



Quarterly Activities Report for the quarter ended 30 September 2012

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

The Company is focused on exploring the highly prospective Alta Floresta gold belt in central west Brazil, where it holds tenements covering an area in excess of 883km² and where past production is estimated at five million ounces of gold. Much of the immediate focus is centred on the Ze Vermelho Gold Prospect where the Company has received numerous highly encouraging high grade gold assay results and where it is currently undertaking trial mining. This is providing important information about the structure and grade of mineralisation, whilst at the same time generating strong cash-flows from the treatment of the ore.

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

In addition, the Company also holds the mineral rights to the Pyke Hill Measured plus Indicated Resources of 14.7mt @ 0.9% Ni (March 2008) located in Australia.

Directors

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

Senior Management

Randal Swick – Managing Director
Michael Fry – CFO & Company Secretary
Jayme Leite – Operations Manager
Paul Nagerl – Exploration Manager
Victor Bella – Brazilian Drilling Manager
Fernando Pena – Uruguay Drilling Manager

Capital Structure

Shares on Issue: 462,211,076
52 week range: \$0.02 - \$0.11
Last Price (31/10/12): \$0.026
Market Capitalisation: \$12.0 million

Substantial Shareholders

Savvy Capital Management – 29.44%
Marcia Swick – 17.36%

HIGHLIGHTS OF THE FIRST QUARTER OF FY13

Exploration at Ze Vermelho

- Trial mining has continued through 41 metres of linear development.
- Additional diamond drilling expanded the host structure to the gold mineralisation with results received for holes ZV_DD061 to ZV_DD074 demonstrating the continuity of the main zone and upper zone mineralised structures.
- Best assays from holes ZV_DD061 to ZV_DD074 were 104.9 g/t Au over 0.5 metres (in Hole ZV_DD072) and 88.6g/t over 1.0 metres (in Hole ZV_DD070).
- Assay results for holes ZV_DD075 to ZV_DD078 remain pending.
- Completion of the infrastructure upgrade program involving the installation of a rail system linking the main shaft to the -124 metre level, man-portable conveyors and an improved air ventilation system.
- A short video of the rail system in operation is available at: <http://www.cgm.com.au/index.php/operations/galleries/videos>

Gold Production at Ze Vermelho

- September quarter gold sales of R\$2.37m (~US\$1.18m); a significant improvement on June quarter gold sales of R\$1.26m or ~US\$0.63m.
- September quarter gold production of 24,506g Au (788 oz).
- Leaching program of the tailings re-commenced with Vat #4 (in Tank #1) and Vat #5 (in Tank #2).
- Cyanide leach of Vat #4 completed with a recovery of 3,699g Au (118.9 oz) from 533 tonnes (6.94 g/t recovered).
- Cyanide leach of Vat #5 with 560 tonnes commenced on 10 October.

HIGHLIGHTS OF THE FOURTH QUARTER *continued*

Exploration at prospects surrounding Ze Vermelho

- Concurrent with the trial mining operation underway at Ze Vermelho, the Company is actively engaged in exploration programs at prospects surrounding Ze Vermelho.

Filao do Meio

- As previously reported, initial eight drill holes at Filao do Meio all intersected gold mineralisation with a best result of 1.66m @10.3 g/t Au contained within broader zone of 9.00m @1.29 g/t Au.
- Assays from second phase drill program at Filao do Meio consisting of five drill holes have now been received with all intersecting wide intervals of gold mineralisation with a best result in drill-hole FMDDH-11 of 18 metres @0.84 g/t Au.

Tambaqui

- As previously reported, the Company has identified a new prospective area lying approximately 3km east of Ze Vermelho, referred to as “Tambaqui Gold Prospect” consisting of a series of historic pits over a strike length in excess of 500 metres.
- An initial drill program consisting of two holes targeting the eastern portion of this prospect was undertaken and results confirm the existence of a narrow zone of gold mineralisation beneath the historic workings.
- Results from a nearby small historic pit to the west reported previously on July 19, 2012 indicate the presence of high grade gold in pyrite veining and in associated disseminated pyrite. These initial results across the prospect are very encouraging and will form the basis of follow up work on this target.

Taira

- Results have been received from all drill core samples with encouraging levels of gold from both East Taira and South Taira.
- Best result at East Taira of 5 metres @5.48 g/t Au in Hole ETR_DD001 which included 1 metre @18.81 g/t Au.
- Best result at South Taira of 5 metres @0.82 g/t Au in Hole STR_DD002.

