreement to sell 100% of its mining tenements in Brazil. As at 31 December 2013, the transfer applications of the Brazilian mining tenements to the purchasers have not been processed and as such the mining tenements remain registered under Cougar.

CONTRACT DRILLING BUSINESS ACTIVITIES

Revenue for the December quarter was R\$1.973 million as compared with the previous quarter of R\$ 2.87 million.

The Company currently has three drilling rigs in work, two RC and one diamond. The RC rigs are expected to remain under contract for the remainder of the quarter. The diamond rig is expected to cease operations in February 2014.

Initial enquiries in January 2014 indicate an increase in activity particularly in the RC sector.

CORPORATE UPDATE

A wholly owned Canadian subsidiary of Cougar Metals NL, the “Duport Gold Company Limited” was incorporated in October 2013 through which exploration activities on the Duport Project will be conducted and administered.

PROPOSED ACTIVITIES FOR THE FOLLOWING QUARTER

Exploration:

- Continue to seek third party participation and maintain in good standing the Pyke Hill Ni-Co project.
- Compile and digitise data relating to the Duport Gold Project and prepare for field activities in the fourth quarter.
- Progress the resolution of outstanding issues related to the KPM Option Agreement.

Drilling Division:

- Finalise tenders and continue to seek new work opportunities.

For further information please contact the undersigned via email using 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 Person Statements:

The information in this report that relates to Mineral Resources for the Pyke Hill Project 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 document of the matters based on his information in the form and context that the information appears. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The information in this release that relates to geological information, exploration results and historical resource estimates for the Company's Canadian projects is based on information compiled by Mr Paul Nagerl and is in the view of Mr Nagerl an accurate representation of the data available for the project. Mr Nagerl is a member of the Association of Professional Geoscientists of Ontario and an executive of Cougar Metals NL. He 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 2012 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.