



# 2014

## ANNUAL REPORT

COUGAR  
METALS NL

# CORPORATE DIRECTORY

## DIRECTORS

Roger Hussey (Non-Executive Chairman)  
Randal Swick (Managing Director)  
Paul Hardie (Non-Executive Director)  
Michael Fry (Executive Director)

## COMPANY SECRETARY

Michael Fry

## REGISTERED OFFICE

Level 1, 35 - 37 Havelock Street  
West Perth WA 6005

## AUDITORS

Bentleys (WA) Pty Ltd  
Level 1, 12 Kings Park Road  
West Perth WA 6005

## HOME SECURITIES EXCHANGE

ASX Limited  
Exchange Plaza  
2 The Esplanade  
Perth WA 6000

## SHARE REGISTRY

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## ASX CODE

CGM

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## **CHAIRMANS LETTER**

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Dear Shareholders,

The 2014 financial year has been a year of substantial progression by the Company.

The Company successfully executed its strategy of transitioning its exploration focus from Brazil to Canada, and in so doing has positioned itself with an advanced gold project in a mature mining and social environment.

As a consequence of the sale of its Brazilian subsidiary Cougar Brasil Mineracao Ltda together with all of its tenement interests and mining assets, the Company has now fully exited from exploration in Brazil. The proceeds from the sale are being received over a two year time period, with ~US\$1.7 million having been received to date of the aggregate net sales proceeds of ~US\$3.25 million.

The proceeds from the sale of the Brazilian exploration business are providing funding to hold and advance the Company's Shoal Lake Gold Project in Ontario, Canada.

The Shoal Lake area was at one time the premier gold mining area in Canada, prior to the identification of Timmins Gold Camp to the north. The Timmins Gold Camp is one of the world's most prolific gold areas having produced in excess of 70 million ounces of gold from over 50 operating mines. The Shoal Lake area itself is home to a number of past producing mines but has seen little modern exploration activity in recent times.

The Company's major focus in Shoal Lake is the Dupont Gold Project, which has a historic gold resource (non JORC). A positive feasibility study along with 3,700 metres of pre-mining underground development across seven levels were completed in the 1980's prior to activities ceasing in 1989 due to poor economic conditions. The high grades encountered at the Dupont along with the historic work performed on the project confirm the high quality of this asset.

The Company's principle objectives are to complete an updated resource estimate and a preliminary economic assessment as initial steps towards its overall goal of commencing production at Dupont.

The Company has retained its Brazilian drilling services business Geologica Sondagens Ltda which has been operating since 2007. Geologica Sondagens Ltda operates a fleet of nine drilling rigs comprising four RC (Reverse Circulation), five surface diamond and one air-core rig.

Whilst utilisation of the drill fleet continued to be impacted during FY14 by ongoing low levels of mining and exploration activity as a consequence of uncertainty in global markets and generally lower commodity prices; the Company has seen a recent increase in the demand for its RC drill fleet in such that its four RC drill rigs are currently fully utilised. RC drilling, though commonly utilised in most mining jurisdictions is yet to be widely accepted in Brazil, and consequently Geologica Sondagens Ltda is one of only a few providers in Brazil. The increasing demand for RC drilling in Brazil has Geologica Sondagens Ltda well-placed to significantly improve on its FY14 performance.

The directors and management are confident that the Company has two worthwhile pursuits with the Canadian Shoal Lake Project and Brazilian contract drilling business able to deliver value to the Company's shareholders over the medium term.



Roger Hussey  
Chairman

Operational activities within the Group were focussed around the provision of contract drilling services in Brazil and exploration assets in Australia and Canada.

### **Shoal Lake Gold Project (Canada)**

#### Overview

The Group is focused on the exploration and development of its two advanced high grade gold projects (under option) in the Shoal Lake region of Ontario, Canada. The projects lie adjacent to one another and are located close to the trans-Canadian highway, power and the urban centres of Kenora and Winnipeg.

#### *Shoal Lake West Gold Project*

Under the terms of the option agreement entered into with Sheridan Platinum Group Limited (Sheridan) in October 2013, the Group may exercise its option (and acquire a 100% undivided interest) by maintaining the property and making aggregate payments totalling CAD\$6.4 million over four (4) years, as follows:

- CDN\$ 200,000 following execution of the agreement (paid);
- CDN\$ 1,200,000 comprising six equal instalments spaced three months apart and commencing on the first anniversary – first payment is due June 2015;
- CDN\$ 5 million on the fourth anniversary – due June 2018.

#### *Shoal Lake East Gold Project*

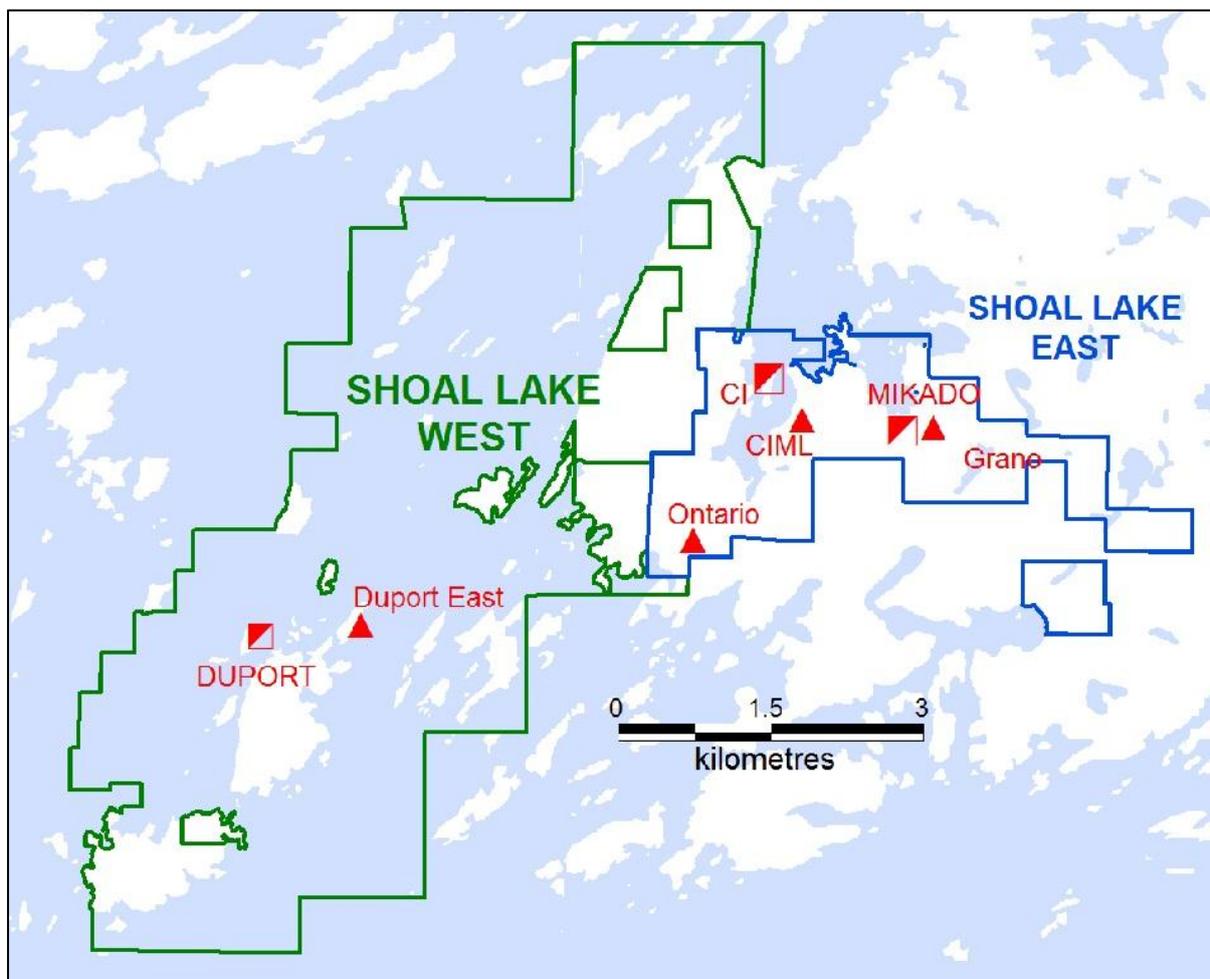
Under the terms of the option agreement entered into with Kenora Prospectors & Miners, Limited (KPM) in January 2013, the Company may exercise its option (and acquire a 51% undivided interest) by ensuring a return to KPM of a minimum of CAD\$ 5.875 million over four (4) years, inclusive of option fees and any profit share from a proposed bulk sample extraction program.

During the 2014 financial year, the Group commenced a legal action in relation to various concerns relating to the conduct of KPM and alleged breaches of certain representations and warranties made by KPM under the option agreement. As a consequence, arbitration is set down for late in calendar year 2014. In the interim the option agreements is suspended with no option payments being made and no work being undertaken.

#### History and Background

Discovery of gold in the Shoal Lake area in the 1880's led to the development of several mines and the identification of a number of significant gold occurrences. Mining of gold in the Shoal Lake area commenced in 1893 and continued intermittently until 1936. During this period the region was considered Ontario's premier gold district.

The Shoal Lake gold projects are situated on Shoal Lake, 15 kilometres south of the trans-Canada Highway between the Cities of Kenora and Winnipeg; and are easily accessible year round. The properties are contiguous and comprised of patented mining lands, mining leases, mining licences of occupation, and staked claims. Surface rights are strategically included. Collectively the projects encompass the Duport gold deposit, Cedar Island Mainland (CIML) gold deposit, the historic gold producers of Mikado, Cedar Island (CI) and Duport mines, as well as a number of significant gold occurrences at Ontario, Grano and Duport East.



