



QUARTERLY ACTIVITIES REPORT – MARCH 2010

Highlights of the Third Quarter

Exploration

- **Completed assay sampling last holes drilled at Porto Estrela Prospect in 2009**
- **Identification of new high-grade gold-silver Sitio Santa Fe target at Apiacas**
- **Identification of three potential high-grade targets at Peixoto for evaluation**
- **Undertaken geological mapping and sampling for the three identified high-grade Peixoto targets for an aggregate 3km of a 10km section gold hosting shear zone**

Mineral Drilling Division

- **Award of US\$7m drilling program underpins business expansion**
- **South American drilling fleet to expand to 12 operational rigs by midyear**
- **Strong opportunities for growth**

Corporate

- **Completion of rights issue, raising \$4.9m**
 - **Retirement of secured debt**
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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. The Project comprises three discrete groups of tenements covering approximately 1,450km² within a 330km long portion of the Alta Floresta gold belt, where government records estimate past production in excess of five million ounces of gold. The tenement groups are located in the Peixoto/Novo Mundo, Paranaita and Apiacas regions respectively.

The Pyke Hill Project is located 40km southeast of the Murrin Murrin Nickel Operation in Western Australia. The project hosts a JORC compliant Measured and Indicated Resource 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). The Company has the mineral rights to the Measured and Indicated Resource.

Activities during this quarter focused on the Alta Floresta Gold Project in Brazil.

Apiacas District

At the Company's Porto Estrela Prospect, diamond drilling to date totals 12 holes for 2,124m. During the previous quarter the Company received core sample assay results from drill hole PEDDH-07 and PEDDH-08. The intervals assayed in drill hole PEDDH-07 covered most of the drill hole, while only several non-continuous intervals were sampled in drill holes PEDDH-08 and PEDDH-10. These assay results provided the highest grade intercept encountered to date at Apiacas, with drill hole PEDDH-07 intersecting 9m @ 7.83 g/t Au from 79m, including 3m @ 14.7g/t Au. Drill hole PEDDH-07 also intersected 20m @ 0.93g/t Au shallower in the hole from 5m. Additional intervals were needed to be assayed to determine the extent of the low grade disseminated gold mineralisation which may be present in sections of the adjacent holes PEDDH-08 and PEDDH-10. These were completed during the quarter, with results expected in May 2010.

The gold assay results to date, demonstrate the relationship of gold mineralisation with disseminated sulphides, and associated bismuth, silver, tin, tungsten and tellurium. This association supports the large tonnage, reduced, intrusion-related gold model currently being pursued at Porto Estrela.