Geophysics Survey Results

Gradient Induced Polarization Survey

- Re-interpretation of gradient induced polarization (I.P.) geophysical survey results indicate a distinct chargeability and resistivity anomaly over a 210 metre strike length associated with the known mineralisation at Ze Vermelho and extending over Pedra Branca.
- The I.P. survey also identifies a very encouraging similar anomaly with a similar trend over a 180 metre strike length located northwest and offset to Ze Vermelho.
- A number of other similar I.P. anomalies along parallel trends within the survey area warrant follow up investigation.
- Immediate investigation of the I.P. anomalies will include prospecting and soil geochemistry.

Electromagnetic Survey

- The Electromagnetic (EM) surveys were affected by the presence of a conductive weathered zone near to surface and this is likely to have impacted results. Nonetheless the EM test results did indicate a positive response from the borehole EM and moving loop EM methods. The fixed loop EM method did not identify the known mineralisation likely due to the interference of the weathered zone at surface.
- Further use of the EM and I.P. methods and RC drilling is contemplated to define specific targets for diamond drilling.

Contract Drilling

- Revenue for the September quarter of R\$2.16m or ~US\$1.08m. Significantly improved on June quarter revenue of R\$1.18m or ~US\$0.59m.
- All four drill rigs (2 RC, 2 Diamond) successfully relocated from Uruguay to Brazil; bringing an end to the repatriation process.
- Written award received for 20,000 metres (~ 5months double-shift, 6 days per week) of RC drilling in the State of Amapa, Brazil. Rig and equipment currently being mobilised to site for commencement of work in late-November.
- One rig under contract in Uruguay utilising a hired rig; with the Company keen to maintain a presence in Uruguay market.
- Federal government election, new mining legislation and general state of world equity and commodity markets causing a negative effect upon exploration activity at present.

Corporate

- On 25 July 2012, the Company appointed Roger Hussey as its Chairman.

Cougar Metals NL (ASX Code: CGM) is pleased to provide the following detailed activities report for the quarter ended 30 September 2012.

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, 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). The Project comprises three groups of tenements covering approximately 883km² and distributed over a 330km section of the Alta Floresta gold belt (“AFGB”). Government records estimate past production 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 regions.

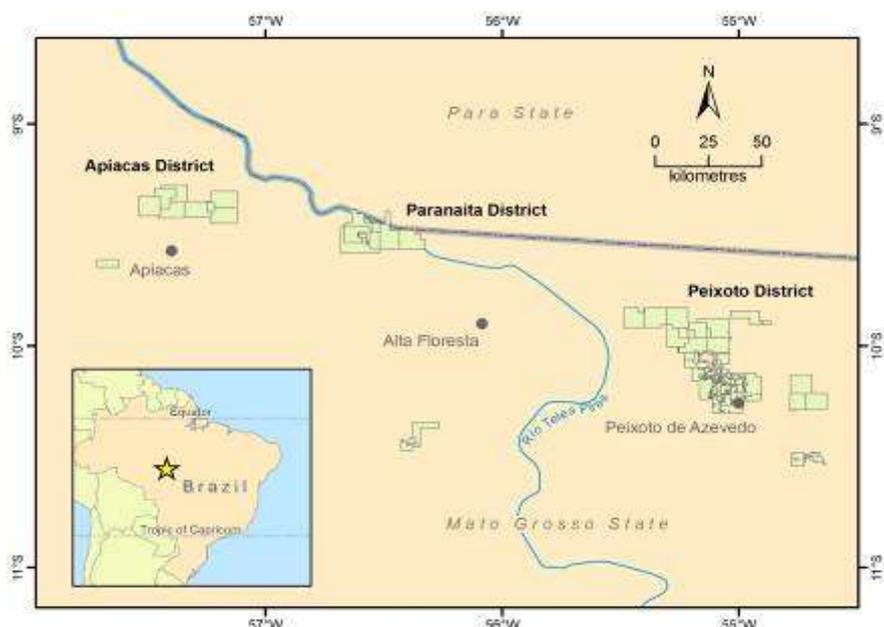


Figure 1: Location of Alta Floresta Project in Mato Grosso State, Brazil

EXPLORATION AND PRODUCTION UPDATE

Pyke Hill Project (Western Australia)

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

Alta Floresta Project (Mato Grosso, Brazil)

Work during the September quarter was focused in and around the Ze Vermelho Gold Mine located in the Paranaita region of Mato Grosso.

Ze Vermelho Gold Mine

Background

The Ze Vermelho Gold Mine consists of an historic open pit from which three shafts were sunk, the most significant of which extended approximately 50 metres underground. Ze Vermelho was worked in the early 1990's but reportedly was abandoned due to a plummeting gold price at that time. Records reveal that gold production from the workings was approximately 70,000 ounces.

