



## **QUARTERLY ACTIVITIES REPORT – MARCH 2011**

---

### **Highlights of the Third Quarter**

#### **Brazil Exploration**

- **Over US\$1M in gold sales recorded during the quarter from trial mining at Ze Vermelho Prospect, Paranaita District**
- **Assays from channel sampling at Ze Vermelho confirm bonanza grades**
- **Over 1,000 tonnes of gold rich tails stockpiled for cyanidation**

#### **Mineral Drilling Division**

- **Revenue exceeds US\$5.3M**
  - **Both divisions fully employed with an additional 4 rigs on hire**
  - **US\$1.7M of debt retired**
-

## EXPLORATION ACTIVITIES

### Background

Cougar Metals NL (“**Cougar**” or “**the Company**”) holds an exploration portfolio consisting of the Alta Floresta Gold Project in Brazil and the Pyke Hill Nickel/Cobalt Project in Western Australia.

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). The Project comprises three groups of tenements covering approximately 1,450km<sup>2</sup> and distributed over a 330km long portion of the Alta Floresta gold belt (“AFGB”). Government records estimate past production from the AFGB in excess of five million ounces of gold, overwhelmingly 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/Novo Mundo, Paranaita and Apiacas regions.

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 Measured plus Indicated Resources of 14.7 million tonnes grading 0.9%Ni and 0.06% Co for 131,621 tonnes of contained nickel metal (0.5% Ni cut-off).

