



Quarterly Activities Report for the quarter ended 31 March 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 Alta Floresta gold belt in central west Brazil that is estimated to have produced five million ounces of gold, with most production coming from the 1,450km² held by CGM. The Company is currently exploring and developing the Ze Vermelho Gold Prospect through a trial mining permit. High grade material is mined and treated at the site through a gravity and cyanide processing facility.

The Company also operates a mineral drilling business in Brazil providing surface diamond, reverse circulation and RAB drilling services to the South American mineral resource industry. The Company currently has a fleet of 13 rigs.

In addition, the Company also holds the nickel and cobalt laterite mineral rights to the Pyke Hill prospect located 40km east of the Murrin Murrin Nickel operations in Western Australia. The prospect contains Measured and Indicated Resources of 14.7mt @ 0.9% Ni and 0.06% Co. (March 2008).

Directors

Randal Swick – Executive Chairman
Jeffrey Moore – Non-executive Director
Paul Hardie – Non-executive Director

Senior Management

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

Capital Structure

Shares on Issue: 459,348,576
52 week range: \$0.02 - \$0.11
Last Price (27/04/12): \$0.08
Market Capitalisation: \$36.8 million

Substantial Shareholders

Savvy Capital Management – 30.12%
Marcia Swick – 17.34%

HIGHLIGHTS OF THE THIRD QUARTER

Exploration

- Discovery of mineralised parallel vein lying above Ze Vermelho, referred to as Upper Ze Vermelho (UZV).
- Six drill holes have intersected the UZV vein with assay results for first 2 holes returning 0.75m@10.5 g/t and 0.60m@9.8 g/t of gold. Assays pending for remaining holes.
- Eight drill holes concluded at Pedra Branca with all holes intersecting the mineralised vein. First two holes returned bonanza grades of 1m @ 1,185g/t Au and 1.12m@ 288 g/t; assay results for remaining holes are pending.
- Identification of a new prospect – the “Filao do Meio Gold Prospect” lying approximately 800m NW of Ze Vermelho with initial 2kg grab sample returning 123 g/t gold.
- Initial 5 hole drilling program commenced at Filao do Meio.
- Initial drilling program at “Jacutinga” a prospect located approximately 1.5km NW of Ze Vermelho has returned broad sulphidised intercepts akin to a porphyry style system.
- Preliminary mapping and soil sampling underway at the “Traira” gold prospect; 8km to the east of Ze Vermelho.

Gold Production

- Third quarter gold sales of US \$1.59 million.
- Third quarter gold production of 32,652g (1,050oz).
- Leaching of second vat completed in 48 days with 6,401g of gold recovered at a calculated recovery rate of ~91%.
- First of 2 additional leaching vats expected to be operational by end of May.

Contract Drilling

- Clearance to import rigs into Brazil obtained with rigs expected to be in Brazil by mid May.

Corporate

- Placement of 53,125,000 shares to sophisticated investors at 8 cents per share raising \$4.25 million.

Cougar Metals NL (ASX Code: CGM) is pleased to provide its activities report for the quarter ended 31 December 2011.

EXPLORATION ACTIVITIES

Background

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

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 grade).

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 1,450km² and distributed over a 330km 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, Paranaíta and Apiacas regions.

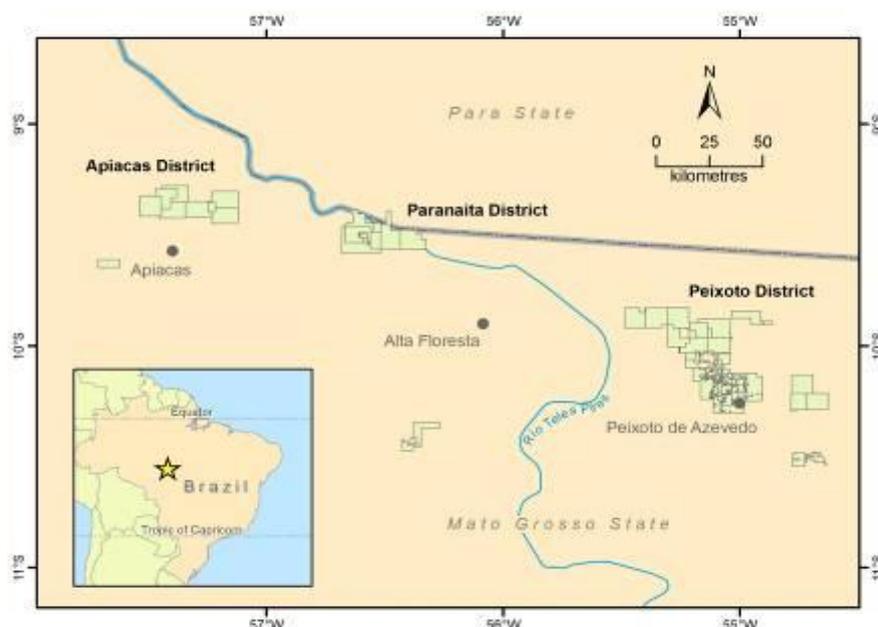


Figure 1: Location of Alta Floresta Project in Mato Grosso State, Brazil

EXPLORATION AND PRODUCTION UPDATE

Pyke Hill Project (Western Australia)

No new work was conducted during the March 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 March 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 open pit 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 the vein structure for purposes of sampling and assay. 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 material generated by development. In addition, the Company has conducted, and continues to conduct, drilling from surface aimed at intersecting the continuation of vein structures at depths below the extent of development work in order to target further underground development and to better understand the confines of the gold mineralisation.

Coinciding with the decision to explore through underground development the Company established a gravity processing plant in order to assess the mined ore and provide funding to the operation. Analysis of the bulk samples from underground development indicates that the gravity treatment of the ore is effective in recovering approximately 40% of the contained gold.

More recently, the Company has completed the construction of a cyanide leaching circuit designed to treat the tailings from the gravity processing plant. The first vat cycle, completed in January 2012, achieved approximately 96% gold recovery after a 2 month leaching cycle. A further two leaching vats are currently planned for construction with the first expected to be operational by the end of May 2012.

Gold Production

During the March quarter the Company processed a total of 1,140t of ore through the gravity processing plant located on site at Ze Vermelho and recovered a total of 20,786g (668 ounces) of gold resulting in an average mean grade of 18.23 g/t of gold.

Table 1 below presents gravity gold production for the quarter.

Month	Tonnes Processed	Gravity Recovered Gold (g)	Grade (g/t from gravity)
January	457	6,253	13.66
February	327	6,456	19.73
March	356	8,077	22.68
TOTAL	1,140	20,786	18.23

Table 1: Gravity Gold Production during quarter ended 31 December 2011

In addition, during the March quarter the Company recovered a total of 11,866g (382 ounces) of gold from the treatment of tailings through the cyanide circuit.

