



QUARTERLY ACTIVITIES REPORT – JUNE 2010

Highlights of the Fourth Quarter

Exploration

- **Outstanding gold assays returned from surface sampling at the Alta Floresta Gold Project**
- **Gold grades up to 1,420g/t in quartz veins confirm bonanza-style mineralisation at Ceara prospect, Apiacas**
- **Gold grades up to 44.9g/t and silver grades up to 364g/t in quartz veins and mineralised wallrock at Sitio Santa Fe prospect, Apiacas**
- **Gold grades up to 626g/t in a 70 centimetre wide quartz vein at new Filao do Luizao prospect, Peixoto**
- **Confirmation of a 10 kilometre gold mineralised shear zone including Flor da Serra, Peteca and Queiroz prospects, Peixoto**

Mineral Drilling Division

- **Award of US\$2.5M contract in Brazil**
 - **Construction of an additional 3 rigs commenced.**
 - **Receipt of US\$1M advance payment for US\$7M Uruguayan Contract**
 - **Continued development of drilling divisions within South America**
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EXPLORATION ACTIVITIES

Background

The Company's exploration portfolio consists 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 (Figure 1). The Project comprises three groups of tenements covering approximately 1,450km² 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 garimpos (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 which hosts JORC compliant 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 (0.5% Ni cut-off).

Activities during this quarter focused on the Alta Floresta Gold Project in Brazil, with numerous high grade gold assay results returned from rock grab, chip and channel sampling programmes. The results were returned from samples collected during target development work in the Apiacas and Peixoto Districts.

