

**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 883km<sup>2</sup> 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

Randal Swick – Chairman  
Jeff Moore – Director  
Paul Hardie – Director

#### Senior Management

Randal Swick – Managing Director  
Michael Fry – CFO & Company Secretary  
Jayme Leite – Exploration Manager

#### Capital Structure

Shares on Issue: 462,211,076  
52 week range: \$0.02 - \$0.11  
Last Price (30/07/12): \$0.042  
Market Capitalisation: \$19 million

#### Substantial Shareholders

Savvy Capital Management – 29.44%  
Marcia Swick – 17.36%

## HIGHLIGHTS OF THE FOURTH QUARTER

### *Exploration at Ze Vermelho*

- Trial mining has continued through development from shaft number 3 totaling 42.08 linear metres in the -40 and -451N inclined drives and in drive -116; and from shaft number 2 totaling 8.22 metres at the -50 metres level.
- Channel samples from the -116 metre level have returned gold grades of up to 559 g/t.
- Completion of the link between shaft 2 and the -40\_451N inclined drive; allows for the upcoming implementation of a railing system and elevator to increase the ore removal capacity.
- Additional 15 diamond drill holes were completed during the fourth quarter of 2012 intercepting gold mineralisation with best result returned of 0.4m @ 167 g/t Au.
- Post quarter end, an additional 11 diamond drill holes completed. Assays for these are pending.
- Significant pinching of vein and high grade ore shoot encountered at -106 and -116 metre levels resulting in lower gold grades and production. However; the inclined drive currently at -122 level indicated a widening of the vein to 45 cm containing ~25% pyrite and 8cm band of massive pyrite.
- Ten diamond drill holes were completed at Pedra Branca during the quarter. A total 24 holes have been completed to-date. Results confirm the existence of high grade gold mineralisation within quartz vein to depth of 50 metres. Further drilling to test the Pedra Branca gold mineralisation depth extension is planned.
- Concurrent with the trial mining operation underway at Ze Vermelho, the Company is actively engaged in exploration programs at a number of other prospects surrounding Ze Vermelho.

## HIGHLIGHTS OF THE FOURTH QUARTER *continued*

### ***Exploration at prospects surrounding Ze Vermelho***

- Initial eight drill holes at Filao do Meio intersected gold mineralisation with best result of 1.66m @10.3 g/t Au contained within broader zone of 9.00 metres @1.29 g/t Au.
- Second phase drill program consisting of five drill holes was subsequently completed at Filao do Meio (assays pending); all holes intersected the Filao do Meio structure with drill-hole FMDDH-11 intersecting a structure of interest 35.9 metres in width.
- Identification of a new prospective area lying approximately 3 kilometres 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.
- Sampling of a narrow sulphide vein at Tambaqui yielded results of up to 149.53 g/t Au and reveal pyrite related gold mineralisation as disseminations in syenitic granite, in cross cutting veins, as fracture filling and within mylonite.
- Drilling program underway at Tambaqui to test for continuation of gold mineralisation below historical workings.
- Geological mapping, soil sampling and initial drill program completed at the Traira target with results of soil sampling and drilling pending.

### ***Gold Production from Ze Vermelho***

- Gold sales for the quarter generated income of R\$1.258m (~US\$625,000).
- Gold production for the quarter significantly affected by pinching of vein at -106 metre and -116 metre levels, clogging by fines in VAT03 and poor grade reconciliation in the leaching circuit.
- Leaching program of the tailings continued with VAT03, although abandoned early due to poor circulation of fluids. A cyclone is now on site to remove fines and increase percolation of leaching solution.
- Construction of the second leaching tank has been completed to double the Company's leaching capacity. Currently being loaded.
- International referenced gold and copper standards have been acquired and implemented for the Atomic Absorption unit providing the Company with increased precision and reliability in this facility. On site preparation of soil, grab, overflow, and channel samples is providing significant cost and time savings.

### ***Contract Drilling***

- Revenue for the quarter of R\$1,294,857 (~US\$640,000).
- Two diamond drill rigs successfully relocated from Uruguay to Brazil.
- Two RC rigs transported to Brazil with final customs clearance expected early August.
- Two drill rigs deployed on Company exploration projects during the quarter, reduced to one rig in July to decrease expenditure.
- Of the nine rigs in the Brazilian fleet, six rigs are currently in work or contracted to go to work in the short term.
- Active tender pipeline with several tenders currently at advanced stage.

### ***Corporate***

- Finalisation of placement of 53,125,000 shares to sophisticated investors at 8 cents per share raising \$4.25 million.
- Closure of Share Purchase Plan with Shareholders subscribing for 2,862,500 New Shares raising \$229,000.

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

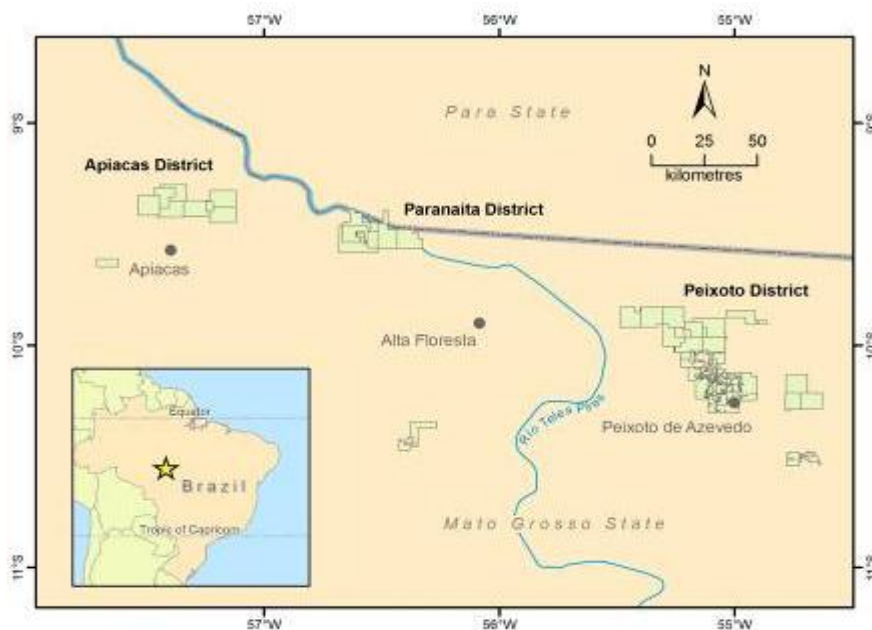
### Pyke Hill Project (Western Australia)