Total gold production for the March quarter was 32,652g (1,050 ounces) of gold.

Underground Exploration Development and Workings

Underground development continued at Ze Vermelho during the March 2012 quarter with 51 linear metres of development being completed. This included 18 metres at the -90 level, 21 metres at the -106 level and 12 metres in the incline drive linking the -90 level with the -106 level.

During the course of the March 2012 quarter, channel samples were taken at the -90m level and in the incline drive, and assays of these samples were returned as shown in Table 2:

Sample_ID	Type of Sample	Drive	Collection Point (metres)	Width (metres)	Au (g/t)
130409	Channel	40_451N	0.00	0.83	107.3
130414	Channel	40_451N	3.85	0.65	24.7
130415	Channel	40_451N	5.10	0.90	141.2
130444	Channel	40_451N	8.29	0.78	164.9
130452	Channel	40_451N	8.90	0.75	7.8
130453	Channel	40_451N	11.60	0.35	3.1
130572	Channel	40_451N	12.70	0.42	65.0
130573	Channel	40_451N	13.80	0.53	550.0
130620	Channel	40_451N	14.90	0.62	91.5
130618	Channel	40_451N	16.20	0.63	66.9
130650	Channel	40_451N	17.40	0.54	72.5
130451	Channel	90NW	0.00	0.54	203.0
130447	Channel	90NW	2.14	0.66	209.0
130448	Channel	90NW	8.14	0.48	3.87
130445	Channel	90SE	2.30	0.51	61.9
130449	Channel	90SE	4.10	1.03	1.6

Table 2: Assays from Ze Vermelho underground advances during the quarter

During the quarter, work was completed with respect to cleaning and deepening a pre-existing shaft (referred to as “Shaft #2”). This involved cleaning the shaft to its base (approximately 35 metres) and then deepening of the shaft to 50 metres. The new section of Shaft #2 is currently being timber lined; following which an eight (8) metre horizontal drive will be constructed to link Shaft #2 with existing workings. Shaft #2 will then serve as the mine’s main haulage shaft and will allow for an increase in underground production.

Cyanide Leaching Circuit

Construction of a cyanide circuit was completed during the December 2011 quarter. The circuit consists of a leaching vat, pregnant solution pond, carbon columns, extraction tank and electro-winning device.

Leaching of the first vat was completed in mid-January 2012 and achieved a calculated recovery of 96% over a period of 60 days.

The second vat containing 520 tonnes of tailings was commenced on 20 February 2012 and completed on 10 April 2012 (a period of 48 days) and achieved a calculated recovery of 90.85%. Technical details for this VAT 02 are presented in Table 3.

Leaching Control	VAT 02
<i>Conditions</i>	
Beginning date	20_02_12
Finishing date	02_04_12
Working Volume (m3)	333
Density (g/cm3)	1.56
Mass (t)	520
Solution volume (lt)	180,000
<i>Grade Control</i>	
VAT grade before leaching (g/t)	13.55
Gold contained (g)	7,046
Total gold recovered (g)	6,401
Gold remained in leached tail (g)	645
Rate of recovery (%)	90.85%

Table 3: Details for leaching of VAT 02.

Work is currently focused on re-filling the leaching vat and it is expected that the third vat (VAT 03) will commence on or about 1 May 2012.

Work on the construction of two additional leaching vats is well progressed with the first of the additional vats expected to be operational by the end of May 2012.

Stockpiled Tailings for Cyanidation

The grade of the tailings from the gravity processing plant are monitored and recorded on a daily basis. At the end of each month the daily figures are averaged and the mean gold grade determined. Table 4 shows the average mean gold grades of tailings exiting the gravity processing plant for the months of January, February and March 2012.

Month	Average Mean Gold Grade (g/t from gravity)
January	23.65
February	39.63
March	47.83

Table 4: Average Mean Gold Grade of Gravity Plant Tailings for March 2012 Quarter

At the end of the quarter an estimated 4,207 tonnes of tailings containing an estimated 4,926 ounces of gold were stockpiled for treatment through the cyanide circuit, as shown in Table 5.

Month	Tailings stockpiled (t)	Gold Grade g/t	Estimate of Contained Gold (oz)
January	254	22.67	186
February	106	26.20	90
March	426	25.16	345
April	401	20.01	258
May	285	25.07	230
June	427	31.11	427
July	419	29.96	404
August	467	61.57	926
September	440	44.95	638
October	326	46.77	491
November	298	32.55	312
December	268	41.68	359
January	427	23.65	324
February	297	39.63	378
March	326	<i>Not yet available</i>	<i>Not yet available</i>
<i>To cyanide: VAT 1</i>	<i>(440)</i>		<i>(214)</i>
<i>To cyanide: VAT 2</i>	<i>(520)</i>		<i>(227)</i>
Total	4,207		4,926

Table 5: Summary of tailings stockpile.

Surface Exploration – Ze Vermelho

Surface drilling at Ze Vermelho continued during the March quarter and was aimed to intersect the Ze Vermelho structure at different depths.

During the quarter, five (5) diamond drill holes (ZVDDH_036, 037, 038, 039 and 040) were completed and totalled 726 linear meters of drilling (see Table 6).

HOLE ID	EAST	NORTH	Relative Level (metres)	EOH (metres)	DIP (°)	AZIMUTH (°)
ZV_DD036	556836	8947301	262	160	-90	0
ZV_DD037	556872	8947337	261	160	-80	230
ZV_DD038	556794	8947288	261	153	-80	220
ZV_DD039	556794	8947288	261	153	-90	220
ZV_DD040	556758	8947274	258	100	-85	220

Table 6: Drill collar details for Ze Vermelho recent drill-holes.

All drill holes passed through a parallel mineralised vein lying above Ze Vermelho and continued to depth, intersecting the main Ze Vermelho structure.

Drill-hole ZV_DD039 intersected the Ze Vermelho structure at approximately 136m, approximately 30m below the current extent of underground workings, but drilling density has not been sufficiently high enough as yet to determine the existence and location of the mineralised ore shoot.

The integration of previously released intercepts from drill-holes ZV_DD008 and 09 of 0.75m @ 10.5g/t Au from 77.5m and 0.60m @ 9.8g/t Au from 94.5m respectively. Logging and geological assessment of the core from the five (5) recently concluded drill-holes has identified the existence of a shallow parallel mineralised vein lying above Ze Vermelho (Figure 2), which is referred to as Upper Ze Vermelho (UZV).

Assay results for each of the five (5) drill-holes are expected by the end of May and it is expected that a follow-up drill program will be commenced thereafter to further test the strike and depth extensions of UZV.