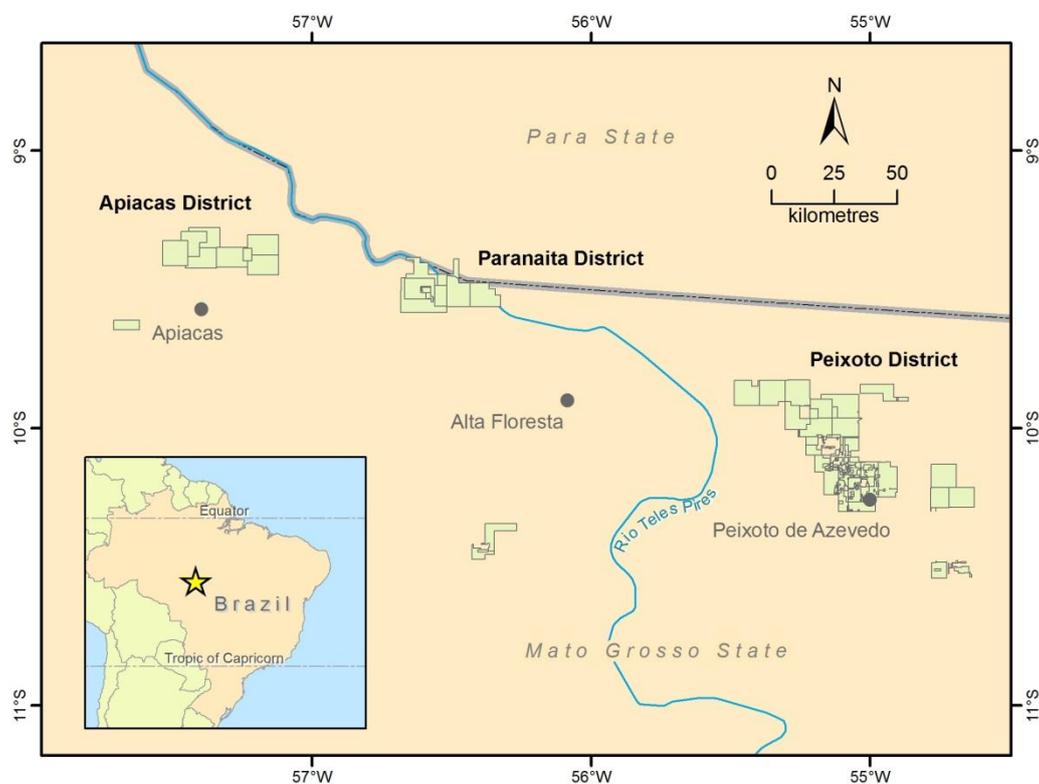


Figure 1: Location of Alta Floresta Project in Mato Grosso State, Brazil

Apiacas District

Ceara Prospect

Ceara Prospect is located within 400 metres of the Porto Estrela Prospect, where recently announced results from diamond drilling include up to 9 metres averaging 7.8g/t gold (PEDDH007 from 79 metres¹). Gold mineralisation at Ceara prospect is typified by bonanza gold grades in narrow sheeted veins hosted by weakly altered or fresh granite, which is considered to be similar to a group of large gold deposits broadly referred to as “reduced intrusion related gold” or “RIRG”. Deposits of this type include the multi-million ounce Fort Knox deposit in the Tintina Gold Belt, Alaska.

Mineralisation at Ceara occurs as up to three narrow (2 centimetres wide), parallel quartz veins in a 0.3 metre to 1.1 metre wide zone. The veins are intermittently exposed over a strike length of at least 100 metres. The host rock comprises undeformed saprolitic granite with no evident hydrothermal alteration.

All samples were taken from the walls of a 60 metre long and 1.1 metre wide trench excavated by artisanal miners.

Significant results, which are presented in Table 1 below, include:

- A two kilogram sample of a narrow quartz vein returning a bonanza grade of 1,420 g/t Au;
- two 30 centimetre long horizontal channel samples taken from the wall and floor of the southern of two trenches returning 230g/t Au and 105g/t Au, respectively. Each of these samples includes three narrow quartz veins plus host saprolitic granite;
- grab samples of saprolitic granite host rock plus quartz fragments from the trench wall returning 129g/t Au and 327g/t Au;
- a one metre long horizontal channel, including two quartz veins plus the host granitic saprolite from the northern trench wall, returning 20.5g/t Au.

The results showed high bismuth (up to 2,860ppm) and tellurium (up to 84ppm) and low base metals abundances, characteristics which are consistent with RIRG deposits.

Sitio Santa Fe Prospect

Sitio Santa Fe prospect is located in the western portion of the Apiacas District. Mineralisation occurs in sub-parallel sulphide-bearing quartz veins and veinlets in a 1.2 metre wide zone, hosted by hydrothermally altered felsic volcanic rock. Rock chip samples of quartz vein and altered volcanic rocks were taken from three old pits worked over about 650 metre of strike. Results include gold up to **45g/t** and silver up to **364g/t** (see Table 1 below).

Sample No	East (mE)	North (mN)	Prospect	Au (g/t)	Ag (g/t)	Detail Description
111388	33388	19834	Ceará	230	4	30cm channel of trench wall, including 3 quartz veins plus saprock
111390	33388	19834	Ceará	105	2	30cm channel of trench floor including 3 quartz veins plus saprock
111391	33400	19856	Ceará	1,420	39	2cm quartz vein

¹ Cougar Metals NL March 2010 Quarterly Report to ASX

111392	33400	19856	Ceará	129	3	granitic saprolite including fragments of quartz vein
111393	33400	19856	Ceará	327	7	granitic saprolite including fragments of quartz vein
111394	33400	19866	Ceará	50.6	1.5	20cm horizontal channel including two 2cm quartz veins
111395	33400	19866	Ceará	17.3	bld	1m horizontal channel including two 2cm quartz veins plus granitic saprolite
111400	12433	22184	Sítio Santa Fé	44.9	364	pyritic quartz vein
111401	12433	22184	Sítio Santa Fé	6.52	33.5	hydrothermal altered volcanic rock
111403	12215	21880	Sítio Santa Fé	1.23	41	hydrothermal altered volcanic rock

Locations in Apiacas Local Grid; bld: below limit of detection (0.5g/t for silver)

Table 1: Significant Rock Chip and Channel Sampling Gold Assay Results, Apiacas District

Peixoto District

Flor da Serra, Peteca and Queiroz Prospects

The Flor da Serra, Peteca and Queiroz prospects are located in a 10 kilometre long, west-northwest trending corridor which encompasses several sub-parallel shear zones. The shear zones are characterised by gneiss and mylonite developed close to the contact between quartz-diorite and syenogranite.