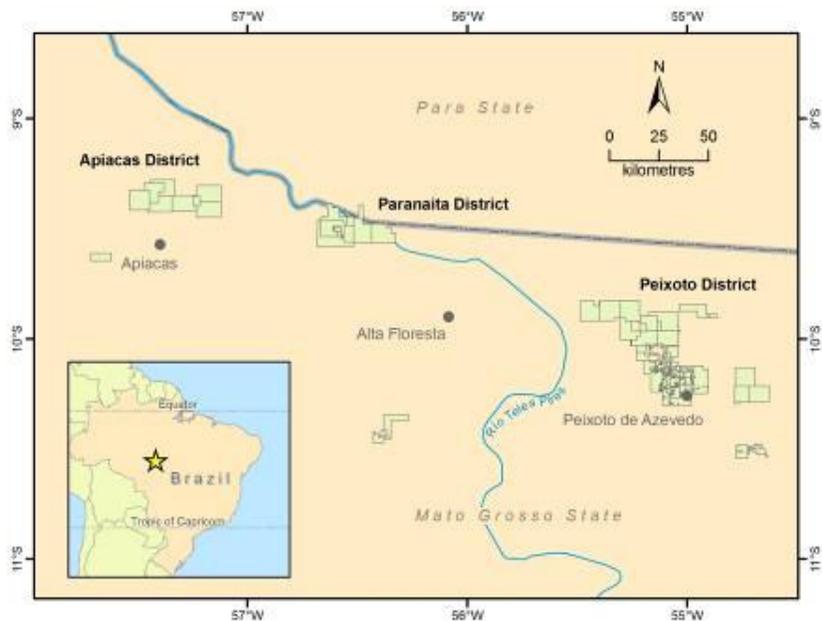
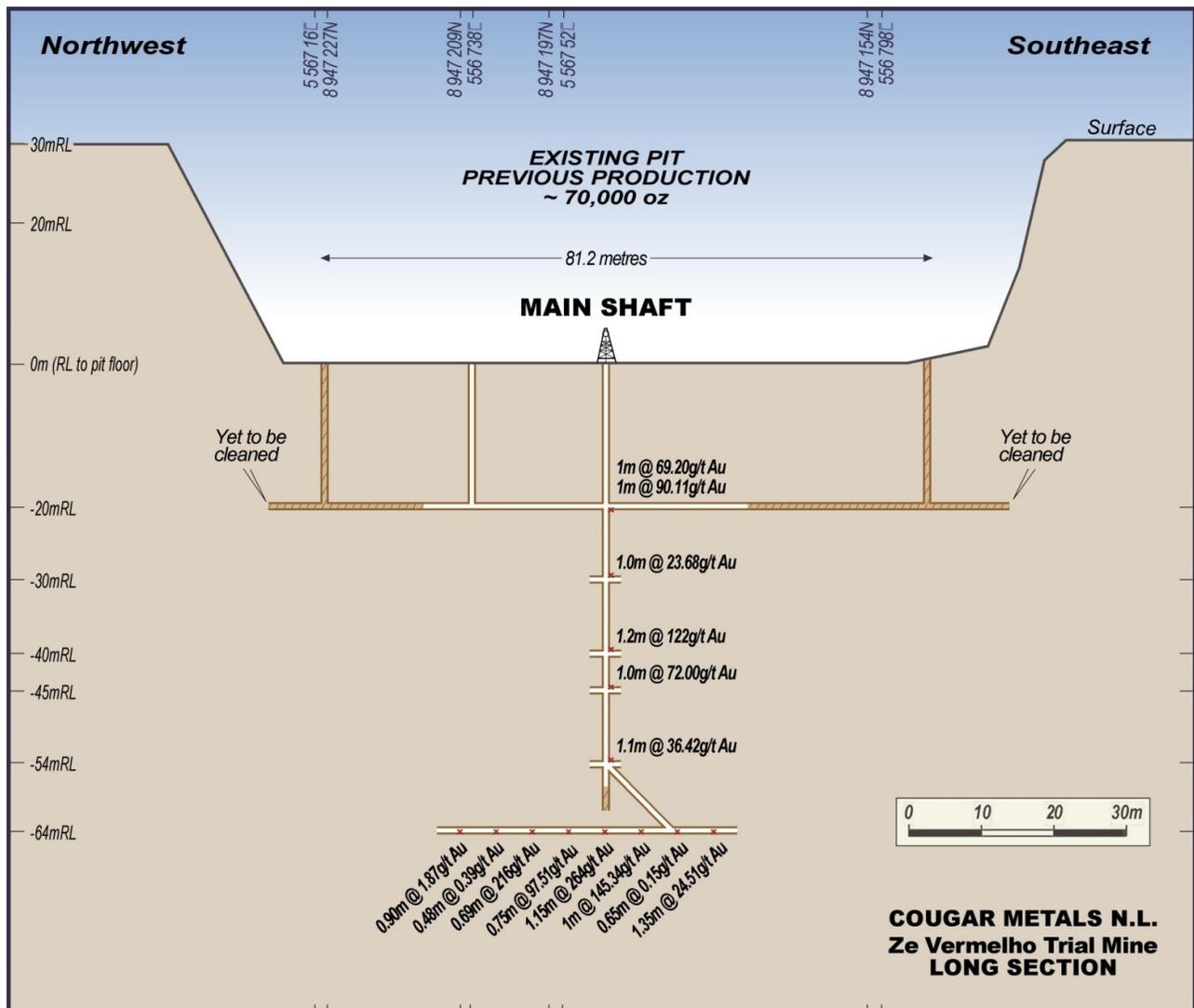