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 898km<sup>2</sup> and distributed over a 330 kilometres section of the Alta Floresta gold belt ("AFGB"). Government records estimate past production from the AFGB 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 June 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 June 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.

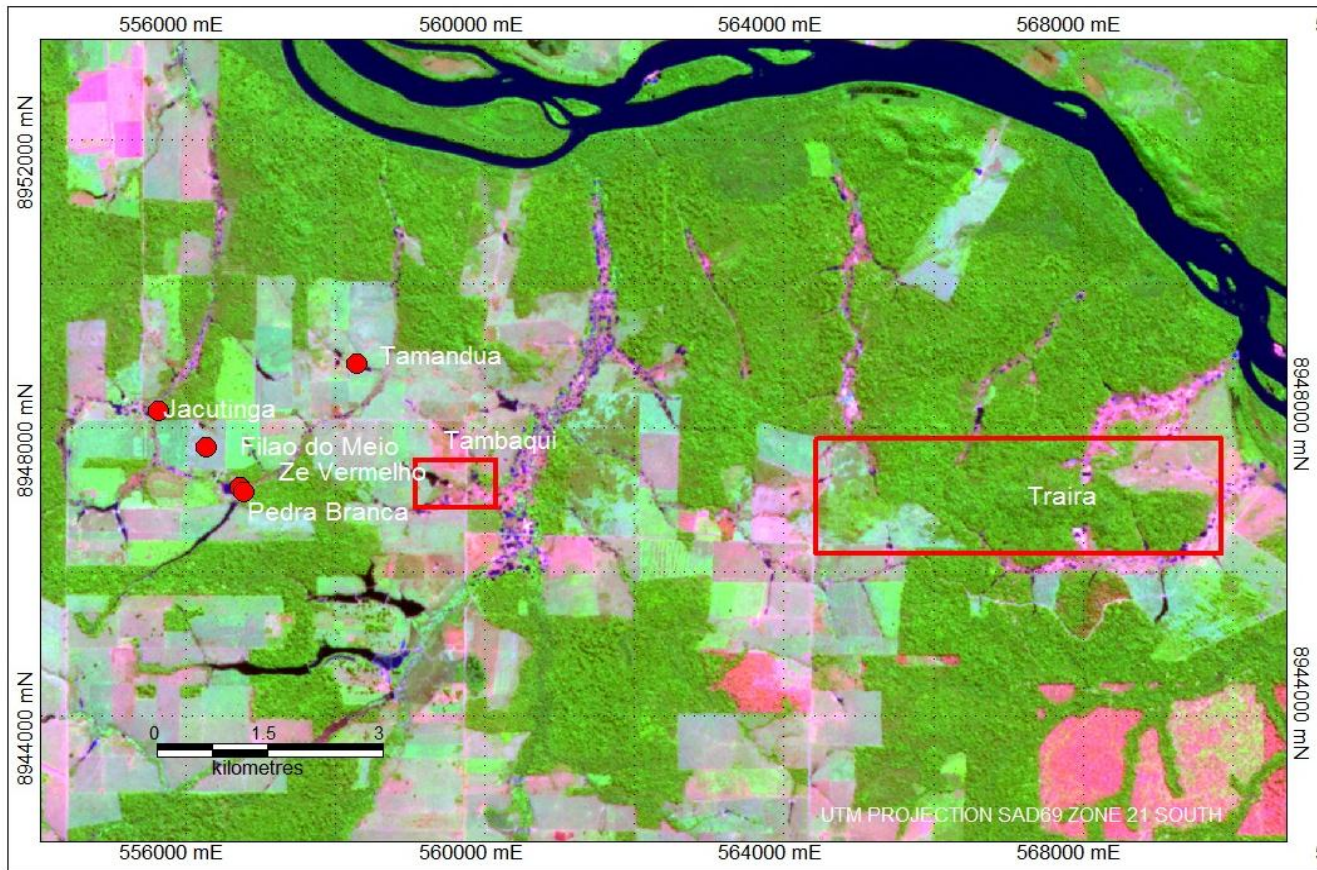
Earlier in FY2011, the pit was de-watered exposing the shafts, one of which was subsequently cleared of debris allowing access to, and the sampling of, the vein structure. Encouraging results were obtained and a decision to continue exploration was made. Exploration is now primarily conducted by the 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. The first vat cycle in circuit 1, completed in January 2012, achieved approximately 96% gold recovery after a 2 month leaching cycle.

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 June 2012 quarter Shaft 2 was refurbished, timber lined and is now linked to the inclined drive 40\_451N. This linking will allow the company to implement a semi-mechanisation program including 65 metres of railing, portable conveyor belts and skip which will result in an increase in the ore removal capacity, productivity increases and an overall reduction in costs.

During the June 2012 quarter underground development from shaft 3 comprised a total 25.68 linear metres: 7.4 linear metres on the inclined drives -40 and -451N, 3.88 metres on the -106 level, and 14.40 metres on the raise 40\_45\_2N. At shaft 2, a total 8.22 metres of drive were opened at the -50 metre level that intercepted the ore structure as expected. Development at the -116 metre level comprised 14.90 metres to the northwest and 1.50 metres to the southeast.