Early in FY2011, the pit was de-watered exposing the shafts, one of which was subsequently cleared of debris allowing access to, and the sampling of, the vein structure. Encouraging results were obtained and a decision to continue exploration was made. Exploration is now primarily conducted by the development of underground drives through the structure and the subsequent processing of that material. In addition, the Company has conducted, and continues to conduct, drilling from surface aimed at intersecting the vein at depths below the extent of development work in order to target development efforts and to better understand the confines of the mineralisation.

Coinciding with the decision to explore through underground development the Company established a gravity processing plant in order to assess the mined material and provide funding to the operation. More recently the Company has completed the construction of two cyanide leaching circuits designed to treat the tailings from the gravity processing plant.

Concurrent with the trial mining operation underway at Ze Vermelho, the Company is actively engaged in exploration programs at prospects surrounding Ze Vermelho.

The location of these prospects relative to Ze Vermelho is observed in Figure 2 below:

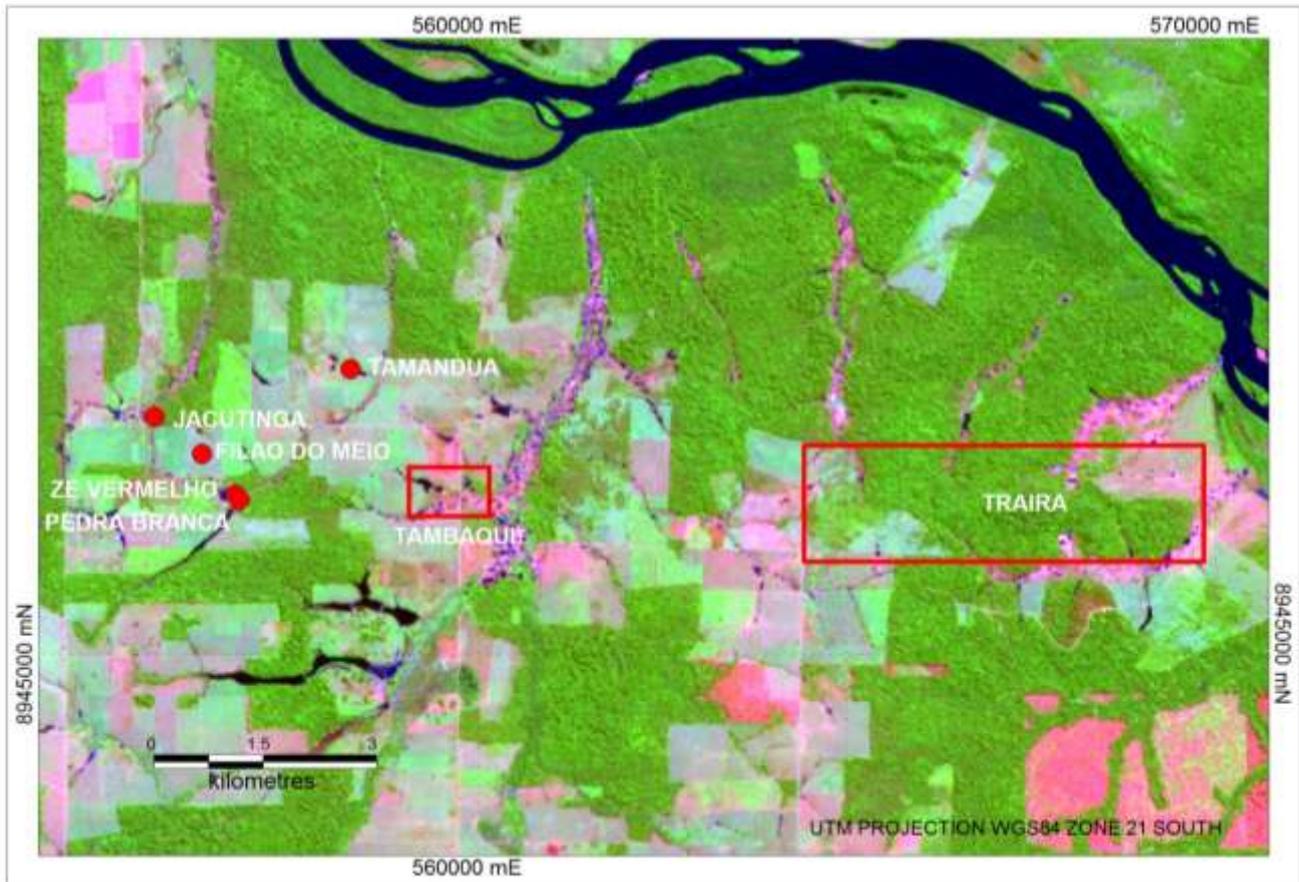


Figure 2: Location map of the Ze Vermelho prospect and other nearby targets.