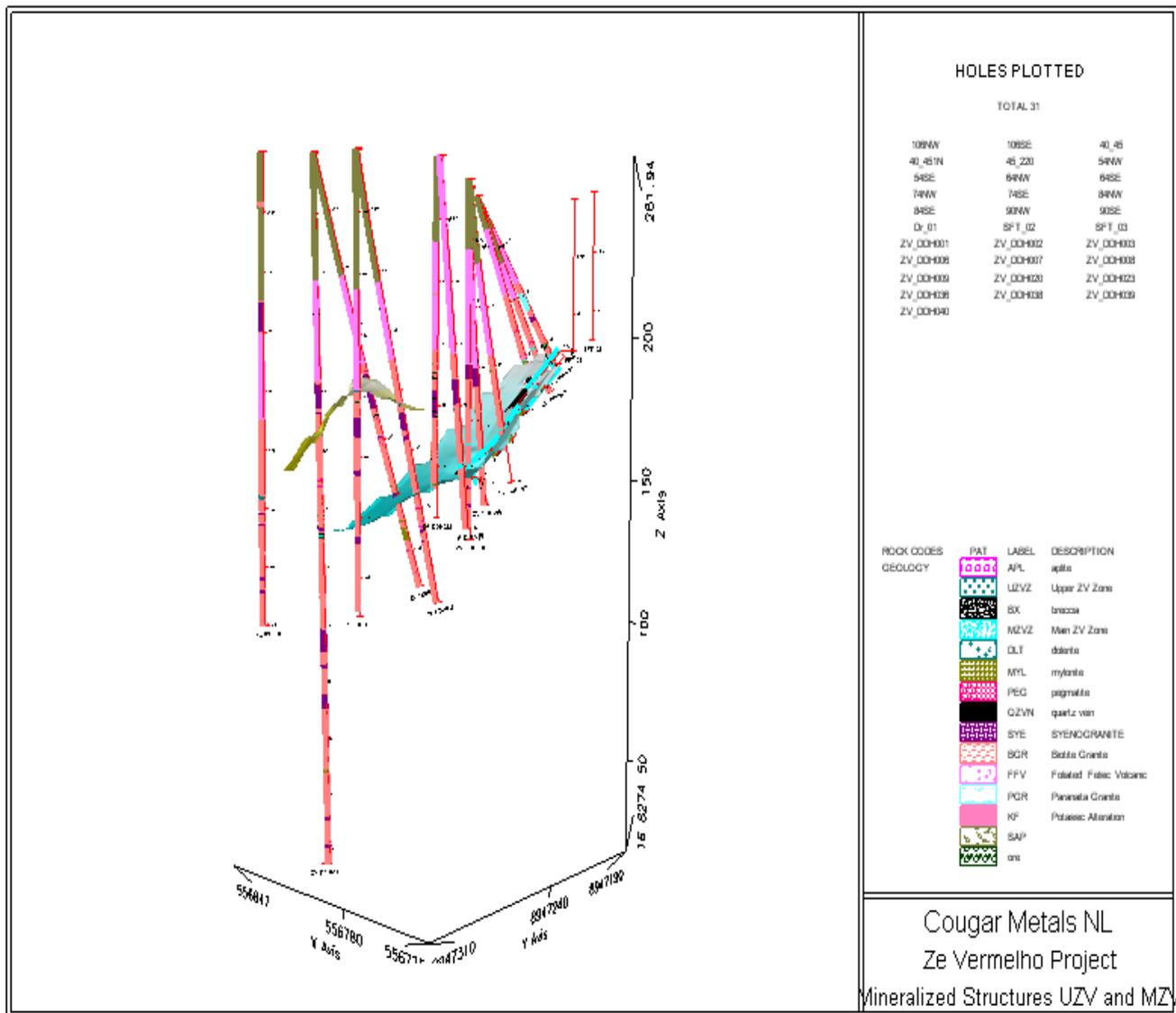


Figure 2: Spatial diagrammatic of Upper Ze Vermelho vein (olive) and Ze Vermelho vein (cyan)

The mineralisation style of this upper zone is similar to that found within the Ze Vermelho structure in that it consists of a quartz vein with disseminated to massive pyrite bands hosted in a narrow mylonite zone which is in turn hosted by barren biotite granite.

Assays for drill-holes completed during this March quarter are expected in early May.

IP Survey

During the second quarter an IP (Induced Polarisation) survey was conducted over the Ze Vermelho Gold Mine and surrounding area. The IP Survey, conducted by Fugro-Geomag Brasil, consisted of 32,000 linear metres of closely spaced survey lines across the prospect area.

Further evaluation of the data has been ongoing during this third quarter and has incorporated the integration of drill data. The Company recently released an upgraded IP Survey image of

chargeability (Figure 3) and a diagram showing the locations of an upcoming drilling program designed to target the large number of anomalies identified from the IP Survey (Figure 4) which reflect the high priority drilling targets for the Company.