*Outline of Shoal Lake projects properties and main gold occurrences.*

Exploration Focus

There is considerable historical data in existence for each of the Shoal Lake gold projects consisting of drill data, mining plans and exploration reports. During the financial year, much of the project management team’s focus was on collating and reviewing all of the available data. From time to time, the project management team also visited site and undertook field assessment.

In the short to medium term future, project management will continue to review and compile the historical data, and they will also seek to update a previous feasibility study and source funding to recommence mining operations. Before mining operations can be recommenced however, project management will first need to obtain first nations and environmental approvals.

**Pyke Hill Project (Western Australia)**

Cougar Metals NL holds the nickel and cobalt laterite rights to the Pyke Hill project situated on tenement M39/159 east of Leonora, Western Australia. Previous exploration drilling conducted by Cougar Metals NL at the Pyke Hill Project delineated a measured and indicated resource, using a 0.5% nickel cut-off grade, of 14.7M tonnes at 0.90% Ni and 0.06% Co, which contains 131,000 tonnes of nickel and 8,800 tonnes of cobalt.

This resource is closed off in all directions. There are a set of variable grade versus tonnage figures, but further exploration or drilling will not likely significantly change this overall resource figure in terms of tonnes, grade or contained metal. The Company is investigating all possibilities to advance the Project.

### **Contract Drilling Business**

#### Overview

Cougar, through its wholly owned drilling services subsidiary company, GeoLogica Sondagens Ltda (“GeoLogica”) provides contract drilling services in Brazil.

Geologica provides rotary air blast (“RAB”), reverse circulation (“RC”) and diamond drilling services to the mining and resources industries.

#### Activities for FY14

GeoLogica is headquartered in the city of Belo Horizonte, Minas Gerais, Brazil. Since commencing operations in 2007 it has grown its fleet to 10 owned rigs, including 5 diamond, 4 RC and 1 RAB rig.

Activity in the Brazilian mining industry remained subdued during FY14. As a consequence, Cougar’s rig fleet in Brazil operated at low levels of utilisation throughout FY14 impacting revenues and profitability.

A new mining code introduced before Brazil’s parliament in June 2013 is yet to be passed and significant uncertainty exists as to whether it will be passed as is or abandoned in its entirety if there is a change in government in upcoming elections.

The uncertainty surrounding the new mining code coupled with depressed commodity prices and market conditions have played heavily on activity levels in Brazil in recent times.

Within the industry, there was much optimism about an upswing in activity in the Brazilian mining industry once the new mining code was enacted; however, with the delays that have occurred the optimism is fading. Consequently, it is extremely difficult to predict as to the timing of when activity levels will return to normal.

Notwithstanding, Brazil remains one of the world’s largest producers of iron ore, bauxite, gold, nickel, manganese and other minerals, and activity levels can be expected to improve once stability and confidence returns to the industry.

#### *Competent Persons Statement*

*The information in this report that relates to Mineral Resources of the Pyke Hill Project (Western Australia) 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 report of the matters based on his information in the form and context that the information appears.*

*The information in this report that relates to geological information, exploration results and historical resource estimates for the Shoal Lake Project (Canada) is based on information compiled by Mr Paul Nagerl and is in the view of Mr Nagerl an accurate representation of the data available for the project. Mr Nagerl is a member of the Association of Professional Geoscientists of Ontario and is engaged on a full time basis as the Company's Exploration Manager through his personal services entity, Nagerl Geological Services Inc, and is a director of the Company's Canadian subsidiaries. He 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 2012 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.*

## **DIRECTORS' REPORT**

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Your Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2014.

### **DIRECTORS**

The names of the Directors of Cougar Metals NL (the "Company") in office and at any time during, or since the end of the financial year are:

Roger Hussey	Non-Executive Chairman
Randal Swick	Managing Director
Paul Hardie	Non-Executive Director

Directors have been in office since the start of the financial year and up to the date of this report unless otherwise stated.

### **COMPANY SECRETARY**

Michael Fry was appointed Company Secretary on 5 August 2011. Michael holds a Bachelor of Commerce degree from University of Western Australia and has worked in accounting and advisory roles for over 20 years. Michael is currently a non-executive director of VDM Group Ltd.

### **PRINCIPAL ACTIVITIES**

During the financial year, the Company's activities were focussed on the following key areas:

- a) advancement of its Shoal Lake Gold Project in Ontario, Canada;
- b) disposal of its Alta Floresta Gold Project in Brazil; and
- c) the provision of mineral drilling services to exploration and mining companies in Brazil.

The principal activities of the Company during the course of the financial year were:

- i) compilation and review of available historical data relating to the Shoal Lake Gold Project; geological assessment and investigation; and
- ii) the provision of mineral drilling services to exploration and mining companies in Brazil and Uruguay through CGM's wholly owned subsidiaries GeoLogica Sondagens Ltda and Palinir S.A.

### **OPERATING RESULTS**

The Statement of Profit or Loss and Other Comprehensive Income shows revenue from ordinary activities for the Group for the year ended 30 June 2014 of \$4,133,656 (2013: \$5,406,708).

The Statement of Profit or Loss and Other Comprehensive Income shows a net profit from ordinary activities after tax attributable to the members of the Group for the year ended 30 June 2014 of \$1,466,236 (2013 net loss: \$13,892,204).

The net assets of the Consolidated Entity as at 30 June 2014 were \$2,455,148 (2013: \$1,178,445).

**DIVIDENDS PAID OR RECOMMENDED**

The Directors recommend that no dividend be paid for the year ended 30 June 2014.

No amounts been paid or declared by way of dividend since the end of the previous financial year.

**SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

No significant changes in the Group's state of affairs occurred during the financial year other than the following:

- during November 2013, Cougar Brasil Mineracao Ltd entered into a contract to sell fifteen (15) of its tenements for R\$1,400,000 (~A\$663,462);
- also during November 2013, Cougar Brasil Mineracao Ltd entered into a contract to sell tenement 866.672/2005 for US\$1,000,000 (~A\$1,059,700); and
- also during November 2013, the Group agreed to dispose of its wholly owned subsidiary Cougar Brasil Mineracao Ltda inclusive of its remaining mining tenements and all of its mining assets for US\$3,600,000 (~A\$3,942,023). A condition of the disposal was that the purchaser assumed all of the liabilities of Cougar Brasil Mineracao Ltd which were calculated at that time to be US\$1,448,991 (~A\$1,625,336).

As a consequence of the tenement sales and the disposal of Cougar Brasil Mineracao Ltda, the Group has now exited fully from the Alta Floresta Gold Project in Brazil.

**AFTER BALANCE DATE EVENTS**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

**FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES**

The focus of the Group moving forward is to:

- re-establish the full utilisation of its drill rigs in its South American drilling business;
- progress opportunities with parties to sell, partner, or joint venture the Group's interests in its Pyke Hill Project in Australia; and
- advance and progress its Shoal Lake Gold Project in Canada.

**ENVIRONMENTAL ISSUES**

The Group has a policy of at least complying with its environmental performance obligations. The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

**INFORMATION ON DIRECTORS**

<b>Roger Hussey</b>	Non-Executive Chairman
Qualifications	LL.B (Hons), M.A - Oxon (Hons), Stanford Executive Program.
Experience	<p>Mr Hussey has extensive experience as a Director and Chairperson having chaired publicly-listed companies such as Metro Industries Ltd and Parbury Henty Ltd, and government and community organisations including TAB (WA), Princess Margaret Hospital for Children and the Children's Medical Research Foundation.</p> <p>Mr Hussey is an experienced corporate executive and management consultant having worked for Australia's leading consultancy groups, prior to which he was the Chief Executive of the Century Holdings Ltd Group.</p>
Interest in Shares and Options	Nil
Directorships held in other listed entities within past three years	Mr Hussey has not been a Director of any other listed entities in the past three years.
<b>Randal Swick</b>	Managing Director
Qualifications	B.Eng. (Mech)
Experience	Randal Swick is a mechanical engineer with in excess of 25 years experience in the metals and mining industry with a strong focus on gold and nickel exploration. Randal Swick brings considerable knowledge gained from experience as a drilling contractor and from his involvement in the management of several private companies involved in exploration and mining throughout Western Australia in both the surface and underground environments.
Special Responsibilities	Randal Swick is responsible for Cougar's wholly owned drilling businesses and spends the majority of his time in South America ensuring the continued growth of this business.
Interest in Shares and Options	276,000,000 ordinary fully paid shares
Directorships held in other listed entities within past three years	Randal Swick has not been a Director of any other listed entities in the past three years.
<b>Paul Hardie</b>	Non-Executive Director
Qualifications	B.Ec. LLB
Experience	Paul Hardie is a solicitor who specialises in providing corporate and general commercial advice to a number of public and private clients on a wide range of matters including mergers and acquisitions, initial public offerings and other capital raisings, property law and a variety of Corporations Act and Listing Rules compliance matters. Prior to establishing his own law practice, Mr Hardie gained extensive experience in areas of business management, commercial litigation and property law and was part of the mergers and acquisitions team of a large national law firm.
Interest in Shares and Options	25,000 contributing shares
Directorships held in other listed entities within past three years	Indago Resources Limited – 15 October 2009 to 23 January 2012

**REMUNERATION REPORT - AUDITED**

This report details the nature and amount of remuneration for each Director of Cougar Metals NL, and for the executives receiving the highest remuneration.