Trial Mining at Ze Vermelho

During the September 2012 quarter underground development from shaft 2 and 3 comprised a total of 40.1 linear meters: 19.8 linear meters on the inclined drives -40_451N and -45_220N, 4.6m metres on the -54 level, 10.3m on the -116 level, and 6.0 metres on the -124m level.

The high grade nature of the Ze Vermelho mineralised structure continues to be confirmed through channel samples, drilling and trial mining.

Gold Production

During the September 2012 quarter the Company processed a total of 1,502t of ore (June 2012 quarter: 1,461t) through the gravity processing plant located on site at Ze Vermelho and recovered a total of 20,563g (661.2 ounces) of gold resulting in an average mean grade of 13.7 g/t of gold as shown in the table below.

Month	Tonnes Processed	Gravity Recovered Gold (g)	Grade (g/t from gravity)
July	478	7,709	16.1
August	547	6,541	12.0
September	477	7,045	14.8
TOTAL	1,502	21,295	14.2

Table 1: Gravity gold Production during quarter ended 30 September 2012

In addition, during the September quarter the Company recovered a total 3,211g (103.2 ounces) of gold from the treatment of tailings through the cyanide circuit.

Total gold production for the September quarter was 24,506 g (788.0 ounces) of gold.

Vat Leaching

Cyanide leaching of gravity plant was recommenced during the quarter.

VAT #4 was completed (in Tank #1) in October with a recovery of 3,699g Au (118.9 oz) from 533 tonnes (6.94 g/t recovered).

VAT #5 was commenced (in Tank #2) on 10 October with 560 tonnes of tailings.

Gold extraction via cyanide leaching remains profitable and vat leaching will continue whilst testwork is undertaken on what modifications to processing are required to enable a greater rate of recovery of the gold in the tailings.

Updates on the results of this testwork will be released to the market after all results are received and interpreted.

Tailings Grade

Due to the lower than expected recovered gold from tailings a thorough sampling and re-evaluation process was commenced. Unfortunately delays in the transport and assaying of samples has frustrated the process. Fire assays are expected shortly and metallurgical test results later in the month of November to determine the grade and nature of the remaining gold in tailings.

Drilling

Only five drill-holes totalling 776.49 metres were undertaken during the September quarter 2012, with four holes (Holes ZV_DDH075 and ZV_DDH078) being used as platforms for bore hole electromagnetic surveys. All five additional diamond drill holes intersected the Ze Vermelho structure which continues to remain open on strike and at depth.

Table 2 below shows the coordinates, angles and depth of each drill hole (collar coordinates provided are SAD69 datum and UTM grid zone 21S coordinates).

HOLE ID	EAST	NORTH	RELATIVE LEVEL (METRES)	EOH (METRES)	DIP (°)	AZIMUTH (°)
ZV_DDH074	556856	8947235	258	102.43	-50	220
ZV_DDH075	556650	8947332	262	173.75	-50	220
ZV_DDH076	556817	8947320	264	172.30	-60	220
ZV_DDH077	556796	8947326	264	149.61	-73	220
ZV_DDH078	556821	8947361	265	178.40	-65	213

Table 2: Ze Vermelho Drill Hole Co-ordinates

Assays remain pending for the above holes.

A significant amount of drilling was performed during the June 2012 quarter and recently the Company received the assay results for samples taken from holes ZV_DDH061 to ZV_DDH074. Each of the drill holes intersected gold mineralisation demonstrating the continuity of the main zone and upper zone mineralised structures.

A summary of the significant assay results from holes ZV_DDH061 to ZV_DDH074 is shown below and includes best assays of 104.9 g/t Au over 0.5 metres (in Hole ZV_DDH072) and 88.6g/t over 1.0 metres (in Hole ZV_DDH070). True widths for these intersections have not yet been determined.

HOLE ID	FROM	TO	WIDTH (M)	Au (g/t)
ZV_DDH061	No Significant Results			
ZV_DDH062	87.30	87.60	0.30	5.8
and	88.90	89.30	0.40	68.7
and	125.70	126.10	0.40	2.2
ZV_DDH063	95.60	96.40	0.80	5.4
and	102.40	102.90	0.50	1.0
and	114.60	115.60	1.00	1.0
and	119.30	120.10	0.80	3.8
ZV_DDH064	89.40	89.90	0.50	8.1
and	94.90	95.30	0.40	2.9
and	107.50	108.10	0.60	1.1
ZV_DDH065	106.90	107.40	0.50	1.2
ZV_DDH066	99.00	99.50	0.50	2.8

and	112.40	113.40	1.00	1.9
ZV_DDH067	98.20	98.70	0.50	2.2
ZV_DDH068	66.00	67.00	1.00	9.1
ZV_DDH069	No Significant Results			
ZV_DDH070	91.90	92.90	1.00	88.6
and	103.90	104.90	1.00	1.1
ZV_DDH071	86.60	87.60	1.00	3.6
ZV_DDH072	77.20	78.20	1.00	12.9
and	83.80	84.80	1.00	9.6
and	87.10	87.60	0.50	104.9
ZV_DDH073	96.20	96.80	0.60	3.1
ZV_DDH074	94.50	95.50	1.00	1.2