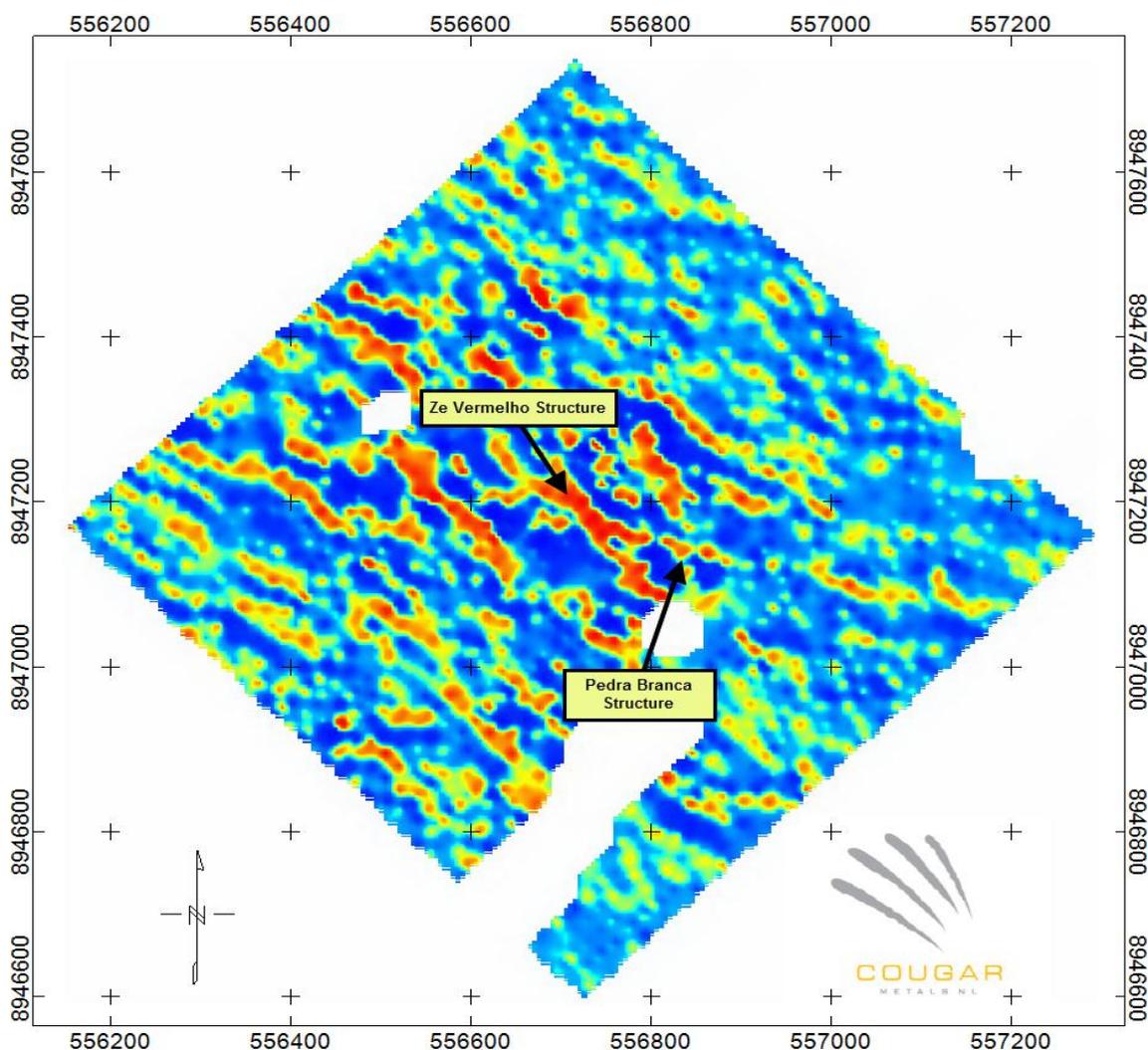


Figure 3: Image of the chargeability response from the high resolution GAIP survey (red represents highly chargeable). The Ze Vermelho Structure is a highly chargeable zone due to the presence of sulphide minerals that are associated with gold mineralisation in the area. The Pedra Branca structure is observed with an ESE trend, and intersecting the Ze Vermelho gold trend. High grade gold intervals have been intercepted at this intersection.

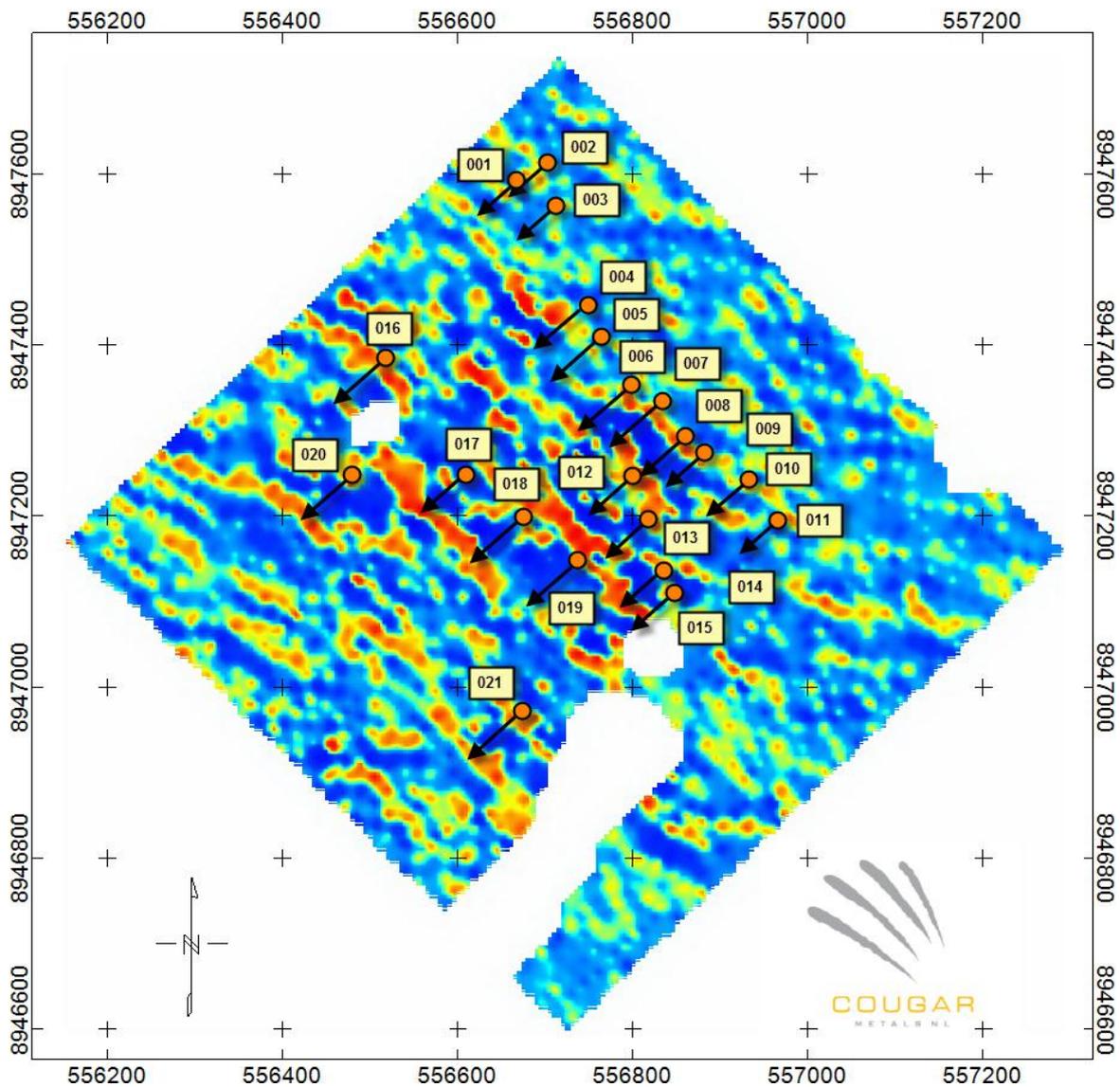


Figure 4: Proposed drill hole location for the upcoming drilling program.