**Remuneration Policy**

The Board of Directors established a Remuneration Committee for the purpose of reviewing and making recommendations with respect to the remuneration practices of the Company. The Board of Directors prepared and approved a charter as the basis on which the committee will be constituted and operated. The role of the Remuneration Committee is to provide an independent mechanism for the determination, implementation and assessment of the remuneration practices of the Company, including remuneration packages and incentive schemes for executive Directors and senior management, and fees payable to Non-Executive Directors.

The remuneration policy of Cougar Metals NL and its Controlled Entities has been designed to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on share price performance. The Board believes that remuneration policy is appropriate and effective in its ability to attract, retain and motivate suitably qualified and experienced Directors and executives to run and manage the economic entity, as well as create goal congruence between the Directors and executives and the Company's shareholders.

Specifically, the remuneration policy has been put in place to ensure that:

- 1) Remuneration policies and systems support the Company's wider objectives and strategies;
- 2) Directors' and senior executives remuneration is aligned to the long-term interests of shareholders within an appropriate control framework;
- 3) Directors' and senior executives remuneration reflect the persons' duties and responsibilities;
- 4) Directors' and senior executives remuneration is comparative in attracting, retaining and motivating suitably qualified and experienced people; and
- 5) There is a clear relationship between performance and remuneration.

The tables below set out summary information about the Consolidated Entity's earnings and movements in shareholder wealth for the five years to 30 June 2014:

	<b>30 June 2014</b>	<b>30 June 2013</b>	<b>30 June 2012</b>	<b>30 June 2011</b>	<b>30 June 2010</b>
			\$	\$	\$
Revenue	4,133,656	7,170,755	15,908,737	21,803,936	5,649,045
Net profit/(loss) before tax	1,466,236	(13,892,204)	(2,083,951)	4,045,953	(3,858,586)
Net profit/(loss) after tax	1,466,236	(13,892,204)	(2,083,951)	3,141,799	(3,858,586)
	<b>30 June 2014</b>	<b>30 June 2013</b>	<b>30 June 2012</b>	<b>30 June 2011</b>	<b>30 June 2010</b>
Share price at start of year	\$0.01	\$0.05	\$0.05	\$0.02	\$0.03
Share price at end of year	\$0.002	\$0.01	\$0.05	\$0.05	\$0.02
Dividend	-	-	-	-	-
Basic earnings /(loss) per share	\$0.002	(\$0.028)	(\$0.005)	\$0.0077	(\$0.0126)
Diluted earnings /(loss) per share	\$0.002	(\$0.028)	(\$0.005)	\$0.0077	(\$0.0126)

All remuneration paid to Directors and executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology or other accepted methodologies.

### **Remuneration Structure**

In accordance with best practice corporate governance, the structure of Non-Executive Director, executive Director and senior executive management remuneration is separate.

### **Non-Executive Director Remuneration**

#### **Objective**

The Board seeks to set remuneration at a level which provides the Company with the ability to attract and retain suitably qualified and experienced Directors, whilst incurring a cost which is acceptable to shareholders.

#### **Structure**

Each Non-Executive Director receives a fee for being a Director of the Company. Non-Executive Directors should be adequately remunerated for their time and effort and the risks involved. Non-Executive Directors are remunerated to recognise the responsibilities, accountabilities and associated risks of being a Director. All Non-Executive Directors' performance and remuneration is reviewed on an annual basis by the Managing Director, who in turn makes a recommendation to the Remuneration Committee. The Company has two Non-Executive Directors being Roger Hussey, who receives \$48,000 per annum inclusive of employer statutory superannuation and Paul Hardie, who receives \$36,000 per annum. Non-Executive Directors are eligible to participate in employee share and option arrangements.

Board operating costs do not form part of Non-Executive Directors' remuneration.

### **Executive Directors and Senior Executives Remuneration**

#### **Objective**

The Company aims to reward executive Directors and senior executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company.

#### **Fixed Remuneration**

The components of the executive Directors and senior executives fixed remuneration are determined individually and may include:

- 1) cash remuneration;
- 2) superannuation contributions made by the Company;
- 3) accommodation and travel benefits;
- 4) motor vehicle, parking and other benefits; and
- 5) reimbursement of entertainment, home office and telephone expenses.

The senior executives' remuneration is reviewed on an annual basis by the Managing Director, who in turn makes a recommendation to the Remuneration Committee.

In determining a remuneration package, the Remuneration Committee reviews the individual's remuneration relative to positions in comparable companies through the use of market data. Where appropriate, the package is adjusted to keep pace with market trends and ensure continued remuneration competitiveness. In conducting a comparative analysis, the Company's expected performance for the year would be considered in the context of the Company's capacity to fund remuneration budgets. From time to time, a review of the total remuneration package by an independent consultant in this field may be undertaken to provide an independent reference point.

#### **Variable Remuneration**

The executive Directors and senior executives may receive variable remuneration as follows:

- 1) short term incentives - the executive Directors and senior executives are eligible to participate in a bonus if so determined by the Board and Remuneration Committee; and
- 2) long term incentives - the executive Directors and senior executives are eligible to receive shares and options if so determined by the Board and Remuneration Committee.

**Employment Contracts with Key Management Personnel**

During the year, the Consolidated Entity had entered into employment contracts with the following Key Management Personnel:

**Randal Swick**

The key terms of Randal Swick's current service agreement, through Corporate Services LLC, are as follows:

- The service arrangement continues until terminated.
- Fixed remuneration of US\$196,000 per annum.
- There are no termination benefits at the completion of the contract term. However, if the Company wishes to terminate the contract, other than if Randal Swick was found guilty of any gross misconduct or a serious and persistent breach of the service agreement, the Company is required to pay to Randal Swick that amount which otherwise would have been paid under the service agreement for a period of six months, plus an additional two months (calculated on a pro rata basis) in respect of each year of service.

**Michael Fry**

The key terms of Michael Fry's employment is as follows:

- The employment arrangement continues until terminated.  
Fixed Remuneration of \$110,000 per annum (inclusive of statutory superannuation).
- There are no termination benefits at the completion of the contract term. However, if the Company wishes to terminate the contract, other than if Michael Fry was found guilty of any gross misconduct or a serious and persistent breach of the service agreement, the Company is required to pay to Michael Fry that amount which otherwise would have been paid under the service agreement equal to one month in respect of each year of service or six months; whichever the greater.

**Paul Nagerl**

The key terms of Paul Nagerl's employment is as follows:

- The consulting arrangement continues until terminated.
- Fixed Remuneration of \$192,000 per annum.
- There are no termination benefits at the completion of the contract term. However, if the Company wishes to terminate the contract, other than if Paul Nagerl was found guilty of any gross misconduct or a serious and persistent breach of the service agreement, the Company is required to pay to Paul Nagerl that amount which otherwise would have been paid under the service agreement for a period of three months of service.

**Johan Van der Stricht**

The key terms of Johan Van der Stricht's employment is as follows:

- The consulting arrangement continues until terminated.
- Fixed Remuneration of A\$192,000 per annum.
- There are no termination benefits at the completion of the contract term. However, if the Company wishes to terminate the contract, other than if Johan Van der Stricht was found guilty of any gross misconduct or a serious and persistent breach of the service agreement, the Company is required to pay to Johan Van der Stricht that amount which otherwise would have been paid under the service agreement for a period of three months of service.

**DIRECTORS' REPORT (CONTINUED)****Details of Remuneration for the year ended 30 June 2014**

The remuneration for each Director and Key Management Personnel of the Group during the year was as follows:

2014	Short Term Employee Benefits			Post Employment Benefits Superannuation Contributions	Share Based Payments (Options)	Total	% Options as Compensation
	Salary, Fees and Commissions	Other	Non- Cash Benefits				
	\$	\$	\$	\$	\$	\$	%
<b>Key Management Personnel</b>							
Randal Swick	196,133	15,000	-	-	-	211,133	0%
Roger Hussey	43,936	-	-	4,064	-	48,000	0%
Paul Hardie	39,000	-	-	-	-	39,000	0%
Michael Fry	100,917	-	-	9,083	-	110,000	0%
Johan Van der Stricht	174,113	-	-	-	-	174,113	0%
Paul Nagerl	183,253	-	-	-	-	183,253	0%
	<b>737,352</b>	<b>15,000</b>	<b>-</b>	<b>13,147</b>	<b>-</b>	<b>765,499</b>	<b>0%</b>

2013	Short Term Employee Benefits			Post Employment Benefits Superannuation Contributions	Share Based Payments (Options)	Total	% Options as Compensation
	Salary, Fees and Commissions	Other	Non- Cash Benefits				
	\$	\$	\$	\$	\$	\$	%
<b>Key Management Personnel</b>							
Randal Swick	307,917	-	-	-	-	307,917	0%
Roger Hussey*	40,960	-	-	3,240	-	44,200	0%
Jeffrey Moore*	15,000	-	-	1,350	-	16,350	0%
Paul Hardie	33,000	-	-	-	-	33,000	0%
Michael Fry	190,986	-	-	7,569	-	198,555	0%
Paul Nagerl	190,993	-	-	-	-	190,993	0%
	<b>778,856</b>	<b>-</b>	<b>-</b>	<b>12,159</b>	<b>-</b>	<b>791,015</b>	<b>0%</b>

\* Roger Hussey was appointed on 24 July 2012; Jeffrey Moore resigned on 29 November 2012.

Notes:

1. Salary includes consulting fees paid to Directors and to related parties of Directors.
2. There are no other contracts to which a Director is a party or under which a Director is entitled to a benefit other than as disclosed in this report or the financial statements.
3. All Directors are engaged through Cougar Metals NL.