Table 3: Significant assay results from Ze Vermelho drilling.

Assay results for holes ZV_DDH075 to ZV_DDH078 remain pending.

Drill intercepts in relation to underground development is shown in Figure 3 below.

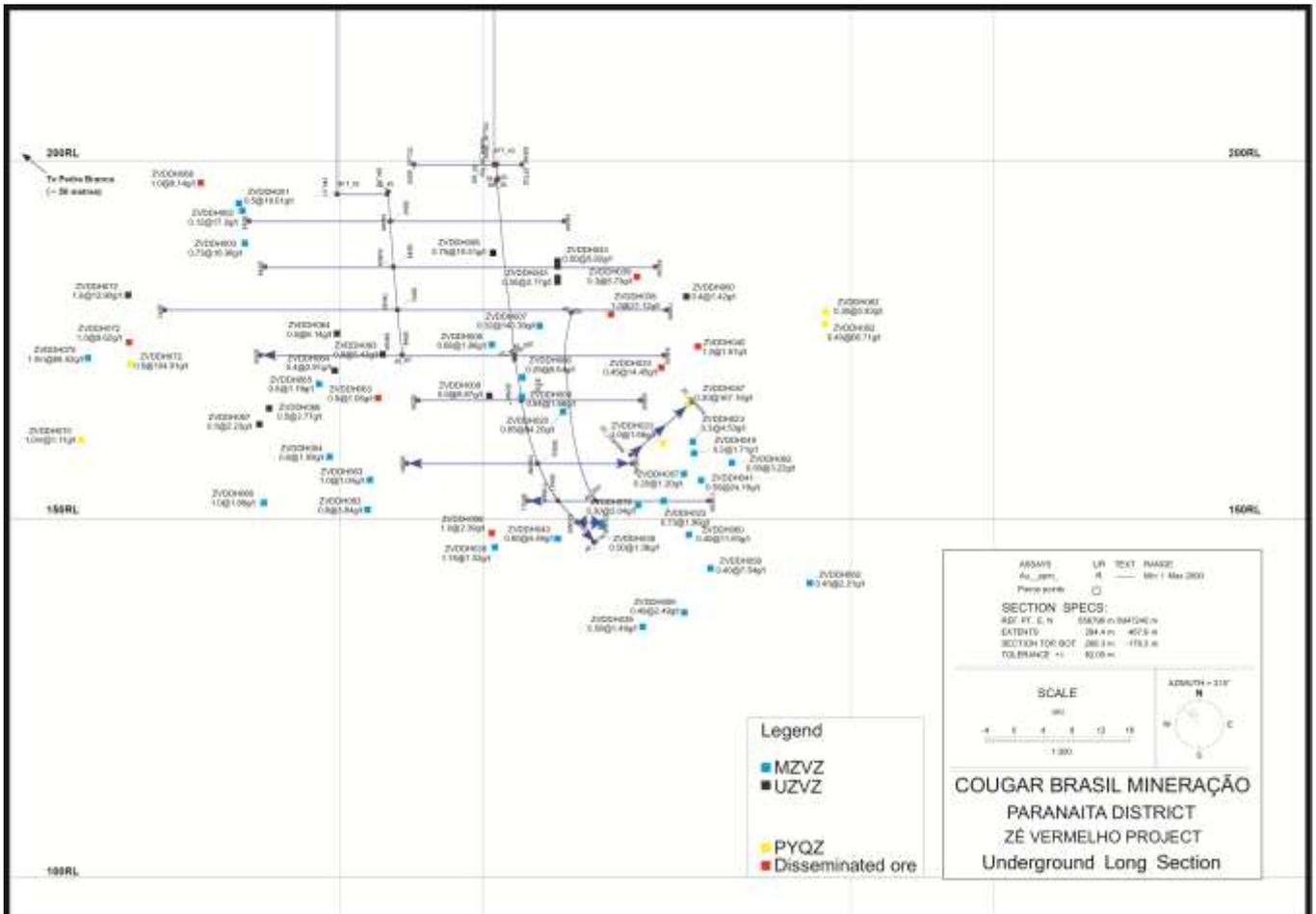


Figure 3: Ze Vermelho Long Section showing drill intercepts of interest. Arrows indicate focus of current workings

Readers should note that the light blue intercepts are in the same plane as the current workings. Upper Ze Vermelho Zone (UZVZ) intercepts lie above and oblique to the main Ze Vermelho zone (MZVZ).