Figure 1: Location of Alta Floresta Project in Mato Grosso State, Brazil

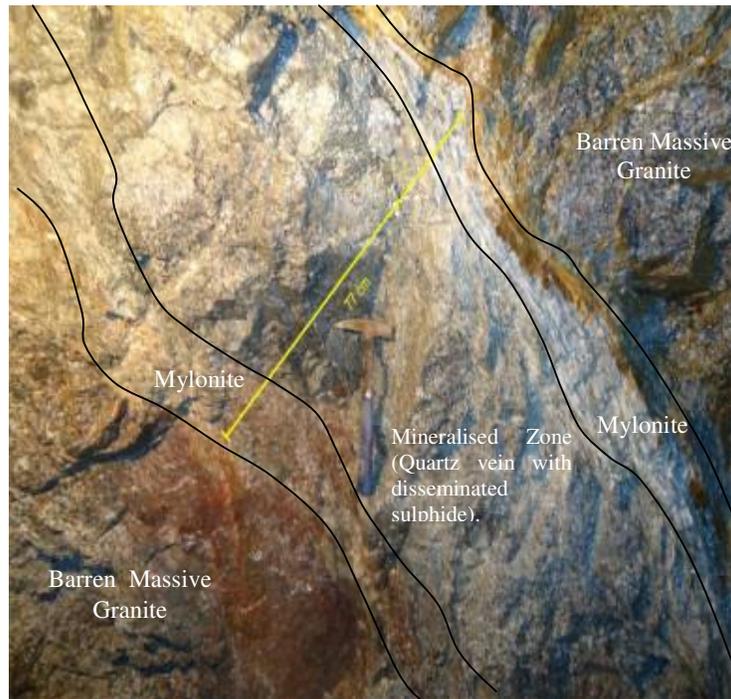
### Ze Vermelho

During the Quarter the Company’s wholly owned gold exploration subsidiary, Cougar Brasil Mineração Ltda (“**Cougar Brasil**”), continued its trial mining program at Ze Vermelho, with activities including bulk sampling of the underground workings, surface rehabilitation and cleaning of the -20 m, -30 m, -40 m and -54 m, and development along the -64 m level, as outlined in Figure 2 below.



**Figure 2: Ze Vermelho Trial Mine Cross Section**

During the Quarter, a total 24 metres of the -20 m and -30 m and -45 m levels were cleaned and 41 metres of development was conducted at the -64 m level. Having the shaft 3 base as the starting point, 23 metres were opened to NW and 18 metres to SE, as outlined in Figure 2 above.



**Figure 3: Photograph depicting the gold mineralised quartz vein at the Ze Vermelho prospect. Photo taken from the NW face, -64 m level 24 metres from driving center.**

The mineralized structure consists of a white, massive to rarely banded, quartz vein which is located along the contact between granite and mylonite. The quartz vein follows a deformation corridor, pinching and swelling, which results in width variation from less than 10 cm to over 160 cm. The vein shows varied degree of sulphide dissemination (mostly pyrite and chalcopyrite, sphalerite and bornite to a lesser extent) from less than 3% up to 90%. The high pyrite content can result in bonanza gold grades. So far one massive pyrite band of 1.60m wide by 6m long was identified in the middle of the -64 m level, as seen in Figure 4 below, grading 264 g/t of gold.



**Figure 4: 1.60m wide massive pyrite on the floor of the -64 m level.**

For the Quarter 1,139 t of ROM was gravity processed which yielded 1,004 ounces of gold at a mean grade of 27.4 g/t of gold. Of this, 220t came from the cleaning of old garimpeiro drives at the -20 m level. The recovered material consists of quartz vein, mylonite and barren granite left from previous blasting. This material was also gravity processed and returned a mean grade of 6.85 g/t of gold. Gravity processing of 919t of ROM material from the -64 m

level returned 956 ounces of gold which resulted in a mean grade of 32.3 g/t. This includes the processing of 251 t through the mining of 1 vertical meter of vein along 28 m of strike and 1.66 m width, which returned 427 ounces at a grade of 51 g/t of gold.

The high-grade gold nature of the vein is confirmed by assays from channel samples which were systematically taken at each five meters along the floor drive of the -64 m level during its development. These results are shown in Table 1 below.

The mean grade for eight channel samples from -64 m level was 87.4 g/t of gold, indicating that gravity processing is recovering less than 40% of the contained gold. The tails related to the processing material at -64 m level are expected to contain greater than 50 g/t of gold. Approximately 1,000 t of tails are stockpiled on site for near-future cyanidation processing.

New channel samples were also taken across the mineralised zones at the -20 m, -30 m, and -40 m, -45 m and -54 m levels. These results are also shown in Table 1 below and show the overall high-grade gold nature of Ze Vermelho Prospect.