**Equity instrument disclosures relating to key management personnel**

## i) Option holdings:

The numbers of options in the Company held during the financial year by each Director and key management person of Cougar Metals NL, including their personally related parties, are set out below:

<b>2014</b>	<b>Balance at beginning of year</b>	<b>Granted during year as compensation</b>	<b>Balance on resignation</b>	<b>Other changes during year</b>	<b>Balance at end of year</b>
Roger Hussey	-	-	-	-	-
Randal Swick	3,000,000	-	-	(3,000,000)	-
Paul Hardie	3,000,000	-	-	(3,000,000)	-
Michael Fry	15,000,000	-	-	-	15,000,000
Johan Van der Stricht	-	-	-	-	-
Paul Nagerl	-	-	-	-	-
<b>2013</b>	<b>Balance at beginning of year</b>	<b>Granted during year as compensation</b>	<b>Balance on resignation</b>	<b>Other changes during year</b>	<b>Balance at end of year</b>
Roger Hussey	-	-	-	-	-
Randal Swick	3,000,000	-	-	-	3,000,000
Paul Hardie	3,000,000	-	-	-	3,000,000
Michael Fry	15,000,000	-	-	-	15,000,000
Paul Nagerl	-	-	-	-	-

## ii) Shareholdings

The numbers of shares in the Company held during the financial year by each Director and key management person of Cougar Metals NL, including their personally related parties, are set out below:

<b>2014</b>	<b>Balance at beginning of year</b>	<b>Granted during year as compensation</b>	<b>Balance on resignation</b>	<b>Other changes during year</b>	<b>Balance at end of year</b>
Roger Hussey	-	-	-	-	-
Randal Swick	276,000,000	-	-	-	276,000,000
Paul Hardie	25,000	-	-	-	25,000
Michael Fry	1,462,000	-	-	-	1,462,000
Johan Van der Stricht	-	-	-	-	-
Paul Nagerl	-	-	-	-	-
<b>2013</b>	<b>Balance at beginning of year</b>	<b>Granted during year as compensation</b>	<b>Balance on resignation</b>	<b>Other changes during year</b>	<b>Balance at end of year</b>
Roger Hussey	-	-	-	-	-
Randal Swick	81,000,000	-	-	195,000,000	276,000,000
Paul Hardie	25,000	-	-	-	25,000
Michael Fry	1,567,000	-	-	(105,000)	1,462,000
Paul Nagerl	-	-	-	-	-

**Options and Rights Holdings**

During the year, 6,000,000 options expired, details as follows:

- 3,000,000 options held by Randal Swick with an exercise price of \$0.035 and exercisable on or before 13 September 2013 lapsed; and
- 3,000,000 options held by Paul Hardie with an exercise price of \$0.035 and exercisable on or before 13 September 2013 lapsed.

Apart from the above, no options were vested, exercised or lapsed during the year.

**Transactions with the Company**

A number of directors of the Company, or their director-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. The terms and conditions of the transactions with directors and their director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate amounts paid during the year relating to directors and their director-related entities were as follows:

<b>Related entities</b>	<b>Transaction</b>	<b>2014</b>
		\$
Corporate Management Services LLC – Randal Swick	Director Fees	211,133
Hardies Lawyers – Paul Hardie	Director Fees	39,000
Marcia Swick	Salary	75,000
<b>Related entities</b>	<b>Transaction</b>	<b>2013</b>
		\$
Corporate Management Services LLC – Randal Swick	Director Fees	307,917
Hardies Lawyers – Paul Hardie	Director Fees	33,000
Marcia Swick	Salary	75,000

**MEETING OF DIRECTORS**

During the financial year, meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

<b>Director</b>	<b>Board Meetings</b>		<b>Audit and Compliance Committee Meetings</b>	
	<b>Number Eligible to Attend</b>	<b>Number Attended</b>	<b>Number Eligible to Attend</b>	<b>Number Attended</b>
Roger Hussey	6	6	2	2
Randal Swick	6	6	-	-
Paul Hardie	6	6	2	2

**End of Remuneration Report**

**INDEMNIFYING OFFICERS OR AUDITOR**

The Group has agreed to indemnify all the directors and executives officers for any costs or expenses that may be incurred in defending civil and criminal proceedings that may be brought against the officers in their capacity as officers of entities of the consolidated entity for which they may be held personally liable.

The Company has paid a premium to insure the directors and officers of the Company and its controlled entities. Details of the premium are subject to a confidentiality clause under the contract of insurance.

The Company has not entered into any agreement to indemnify Deloitte Touche Tohmatsu against any claims by third parties arising from their report on the annual financial report.

**PROCEEDINGS ON BEHALF OF COMPANY**

Other than as referred to below, no person has applied for leave of Court to bring proceedings on behalf of the Company or one of its consolidated entities or intervene in any proceedings to which the Company or one of its consolidated entities is a party for the purpose of taking responsibility on behalf of the Company or one of its consolidated entities for all or any part of those proceedings.

Tycoon Gold Resources Inc has commenced a legal action against Kenora Prospectors & Miners (KPM) relating to the conduct of KPM and alleged breaches of certain representations and warranties made by KPM under the option agreement. Arbitration is set down for late in calendar year 2014.

**CORPORATE GOVERNANCE**

The Board of Directors is responsible for the corporate governance of the Company and has adopted a range of corporate governance policies consistent with the second edition of "Principles of Good Corporate Governance and Recommendations" released by the ASX Corporate Governance Council in 2007, to the extent that such recommendations are consistent with the current structure and objectives of the Company.

**AUDITOR**

**Non-Audit Services**

The Company may decide to employ its auditor Bentleys (WA) Pty Ltd on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or Group are important. During the year, no non-audit services were performed by the auditor.

The Board of Directors has considered the position and, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement APES110, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for the Group, acting as advocate for the Group or jointly sharing economic risk and rewards.

**Auditor's Declaration of Independence**

The auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 17.

Signed in accordance with a resolution of the Board of Directors in accordance with s298(2) of the Corporations Act 2001.



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**Randal Swick**  
**Managing Director**

Dated this 30th day of September 2014



**Bentleys Audit & Corporate  
(WA) Pty Ltd**

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To The Board of Directors

**Auditor's Independence Declaration under Section 307C of the  
Corporations Act 2001**

As lead audit director for the audit of the financial statements of Cougar Metals NL for the financial year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

**BENTLEYS**  
**Chartered Accountants**

**DOUG BELL CA**  
**Director**

Dated at Perth this 30<sup>th</sup> day of September 2014



A member of Bentleys, an association of independent accounting firms in Australia. The member firms of the Bentleys association are affiliated only and not in partnership. Liability limited by a scheme approved under Professional Standards Legislation. A member of Kreston International. A global network of independent accounting firms.

- Accountants
- Auditors
- Advisors

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED  
30 JUNE 2014**

	Note	Consolidated 2014 \$	Consolidated 2013 \$
<b>Continuing operations</b>			
Revenue	2	4,121,845	5,306,094
Finance revenue		10,675	48,759
Other revenue		1,136	51,855
		<u>4,133,656</u>	<u>5,406,708</u>
Accounting and audit expenses		(43,962)	(101,234)
Corporate expenditure and professional fees		(591,672)	(563,507)
Depreciation expense	3, 13	(899,930)	(1,321,072)
Doubtful debts		(277,672)	-
Impairment of assets	9	(532,264)	(378,972)
Operating expenses		(5,310,441)	(5,638,351)
Finance costs	3	(47,166)	(49,924)
Office administration expenses		(21,824)	(33,045)
Other expenses from ordinary activities		(13,920)	(63,568)
<b>Loss from continuing operations before income tax</b>		<u>(3,605,195)</u>	<u>(2,742,964)</u>
Income tax benefit / (expense)	4	-	-
<b>Loss for the year after income tax from continuing operations</b>		<u>(3,605,195)</u>	<u>(2,742,964)</u>
<b>Discontinued operations</b>			
Profit/(loss) from discontinued operations after tax	8	<u>5,071,431</u>	<u>(11,149,240)</u>
<b>Profit/(Loss) for the year</b>		<u>1,466,236</u>	<u>(13,892,204)</u>
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		(189,533)	43,933
Other comprehensive income/(expense) for the year		<u>(189,533)</u>	<u>43,933</u>
<b>Total comprehensive profit/(loss) for the year</b>		<u>1,276,703</u>	<u>(13,848,271)</u>
<b>Earnings per share from continuing operations and discontinued operations</b>			
Basic (loss) / earnings per share (cents)	7	0.22	(2.84)
Diluted (loss) / earnings per share (cents)	7	0.22	(2.84)
<b>Earnings per share from continuing operations</b>			
Basic (loss) / earnings per share (cents)	7	(0.54)	(0.01)
Diluted (loss) / earnings per share (cents)	7	(0.54)	(0.01)

The accompanying notes form part of this financial report.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT**  
**30 JUNE 2014**

	Note	Consolidated 2014 \$	Consolidated 2013 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	9	752,458	1,293,767
Trade and other receivables	10	2,029,407	1,206,295
Inventory	11	383,373	157,634
Other current assets	12	58,092	10,248
<b>Total Current Assets</b>		<b>3,223,330</b>	2,667,944
<b>Non-Current Assets</b>			
Investments		2,055	
Trade and other receivables	10	435,400	-
Property, plant and equipment	13	848,949	2,544,639
Exploration and evaluation expenditure	14	432,307	150,096
<b>Total Non-Current Assets</b>		<b>1,718,711</b>	2,694,735
<b>Total Assets</b>		<b>4,942,041</b>	5,362,679
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	15	962,272	2,504,202
Provisions	16	1,375,445	916,578
Interest bearing loans and borrowings	17	149,176	615,517
<b>Total Current Liabilities</b>		<b>2,486,893</b>	4,036,298
<b>Non-Current Liabilities</b>			
Interest bearing loans and borrowings	17	-	147,936
<b>Total Non-Current Liabilities</b>		-	147,936
<b>Total Liabilities</b>		<b>2,486,893</b>	4,184,234
<b>Net Assets</b>		<b>2,455,148</b>	1,178,445
<b>EQUITY</b>			
Issued capital	18	26,676,661	26,676,661
Foreign exchange reserve		(373,253)	(183,720)
Other reserve	19	370,200	706,266
Accumulated losses		(24,218,460)	(26,020,762)
<b>Total Equity</b>		<b>2,455,148</b>	1,178,445