The Pyrite Quartz Zone (PYQZ) lies oblique to and crosses both MZVZ and UZVZ.

IP Survey

During the September quarter an IP (Induced Polarisation) Survey was concluded over the Ze Vermelho Gold Mine and surrounding area.

Whilst an IP Survey was previously performed in February 2012, the Company had some concerns in relation to the quality of the survey performed. The September IP Survey was designed to both replicate and extend the March Survey.

The results of the September IP Survey support the findings of the previous survey and in some cases provided additional information.

The IP surveys show a distinct anomaly associated with the region of the Ze Vermelho mineralisation. Similar anomalies were identified within the survey area and in the vicinity of the known mineralisation. These anomalies will undergo follow up exploration and maybe EM surveys for targeting purposes.

EM Survey

Electromagnetic (EM) surveys were conducted over known pyrite associated gold mineralisation at the Ze Vermelho and at the Filao do Meio gold prospects. The main objective was to determine the viability of these EM methods as a drill targeting tool in the ongoing exploration for similar mineralization. Three survey configurations were tested;

- (i) borehole EM (BHEM) using a 200 metre square double turn transmitter loop;
- (ii) fixed Loop EM (FLEM) using a 200 metre square double turn transmitter loop; and
- (iii) moving Loop EM (MLEM) using 100 and 80 metres square loops. Inside loop and outside loop reading were obtained.

The EM surveys were conducted at both 3hz and 30hz frequencies. Surveys were carried out by Fugro Brasil and quality control was performed by Resource Potential in Perth.

The main challenges for the EM methods used were the presence of a conductive weathered zone limiting the penetration of the primary current, the narrow and/or low sulphide content of the mineralisation at Ze Vermelho and Filao do Meio, and complexities caused by multiple conductors. The weathered zone overlying the region varies to 50 metres in depth with significant clay content. The known gold mineralisation at Ze Vermelho and Filao do Meio is dominantly pyrite associated along narrow veins and in disseminated bodies. The volume of sulphide is low with local semi-

massive to massive bands occurring associated with disseminated bodies along a number of distinct trends within a regionally interpreted host structure.

It is likely that due to the above factors, the EM survey was not as beneficial as it may otherwise have been.

Nonetheless, the EM surveys did provide subtle responses correlating to the mineralisation at Ze Vermelho and at Filao do Meio using the BHEM and MLEM techniques. The FLEM configuration did not provide any significant response most likely due to the presence of a conductive weathered zone as referred to above.

Exploration at Prospects Surrounding Ze Vermelho

The Company is undertaking exploration at four prospects which are all the site of historical workings and which are located within a ten kilometre radius of Ze Vermelho.

The prospects are named Filao do Meio, Tambaqui, Traira and Jacutinga, and a report on the progress at each follows. The locations of these prospects relative to Ze Vermelho are shown below:

Filao do Meio Gold Prospect

The Filao Do Meio Gold Prospect is located 650 metres NW of Ze Vermelho, sitting approximately half-way between Ze Vermelho and Jacutinga.

Historically, Filao do Meio was the first to be worked in the Ze Vermelho area and reportedly produced 700g of gold per day. However, upon finding Ze Vermelho, Filao do Meio was set aside, flooded and never re-visited.

The current understanding is that Filao do Meio may represent part of the Ze Vermelho ore system as its NW extension.

During the March 2012 quarter the Company dewatered and cleaned the pit so that a direct inspection of the ore structure was possible; revealing a quartz vein related structure. A sample of 1kg was assayed and subsequently returned a grade of 123 g/t of gold.

An initial drill program consisting of eight (8) drill-holes was completed during the June 2012 quarter and targeted depth extensions of the historic artisanal gold pit.

Assay results for all eight (8) holes were received post the end of the June 2012 quarter and showed narrow intercepts of high grade gold mineralisation and wider lower grade zones of gold mineralisation.