The high grade nature of the Ze Vermelho mineralised structure continues to be confirmed through assays of channel samples systematically taken at each advance.

Assay results returned from channel samples taken at the -106 metre level are shown in the table below.

Sample_ID	Drive	Sampling point (m)	Vein width (m)	Au (g/t)
130671	106NW	3.05	0.85	131.02
130674	106NW	3.88	0.63	175.41
130675	106NW	4.95	0.51	559.73
130677	106NW	6.45	0.45	561.3
130678	106NW	8.05	0.52	136.56
130722	106NW	9.80	0.45	25.31
130725	106NW	11.26	0.42	0.46
130672	106SE	3.50	0.48	6.83
130676	106SE	5.50	0.51	11.74
130721	106SE	8.15	0.87	19.28
130727	106SE	10.70	0.62	30.32
130732	106SE	11.54	0.54	221.89
130759	106SE	12.50	0.43	220.94
130761	106SE	14.03	0.42	38.41

**Table 1: Assays results of Channel Samples taken at -106 metre level**

### **Gold Production**

During the quarter the Company processed a total of 1,461 tonnes of ore (March 2012 quarter: 1,140 tonnes) through the gravity processing plant located on site at Ze Vermelho and recovered a total of 16,775 grams (540 ounces) of gold resulting in an average mean grade of 11.48 g/t of gold.

The recovered gold grade was significantly below that of previous quarters due predominantly to the pinching of the vein at the -106 metre and -116 metre levels.

Subsequent to the end of the June 2012 quarter, down dip development has continued from the -116 level where the gradient of the vein changed from 45 degrees to sub-horizontal and pinched completely. Further development continued to the -119m level where the structure then dipped towards the normal 45 degrees and the vein returned. At the date of this report the down dip development is at the -122 metre level and the vein consists of a 45cm of quartz with 25% pyrite and is bounded on the footwall by a massive pyrite band of 8cm. The company views this as very encouraging.

## **Vat Leaching**

The construction of a second leaching tank (Tank #2) was completed during the June 2012 quarter although no leaching has yet occurred in this tank.

VAT 03 was commenced in mid-April (in Tank #1) however poor permeability resulted in unacceptable recoveries due to the presence of fines and the process was discontinued.

Currently both tanks are being loaded utilising a recently acquired cyclone to remove the fine fractions from the ore material in order to increase percolation of the leaching fluids.

The Company has also experienced a significant reduction when reconciling the predicted head grade and what has been recovered from vat leaching. On-site forensic work is being undertaken to identify and resolve this issue, including testing for the presence of a refractory gold component to the ore which may have not been previously recognised.

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

Despite these concerns, gold extraction via cyanide leaching remains profitable and vat leaching will continue.

## ***Drilling***

Drilling from surface at Ze Vermelho has continued during the June 2012 quarter.

During the quarter, fifteen (15) drill holes (ZVDDH\_038 to ZVDDH\_045 and ZVDDH\_056 to ZVDDH\_062) were completed and totalled 2,103.86 linear metres of diamond drilling (see Table 2 below); the assays for which have all been returned.

Subsequent to the quarter, in July, a further 11 drill-holes (holes ZV\_DD063 to ZV\_DD073) have been completed for 1,478.42 linear metres of diamond drilling at the Ze Vermelho prospect. Assays for these drill holes are pending.



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_DD038	556785	8947289	263	156.02	-80	230
ZV_DD039	556795	8947288	263	151.57	-90	220
ZV_DD040	556758	8947274	258	127.07	-85	220
ZV_DD041	556768	8947285	262	133.43	-80	220
ZV_DD042	556763	8947291	262	136.98	-80	220
ZV_DD043	556821	8947303	262	133.31	-71	225
ZV_DD044	556705	8947294	262	149.70	-75	220
ZV_DD045	556821	8947303	262	92.75	-61	225
ZV_DD056	556819	8947305	262	158.60	-61	225
ZV_DD057	556811	8947329	263	132.00	-56	220
ZV_DD058	556811	8947329	263	148.26	-60	220
ZV_DD059	556811	8947329	263	155.96	-70	220
ZV_DD060	556762	8947270	258	170.81	-80	220
ZV_DD061	556773	8947308	264	125.00	-80	220
ZV_DD062	556780	8947315	264	132.40	-80	220
ZV_DD063	556826	8947279	261	143.61	-69	220
ZV_DD064	556831	8947721	260	141.15	-70	220
ZV_DD065	556831	8947721	260	130.93	-60	220
ZV_DD066	556835	8947264	259	133.84	-70	220
ZV_DD067	556835	8947264	259	131.20	-80	220
ZV_DD068	556841	8947255	259	124.22	-70	220
ZV_DD069	556841	8947255	259	121.70	-70	220
ZV_DD070	556850	8947243	259	137.59	-70	220
ZV_DD071	556768	8947313	264	141.96	-80	220
ZV_DD072	556850	8947243	259	166.34	-90	0
ZV_DD073	556850	8947243	259	105.88	-50	220

The most significant assay results returned from the recent drilling are shown below in Table 3 below (note: widths are those from drill intersections; true widths for these intersections have not yet been determined).