The accompanying notes form part of this financial report.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED  
30 JUNE 2014**

	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Share Based Payments Reserves	Total Equity
	\$	\$	\$	\$	\$
<b>Consolidated</b>					
<b>Balance at 1 July 2012</b>	<b>24,679,390</b>	<b>(12,181,758)</b>	<b>(227,653)</b>	<b>759,466</b>	<b>13,029,445</b>
Loss for the year	-	(13,892,204)	-	-	(13,892,204)
Foreign currency translation	-	-	43,933	-	43,933
Total comprehensive income for the year	-	(13,892,204)	43,933	-	(13,848,271)
Share based payments	-	53,200	-	(53,200)	-
Shares issued during the year	2,030,574	-	-	-	2,030,574
Capital raising costs	(33,303)	-	-	-	(33,303)
<b>Balance at 30 June 2013</b>	<b>26,676,661</b>	<b>(26,020,762)</b>	<b>(183,720)</b>	<b>706,266</b>	<b>1,178,445</b>
Profit for the year	-	1,466,236	-	-	1,466,236
Foreign currency translation	-	-	(189,533)	-	(189,533)
Total comprehensive income for the year	-	1,466,236	(189,533)	-	1,276,703
Share based payments	-	336,066	-	(336,066)	-
<b>Balance at 30 June 2014</b>	<b>26,676,661</b>	<b>(24,218,460)</b>	<b>(373,253)</b>	<b>370,200</b>	<b>2,455,148</b>

The accompanying notes form part of this financial report.

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED  
30 JUNE 2014**

	Note	Consolidated 2014 \$	Consolidated 2013 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		4,480,323	6,560,906
Payments to suppliers and employees		(6,359,741)	(8,578,883)
Interest received		10,675	48,759
Interest paid		(47,552)	(75,809)
Net cash (used by) / generated by operating activities	9a	<u>(1,916,295)</u>	<u>(2,045,027)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments		(2,055)	-
Purchase of plant and equipment		(10,504)	(254,346)
Proceeds from sale of property, plant and equipment		66,784	317,791
Proceeds from sale of mining tenements		1,227,015	-
Proceeds from sale of entity		981,133	-
Payments for exploration and evaluation		(282,211)	(150,096)
Net cash generated by / (used in) investing activities		<u>1,980,162</u>	<u>(86,651)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of securities		-	2,030,574
Payment of share issue costs		-	(33,303)
Proceeds from loan		-	247,723
Repayment of borrowings		(605,176)	(828,630)
Net cash (used by) / generated by financing activities		<u>(605,176)</u>	<u>1,416,364</u>
Cash and cash equivalents at beginning of financial year	9	1,293,767	2,009,082
Net (decrease)/increase in cash and cash equivalents held	9	<u>(541,309)</u>	<u>(715,315)</u>
<b>Cash and cash equivalents at end of financial year</b>	9	<u>752,458</u>	<u>1,293,767</u>

The accompanying notes form part of this financial report.

**1 Statement of Significant Accounting Policies**

**(a) Basis of Preparation**

Cougar Metals NL (the “Parent” or the “Company”) is a public company listed on the Australian Securities Exchange Limited (“ASX”) and is incorporated in Australia. The registered office of Cougar Metals NL is at Unit 5, 531 Hay Street, Subiaco in Western Australia.

Cougar Metals NL and its subsidiaries (collectively referred to as the “Cougar Metals Group” or the “Group”) operate in Western Australia and throughout the geographical regions of Brazil, Uruguay and Canada. The financial report of the Company and its controlled entities for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 30 September 2014.

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The consolidated financial statements provide comparative information in respect of the previous period. Certain comparative information has been reclassified to be presented on a consistent basis with the current year’s presentation.

**Compliance with IFRS**

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

**New and amended accounting standards and interpretations**

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations from 1 July 2013 mandatory for annual reporting periods beginning on or after 1 July 2013:

- AASB 10 Consolidated Financial Statements

AASB 10 establishes a new control model that applies to all entities. It replaces part of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities.

The new control model broadens the situation when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give you control, the impact of potential voting rights and when holding less than a majority voting rights may give control.

The adoption of AASB 10 has no effect on the financial position or performance of the Group.

- AASB 11 Joint Arrangements

AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly Controlled Entities – Non-monetary Contributions by Venturers. AASB 11 uses the principle of control in AASB 10 to

define joint control, and therefore the determination of whether joint control exists may change. In addition it removed the option to account for jointly controlled entities using proportionate consolidation. Instead, accounting for joint arrangement is dependent on the nature of the rights and obligation arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.

The adoption of AASB 11 has no effect on the financial position or performance of the Group.

- **AASB 12 Disclosure of Interests in other Entities**

AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced regarding the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associate and structured entities and subsidiaries with non-controlling interests.

The adoption of AASB 12 has no effect on the financial position or performance of the Group.

- **AASB 13 Fair Value Measurement**

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure fair value under Australian Accounting Standards. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 also expands the disclosure requirements for all assets of liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

The adoption of AASB 13 had no effect on the financial position or performance of the Group.

- **AASB 119 Employee Benefits (Revised 2011)**

The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

The adoption of AASB 119 has no effect on the financial position or performance of the Group.

- **AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.**

AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of ASAB 132 are not met.

The adoptions of AASB 2012-2 had no effect on the financial position or performance of the Group.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED  
30 JUNE 2014**

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- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual improvements 2009-2011 Cycle

AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following:

- Repeat application of AASB 1 is permitted (AASB 1)
- Clarification of the comparative information requirement when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).

The adoption of AASB 2012-5 had no effect on the financial position or performance of the Group.

- AASB 2012-9 Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039.

AASB 2012-9 amends AASB 1048 Interpretation of Standards to evidence the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia.

The adoption of AASB 2012-9 had no effect on the financial position or performance of the Group.

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124).

This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.

The adoption of AASB 2011-4 had no effect on the financial position or performance of the Group.

The following standards and interpretations have been issued by the AASB but are not yet effective for the period ending 30 June 2014. The Group has not elected to early adopt any other new Standards or amendments that are issued but not yet effective.

Reference	Title	Application date of standard*
Interpretation 21	Levies	1 January 2014
AASB 9	Financial Instruments	1 January 2015

\* designates the beginning of the applicable annual reporting period unless otherwise stated.

**(b) Statement of Compliance**

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED  
30 JUNE 2014**

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**(c) Going Concern**

The financial report has been prepared on the going concern basis, which assumes the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Consolidated Entity has generated a profit for the year of \$1,466,236 (2013 loss: \$13,892,204) largely as a result of one-off mining tenement sales and the sale of its Brazilian exploration business but incurred negative cash flows from operating activities of \$1,916,295 (2013: \$2,045,027).

As at 30 June 2014, the Consolidated Entity has a surplus in net current assets of \$736,437 which includes \$752,458 in cash and cash equivalents, \$2,029,407 in trade receivables and \$2,337,717 in trade payables, other payables and provisions.

These conditions indicate a material uncertainty that may cast significant doubt about the Company and the Consolidated Entity's ability to continue as going concerns.

During the year to 30 June 2014 and to the date of this report, the directors have taken the following steps to ensure the Company and the Consolidated Entity continue as going concerns:

- The Company has ceased providing financial support to its wholly owned Uruguayan subsidiary Palinir S.A. Palinir S.A. has liabilities of \$0.995 million and has no financial ability to settle this obligation without financial support of the Company.

The Directors have prepared a cash-flow forecast for the period ending 30 September 2015 which indicates that the current cash reserves are sufficient through to the end of September 2015 provided that outstanding amounts receivable relating to the sale of mining tenements and the Cougar Mineracao Ltda business are received when expected or within a reasonable timeframe thereafter.

The ability of the Company and Consolidated Entity to continue as going concerns is principally dependent upon:

1. the receipt of outstanding amounts receivable relating to the sale of mining tenements and the Cougar Brasil Mineracao Ltda business are received when expected or within a reasonable timeframe thereafter;
2. the generation of positive cash flows from its contract drilling business in Brazil, including extending existing drilling activity at comparable rates; and
3. that no significant liabilities will revert to the Company relating to Palinir S.A.

The Directors have reviewed the Company and Consolidated Entity's overall position and outlook in respect of the matters identified above and are of the opinion that the use of the going concern basis is appropriate in the circumstances.

Should the Company and Consolidated Entity be unable to achieve successful outcomes in relation to the matters discussed above, material uncertainty would exist as to the ability of the Company and Consolidated Entity to continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Company and Consolidated Entity be unable to continue as going concerns.

**(d) Principles of Consolidation**

The consolidated financial statements are prepared by combining the financial statements of all of the entities that comprise the consolidated entity Cougar Metals NL.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Company has control.

**(e) Foreign Currency Transactions and Balances**

The functional and presentation currency of the Group is Australian Dollars.

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian Dollars, which is the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rate prevailing on the date the fair values were determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the income statement in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of the Group's foreign operations (including comparatives) are translated in to Australian dollars at exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve.