Gold mineralisation occurs in sulphide-bearing quartz veins which pinch and swell over widths from 0.3 metres to 2.0 metres, and which are enclosed by chlorite-sericite-pyrite+/- chalcopryite alteration.

Seventeen samples collected along the 10 kilometre corridor confirm the high-grade gold nature of these prospects, with grades varying from **3.6g/t Au** up to **145g/t Au** (see Table 2 below). The results include rock chip samples across quartz veins up to 2 metres wide. Three samples of fresh granitic host rock did not give significant gold mineralisation.

Filao do Luizao Prospect

The Filao do Luizao prospect is located approximately 1 kilometre to the north of the Flor da Serra-Peteca-Queiroz corridor. Artisanal mining activity has resulted in a 570 metre long pit, now filled with water, and a 40 metre deep shaft from which 100 metres of driving and stoping is reported. As with most of the artisanal mining, activity ceased due to lower gold recoveries from gravity processing once mining encountered the deeper sulphide mineralisation.

Filao do Luizao is a 70 centimetre wide quartz vein hosted in a second order fracture system. Massive pyrite and chalcopryite occur in open-voids or fractures within the veins, which are surrounded by up to 1.2 metres of chlorite-sericite-pyrite alteration.

A channel sample across the quartz vein and altered wallrock returned **bonanza grades of gold up to 626g/t Au**, and a total intercept of **1.9 metres averaging 250g/t Au**.

Sample No	East (mE)	North (mN)	Prospect	Au (g/t)	Ag (g/t)	Detail Description
120058	15404	30678	Flor da Serra	3.57	1	2m wide quartz vein
120059	15398	30680	Flor da Serra	4.44	bld	2m wide quartz vein

120063	15431	30654	Flor da Serra	14.10	1.5	Fragment of quartz vein
120053	16337	31096	Flor da Serra	40.20	92.5	60cm wide quartz vein
120054	16333	31102	Flor da Serra	26.60	42	60cm wide quartz vein
120074	16328	31102	Flor da Serra	5.00	4	12cm wide quartz vein
120044	20126	27946	Peteca	62.30	264	Pyritic quartz vein
120045	20126	27946	Peteca	120.00	36.5	Pyritic quartz vein
120046	19891	28474	Peteca	2.68	1.5	Mylonite with quartz veinlets, trace pyrite
120047	19891	28474	Peteca	145.00	26.5	Mylonite with quartz veinlets, trace pyrite
120048	19665	28626	Peteca	15.00	9	Fragments of quartz vein, pyritic
120049	19430	28306	Peteca	39.40	112	Mylonite with quartz veinlets, pyritic
120050	19625	28168	Peteca	21.20	7	Saprolite including brecciated quartz vein
120064	22372	26446	Queiroz	7.25	1	Quartz vein including fragments of host altered rock
120067	22366	26416	Queiroz	5.37	2.5	1m wide quartz vein
120055	19556	30524	Filao do Luizao	60.20	11.5	Hydrothermally altered wallrock
120056	19555	30524	Filao do Luizao	527.00	91	70cm wide quartz vein with trace amount of pyrite
120057	19555	30524	Filao do Luizao	626.00	72	70cm wide quartz vein with trace amount of pyrite
120001	27594	13704	Cidinha	90.00	3	Fragments of quartz vein
120002	27598	13716	Cidinha	3.05	bld	Fragments of quartz vein
120003	27594	13714	Cidinha	49.05	3	Fragments of quartz vein
120010	27145	13312	Cidinha	2.48	bld	Float quartz fragments
120012	27141	13312	Cidinha	4.92	1	10cm wide quartz vein
120016	27053	13304	Cidinha	4.23	bld	Quartz vein, pyritic
120018	27220	13572	Cidinha	2.94	bld	Quartz vein, pyritic
120019	27184	13578	Cidinha	1.72	1	Quartz vein, pyritic
120024	26941	13156	Cidinha	27.45	2	Quartz vein, pyritic
120025	26941	13154	Cidinha	20.80	2	Quartz vein, pyritic
120026	26905	13096	Cidinha	1.85	bld	Brecciated quartz vein, pyritic
120029	18989	13724	South Paraiba	17.40	2.5	40cm wide brecciated quartz vein, pyritic
120030	18989	13724	South Paraiba	6.19	1.5	40cm wide brecciated quartz vein, pyritic
120034	18998	13582	South Paraiba	3.17	bld	Fragments of quartz vein