HOLE ID	FROM (m)	TO (m)	WIDTH (m)	Au (g/t)
ZV_DD038	84.00	85.00	1.00	21.12
And	114.50	115.00	0.50	1.38
ZV_DD039	77.90	78.20	0.30	5.74
ZV_DD040	98.50	100.20	1.70	1.53
Including	98.50	98.80	0.30	4.53
Including	99.90	100.20	0.30	1.72
ZV_DD041	109.50	110.00	0.50	24.19
ZV_DD042	108.20	108.70	0.50	3.23
ZV_DD043	80.90	84.40	3.60	2.19
Including	80.80	81.30	0.50	5.82
Including	81.30	82.30	1.00	1.47
Including	83.30	83.80	0.50	2.77
Including	83.80	84.40	0.60	3.19
And	122.00	122.60	0.60	4.46
ZV_DD046	57.00	57.30	0.30	2.08
ZV_DD050	45.20	47.30	1.10	2.85
Including	45.20	46.20	1.00	3.31
Including	46.20	47.30	1.10	2.44
ZV_DD054	50.20	50.70	0.50	3.45
ZV_DD056	97.90	98.20	0.3	2.89
ZV_DD057	119.20	119.50	0.3	167.16
ZV_DD058	134.00	134.40	0.40	7.54
ZV_DD059	136.10	136.50	0.40	2.48
ZV_DD060	78.70	79.10	0.40	1.41
And	112.00	112.40	0.40	11.83

The drilling at Ze Vermelho has provided confirmation of continuity in the gold hosting structure and in the high grade nature of the mineralization and supports the planning of the underground development.

Assay results for holes ZV\_DD061 to ZV\_DD073 are pending.

### **IP Survey**

During the first quarter an IP (Induced Polarisation) Survey was concluded over the Ze Vermelho Gold Mine and surrounding area. The IP Survey, conducted by Fugro-Geomag Brasil, consisted of 32 linear kilometres of closely spaced survey lines across the prospect area.

Further evaluation of the data has been ongoing during this fourth quarter and has incorporated the integration of drill data. The Company's geophysicists are currently finalizing their interpretation of the data and this is expected soon.

A preliminary draft of this interpretation has been provided to the Company and has identified a number of more clearly defined anomalies which reflect the high priority targets for the Company. Work in testing these anomalies will commence in earnest during the September 2012 quarter.

### **TDEM Survey**

As previously foreshadowed, the data obtained from the TDEM (time-domain electromagnetic) geophysical survey conducted at the beginning of this calendar year was significantly corrupted due to interference from a band of saprolite near to surface. This has severely impacted the usability of the data to the extent that much of the data is of limited use.

The Company is currently planning further geophysical programs which will be designed in such a way to minimise the effects of conductive overburden.

### ***Pedra Branca***

Pedra Branca is located approximately 50 metres south-east of the Ze Vermelho trial mine and is now known to be the strike extension of the Ze Vermelho structure.

Initial step out diamond drilling south-east of the Ze Vermelho prospect intersected narrow zones of gold mineralization in five holes (ZV\_DD014, 015, 016, 018, and 019). Subsequently an induced polarization (IP) geophysical survey identified a number of anomalies in the area warranting testing.

A small excavation pit at one of these IP anomalies was dug and uncovered gold mineralisation associated with quartz veining. A 12 tonne bulk sample of the quartz vein was processed and yielded 286 grams (9.2 ounces) of gold for a mean gravity recovered gold grade of 24 g/t gold (previously reported).

First two drill holes (holes ZV\_DD024 and ZV\_DD025) intersected visible gold mineralisation and subsequently returned bonanza gold assays of 4.23 metres @ 288 g/t gold including 1 metre @ 1,185 g/t gold (in ZV\_DD024) and 1.12 metre @ 204 g/t gold (previously reported).

Following the success of the first two drill-holes additional drilling has been conducted to determine the extent of the shallow gold mineralisation at Pedra Branca.

In total, 24 drill-holes have been undertaken to test the Pedra Branca structure; however three (3) holes had to be abandoned and four (4) were impacted by poor recovery of the core.

The results of the drilling and geological mapping performed thus far demonstrate that the gold mineralisation at Pedra Branca occurs as pyrite disseminations along foliation in mylonite, as filling open spaces, as nearly massive pyrite bands in quartz veins and as visible free gold. The mineralisation is similar in character to that found at the nearby Ze Vermelho prospect.

A summary of diamond core assay results from Pedra Branca are shown in Table 4 below. Actual drill intercept widths are shown with the true widths yet to be determined.

Hole Number	From (metres)	To (metres)	Intercept Width (metres)	Au (g/t)	Notes
ZV_DD014	97.80	98.76	0.96	0.36	
ZV_DD015	34.70	35.70	1.00	1.91	
and	58.50	59.38	0.88	0.56	
ZV_DD016					Abandoned
ZV_DD018	55.40	58.40	3.00	0.35	
and	86.30	89.35	3.05	0.22	
ZV_DD019	70.50	71.50	1.00	0.33	
ZV_DD024	39.65	40.65	1.00	10.76	previously reported
and	43.03	47.26	4.23	289.23	
including	43.03	44.03	1.00	1,185.38	
ZV_DD025	38.35	39.35	1.00	5.25	previously reported
and	49.37	50.49	1.12	204.14	
ZV_DD027	39.20	39.40	0.20	0.83	53% recovery
ZV_DD028					Abandoned
ZV_DD029	44.13	46.13	2.00	2.22	
ZV_DD030	54.62	55.03	0.41	0.34	
ZV_DD031	41.20	42.20	1.00	2.10	
ZV_DD032	41.00	42.00	1.00	0.50	
ZV_DD033	46.00	48.00	2.00	0.27	
and	55.00	57.00	2.00	0.41	
ZV_DD046	57.00	57.30	0.30	2.09	
ZV_DD047	31.67	32.63	0.96	0.61	
and	32.63	35.28	2.65	0.72	40% core recovery
and	47.70	50.30	2.60	4.53	
including	47.70	48.30	0.60	11.00	
ZV_DD048					No significant values
ZV_DD049	60.50	61.40	0.90	0.45	

ZV_DD050	45.20	47.30	2.10	2.86	
ZV_DD051					Mineralized zone note recovered
ZV_DD052					Abandoned
ZV_DD053					Mineralized zone not recovered
ZV_DD054	50.20	50.70	0.50	3.45	
and	56.20	56.70	0.50	0.30	
ZV_DD055	64.55	65.55	1.00	0.39	
and	68.35	68.85	0.50	0.31	

Table 5 below shows the coordinates, angles and depths of each drill hole (collar coordinates provided are SAD69 datum and UTM grid zone 21 south coordinates).