Dr Jayson Meyers (a geoscientist engaged by the Company to analyse and interpret the IP and TDEM survey information) reports: *“the recent detailed IP Survey has identified a number of chargeability and resistivity highs, some of which are coincident, that occur in unexplored areas in close proximity to the Ze Vermelho Gold Mine. The coincident north-west trending chargeability and resistivity highs represent what I consider to be high priority targets for testing by excavation and drilling.”*

Whilst the final report and specialist interpretation of the IP survey is still pending, the preliminary IP survey results demonstrate an excellent match between the north-west trending geophysical lineaments and the structural framework in which the vein systems are hosted. The structure of Ze Vermelho shows several segmentations, possibly as result of tectonic driven displacements (Figure 5).

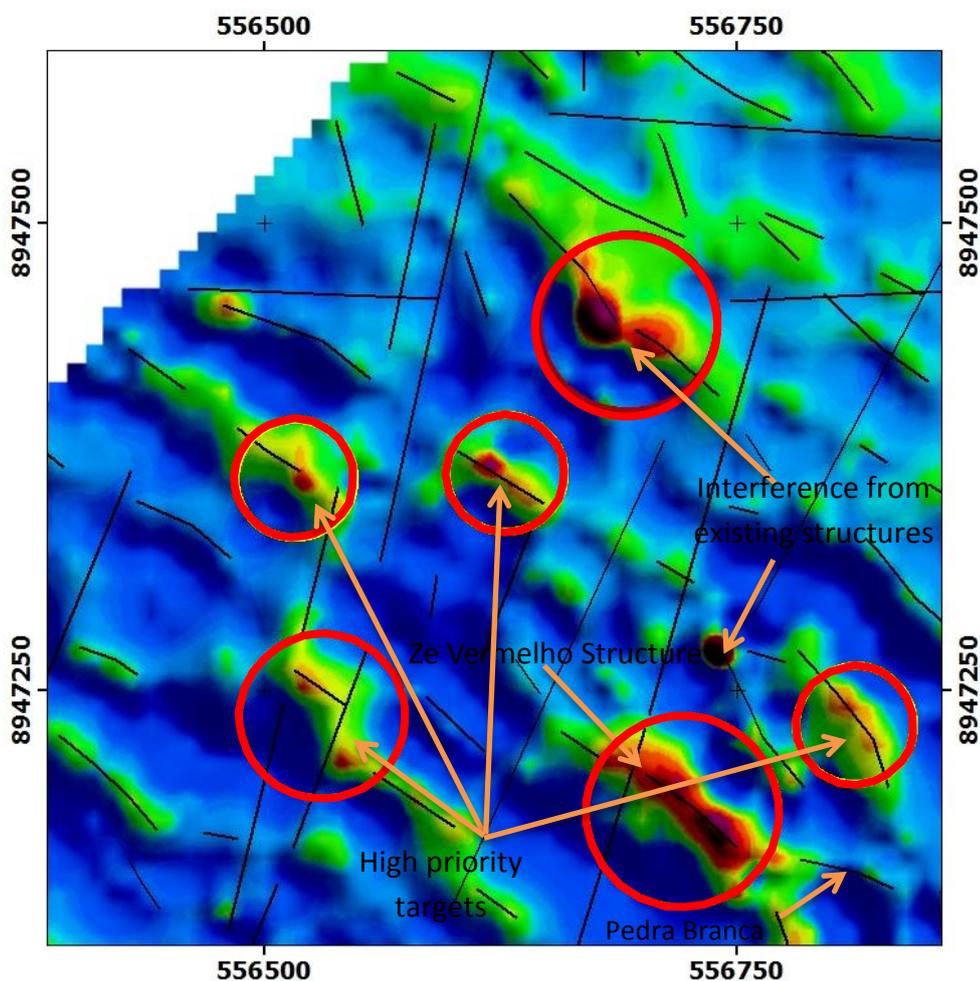


Figure 5: Preliminary interpretation of IP chargeability data showing north-west trending anomalies selected as target zones (circles) and interpreted cross-faults.

TDEM Survey

A TDEM (time-domain electromagnetic) geophysical survey was completed during the quarter over the Ze Vermelho Gold Mine and surrounding area. The TDEM Survey was also conducted by Fugro-Geomag Brasil and covered the same 800m x 800m grid used in the IP survey. Initial results indicate interference in the top thirty metres which has impacted data collection. The Company's independent geophysical consultants, Resource Potentials Pty Ltd, are currently reviewing the data.

Pedra Branca Gold Prospect

Pedra Branca is a high grade vein that lies approximately twenty-five metres south-east of the most eastern of the underground workings at Ze Vermelho. It was discovered through the excavation of a small pit over an IP signature interpreted from the recently completed IP survey.

This pit uncovered a previously unknown quartz vein, which consists of a white, massive to brecciated quartz vein up to 55 cm wide that contains small fractures filled with visible gold (Figure 6).

Twelve tonnes of vein material was excavated and processed through the gravity plant returning 286g of gold, for a mean gravity recovered gold grade of 24g/t Au.

To date, all eight (8) diamond drill-holes have intersected the vein with the first two drill holes being holes 24 and 25, intersecting visible gold within the vein at a vertical depth of 37m and 47m respectively. These vein intersections returned bonanza gold grades of 1m @ 1,185g/t Au and 1.12m @ 288 g/t Au respectively.



Figure 6: Free gold from diamond holes ZVDDH024 (from 37m) and ZVDDH025 (from 47m)

Table 7 shows the coordinates, angles and depth of each diamond 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_DD024	556824	8947163	256	55	-70	200
ZV_DD025	556824	8947163	256	85	-90	0
ZV_DD027	556838	8947154	256	53	-60	220
ZV_DD029	556838	8947154	256	63	-75	220
ZV_DD030	556838	8947154	256	86	-90	0
ZV_DD031	556850	8947146	256	60	-60	220
ZV_DD032	556850	8947146	256	80	-75	220
ZV_DD033	556850	8947146	256	80	-90	0

Table 7: Drill collar details for Pedra Branca Prospect's drilling program.

Drilling data integration reveals the Pedra Branca Vein as a N50-70W striking structure dipping 40-50 degrees to NE as depicted in Figure 7. Assay results for the recently completed six drill-holes are pending.