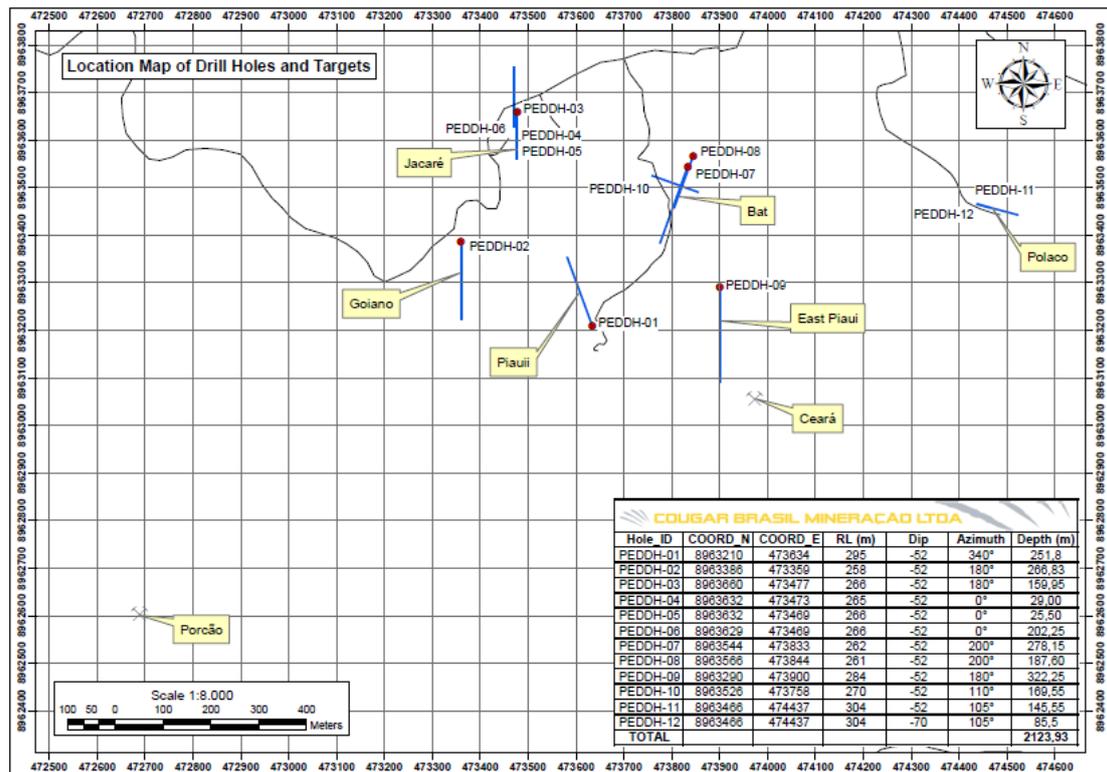


Figure 1 –2009 Porto Estrela drilling program

Drill hole PEDDH-08 had previously returned some low grade intercepts but as sampling had been discontinued the Company sampled the unanalysed section from 45 to 78m, with results expected to be received in May 2010.

Samples from drill holes PEDDH-09, PEDDH-10 and PEDDH-12 have also been sent to Perth for assaying, with results also expected in May 2010. Sampling from drill hole PEDDH-10 aims to confirm the WNW extension of the low grade gold section within drill hole PEDDH-08 and to allow a better understanding of the geometry of this low-grade ore zone.

Drill hole PEDDH-12 intersected a 6m wide shear zone from 45m with banded and disseminated pyrite hosted by a siliceous-rich zone on a previous high-gold grade soil anomaly. This represents another discrete target in the very large Porto Estrela gold system.

During the quarter the Company also visited, mapped and sampled an area of 9km² within the Apiacas district, known as Sitio Santa Fe. In this area three old pits aligned N40E were worked by artisanal miners to depths of +/- 20m. It is reported that the mining work stopped on an account of low gold recovery which the Company suspects likely to be due to the presence of iron and copper sulphides at depth, and the inability to recover gold using gravity methods in the sulphide mineralisation.

The gold mineralisation at the Sitio Santa Fe prospect is mainly of quartz-sulphide vein-type. The quartz vein varies from 40cm up to 1.2m in thickness with a potential length in excess of 800m. Sulphides, mostly pyrite and to a lesser extent chalcopyrite, can reach up to 40% in volume in these veins. Initial results from grab samples have shown gold values between 15 and 45g/t and silver grades in excess of 100g/t. The Company is excited by this prospect as it adds another significant prospect to the Apiacas Project area.

The Company continues to map and sample areas of the Porto Estrela Prospect as a part of its ongoing target generation program and will investigate several other high grade quartz veins which have been identified in the district, including the Cabelo Prospect. The Cabelo Prospect consists of a series of thin and parallel quartz veins resembling the sheeted vein structures which are recognised as one of several styles of gold occurrence associated with the large reduced intrusion related gold systems.

The Company’s current targets and worked prospects within the Apiacas district are outlined in Figure 2 below.