**Table1: Assays from Channel samples of the Ze Vermelho Prospect**

Sample_ID	Easting	Northing	Level (m bs)	Sample Type	Length (m)	Gold (g/t)	Silver (g/t)
130083	556741	8947186	-20	Channel	1.00	68.2	24
130084	556741	8947186	-20	Channel	1.00	90.1	25
130085	556746	8947190	-30	Channel	1.00	23.9	18
130086	556751	8947193	-40	Channel	1.20	122	20
130087	556754	8947197	-45	Channel	1.00	72.1	23
130097	556755	8947209	-54	Channel	1.10	36.4	16
130088	556752	8947229	-64	Channel	0.90	1.87	7
130089	556755	8947225	-64	Channel	0.48	0.39	3
130090	556759	8947221	-64	Channel	0.69	216	60
130092	556762	8947217	-64	Channel	0.75	97.5	78
130093	556765	8947213	-64	Channel	1.15	264	113
130094	556769	8947210	-64	Channel	1.00	145	40
130095	556771	8947208	-64	Channel	0.65	0.15	<0.3
130096	556772	8947207	-64	Channel	1.35	24.5	16

Ze Vermelho continues to be self funding with gold sales meeting all operating and capital expenditure requirements.

Construction of a gold room and explosives magazines has been completed. Crushers, impactors, generators and other equipment have been purchased to replace equipment previously on hire. Construction of cyanidation ponds and the treatment circuit is expected to recommence in May when the rainfall subsides. It is expected that cyanidation can commence in late July.

### **Pyke Hill**

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.

## **MINERAL DRILLING BUSINESS ACTIVITIES**

### **Background**

Cougar's owns two contract drilling companies, GeoLogica Sondagens Ltda ("**GeoLogica**") and Palinir S.A. trading as Cougar Drilling Services – Uruguay ("**CDS**"), who service the mining sectors in Brazil and Uruguay respectively. Both companies provide rotary air blast ("**RAB**"), reverse circulation ("**RC**") and diamond drilling ("**DD**") services.

## **Mineral Drilling Business Activity**

### ***Brazil***

During the Quarter, diamond drilling services finished at Beadell Resources Limited project in the state of Amapa. The Company's RC rig has remained on site and discussions for the ongoing employment of this machine are underway.

In February GeoLogica commenced a US\$2.5M diamond drilling contract in the state of Para. This contract is currently proving difficult for the company due to bad ground conditions and logistic issues as a result of high rainfall. An external review of the operation has been commissioned to recommend improved practices, and provide the basis for contractual discussions with the client if necessary.

Following the Quarter's end, GeoLogica has mobilised two rigs to the Company's exploration sites in Mato Grosso. A RAB rig has commenced drilling on exploration targets in the Peixoto suite of tenements, while a hired diamond drilling rig is expected to commence drilling at the Ze Vermelho prospect in early May utilising GeoLogica crew.

Revenue for the Quarter was US\$1.51M compared to US\$1.65M for the previous Quarter.

### ***Uruguay***

During the Quarter, CDS continued to perform well, albeit below forecast. Forecasted gross revenue for March of US\$1.8M was not achieved due to mechanical and logistic issues, however good margins were achieved. The Company is currently in talks with the client for a further extension of works beyond the end of the financial year 2011, which if successful will further improve the Company's balance sheet.

During the Quarter, CDS retired US\$1.7M of debt owed to the client. The initial advance of US\$2.6M will be completely repaid through the provision of drilling services by the end of April.

Revenue for the Quarter was US\$3.82M compared to US\$2.92M for the previous Quarter.

The contract drilling market in Brazil and Uruguay remains buoyant with both of Cougar's contract drilling subsidiaries currently assessing proposals to provide additional drilling services.