All coordinates in Peixoto Local Grid; bld: below limit of detection (0.5g/t for silver)

Table 2: Significant Rock Chip and Channel Sampling Results, Peixoto District

Cidinha Prospect

Cidinha prospect includes a 500 metre long open pit and four shallow shafts to a maximum depth of 40 metres left after past artisanal mining. The main structure is a black and fine-grained mylonite which hosts quartz veins and veinlets.

The main mineralised vein is about 40 centimetres wide whereas the secondary veins vary from 20 centimetres up to 1 metre in width.

Table 2 above includes significant results from eleven out of a total of 16 samples submitted for analysis.

South Paraiba Prospect

South Paraiba prospect includes a 250 metre long open pit and one shallow shaft to 32 metres depth, from which a 42 metre gallery was mined. The main structure is a green black and fine-grained mylonite which hosts a 40 centimetre wide brecciated quartz vein. Pyrite is the only accessory sulphide phase observed. Three samples of the quartz vein reported between **3.17g/t** and **17.4g/t Au** (see Table 2).

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 wholly owned contract drilling company, GeoLogica Sondagens Ltda ("**GeoLogica**"), is located in the city of Belo Horizonte, Minas Gerais, Brazil and provides rotary air blast ("**RAB**"), reverse circulation ("**RC**") and diamond drilling services to the Brazilian mining industry. GeoLogica commenced operations in October 2007 and will have grown its fleet to 8 operational drilling rigs by mid 2010, including seven diamond and one RC rig (four owned, four hired).

Following the award of a 75,000m drilling programme in Uruguay last quarter, which is the Company's largest single drilling programme since inception, Cougar now also operates a drilling company in Uruguay and has formed a Uruguayan sister company to GeoLogica, Palinir S.A. trading as Cougar Drilling Services – Uruguay ("**CDS**"). CDS is a wholly owned subsidiary of Cougar Brasilia Pty Ltd, a wholly owned subsidiary of Cougar Metals NL. CDS is expected to have 4 operational rigs in Uruguay by August 2010, bringing Cougar's total fleet of drilling rigs to 12.

Mineral Drilling Business Activity

Brazil

During the quarter GeoLogica was awarded a contract by Beadell Resources Limited ("**Beadell**") to provide 20,000 metres of RC and diamond drilling at Beadell's recently acquired Amapari project in the state of Amapa in Brazil. This drilling program is expected to run for 4 months, will utilise 3 of Cougar's existing diamond rigs and 1 existing in country RC rig, and is forecast to generate A\$2.5 million in revenue.

Subsequent to the end of the quarter a 4th diamond rig was contracted by Beadell which arrived on site in late July and will commence work by the first week of August. 3 additional diamond rigs continued to work in the States of Rio Grand do Sul and Mato Grosso.

As at the date of this report GeoLogica has drilling contracts to the value of in excess of A\$4 million.