**(f) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and deposits repayable on demand with a financial institution. Cash balances and overdrafts in the balance sheet are stated at gross amounts with current assets and current liabilities, unless there is legal right of offset at the bank. The cash and cash equivalents balance primarily consists of cash, on call in bank deposits, bank term deposit with three month maturity and money market investments readily convertible into cash within 2 working days, net of outstanding bank overdrafts. Bank overdrafts are carried at the principal amount.

**(g) Trade and Other receivables**

Trade receivables which generally have 30-60 days terms are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. The Group reviews the collectability of trade receivables on an ongoing basis and makes an objective judgement concerning amounts considered not collectible. The amount of the loss is recognised in the income statement within operating expenses and classified as doubtful debts. Any subsequent recovery of amounts previously written off, are recorded as other income in the income statement.

**(h) Inventory**

Drilling consumables are valued at the lower of cost and net realisable value.

**(i) Recoverable Amount of Non-Current Assets**

Non-current assets valued on the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds the recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs. Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

**(j) Impairment of Non-Financial Assets**

At each reporting date the Company conducts an internal review of asset values of its non financial assets to determine whether there is any evidence that the assets are impaired. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are independent cash inflows (cash generating units).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit or group of units on a pro rata basis.

**(k) Plant and Equipment**

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes acquisition, being the fair value of the consideration provided, plus incidental costs directly attributable to the acquisition.

Subsequent costs directly related to an item of property are recognised in the carrying amount of that item of property plant and equipment only when it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs, including repairs and maintenance, are recognised in the income statement as an expense.

Depreciation is recognised in the income statement on a straight-line or diminishing value basis over the estimated useful life of each part of an item of property plant and equipment. Those items of property, plant and equipment under construction are not depreciated.

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The following useful lives are used in the calculation of depreciation for each class of property, plant and equipment:

Leasehold Improvements	5 years
Furniture and Fittings	5 – 10 years
Plant and Equipment	7 – 10 years
Drilling Rigs	7 – 10 years
Motor Vehicles	5 – 10 years
Other Drilling Equipment	5 – 10 years
Office Equipment	5 – 10 years

**(l) Leased Assets**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreements as to reflect the risks and benefits incidental to ownership. Operating lease payments are leases under which the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item are recognised as an expense on a straight-line basis.

A finance lease effectively transfers to the lessee substantially all the risks and benefits incidental to ownership of the leased item, capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and recognised directly in net profit.

The cost of improvements to or on leased property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

**(m) Trade and Other Payables**

Trade payables and other payables are carried at amortised cost. They represent unsecured liabilities for goods and services procured by the Cougar Metals Group prior to the financial period that remain unpaid and occur when the Group becomes obligated to make future payments. The amounts are unsecured and are usually paid within 30 days of recognition.

**(n) Employee Benefits**

Liabilities for employee related benefits comprising wages, salaries, annual leave and long service leave are categorised as present obligations resulting from employees services provided up to and including the reporting date. The liabilities are calculated at discounted amounts based on remuneration wage and salary rates the Group expects to pay as at reporting date including related on-costs, such as payroll tax and workers compensation insurance, when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to report date.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
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Employee superannuation entitlements are charged as an expense when they are incurred and recognised as other creditors until the contribution is paid. Employee benefit expenses and revenues are recognised against profits on a net basis in their respective categories.

**(o) Loans and Borrowings**

Loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs incurred. Borrowings are subsequently measured at amortised cost utilising the effective interest rate method. Difference occurring between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. All borrowing costs are recognised as an expense in the period in which they are incurred.

**(p) Financial Instruments**

**Debt and Equity Instruments**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

**Financial Assets**

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Company financial statements.

**Loans and Receivables**

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Non-current loans and receivables are measured at amortised cost using the effective interest rate method less impairment. Interest is recognised by applying the effective interest rate. Current trade receivables are recorded at the invoiced amount and do not bear interest.

**Financial Liabilities**

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

**(q) Revenue Recognition**

Revenue from the sale of goods and rendering of services is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates and sales taxes. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs or services and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. Transfers of risks and rewards vary depending on the individual terms of the contract of sale and with local statute, but are generally when title and insurance risk has passed to the customer and the goods have been delivered to a contractually agreed location. Interest revenue is recognised as it accrues using the effective interest rate method.

**(r) Current and Deferred Taxation**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Temporary differences are differences between the Group's tax base of an asset or liability and its carrying amount in the statement of financial position.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible timing differences and unused tax losses only if it is probable that future taxable amounts will be sufficient to utilise those deductible timing differences and unused tax losses.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences or unused tax losses and tax credits can be deducted. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

**(s) Business Combinations**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets that relate to employee benefit arrangements are recognised and measured in accordance with AASB 112 *Income Taxes* and AASB 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share based payment awards are measured in accordance with AASB 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Noncurrent Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

**(t) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**(u) Earnings per Share**

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as an expense; and
- Other non discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares;

and divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**(v) Share Based Payments**

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is

recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

**(w) Exploration and Evaluation**

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- i) the rights to tenure of the area of interest are current; and
- ii) at least one of the following conditions is also met:
  - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  - (b) exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

**(x) Critical Accounting Judgements and Key Sources of Estimation Uncertainty**

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

***Critical judgements in applying accounting policies***

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

**Revenue recognition**

In making their judgement, the directors considered the detailed criteria for the recognition of revenue from the sale of goods set out in AASB 118 'Revenue' and, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the goods. The Directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate.

**Impairment of financial assets**

Impairment is recognised when there is a reasonable doubt that trade receivables are uncollectible.

**Share based payment transactions**

The Group measures the cost of equity-settled transactions with management personnel and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes model, with the assumptions detailed in note 19. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

**Exploration expenditure**

The group's accounting policy for exploration and evaluation assets is set out in note 1 (w).

***Key sources of estimation uncertainty***

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Useful lives of property, plant and equipment**

As described above, the Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the directors determined that the useful lives of certain items of equipment should be shortened, due to developments in technology.

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	<b>Consolidated 2014 \$</b>	<b>Consolidated 2013 \$</b>
<b>2 Revenue</b>		
Services rendered – contract drilling	4,121,845	5,306,094
Profit on sale of plant and equipment	-	26,353
Finance revenues	10,675	48,759
Other income	1,136	25,502
	<hr/>	<hr/>
Total revenue	<b>4,133,656</b>	<b>5,406,708</b>

**3 Expenses**

Loss before tax is arrived after charging the following expenses:

(a) Depreciation		
Depreciation expense	899,930	1,321,072
	<hr/>	<hr/>
(b) Finance costs		
Interest expense	47,166	49,924
	<hr/>	<hr/>
(c) Employee benefits		
Wages and salaries	1,430,582	2,601,203
Other	352,828	395,057
	<hr/>	<hr/>
	<b>1,783,410</b>	<b>2,996,260</b>

**4 Income tax benefit**

Major components of income tax expense for the years ended 30 June 2014 and 30 June 2013 are:

**a) Income tax recognised in profit and loss**

Current income		
Current income tax charge	-	-
Deferred income tax	-	-
	<hr/>	<hr/>
Income tax expense reported in the income statement	<b>-</b>	<b>-</b>

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A reconciliation of income tax expense applicable to accounting (loss) / profit before income tax at the statutory income tax rate to income tax expense at the company's effective income tax rate for the years ended 30 June 2014 and 30 June 2013 is as follows:

	<b>Consolidated 2014 \$</b>	<b>Consolidated 2013 \$</b>
Accounting profit/(loss) before tax for the period	<u><b>1,466,236</b></u>	<u>(13,892,204)</u>
Income tax rate of 30% (2013: 30%)	<b>439,871</b>	(4,167,661)
Add:		
Non-assessable income	<b>(1,709,621)</b>	-
Tax loss not brought to account as a deferred tax asset	<u><b>1,269,750</b></u>	<u>4,167,661</u>
Income tax expense recognised in profit or loss	<u>-</u>	<u>-</u>

At reporting date the consolidated entity has unused Australian tax losses of \$9,095,108 (2013: \$7,948,118) that are available for offset against future taxable profits.

The ability to offset unused tax losses in the event that taxable profits are generated in the future will be dependent upon the taxation rules prevailing at that time and the consolidated entity satisfying the conditions for offset.

## **5 Directors and key management personnel compensation**

### **a) Directors and key management personnel**

The following persons were Directors and key management personnel of Cougar Metals NL during the financial year:

Roger Hussey	Non-Executive Chairman
Randal Swick	Managing Director
Paul Hardie	Non-Executive Director
Michael Fry	Chief Financial Officer and Company Secretary
Johan Van der Stricht	Chief Operating Officer ( <i>appointed 1 July 2013</i> )
Paul Nagerl	Geology Manager

### **b) Key Management Compensation**

The aggregate compensation made to key management personnel of the group is set out below.