## **CORPORATE ACTIVITIES**

During the Quarter, Cougar reached an agreement with Mrs Rosanne Swick for a further advancement of \$150,000 to the existing \$500,000 secured loan facility. Repayment of this facility will commence on 30 April, with a minimum of \$50,000 scheduled to be repaid per month from cash flow until this facility is extinguished.

## PLANNED ACTIVITIES FOR THE NEXT QUARTER

### Exploration

- Continuation of trial mining at Ze Vermelho
- Commence drilling program to delineate a JORC resource at Ze Vermelho
- Conduct RAB drilling at various exploration sites within the Peixoto district
- Development of work programs for further exploration of the Cidinha, Baixao Velho and Peteca-Flor da Serra targets

### Mineral Drilling Business

- Continuation of current drilling activities in Brazil and Uruguay

For further information, please contact the undersigned on (08) 9381 1755.

Yours faithfully



**RANDAL SWICK**

Executive Chairman

*The information in this report that relates to exploration results is based on information compiled by Dr Christopher Stephens who is a consultant to the Company. Dr Stephens is Principal of CJ Stephens Consulting Pty Ltd is a member of the Australian Institute of Geoscientists (AIG) and the Australia Institute of Mining and Metallurgy (AusIMM). Dr Stephens 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 "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Stephens consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

*The information in this report that relates to Mineral Resources 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.*

#### **About Cougar Metals NL:**

*Cougar Metals NL is a Perth based exploration company listed on the Australian Securities Exchange (ASX:CGM). The Company is focused on exploring the Alta Floresta Gold Project in central west Brazil, where past production is estimated at five million ounces of gold. The Company also operates growing mineral drilling businesses in Brazil and Uruguay, providing surface diamond, reverse circulation and RAB drilling services to the Brazilian and Uruguayan mining industries. The Company also holds the mineral rights to the Pyke Hill Measured plus Indicated Resources of 14.7mt @ 0.9% Ni and 0.06% Co (published March 2008).*

## Appendix 5B

### Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Cougar Metals NL

ABN

27 100 684 053

Quarter ended ("current quarter")

31 March 2011

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	6,186	15,462
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(124) - - (1,219)	(570) - - (1,899)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	2
1.5 Interest and other costs of finance paid	(5)	(12)
1.6 Income taxes paid	-	-
1.7 Other - drilling expenditure	(2,758)	(9,148)
<b>Net Operating Cash Flows</b>	<b>2,081</b>	<b>3,835</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - (340)	- - (1,681)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - -
1.10 Loans repayments to other entities	-	-
1.11 Loans repaid by other entities	-	7
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(340)</b>	<b>(1,674)</b>
1.13 Total operating and investing cash flows (carried forward)	1,741	2,161

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	1,741	2,161
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	19	476
1.17	Repayment of borrowings	(1,692)	(2,556)
1.18	Dividends paid	-	-
1.19	Other – capital raising costs	-	-
	<b>Net financing cash flows</b>	<b>(1,673)</b>	<b>(2,080)</b>
	<b>Net increase (decrease) in cash held</b>	<b>68</b>	<b>81</b>
1.20	Cash at beginning of quarter/year to date	247	234
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>315</b>	<b>315</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	19
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

1.23 includes salaries and superannuation contributions for all directors

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

--

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

--

+ See chapter 19 for defined terms.

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	1,000
4.2 Development	-
4.3 Production	-
4.4 Administration	120
<b>Total</b>	<b>1,120</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	281	30
5.2 Deposits at call	34	29
5.3 Bank overdraft	-	(48)
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>315</b>	<b>11</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	N/A			
6.2 Interests in mining tenements acquired or increased	N/A			

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>	3,425,725	-	\$0.125	\$0.001
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	406,223,576	406,223,576		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	9,000,000	-	<i>Exercise price</i> \$0.035	<i>Expiry date</i> 09 Sep 13
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (totals only)		
------	-------------------------------	--	--

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Randal Swick  
(Director)

Date: 29 April 2011

Print name: Randal Swick

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==

---

+ See chapter 19 for defined terms.