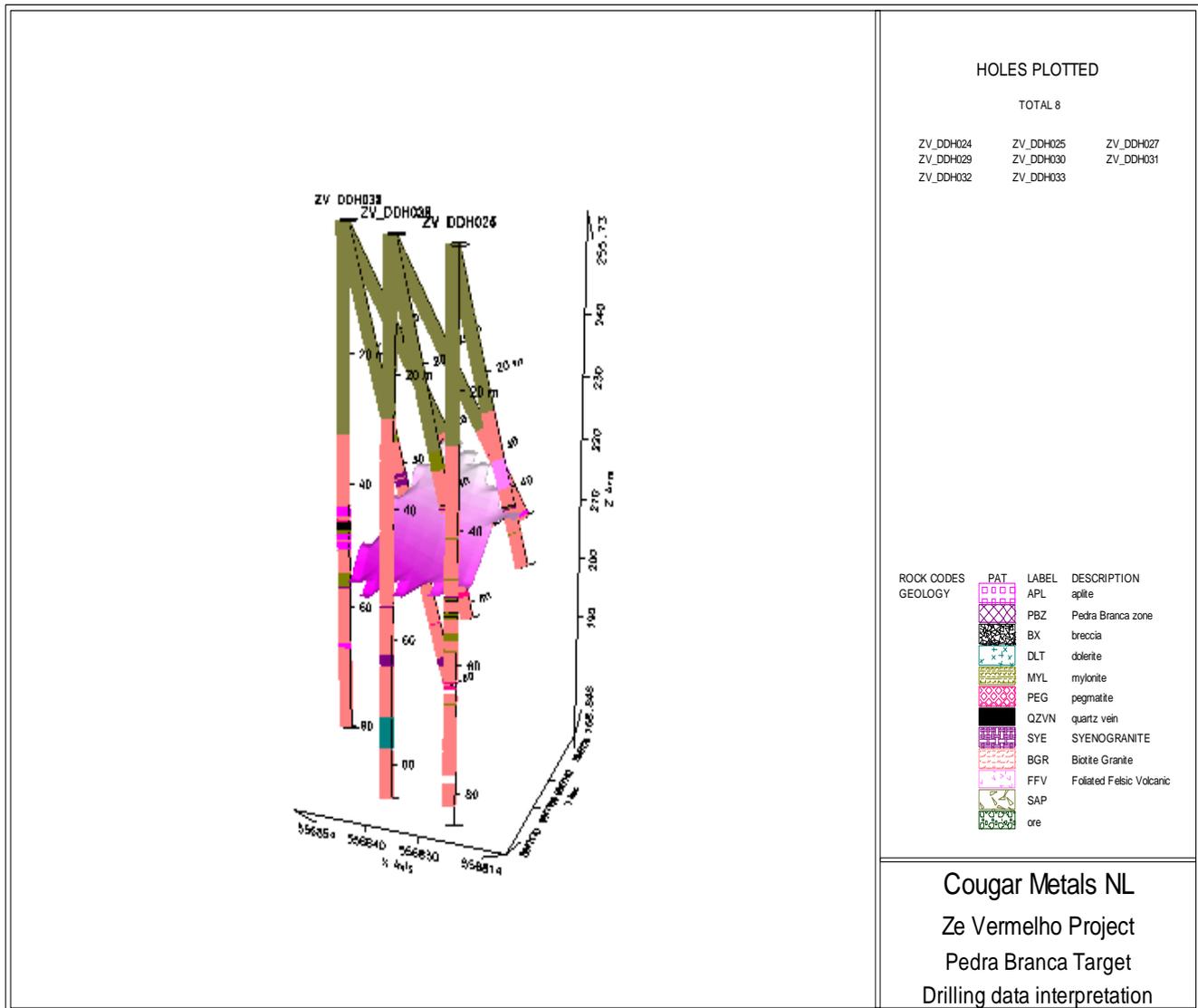


Figure 7: Isometric view of the Pedra Branca Vein derived from integration of drilling data.

Regional Exploration

Following the conclusion of several land access agreements surrounding Ze Vermelho the Company has started exploring four new prospects. These new gold prospects are named Jacutinga, Filao do Meio, Traira and Tambaqui and their locations are shown in Figure 8.

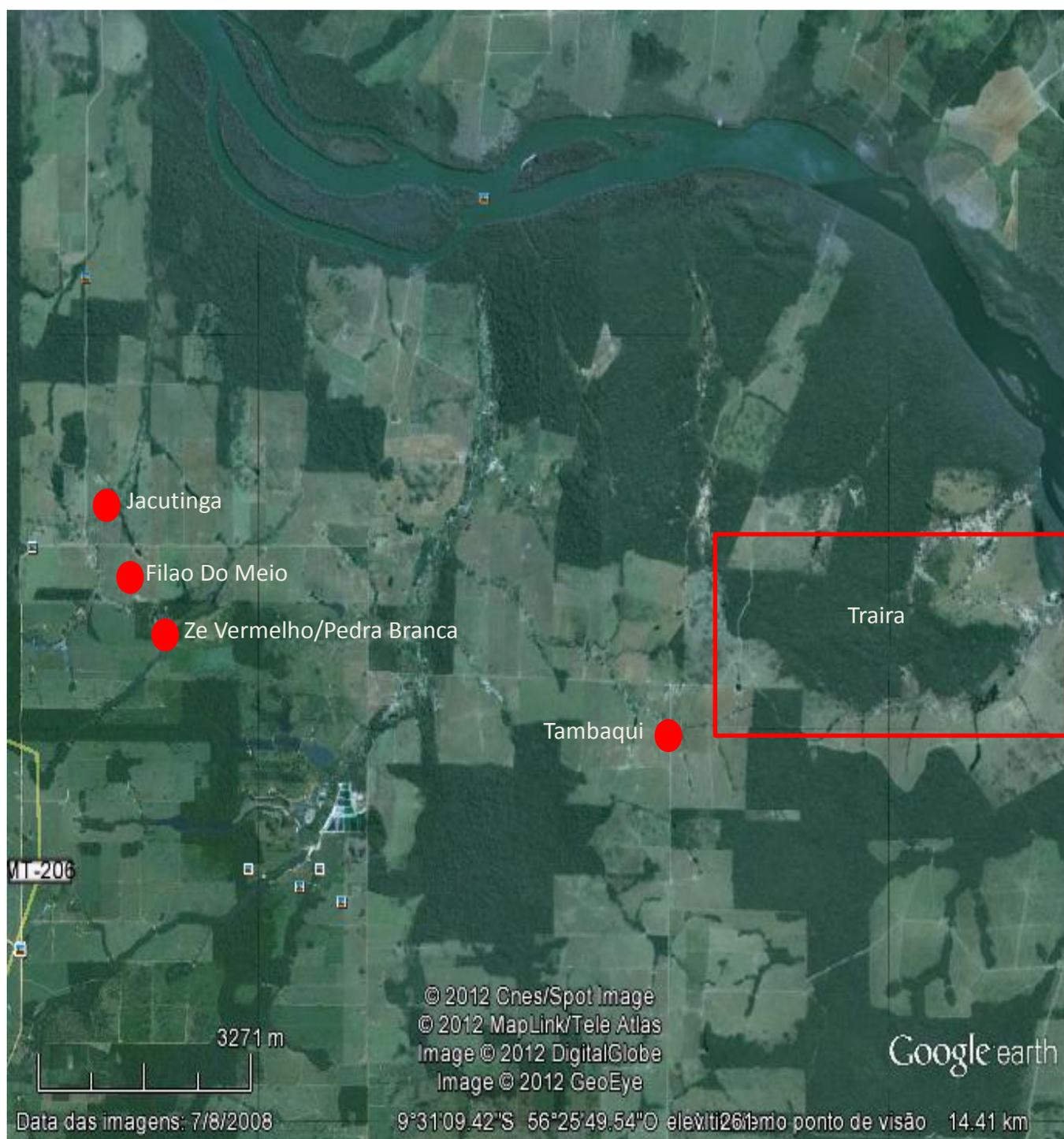


Figure 8: Location map of regional prospects relative to Ze Vermelho in aerial photography image

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 (Figure 9) which is 65m long and strikes to the NNW.