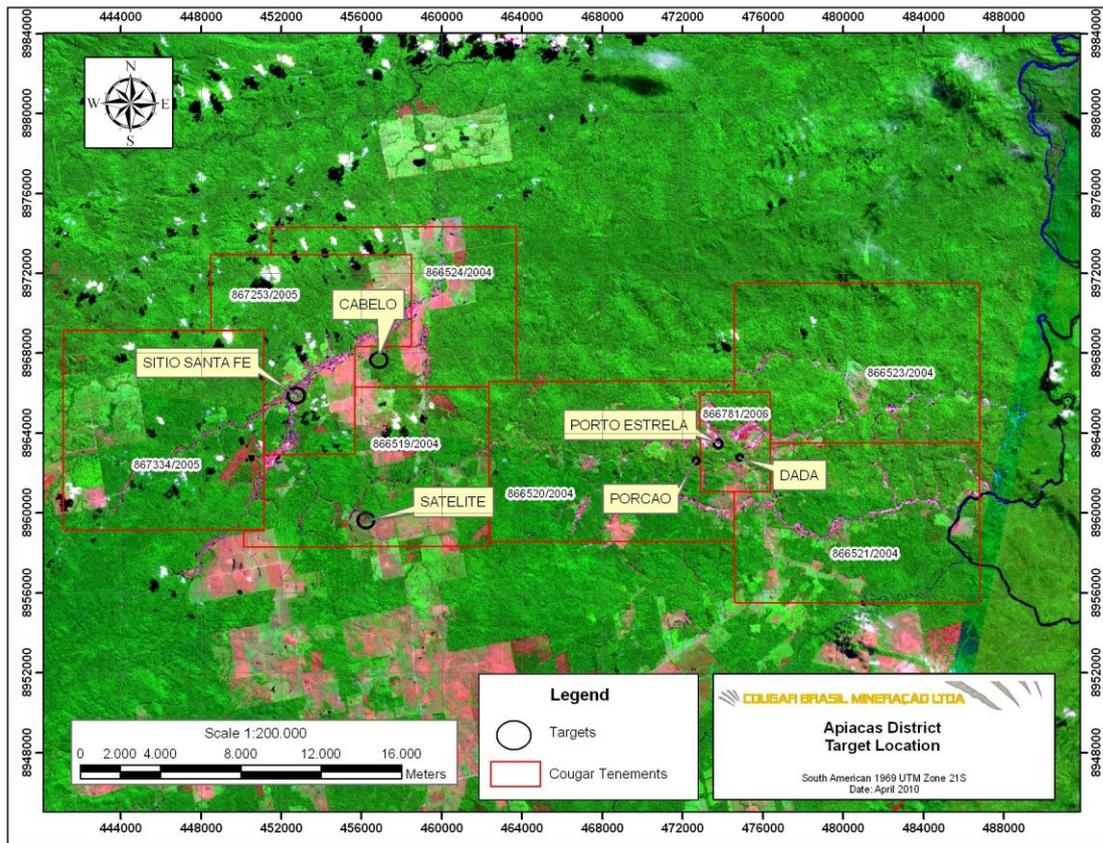


Figure 2 – Map of Apiacas Targets.

This area of the Apiacas district can be seen on Google Earth using the co-ordinates of 9° 24’ S, 57° 14’ W.

Peixoto District

During the quarter 5,988ha of further tenement area was granted, bringing the total granted tenements within the Peixoto District to 59,500ha. Only 9,715ha remains to be granted.

During the quarter the Company commenced a detailed geological mapping and sampling program over three of fifteen high-grade gold targets that were identified as part of the Company’s past geological reconnaissance program in 2005-08, before these tenements were granted. Many of the targets visited were shallow flooded, open pit gold workings, which returned high gold assays, often exceeding 30g/t with some up to 150g/t.