HOLE ID	EAST	NORTH	Relative Level (metres)	EOH (metres)	DIP (°)	AZIMUTH (°)
ZV_DD014	556798	8947154	244	102.30	-75	40
ZV_DD015	556798	8947154	244	103.55	-70	40
ZV_DD016	556798	8947154	244	27.10	-90	0
ZV_DD018	556837	8947125	252	100.60	-50	318
ZV_DD019	556861	8947190	256	120.10	-50	220
ZV_DD024	556818	894169	249	60.00	-70	200
ZV_DD025	556818	8947169	249	81.80	-90	0
ZV_DD027	556830	8947156	251	52.77	-60	220
ZV_DD028	556817	8947165	250	39.50	-50	220
ZV_DD029	556817	8947165	250	62.83	-75	220
ZV_DD030	556817	8947165	250	85.66	250	-90
ZV_DD031	556843	8947148	250	60.13	-60	220
ZV_DD032	556843	8947148	250	80.43	-75	220
ZV_DD033	556843	8947148	250	80.32	-90	0
ZV_DD046	556832	8947161	255	90.77	-90	0
ZV_DD047	556832	894716	256	92.40	-70	230
ZV_DD048	556832	8947162	256	74.68	-50	230
ZV_DD049	556847	894154	256	68.81	-90	0
ZV_DD050	556847	8947154	256	82.35	-70	230
ZV_DD051	556847	8947154	256	67.94	-50	230
ZV_DD052	556854	8947175	256	37.70	-50	225
ZV_DD053	556844	8947152	256	47.54	-50	225
ZV_DD054	556844	8947152	256	59.75	-70	225
ZV_DD055	556844	8947152	256	83.99	-85	225



## ***Exploration at Prospects Surrounding Ze Vermelho***

The Company is undertaking exploration at four prospects (Filao do Meio, Tambaqui, Traira and Jacutinga) which are all the site of historical workings and which are located within a ten kilometre radius of Ze Vermelho. A report on the progress at each of the prospect follows.

### **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 700 grams 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 northwestern 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 1 kilogram 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.

Table 6 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 (°)
FMDDH-01	556347.1	8947780.3	264.8	49.95	-60	250
FMDDH-02	556347.1	8947780.3	264.8	44.59	-45	250
FMDDH-03	556355.9	8947794.2	264.8	68.75	-60	250
FMDDH-04	556374.8	8947800.8	264.8	181.80	-60	250
FMDDH-05	556393.6	8947807.7	264.8	207.50	-60	250
FMDDH-06	556412.4	8947814.5	264.8	230.30	-60	250
FMDDH-07	556405.5	8947833.7	264.8	113.37	-60	250
FMDDH-08	556419.1	8947795.8	264.8	143.15	-60	250
			<b>TOTAL</b>	<b>1,039.41</b>		

**Table 6: Drill-hole particulars for maiden drilling program at Filao do Meio**

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

The most significant of the assay results are detailed in Table 7 below:

Hole Number	From (metres)	To (metres)	Intercept Width (metres)	Au (ppm)
FMDDH-01	25.50	35.00	9.50	1.81
including	30.00	31.00	1.00	6.736
FMDDH-02	24.00	25.00	1.00	0.506
FMDDH-05	82.00	85.00	3.00	1.15
FMDDH-06	77.00	78.00	1.00	0.523
FMDDH-08	83.80	85.46	1.66	10.28
including	84.63	85.46	0.83	17.137
and	95.00	104.00	9.00	1.29

**Table 7: Significant assay results from maiden drilling program at Filao do Meio**

Gold mineralisation encountered at Filao do Meio is similar in character as found at Ze Vermelho. The mineralisation occurs associated with pyrite as either semi-massive to massive pyrite in narrow quartz vein or as disseminated pyrite within the host rock syentite. An outcrop located approximately 200 metres west of Filao do Meio is found to contain disseminated pyrite (assays pending) and highlights the potential importance of this style of mineralisation in the area. Similarities in mineralization and the conformable trend has led to the interpretation that this mineralization represents the northwestern extension of Ze Vermelho.

The drill holes completed in phase one and the assay results of those drill-holes are presented below.