Figure 9: Aerial photography image overlooking the Jacutinga pit.

A total of five (5) first pass drill holes were completed at Jacutinga covering the entire length of the pit in order to understand the geology and to intercept a possible gold vein beneath the pit. The azimuths of the holes were set perpendicular to the maximum pit length and dip varied from 50 to 60 degrees to the SW. In total, 683 linear meters were drilled, however two of the five drill holes (JADDH002 and 003) were abandoned on account of technical drilling problems.

Table 8 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 (°)
JADDH-01	555697	8948282	235	144	-50	235
JADDH-02*	555699	8948261	235	38	-50	235
JADDH-03*	555698	8948262	235	17	-50	235
JADDH-04	555698	8948263	235	208	-50	235
JADDH-05	555658	8948310	235	232	-60	235

Table 8: Collar details for Jacutinga drill holes.

The geology of Jacutinga is considered to be very similar to that found at Ze Vermelho and Pedra Branca in that the main host rock unit is a bluish grey, porphyritic biotite-granite showing varying degrees 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, NW and NNE.

Mineralisation found at Jacutinga is dominantly associated with sulphide-filled fractures (Figure 10) and to a lesser extent with the replacement of biotite by pyrite (Figure 11).

The fracture systems that host sulphides are pervasive from ~40m to ~100m depth with a mean of three or four fractures per metre, but this may reach up to ten fractures per metre. This mineralisation style may represent a low grade / high tonnage porphyry gold deposit or an intrusion related gold deposit.



Figure 10: Core sample taken at Jacutinga showing the replacement of biotite by pyrite.



Figure 11: Core sample showing sulphide (pyrite) dissemination and filling of existing mylonite fabric

Two hundred and forty core samples were assayed for gold using fire-assay methodology with low grade gold values being confirmed for just a few samples. The Company is currently re-assaying several samples using 2kg bottle rolls to confirm the accuracy of initial results. Updated information will be provided once the new assays are received.

Although disappointed by the initial gold 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. It is expected that additional drill testing of the target will take place after closer examination and further evaluation of the core.

Filao do Meio Gold Prospect

The Filao do Meio Gold Prospect is located 800m NW of Ze Vermelho, sitting approximately half-way between Ze Vermelho and Jacutinga.

Historically, Filao do Meio was the first to be mined in the Ze Vermelho area and reportedly produced 700g of gold per day. However, upon finding Ze Vermelho, Filao do Meio was set aside, became flooded and was 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 quarter the Company dewatered and cleaned the pit so that a direct inspection of the gold ore structure was possible. The structure is represented by a 0.8 m wide zone made up of an outer mylonite zone and an inner zone consisting of a twelve (12) cm wide quartz vein which is hosting a seven (7) cm wide reddish black band of iron oxides which may represent an altered massive band of pyrite (Figure 12). The structure strikes NW and dips 52 degrees to the NE.



Figure 12: Photograph depicting the gold structure at Filao do Meio.

A 2 kg grab sample (Figure 13) was crushed and split to form two samples each of 1 kg.



Figure 13: Grab sample taken from Filao do Meio pit.

The first sample was pulverised and panned, and returned a considerable amount of visible gold (Figure 14).



Figure 14: Panning resulting in concentrated 1 Kg of crushed sample shown in Figure 13.

The second sample was sent for assay and returned 123 g/t of gold.

A program of 5 pioneer drill holes has commenced with the first assays expected by the end of May.

Traira Gold Prospect

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

At this prospect, the Company has commenced a mapping and soil sampling grid consisting of 51 lines (each 1.5 Km long) and spaced at 100m intervals with sampling stations every 50m along the lines (Figure 15).

The Company will await analytical results before defining any follow up exploration activities.