The most significant of the assay results from the first eight holes are shown in table 4 below:

Hole Number	From (metres)	To (metres)	Intercept Width (metres)	Au (g/t)
FMDDH-01	25.50	35.00	9.50	1.8
including	30.00	31.00	1.00	6.7
FMDDH-02	24.00	25.00	1.00	0.51
FMDDH-05	82.00	85.00	3.00	1.2
FMDDH-06	77.00	78.00	1.00	0.52
FMDDH-08	83.80	85.46	1.66	10.3
including	84.63	85.46	0.83	17.1
and	95.00	104.00	9.00	1.3

Table 4: Significant drill Intercepts – Filao de Meio

A second phase drilling program consisting of five (5) drill-holes, two (2) drill-holes of which were to in-fill between existing drill-holes and three (3) drill-holes of which were to test down-dip extension, was undertaken during the September quarter.

A summary of assay results is shown below in Table 5. Drill intersected widths only are shown.

HOLE ID	FROM	TO	WIDTH (M)	Au (g/t)
FM_DD009	No Significant Results			
FM_DD010	39.30	39.50	0.60	1.5
FM_DD011	87.35	105.35	18.00	0.84
includes	88.35	93.35	5.00	1.4
FM_DD012	No Significant Results			
FM_DD013	71.75	74.75	3.00	0.52
and	100.00	106.75	6.75	0.60

Table 5: Significant drill Intercepts – Filao de Meio

Tambaqui Gold Prospect

The Tambaqui Gold Prospect is located approximately three (3) kilometres east of the Company's Ze Vermelho prospect and encompasses a series of historical workings over a strike length in excess of 500 metres. The area was the subject of alluvial, colluvial and bedrock gold mining operations in the mid 1990's.



Figure: Aerial photograph over Tambaqui showing the extent of historic alluvial work

Initial reconnaissance sampling yielded promising results with samples 1 and 2 each returning above 8 g/t gold (refer Table 6 below). The weighted gravity recovered average of the four bulk samples was 4.89 g/t Au.

Sample ID	Weight (t)	Gravity Recovered Gold (g)	Grade (g/t)	Gold Fineness (%)
TBQ-01	24.00	196.69	8.19	85.00
TBQ-02	1.17	10.10	8.63	61.38
TBQ-03	1.07	4.24	3.94	77.50
TBQ-04	28.4	56.62	1.99	81.27

Table 6: Tambaqui west pit bulk sampling results

A geologic mapping exercise was then carried out and identified two main zones within the west pit at Tambaqui. The outer zone consists of barren regional biotite granite; whilst the inner zone consists of hydrothermally altered sulphide-disseminated Syenite and and Py-cemented granitic breccia (refer Figure 4 below).

A series of samples were taken to determine the association between gold mineralisation and rock types and the results are shown in Table 7. The best results returned were 149.53 g/t and 101.13 g/t gold; both being pyrite related.

Sample ID	Gold Grade (g/t)	Description
140035	10.49	30% disseminated pyrite in fracture potassic altered granite
140036	3.71	10% pyrite disseminated in foliated chlorite altered granite
140037	2.40	Shear zone
140038	149.53	Massive pyrite in narrow quartz vein
140041	7.83	10% pyrite in silicified alteration halo with chlorite and sericite
140042	3.36	box work and fracture filling pyrite in shear zone
140043	101.13	narrow folded massive pyrite vein

Table 7: Tambaqui targeted sampling results

In summary, geological mapping identifies three styles of gold mineralisation: 1) low-grade gold associated with disseminated, fracture and open filling spaces pyrite hosted by the hydrothermally altered syenite, 2) low-grade gold associated to disseminated pyrite hosted by narrow mylonites and 3) high-grade gold associated to late massive pyrite veins.

A drilling program consisting of two diamond drill holes targeting the eastern portion of this prospect (access is restricted to the east at this time) was undertaken in July.

Drill hole ETB_DD002 (see below) intersected a narrow zone of gold mineralisation beneath the historic workings. This result together with the sampling results from the northern pit detailed above are encouraging and will form the basis of follow up work on this target.

HOLE ID	FROM	TO	WIDTH (M)	Au (g/t)
ETB_DD001	No Significant Results			
ETB_DD002	86.60	87.30	0.70	3.0

Table 8: Tambaqui drill results

Traira Gold Prospect

The Traira Gold Prospect encompasses an area of approximately five (5) square kilometres and hosts several old and abandoned artisanal workings.

During the September 2012 quarter, the Company undertook an initial drill program consisting of five holes at this prospect.

Results were received from all drill core samples with encouraging levels of gold from both East Traira (ETB_DD002) and South Traira (STR_DD001). These holes were designed to test the down plunge mineralization of surface showings. The South Traira and East Traira holes are separated by 3600 metres. Further work is planned to evaluate this area.