Uruguay

During the quarter Cougar received US\$1 million of the US\$2 million to be advanced to the Company under the terms of the Memorandum of Understanding (“**MOU**”) for its Uruguayan drilling contract. Since the end of the quarter Cougar has received a further US\$700,000 with the balance of the US\$2 million expected to be received by the first week of August. The funds received were used to assist in the acquisition and deployment of rigs and associated equipment to conduct the works.

Upon signing the MOU Cougar initiated the construction of 2 diamond and 1 RC drilling rig. The two diamond rigs have been delivered to Uruguay and are expected to commence operations in the first week of August with the RC rig expected to be shipped in September to either Uruguay or Brazil.

Since the end of the quarter, CDS has deployed 4 drilling rigs to site. 1 RC rig commenced operations during the month of July with the remaining 3 rigs expected to commence drilling within the first week of August.

CORPORATE ACTIVITIES

Cash on hand as at 30 June 2010 was A\$234,000. Cash reserves were depleted during the quarter as a result of lost production due to excessive mobilisation times in Brazil and the acquisition and modification of equipment for the Beadell and Uruguayan drilling contracts.

As noted in this report, since the end of the quarter Cougar has received a further US\$700,000 and expects to receive the balance of the US\$2 million advance by the first week of August. The Company expects to see a rapid improvement in its cash reserves with the commencement of drilling activities in Uruguay and Brazil during August.

During the quarter the Company cancelled 1,000,000 unlisted options in accordance with the Rules of the Employee Option Plan.

PLANNED ACTIVITIES FOR THE NEXT QUARTER

Exploration

- Mapping and sampling at more than 15 gold targets in the Peixoto District to continue.
- 2,000 linear meters of trenching to check for vein strike length and ore grade over North Paraiba and Cidinha targets.
- 2,000 meters of diamond drilling to advance high-gold grade targets in Apiacas (Satélite, Porcao, Ceara) and at Peixoto (North Paraiba, Luizão and Cidinha). Drilling expected to commence early September subject to rig availability.

Mineral Drilling Business

- Commence full scale operation at all sites within Brazil and Uruguay with the corresponding strengthening of cash reserves.

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.

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 JORC compliant Measured and Indicated Resource of 14.7mt @ 0.9% Ni and 0.06% Co.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

COUGAR METALS LIMITED

ABN

27 100 684 053

Quarter ended ("current quarter")

30 June 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	1,864	5,579
1.2 Payments for		
(a) exploration & evaluation	(277)	(2,127)
(b) development	-	-
(c) production	-	-
(d) administration	(234)	(667)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	16	30
1.5 Interest and other costs of finance paid	(3)	(4)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	(2,682)	(5,658)
Net Operating Cash Flows	(1,316)	(2,847)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(851)	(1,018)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans from other entities	1,177	1,177
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	326	159
1.13 Total operating and investing cash flows (carried forward)	(990)	(2,688)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(990)	(2,688)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	2,681
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	250
1.17	Repayment of borrowings	(23)	(100)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	(35)	(227)
	Net financing cash flows	(58)	2,604
	Net increase (decrease) in cash held	(1,048)	(84)
1.20	Cash at beginning of quarter/year to date	1,282	318
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	234	234

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	59
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

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	-	-

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	200
4.2	Development	-
4.3	Production	-
4.4	Administration	120
Total		320

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	3	181
5.2	Deposits at call	231	1,068
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	33
Total: cash at end of quarter (item 1.22)		234	1,282

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.

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 Preference +securities <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 +Ordinary securities <i>(description)</i>	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 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	-	-	<i>Exercise price</i> -	<i>Expiry date</i> -
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired/cancelled during quarter	1,000,000	-	\$0.30	31 December 2010
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

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 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Randal Swick

Sign here: (Director)

Date: 30 July 2010

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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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.

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+ See chapter 19 for defined terms.