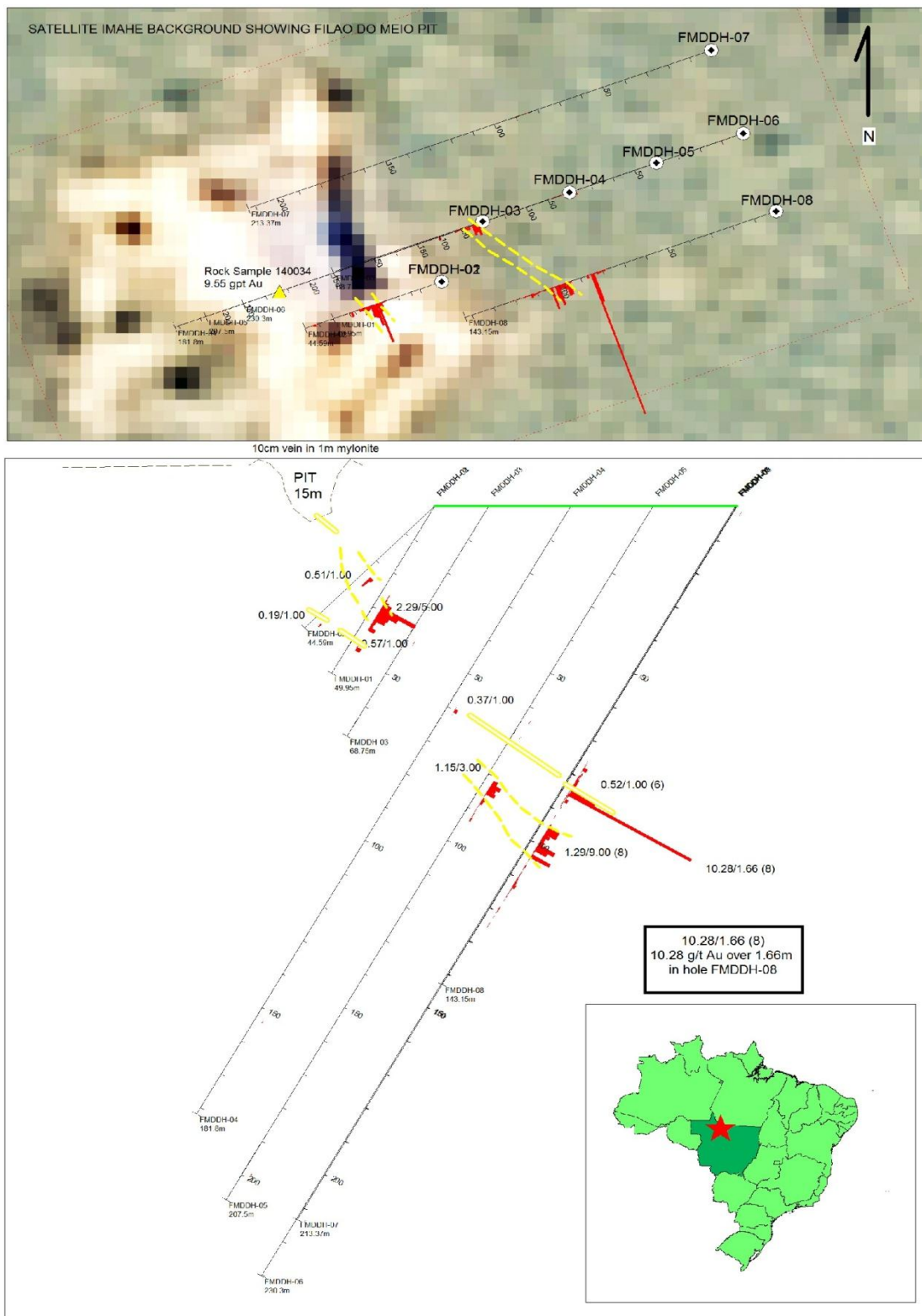


Figure 3: Filao do Meio Cross-Section Map: drill-holes completed and histogram of gold values

These encouraging results from Filao do Meio motivated a second phase drilling program to be designed 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.

All five (5) drill-holes in the second phase drilling program have intersected the Filao do Meio structure. Assay results are pending.

Drill-hole FMDDH-11 (third drill hole in second phase) was particularly encouraging intersecting a structure 35.9 metres wide with associated strong pervasive chlorite/sericite alteration, carbonate filling fractures (with 2% of pyrite in the fractures) and up to 10% of disseminated sulphide.



Fracture filled by pyrite with 3mm wide,  
position 93,22 meters and N52E/43SE



FMD - Disseminated sulphides

**Figure 4: Filao do Meio sulphide mineralization as seen in the drill core.**



## 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 5: Aerial photograph over Tambaqui**



## Mapping Program

Tambaqui's west pit was dewatered and cleaned during June 2012 in preparation for mapping.



**Figure 6: Tambaqui west pit undergoing dewatering.**

Initial reconnaissance sampling yielded promising results with samples 1 and 2 each returning above 8 g/t gold (refer Table 8 below). The weighted 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