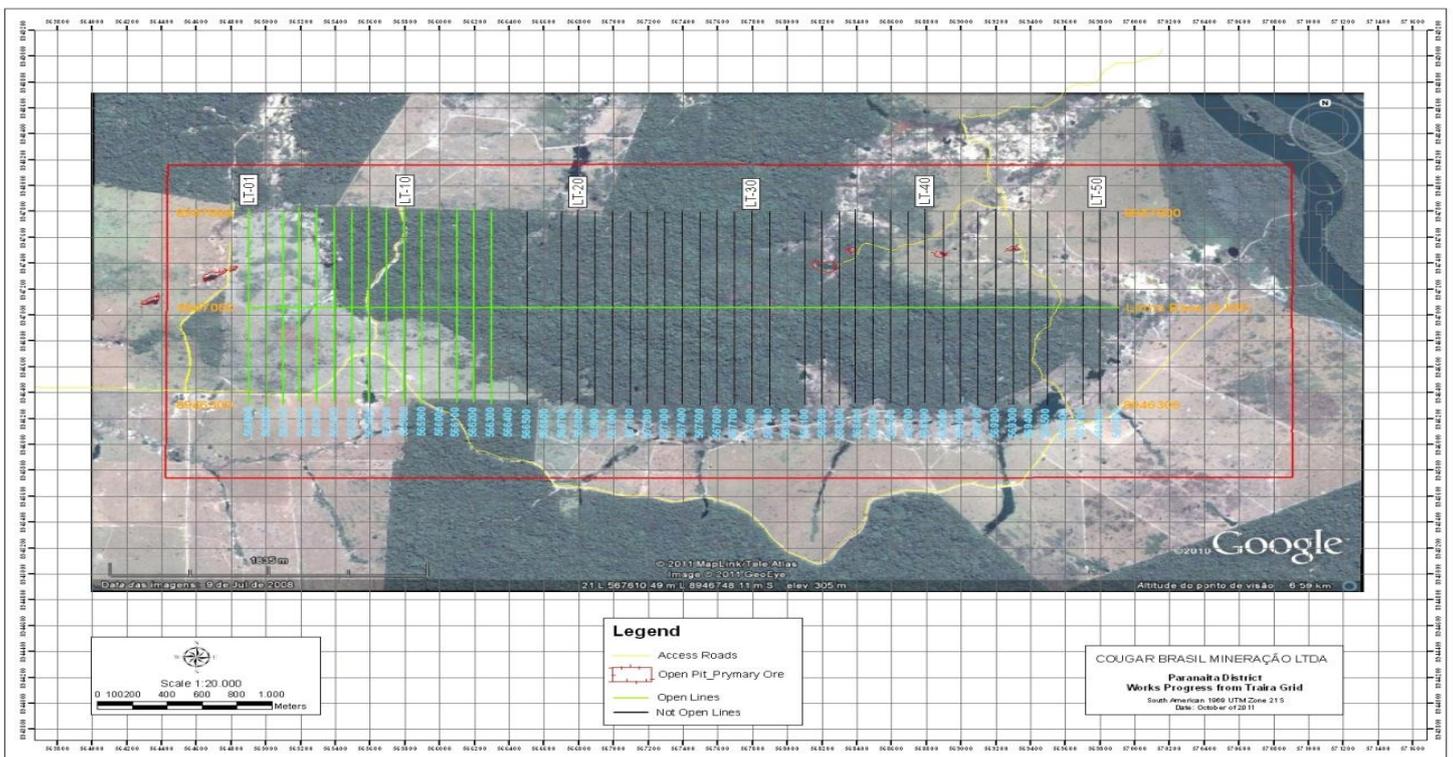


Figure 15: Location map of the soil sampling grid at Traira target. Green lines show executed sampling work.

Tambaqui Gold Prospect

The Tambaqui Gold Prospect lies approximately 7km ESE of Ze Vermelho and was a pit worked during the early 1990's by the current landowner who developed a pit to a length of 85m and to a depth of 12 metres.

Reportedly the pit produced an average of 500g of gold per day, from an undetermined amount of material. According to the landowner, work was stopped on account of too much water ingress during a particularly wet season.

Reportedly the ore structure is similar to that found at Ze Vermelho in that it consists of a quartz vein with massive to disseminated pyrite (Figure 16) hosted by a narrow mylonite zone in the granitic host rock (Figure 17), which in turn sits in barren granite.



Figure 16. Photograph showing a quartz vein sample provided by the landowner of the Tambaqui prospect. Disseminated pyrite is clearly visible in the sample.



Figure 17: Photograph showing the mylonite which hosts the quartz vein at Tambaqui target. Sample collected on a tailing pond close to the Tambaui pit.

The Company has dewatered the Tambaqui pit and is now cleaning sediment from the pit (Figure 18). This work is expected to finish in mid-May when the ore structure will be inspected and sampled.



Figure 18: Photograph showing the work of cleaning the Tambaqui Pit.

INFRASTRUCTURE UPDATE

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

- Commissioning of grid supplied high voltage power line at Ze Vermelho - certification of the installed equipment was finally obtained in early February allowing commissioning to commence. As expected some issues were encountered during the commissioning phase, however none were significant and the system is now fully operational. The mine site will retain the installed generators as a back-up power supply, and maintain a hire compressor on site until the electric compressor's reliability is fully demonstrated.
- Construction of assay laboratory at Ze Vermelho – a new atomic absorption spectroscopy (AA) machine was installed at the site. However after a short period of use the accuracy of the unit deteriorated. The unit is currently being serviced and expected to return to service by mid-May.
- Geology Office at Ze Vermelho – during the quarter a geology office was established on the Company's property at Ze Vermelho where mine site and exploration staff will work. In conjunction with this a telephone and internet system was installed and commissioned.
- 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. Subsequent to the end of the quarter the Company purchased an Ambulance which will be based at the minesite. Delivery of this vehicle is expected in the first week of May.
- Subsequent to the end of the quarter an order was placed for a man portable electric conveyor system and additional ventilation equipment. This equipment is expected to arrive in Brazil during the 4th quarter and be commissioned in July. This equipment is expected to increase underground production at Ze Vermelho with reduced times for the venting and clearing of material after each blast.

CONTRACT DRILLING BUSINESS UPDATE

Revenue for the quarter from external clients was US\$1.93 million which was significantly down from the previous quarter on account of reduced activity in Uruguay (activity ceased entirely in late January 2012) and Brazil (due to the completion of several contracts and the impact of the wet season).

Services provided internally were significantly higher during this quarter at US\$530,000 and this trend can be expected to continue throughout the remainder of calendar year 2012.

The Company has several drilling tenders awaiting award in Brazil and expects to see high utilisation of its equipment returned in the 4th quarter.

In late December the Company took delivery of a new Atlas Copco T3W RC drilling rig from the USA, along with many extra components for the modification or part construction of a further RC machine. These components are currently in rented premises within the Montevideo "free zone", allowing work on

the units to be conducted in a tax free environment before export to their final destination. Work is expected to commence on these machines in May following the receipt of additional components.

Uruguay drilling operations ceased completely during the quarter, with the company's activities being reduced to the preparation of equipment for the Brazilian operations. Only 3 employees have been retained for this purpose. Importation of the surplus Uruguayan drilling rigs into Brazil has now been approved and expected to be complete by the end of May.

The Company's only RC rig currently in Brazil remains fully employed with the award of a further 15,000m of RC drilling from the beginning of April which will keep this rig fully utilised for the remainder of calendar year 2012.

CORPORATE UPDATE

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 raising \$4.25 million. The funds are to be used to undertake aggressive explorations programs over the Alta Floresta Project with a particular focus in and around Ze Vermelho.

Share allotment, trading of the shares and receipt of the funds all occurred post the end of the March 2012 quarter.

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 at 8 cents per share.

The share purchase plan offer is due to close at 5:00PM (WST) on Friday 4 May 2012.

PROPOSED ACTIVITIES FOR 4TH QUARTER 2012:

Exploration and Production:

- Continuation of exploration drilling at Ze Vermelho, Pedra Branca, Filao de Meio and other prospects utilising 3 drilling rigs.
- Development to Ze Vermelho's - 116m level; with sampling of material retrieved during development.
- Lining of Shaft #2 at Ze Vermelho, establish link with underground working and commissioning of haulage equipment.
- Construction of additional gold leaching vats.
- Ongoing gold production from gravity processing and cyanidation.
- Finalisation of interpretation of IP and TDEM surveys for identifying drilling targets.

Drilling Division:

- Importation of 2x RC and 2x diamond rigs into Brazil
- Continuation of 3 diamond rigs at Ze Vermelho and surrounding areas
- Continuation of contract drilling in Brazil.
- Modification and mounting of T3W drill rig in Uruguay to commence.

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

Executive Chairman

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 and geophysics is based on information compiled by Dr Jayson Meyers who is a Fellow of the Australian Institute of Geoscientists. Dr Meyers is a consultant to 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". Dr Meyers 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.