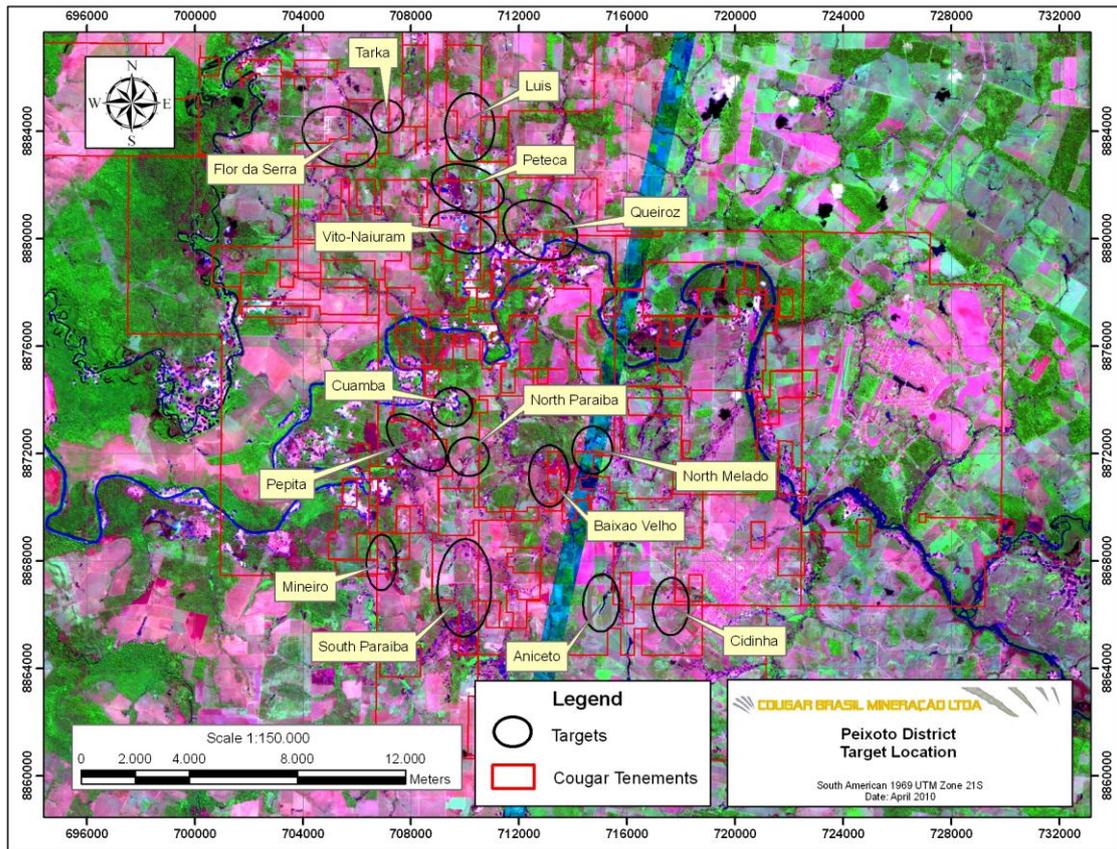


Figure 3 – Map of Peixoto Targets.

This area of the Peixoto District can be seen on Google Earth using the co-ordinates of 10° 11' S 55° 6' W.

These initial three targets (Flor da Serra, Peteca and Queiroz) plot on a dominant N60W strike and appear to locate along a common host structure, discretely mined in the past by artisanal workers. Mineralisation is of sulphide-vein type which occurs along or close to the contact between sheared mafic and granitic rocks. Samples taken for an aggregate of 3,000m of a 10km of strike of this structure have been sent to Perth for assaying, with results expected in June 2010.

Pyke Hill

No new work was conducted during this period, but the Company continues to seek third parties who may have an interest in participation in the project in the future.

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 12 drilling rigs by mid 2010, including eight diamond and four RC rigs (eight owned, four hired).

Mineral Drilling Business Activity

GeoLogica commenced the quarter with five rigs commencing work within the first week of January and another two by late January, with work in hand exceeding A\$3.2m and the diamond drill fleet and Company's sole in country RC rig fully employed at the end of the quarter. GeoLogica generated A\$1.7m in revenue for the quarter. Several tenders have been submitted with an award yet to be made.

The highlight for the quarter was the award of a 75,000m drilling program in Uruguay. The program in Uruguay will consist of both diamond and RC drilling scheduled to be completed by 31 December 2010, generating a forecasted US\$7m in additional revenue for the Company. This drilling program is the single largest drilling program secured by the Company to date and underpins the expansion of the drilling business into South America.