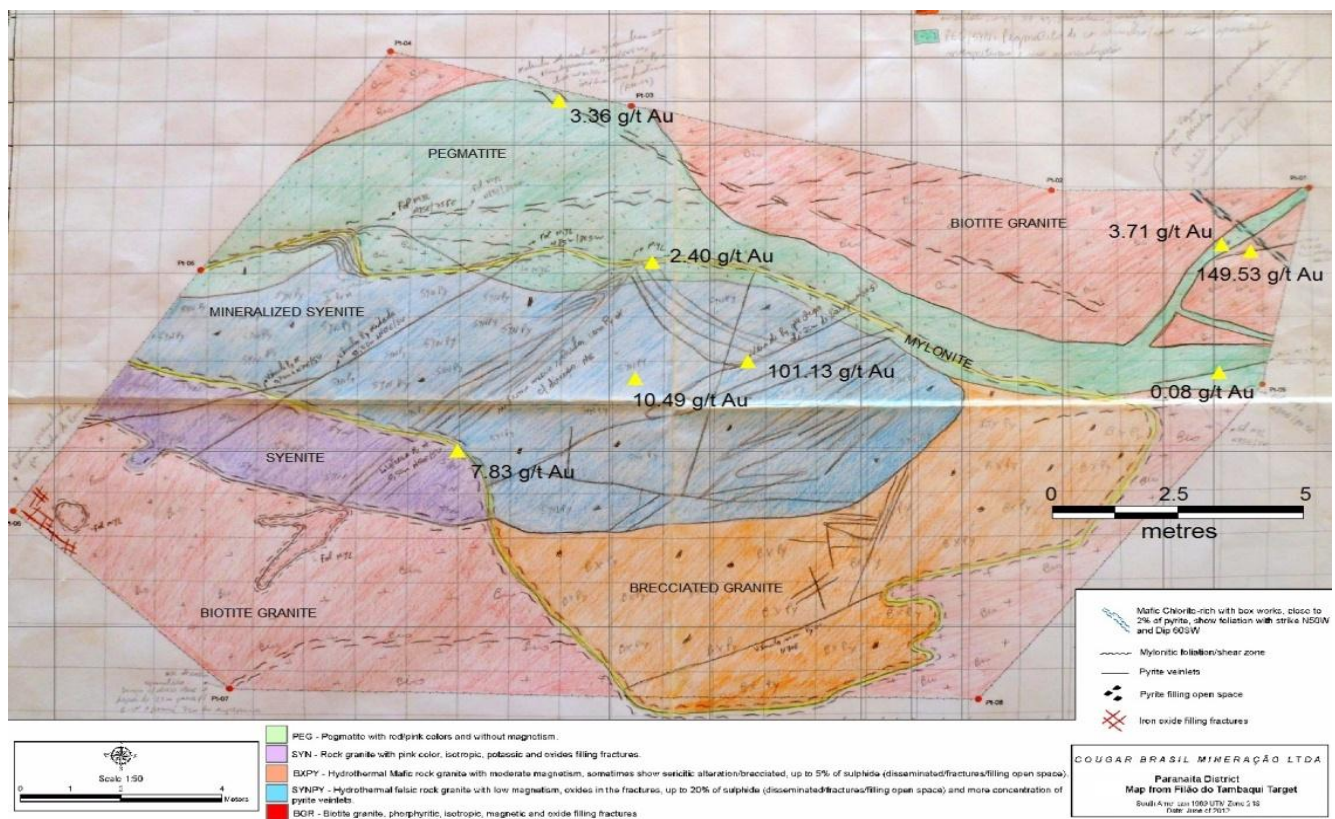
**Table 8: Tambaqui west pit bulk sampling results**

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 7 below).

A series of samples were taken to determine the association between gold mineralisation and rock types and the results are shown in Table 9 below with their location depicted in Figure 7 also below. 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 9: Tambaqui targetted sampling results**



**Figure 7: Geological mapping of Tambaqui's west pit inclusive of assay 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 is scheduled to commence in July at Tambaqui to test for gold mineralisation below these historical workings.

Two diamond drill holes totaling 245.15 metres were completed at East Tambaqui to test for gold mineralization associated with historic workings. Assay results are pending.

### **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 June 2012 quarter, the Company completed a mapping and soil sampling program which involved the collection of samples across a grid consisting of 51 lines (each 1.5 Km long) and spaced at 100 metre intervals with sampling stations every 50 metres along the lines.

The Company also undertaken an initial drill program consisting of five holes at South Traira and East Traira for a total 648.42 metres. Assay results from these drill-holes and from the soil sampling program are pending.

### **Jacutinga Gold Prospect**

The Jacutinga Gold Prospect is located 1.6 km NW of Ze Vermelho and experienced a relatively high level of mining activity in the earlier 1990's.

Reportedly most of the gold recovered from Jacutinga came from colluvial material. The area is reasonably flat, covered by grass and with rare granitic outcrops. Very few veins are reported to have been mined in the area with the exception of the Jacutinga pit.

The geology of Jacutinga is considered to be very similar to that found at Ze Vermelho and Pedra Branca in that the main rock unit is a bluish grey, porphyritic Biotite-granite showing varied degree of potassium and chloritic alteration. A brittle-ductile mylonitic fabric is well developed and then overprinted by a brittle fracture system striking mainly in two directions, N45W and N20-25E.

Mineralisation found at Jacutinga is dominantly associated with sulphide-filled fractures and to a lesser extent with the replacement of biotite by pyrite.

The fracture systems that host sulphides are pervasive from ~40 metres to ~100 metres with a mean of three of four fractures per metre; but this may reach up to ten fractures per metre. This mineralisation style may resemble that found in low grade/high tonnage porphyry gold or intrusion related gold deposits.

During the March 2012 quarter, two hundred and forty core samples were collected and assayed using fire-assay methodology with low grade gold values were confirmed for just a few samples. The Company immediately sought to re-assay several samples using 2kg bottle rolls to confirm the accuracy of initial results. These results are pending at the time of this report.

As previously reported, although disappointed by the initial assays, the Company is mindful that only a small section of a much larger system has been tested and that gold mineralisation may occur along strike or at depth in the system.

## INFRASTRUCTURE UPDATE

During the June 2012 quarter a number of infrastructure projects were advanced as follows:

- Shaft 2 refurbishment was completed allowing a second escape route and paving the way for a new haulage system expected to be operational in August.
- Medical Facility at Ze Vermelho – during the quarter the Company completed the construction of an on-site medical facility. This facility is now well equipped and operational. The Company has purchased an Ambulance which will be based at the minesite.
- Construction of an on-site sample preparation facility was commenced during the quarter. It is expected to be complete in late August when the Company's sample preparation equipment will be relocated to Ze Vermelho from the Company's Peixoto de Azevedo facility.
- Geology offices and core storage facilities were completed and are now fully operational.
- Installation of security cameras, and site wide internet coverage was completed during the quarter.
- Man portable conveyors are expected to arrive in Brazil on August 2 and be operational at site by the end of August.

## CONTRACT DRILLING BUSINESS UPDATE

Revenue for the June 2012 quarter from external clients was R\$1.254 million (~US\$ 625,000 ) which was significantly lower than the external client revenue earned during the March 2012 quarter of R\$2.564 million (~US\$1.93 million).