HOLE ID	FROM	TO	WIDTH (M)	Au (g/t)
STR_DD001	62.35	62.72	0.37	3.1
STR_DD002	No Significant Results			
STR_DD003	79.60	84.60	5.00	0.82
ETR_DD001	26.00	31.00	5.00	5.5
includes	27.00	28.00	1.00	18.8
ETR_DD002	No Significant Results			
ETR_DD003	No Significant Results			

Table 9: Traira drill results

Jacutinga Gold Prospect

No further work during the September 2012 quarter was conducted.

ZE VERMELHO UNDERGROUND INFRASTRUCTURE UPGRADE

Since commencing operations at Ze Vermelho in December 2010, the Company has extended the underground workings from -54 metres (the base of the historical workings) to the current level of -124 metres through an inclined shaft following the main mineralised vein.

It became necessary in order to continue to efficiently explore and access ore at depth to upgrade the underground infrastructure at Ze Vermelho. This has principally involved installing a rail link between the base of shaft 2 and the -124 metre level, importation from the US of man portable conveyors, and a new air ventilation system. Significant on-site fabrication was also need to complete the project.

The completed system has been commissioned and allows for significantly increased ore production, with improved safety and access.

A short video has been prepared and is available for viewing by direct link: <http://www.cgm.com.au/index.php/operations/galleries/videos>.

CONTRACT DRILLING BUSINESS UPDATE

Revenue for the September 2012 quarter from external clients was R\$2.16m or ~US\$1.08m which was significantly improved upon the external client revenue earned during the June 2012 quarter of R\$1.18m or ~US\$0.59m.

The improvement in external client revenue during the September 2012 quarter was principally attributable to the increase in available drill rigs arising from the repatriation of rigs from Uruguay and a reduced internal drilling requirement.

Rig Relocation from Uruguay to Brazil

During the quarter the company completed the repatriation into Brazil (from Uruguay) of the 2 RC drill rigs.

As a consequence, all four drill rigs are now ready and available for work in Brazil.

Contract Awards

The Company is pleased to announce that it has received formal notification of an award of 20,000 metres of RC drilling in the state of Amapa. This work can only be performed using one of the repatriated RC rigs from Uruguay, which is considerably larger and more powerful than the company's existing unit.

Equipment and staff are currently being mobilised to the remote site, north of the Amazon River for a start by late-November. The program will be performed over ~ 5 months with rig and crew working double-shift, 6 days per week.

During the quarter the Company was also awarded a diamond drilling contract for 2000m metres in Uruguay. The work commenced in mid-September utilising a hired rig and is expected to run through to the end of November.

The Company is keen to retain a presence in Uruguay and continue to service the small but lucrative Uruguayan market.

Current Activity in Brazil

Whilst activity levels during the September quarter were relatively strong there has been a significant drop-off in drilling activity in recent weeks in Brazil. The Company's business development efforts continue to identify small drilling programs for which the Company is competitively bidding upon. Forward looking revenues remain modest at this stage with current drilling activity expected to sustain the Company through to the March 2013.

The drop-off in activity is considered to be due to a combination of factors including an upcoming federal government election, new mining legislation and the general state of world equity and commodity markets.

CORPORATE UPDATE

Appointment of Chairman

On 25 July 2012, the Company announced the appointment of Mr Roger Hussey as its Chairman.

Mr Hussey has extensive experience in the role of Director and Chairperson having chaired various publicly-listed companies, and government and community-based organisations including Century Holdings Ltd, TAB (WA) Ltd, Princess Margaret Hospital for Children and the Children's Medical Research Foundation.

Mr Hussey is an experienced corporate executive and management consultant having worked over the past decade leading consultancy teams for Deloitte Consulting and KPMG Consulting, prior to which he was Chief Executive of the Century Holdings Ltd Group together with associated companies including Metro Industries Ltd and Parbury Henty Ltd.

The appointment of Mr Hussey to the position of Chairman follows a company initiative to strengthen its board following the April capital raising, specifically to address the increasing complexity and scale of the business environment in which the Company operates.

Coinciding with the appointment of Mr Hussey as Chairman, Mr Randal Swick steps down as Chairman but remains Managing Director.

PROPOSED ACTIVITIES FOR 2nd QUARTER 2013:

Exploration and Production:

- Development and exploration of Ze Vermelho's -84, -106, -116 and -124m level.
- Ongoing gold production from gravity processing and cyanidation.
- Continuation of inclined drive to -134m.
- Formulation of exploration plan for high grade intercepts at Pedra Branca.
- Sampling and processing of 200 tonne bulk sample from Traira East prospect

Drilling Division:

- Continuation of contract drilling in Brazil, including the mobilisation of RC rig to Amapa.
- Continuation of Uruguayan contract drilling operations.

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



RANDAL SWICK
Managing Director

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.

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.