The drilling program will see GeoLogica's drill fleet grow to 12 drilling rigs by mid 2010 through the acquisition of two diamond drilling rigs and one RC rig, the hiring of one additional RC rig and the mobilisation of one of the Company's existing RC rigs currently en route to Brazil. To assist with the acquisition of the three drilling rigs and associated equipment, the client has agreed to advance Cougar the sum of US\$2m by way of an interest-free loan. The loan will be repaid progressively during the course of the drilling program by way of discounted drilling rates, and upon completion of 62,500m of drilling (being the minimum metreage required to be drilled under the contract for the purposes of the loan) the loan will be deemed to have been repaid in full.

The Company's drilling business in South America is building significant momentum and the Company expects its pursuit of a number of new tenders will offer significant opportunities for growth throughout CY2010.

CORPORATE ACTIVITIES

In February the Company completed its Restructured Rights Issue, raising \$4.9m and allowing the Company to retire all secured debt and apply the balance of the funds of approximately \$2.0m to the exploration and contract drilling divisions, assisting with the activities noted above, as well as general working capital.

At the end of the period the Company had cash on hand of approximately A\$1.2m. The decrease in the cash position experienced from February to the end of March is not typical of the Company's operations and was primarily due to payments relating to the redeployment of the drill fleet throughout January. The Company expects to regain these outlays during the term of the respective contracts. A bi-annual fee of approximately A\$85,000 for Brazilian tenement rentals was also made during the quarter.

During the quarter Mr Ian Herbison resigned from his position as executive director to focus on other interests. Mr Herbison was a founding director of Cougar and instrumental in the listing of the Company. He was also heavily involved in the identification, acquisition and exploration of the Company's current prospective portfolio of gold projects in Brazil. The Company recognises and again thanks Mr Herbison for his tireless efforts over the past 8 years and wishes him well in his future endeavours.

Mr Paul Hardie, a corporate and commercial lawyer with over 12 years experience and director of Indago Resources Ltd, joined the Company as a non-executive director upon Mr Herbison's departure.

The Company also appointed Mr Martin Jeffery to the role of Diamond Drilling Manager and Mr Chris Bossong to the role of Company Secretary.

PLANNED ACTIVITIES FOR THE NEXT QUARTER

Exploration

- Induced Polarisation ("IP") programs are planned in the Apiacas Project area. Short lines will be completed across the strike of the mineralised trends, to establish the best positions for initial drill testing. A total of 4,500 meters of survey is proposed to cover the high-grade gold targets of Satelite, Porcao, Cabelo, Dada and Sitio Santa Fe.
- Planning for a second diamond drilling program of up to 3,000m at the Porto Estrela Prospect proposed to commence in the 1st quarter of 2011.
- Geological mapping and sampling of selected areas in the Apiacas District will continue in order to generate additional new prospects and drill targets.
- Continuation of geological assessment of additional and previously identified high-grade gold targets within the Peixoto District.
- Planning of an IP program to examine the Flor da Serra-Peteca-Queiroz mineralised structure to select drill targets along this prospect for initial testing, expected to total 1,500 meters of survey lines.

Mineral Drilling Business

- Mobilisation to and commencement of the Uruguay drilling program.
- Completion of the acquisition of 2 diamond rigs and 1 RC rig.
- Continued investigation of expansion opportunities.

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

Yours faithfully

A handwritten signature in cursive script that reads "Randal Swick".

RANDAL SWICK
Executive Chairman

The information in this report that relates to exploration results is based on information compiled by Mr Ian Herbison who is consulting to the Company. Mr Herbison is a member of the Australian Institute of Geoscientists Mr Herbison has sufficient experience which is relevant to the style of mineralisation and type of deposits 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". Mr Herbison 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 a growing mineral drilling business in Brazil and Uruguay, providing surface diamond, reverse circulation and RAB drilling services to the Brazilian and Uruguayan mining industries, and holds the mineral rights to the Pyke Hill JORC compliant Resource of 14.7mt @ 0.9% Ni and 0.06% Co.