	<b>2014 \$</b>	<b>2013 \$</b>
Short term employee benefits	<b>752,352</b>	778,856
Post-employment benefits	<u><b>13,147</b></u>	<u>12,159</u>
	<u><b>765,499</b></u>	<u>791,015</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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**c) Equity instrument disclosures relating to key management personnel**

iii) Option holdings:

The numbers of options in the Company held during the financial year by each Director and key management person of Cougar Metals NL, including their personally related parties, are set out below:

<b>2014</b>	<b>Balance at beginning of year</b>	<b>Granted during year as compensation</b>	<b>Balance on resignation</b>	<b>Other changes during year</b>	<b>Balance at end of year</b>
Roger Hussey	-	-	-	-	-
Randal Swick	3,000,000	-	-	(3,000,000)	-
Paul Hardie	3,000,000	-	-	(3,000,000)	-
Michael Fry	15,000,000	-	-	-	15,000,000
Johan Van der Stricht	-	-	-	-	-
Paul Nagerl	-	-	-	-	-
<b>2013</b>	<b>Balance at beginning of year</b>	<b>Granted during year as compensation</b>	<b>Balance on resignation</b>	<b>Other changes during year</b>	<b>Balance at end of year</b>
Roger Hussey	-	-	-	-	-
Randal Swick	3,000,000	-	-	-	3,000,000
Paul Hardie	3,000,000	-	-	-	3,000,000
Michael Fry	15,000,000	-	-	-	15,000,000
Paul Nagerl	-	-	-	-	-

iv) Shareholdings

The numbers of shares in the Company held during the financial year by each Director and key management person of Cougar Metals NL, including their personally related parties, are set out below:

<b>2014</b>	<b>Balance at beginning of year</b>	<b>Granted during year as compensation</b>	<b>Balance on resignation</b>	<b>Other changes during year</b>	<b>Balance at end of year</b>
Roger Hussey	-	-	-	-	-
Randal Swick	276,000,000	-	-	-	276,000,000
Paul Hardie	25,000	-	-	-	25,000
Michael Fry	1,462,000	-	-	-	1,462,000
Johan Van der Stricht	-	-	-	-	-
Paul Nagerl	-	-	-	-	-
<b>2013</b>	<b>Balance at beginning of year</b>	<b>Granted during year as compensation</b>	<b>Balance on resignation</b>	<b>Other changes during year</b>	<b>Balance at end of year</b>
Roger Hussey	-	-	-	-	-
Randal Swick	81,000,000	-	-	195,000,000	276,000,000
Paul Hardie	25,000	-	-	-	25,000
Michael Fry	1,567,000	-	-	(105,000)	1,462,000
Paul Nagerl	-	-	-	-	-

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**d) Transactions with the Company**

A number of directors of the Company, or their director-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. The terms and conditions of the transactions with directors and their director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate amounts paid during the year relating to directors and their director-related entities were as follows:

<b>Related entities</b>	<b>Transaction</b>	<b>2014</b>
		\$
Corporate Management Services LLC – Randal Swick	Director fees	211,133
Hardies Lawyers – Paul Hardie	Director fees	39,000
Marcia Swick	Salary	75,000
<b>Related entities</b>	<b>Transaction</b>	<b>2013</b>
		\$
Corporate Management Services LLC – Randal Swick	Director fees	307,917
Hardies Lawyers – Paul Hardie	Director fees	33,000
Marcia Swick	Salary	75,000

	<b>Consolidated 2014</b>	<b>Consolidated 2013</b>
	\$	\$
<b>6 Auditor's remuneration</b>		
Remuneration of the auditor of the parent entity for:		
Auditing or reviewing the financial report – Deloitte Touche Tohmatsu	<b>33,075</b>	58,450
Auditing or reviewing the financial report – Bentleys (WA) Pty Ltd	<b>21,000</b>	-
	<b>2014</b>	<b>2013</b>
	\$	\$

**7 Earnings per share**

Profit/(Loss) used in the calculation of earnings per share	<b>1,466,236</b>	(13,892,204)
	<b>2014</b>	<b>2013</b>
	No.	No.
Weighted average number of ordinary shares used in calculating EPS	<b>665,268,524</b>	488,358,199
Shares deemed to be issued for no consideration in respect of share options	-	-
<b>Weighted average number of shares used in calculating EPS</b>	<b>665,268,524</b>	488,358,199

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**8 Discontinued Operation**

As a consequence of the Group shifting its exploration focus to Canada, opportunities to divest its interests in the Alta Floresta Project in Brazil were identified and pursued.

This led to Cougar Brasil Mineracao Ltda entering into contracts (during November 2013) to sell sixteen (16) individual tenements and resulted in the entity generating a gain on sale of \$1,756,715. Following that (also in November 2013), a contract was entered into to sell 100% of the issued share capital of Cougar Brasil Mineracao Ltda (inclusive of all remaining tenement holdings, and all mining related assets and plant and equipment) for US\$3,600,000 (A\$ equivalent of \$3,942,023) with the acquirer assuming the liabilities of US\$1,448,911 (A\$ equivalent of \$1,625,336). A condition precedent to the contract of sale was the completion of due diligence and the receipt of an initial payment of US\$600,000, which was duly received in early January 2014. Documentation to effect the share transfer to the acquirer was lodged during the year and official certification of the change in shareholding, public officer and company name was gazetted.

As a consequence of the above tenement sales and entity sale, the Group no longer retains any exploration or mining interests in the Alta Floresta Gold Belt and has shifted its exploration focus entirely to Canada.

The business has been recognised in the accounts as a discontinued operation.

	<b>Consolidated 2014 \$</b>	<b>Consolidated 2013 \$</b>
<b>Financial performance of discontinued operation</b>		
<b>Revenues</b>		
Sales to external customers	-	1,864,661
Other	-	87,310
Gain on sale of tenements	<b>1,756,715</b>	-
Gain on sale of entity	<b>3,942,023</b>	-
	<b>5,698,738</b>	1,951,971
<b>Expenses</b>		
Corporate expenditure and professional fees	<b>(47,022)</b>	(36,415)
Depreciation expense	<b>(28,273)</b>	(364,875)
Doubtful debts expense	<b>(131,147)</b>	-
Impairment of assets	-	(9,548,629)
Operating expenses	<b>(401,016)</b>	(3,115,858)
Finance costs	<b>(9,579)</b>	(25,885)
Office administration expenses	<b>(240)</b>	(9,549)
Other expenses from ordinary activities	<b>(6,392)</b>	-
Exchange differences arising on translation of foreign operations	<b>(3,638)</b>	-
	<b>(627,307)</b>	(13,101,211)
Attributable income tax expense	-	-
<b>Profit/(loss) for year from discontinued operations</b>	<b>5,071,431</b>	(11,149,240)

**Earnings per share from discontinued operations**

Basic, profit/(loss) for the year, from discontinued operations (cents per share)	<b>0.76</b>	<b>(2.28)</b>
Diluted, profit/(loss) for the year, from discontinued operations (cents per share)	<b>0.76</b>	<b>(2.28)</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
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	<b>Consolidated 2014 \$</b>	<b>Consolidated 2013 \$</b>
<b>Assets and liabilities and cash flow information of the disposed entity</b>		
<i>Assets</i>	-	
<i>Liabilities</i>		
Trade creditors and accruals	<u>1,625,336</u>	
	<u>1,625,336</u>	
Net (Liabilities)	<u>(1,625,336)</u>	
<i>Cash flows from discontinued operations</i>		
Net cash outflows from operating activities	(467,887)	(1,378,737)
Net cash inflows from investing activities	2,208,148	162,994
Net cash inflows from financing activities	-	-
	<u>1,740,261</u>	<u>(1,215,743)</u>

**9 Cash and cash equivalents**

Cash at bank and in hand	<b>718,029</b>	14,137
Short-term bank deposits	<b>34,429</b>	1,279,630
	<u><b>752,458</b></u>	<u>1,293,767</u>

**a) Reconciliation of cash flow from operations with profit / (loss) after income tax**

Profit/(Loss) after income tax	1,466,236	(13,892,204)
Non-cash flows in profit		
Depreciation	928,204	1,685,947
Doubtful debts	277,672	-
Provisions	458,867	(12,539)
Exchange rate differences	(198,635)	43,933
Loss/(Profit) on disposal of plant & equipment	178,942	(80,543)
Impairment expense	532,264	9,927,601
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(3,744,332)	(609,848)
(Increase)/decrease in inventories	(225,739)	91,363
(Increase)/decrease in other assets	(47,844)	34,263
Increase/(decrease) in trade payables and accruals	(1,541,930)	767,000
Net cash generated by operating activities	<u>(1,916,295)</u>	<u>(2,045,027)</u>

**b) Non-cash financing and investing activities**

There were no non-cash financing and investing activities that occurred during the year.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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**30 JUNE 2014**

	<b>Consolidated 2014 \$</b>	<b>Consolidated 2013 \$</b>
<b>10 Trade and other receivables</b>		
<b>Current</b>		
Trade Debtors	842,261	1,200,739
Consideration receivable from discontinued operation (d)	1,429,855	-
Other Receivables	166,111	5,556
Provision for Doubtful Debts	(408,820)	-
	<u>2,029,407</u>	<u>1,206,295</u>
<b>Non-Current</b>		
Consideration receivable from discontinued operation (d)	<u>435,400</u>	-
	<u>435,400</u>	-
a) Trade debtors are non-interest bearing and generally on 30 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.		
b) Due to the short term nature of these receivables their carrying value is assumed to approximate their fair value.		
c) Effective interest rates risk and credit risk – information concerning the effective interest rate and credit risk of both current and non-current receivables is detailed in note 25.		
d) As disclosed in note 8, the Group disposed of its interests in the Alta Floresta Project in Brazil via entering into 3 sale agreements during the year. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.		
<b>11 Inventory</b>		
Gold in circuit	-	1,571,150
Consumables	383,373	157,634
Provision for Impairment	-	(1,571,150)
	<u>383,373</u>	<u>157,634</u>
<b>12 Other assets</b>		
Prepayments	58,092	4,974
Other	-	5,274
	<u>58,092</u>	<u>10,248</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
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**13 Property, plant and equipment**

Furniture and equipment:

At cost	<b>6,596</b>	4,959
Accumulated depreciation and impairment	<b>(4,595)</b>	(3,255)
	<b>2,001</b>	1,704

Drilling plant and equipment:

At cost	<b>5,157,083</b>	5,259,554
Accumulated depreciation and impairment	<b>(4,461,198)</b>	(3,351,395)
	<b>695,885</b>	1,908,159

Other plant and equipment:

At cost	<b>535,343</b>	825,778
Accumulated depreciation and impairment	<b>(497,854)</b>	(517,389)
	<b>37,489</b>	308,389

Motor vehicles:

At cost	<b>306,168</b>	669,602
Accumulated depreciation and impairment	<b>(192,594)</b>	(343,215)
	<b>113,574</b>	326,387

<b>848,949</b>	<b>2,544,639</b>
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**Movement in carrying amounts**

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year.