The reduction in external client revenue during the June 2012 quarter was largely attributable to:

- (i) Brazil: drilling programs for two (2) of the three (3) rigs that had been in work in Brazil during the March 2012 quarter came to an end at end March and replacement work for these rigs only commencing in late June 2012 ; and
- (ii) Uruguay: no activity in Uruguay during the current June 2012 quarter (activity ceased under the Aritiri drill contract in late January 2012).

In contrast, services provided internally were significantly higher during the June quarter at ~US\$870,000 (compared with ~US\$ 530,000 during the March 2012 quarter) and reflects the high level of drilling activity undertaken on Company project areas during the June 2012 quarter.

### Rig Relocation from Uruguay to Brazil

After considerable time delay and administrative frustration, the Company has successfully completed the importation of 2 Diamond drill rigs into Brazil from Uruguay.

Two RC rigs have now arrived in Brazil (from Uruguay) and await final customs clearance which is expected in early August. Delays may be encountered as a result of industrial action at the port of Vitoria, which is continuing as at the date of this report.

The time gap between finishing work in Uruguay and departing for Brazil allowed the Company the opportunity to undertake extensive maintenance and repair on all four rigs; necessary as the rigs had been fully employed for the previous 18 months. All four rigs are in excellent mechanical condition.

The effect of the rig relocation is that the Company now has drill fleet of nine (9) available drill rigs within Brazil; all owned. The composition of the fleet is 3 Surface RC drill rigs, 5 Surface Diamond drill rigs and 1 Surface RAB/Air-Core drill rig.

The company also has an additional RC drill rig (a new Atlas Copco T3W) in Uruguay yet to be mounted on a carrier.



### Current Activity in Brazil

Recent business development efforts have been successful such that of the current drill fleet available of nine (9) rigs, six (6) rigs are currently in work or committed to commence work in the short term.

Tender activity is relatively strong with a significant increase experienced from June for pricing requests after an unusually quiet period during April and May.

Table 10 below reflects the current contractual position in relation to the Company's drill fleet:

<b>Rig ID</b>	<b>Description</b>	<b>Contracted (yes/no)</b>	<b>Contract Particulars</b>
RC01	KL150	Yes	Completed contract with Beadell Resources and relocated to a 10,000m drill program in Mato Grosso.
RC02	Thor 5000	No	Awaiting tender determination
RC03	Modified TH60	No	Awaiting tender determination
DD01	Sandvik 710e	Yes	Cougar – Ze Vermelho/ Apiacas
DD02	Sandvik 710e	Yes	4,000m program commenced mid-June.
DD03	Sandvik 710e	Yes	800m program commenced July 15, Mato Grosso
DD04	Sandvik 710e	Yes	2000m Diamond drill program commencing August 10
DD05	Sandvik 710e	No	Awaiting tender determination
AC01	Modified GS100 RAB/Air-Core	Yes	Contract commencing mid June 2012; rig expected to be engaged for remainder of 2012 calendar year.

Cougar's Brazilian drilling business has operated for more than four years and is now an accepted provider of high quality drilling services that is well placed to compete within Brazil's large mining and exploration market.

## **CORPORATE UPDATE**

### **Completion of Capital Raising**

On 30 March 2012, the Company announced the private placement of 53,125,000 shares to sophisticated investors and institutional clients of Patersons Securities Ltd, at eight (8) cents per share to raise \$4.25 million.

On 12 April 2012, the Company announced that the share allotment and receipt of the funds had been completed and that the shares were available for trading immediately.

Also on 30 March 2012 the Company announced a share purchase plan offer to shareholders on the register on 29 March 2012 on the same terms and conditions as the private placement i.e 8 cents.

The share purchase plan offer closed on 8 May 2012 with Shareholders having subscribed for 2,862,500 New Shares raising \$229,000.

The funds have been applied to the importation to Brazil of the Uruguayan drilling fleet and additional mining equipment, Ze Vermelho infrastructure improvements and to fund the Company's exploration activities during the quarter. These funding requirements are expected to be significantly reduced in the July quarter.

### **Appointment of Senior Exploration Manager**

Post the end of the June 2012 quarter, the Company announced the appointment of Mr Paul Nagerl as Senior Exploration Manager.

Mr Nagerl is an accomplished geologist with over 25 years experience in the mineral resource industry. Mr Nagerl will be 'Competent Person' for the purposes of reporting all future exploration results for the Company.

### **Appointment of Chairman**

Post the end of the June 2012 quarter, the Company announced the appointment of Mr Roger Hussey as Non-Executive Chairman.

Mr Hussey is an experienced corporate executive and management consultant. Coinciding with the appointment of Mr Hussey as Chairman, Mr Randal Swick stepped down as Chairman but remains as Managing Director.

The appointment of both Mr Hussey and Mr Nagerl follow the recent capital raising completed by the Company which has provided the financial resources to enable the Company to strengthen the Board and management team.

**PROPOSED ACTIVITIES FOR 4<sup>TH</sup> QUARTER 2012:**

**Exploration and Production:**

- Continuation of exploration drilling at Ze Vermelho, utilising 1 drilling rig.
- Development to and exploration of Ze Vermelho's - 126m level.
- Ongoing gold production from gravity processing and cyanidation.
- Commencement of drilling program at Apiacas aimed to follow up previous drill results.


**Drilling Division:**

- Finalisation of Importation of 2x RC Rigs into Brazil
- Continuation of 1 diamond rig with Cougar's exploration division.
- Continuation of contract drilling in Brazil, including the mobilization of drill rigs into new jobs.

For further information please contact the undersigned via email at [r.swick@cgm.com.au](mailto:r.swick@cgm.com.au) or alternatively contact Michael Fry (CFO & Company Secretary) on +61 8 9381 1755.

Yours sincerely

**COUGAR METALS NL**



**RANDAL SWICK**

*Managing Director*

## Competent Person's Statement

***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.*