Consolidated	Property	Furniture and equipment	Drilling plant and equipment	Leasehold improvements	Other plant and equipment	Motor vehicles	Total
	\$	\$	\$	\$	\$	\$	\$
<b>2014</b>							
Balance at the beginning of year	-	1,704	1,908,159	-	308,389	326,387	2,544,639
Additions	-	1,637	-	-	8,867	-	10,504
Disposals	-	-	(6,392)	-	(163,914)	(75,420)	(245,726)
Impairment	-	-	(532,264)	-	-	-	(532,264)
Depreciation	-	(1,340)	(673,618)	-	(115,853)	(137,393)	(928,204)
Carrying amount at the end of year	-	<b>2,001</b>	<b>695,885</b>	-	<b>37,489</b>	<b>113,574</b>	<b>848,949</b>
<b>2013</b>							
Balance at the beginning of year	123,640	7,049	4,336,289	576	591,326	266,274	5,325,154
Additions	-	1,635	754,984	-	80,703	314,045	1,151,367
Disposals/ Write-off	(121,840)	-	(837,050)	-	(69,524)	(105,855)	(1,134,269)
Impairment	-	(4,271)	(1,104,280)	-	(3,115)	-	(1,111,666)
Depreciation	(1,800)	(2,709)	(1,241,784)	(576)	(291,001)	(148,077)	(1,685,947)
Carrying amount at the end of year	-	<b>1,704</b>	<b>1,908,159</b>	-	<b>308,389</b>	<b>326,387</b>	<b>2,544,639</b>

Fixed assets have been allocated for impairment testing purposes to the following cash-generating units:

- Drilling equipment
- Other plant and equipment

**Impairment losses recognised during the year**

During the year, due to poor performance of the drilling business culminating in an operating loss being incurred of \$2,059,739, the Group carried out a review of the recoverable amount of the drilling equipment. The review led to an impairment loss of \$532,264 which has been recognised in profit and loss. The fair value less costs to sell was the basis for determining the recoverable amount of the drilling equipment.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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	<b>Consolidated 2014 \$</b>	<b>Consolidated 2013 \$</b>
<b>14 Deferred exploration expenditure</b>		
Expenditure brought forward	<b>150,096</b>	7,244,785
Expenditure incurred during year	<b>282,211</b>	150,096
Expenditure impaired during year	-	(7,244,785)
	<hr/>	<hr/>
Expenditure carried forward	<b>432,307</b>	150,096

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the mining areas.

**15 Trade and other payables**

**Current**

Trade payables	<b>289,391</b>	156,545
Audit accrual	<b>20,000</b>	35,000
Other accruals	<b>652,881</b>	2,310,695
Payroll liabilities	-	1,962
	<hr/>	<hr/>
	<b>962,272</b>	2,504,202

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

The Payables disclosed are unsecured.

**16 Provisions**

Employee entitlements	<b>2,248</b>	1,159
Foreign taxes	<b>1,373,197</b>	915,419
	<hr/>	<hr/>
	<b>1,375,445</b>	916,578

**17 Interest bearing liabilities**

**Current**

Hire purchase liabilities – secured	<b>149,176</b>	344,995
Loans from non-related entities – unsecured	-	8,018
Loan from director related entity – unsecured	-	262,504
	<hr/>	<hr/>
	<b>149,176</b>	615,517

**Non-Current**

Hire purchase liabilities	-	147,936
	<hr/>	<hr/>
	-	147,936

Terms and conditions relating to the above financial instruments:

- Hire purchase liabilities generally have a lease term of between 36 and 48 months with the financier having an interest in the asset until the final payment is made. The average interest rate is 7%. Financiers secure their interest by registering a charge over the leased assets.
- Interest rate risk exposure: Details of the Group exposure to interest rate changes on interest bearing liabilities are set out in note 25.
- Fair value disclosures: Details of the fair value of interest bearing liabilities for the Group are set out in note 25.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED  
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**Hire purchase liabilities**

Hire purchase liabilities are secured by the asset for which the agreement relates.

**Bank guarantees**

Total facilitates	\$30,000
Used at Balance Date	\$30,000

The above guarantee relates to bonds placed on the mining tenements held and undertaken by the Bank on behalf of the Company.

	<b>Consolidated 2014 \$</b>	<b>Consolidated 2013 \$</b>
<b>18 Issued capital</b>		
Ordinary fully paid ordinary shares (a)	<b>26,673,235</b>	26,673,235
Contributing shares partly paid to \$0.01	<b>3,426</b>	3,426
	<b><u>26,676,661</u></b>	<u>26,676,661</u>

a)	<b>2014 \$</b>	<b>2013 No.</b>	2013 \$	2013 No.
<b>Ordinary shares</b>				
Balance at beginning of year	<b>26,673,235</b>	<b>665,268,524</b>	24,675,964	462,211,076
Shares issued during year				
- 14 May 2013	-	-	2,030,574	203,057,448
Share issue costs	-	-	(33,303)	-
Balance at end of year	<b><u>26,673,235</u></b>	<b><u>665,268,524</u></b>	<u>26,673,235</u>	<u>665,268,524</u>

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
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**b) Share options**

**2014**

Date of expiry	Exercise price	Balance at beginning of year	Issued during year	Lapsed during year	Expired during year	Exercised during year	Balance at end of year
8 September 2013	\$0.035	6,000,000	-	-	6,000,000	-	-
4 July 2014	\$0.041	5,000,000	-	-	-	-	5,000,000
4 July 2014	\$0.051	5,000,000	-	-	-	-	5,000,000
4 July 2014	\$0.065	5,000,000	-	-	-	-	5,000,000
		<b>21,000,000</b>	<b>-</b>	<b>-</b>	<b>6,000,000</b>	<b>-</b>	<b>15,000,000</b>

**2013**

Date of expiry	Exercise price	Balance at beginning of year	Issued during year	Lapsed during year	Expired during year	Exercised during year	Balance at end of year
8 September 2013	\$0.035	9,000,000	-	-	3,000,000	-	6,000,000
4 July 2014*	\$0.041	5,000,000	-	-	-	-	5,000,000
4 July 2014*	\$0.051	5,000,000	-	-	-	-	5,000,000
4 July 2014*	\$0.065	5,000,000	-	-	-	-	5,000,000
		<b>24,000,000</b>	<b>-</b>	<b>-</b>	<b>3,000,000</b>	<b>-</b>	<b>21,000,000</b>

\*: the above options were issued in 2011/12 to an employee of the Group pursuant to the Company's Employee Share Option Plan.

	Consolidated 2014 \$	Consolidated 2013 \$
<b>19 Other Reserves</b>		
Share based payments (a)	<b>370,200</b>	706,266
	<b>370,200</b>	706,266

**a) Share based payments reserve**

Share based payments recognised in Reserves of the Company consists of options granted to certain Directors, employees and consultants of the Company issued pursuant to an Employee Share Option Plan (ESOP). The Black and Scholes Option Valuation model was used in the calculation. The table in b) below reflects the assumptions made in determining the fair value of the options.

During the year, 6,000,000 options lapsed and as a result the share based payments reserve attributable to these options was recycled to accumulated losses.

**b) Employee share options**

	2014	2013
Dividend yield	0%	0%
Expected volatility	90%	90%
Risk-free interest rate	4.84%	4.84%
Expected life of option	3 years	3 years
Option exercise price	\$0.041 - \$0.065	\$0.041 - \$0.065
Share price at grant date	\$0.05	\$0.05
Fair value at grant date	\$0.027 - \$0.022	\$0.027 - \$0.022

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	<b>Consolidated 2014 \$</b>	<b>Consolidated 2013 \$</b>
<b>20 Capital and leasing commitments</b>		
<b>Finance leases</b>		
<1 year	160,128	378,550
1 – 5 years	-	158,210
>5 years	-	-
Minimum lease payments	<u>160,128</u>	536,760
Future finance charges	<u>(10,952)</u>	(43,829)
Lease liability	<u><b>149,176</b></u>	492,931
Comprising:		
Current liability (note 17)	149,176	344,995
Non-Current liability (note 17)	-	147,936
	<u><b>149,176</b></u>	<u>492,931</u>

**Operating lease commitments**

The Group has operating lease commitments with respect to its drilling and exploration businesses of \$nil (2013: 32,017).

**Exploration expenditure obligations**

The Group has minimum expenditure obligations relating to its tenements of \$53,800 (2013: \$53,000).

	<b>Consolidated 2014 \$</b>	<b>Consolidated 2013 \$</b>
<b>Commitments under Option Agreements</b>		
<1 year	397,120	-
1 – 5 years	5,956,800	-
>5 years	-	-
	<u><b>6,353,920</b></u>	-

Under the terms of the option agreement entered into with Sheridan Platinum Group Limited in October 2013, the Group (via its wholly owned Canadian subsidiary Duport Gold Company Inc) may exercise its option (and acquire a 100% undivided interest) by maintaining the property and making aggregate payments totalling CAD\$6.4 million (AUD equivalent: \$6,353,920) over four (4) years. The ageing profile of these payments is shown above.

The option agreement entered into with Kenora Prospectors & Miners, Limited in January 2013 is currently suspended pending arbitration. Accordingly, there are no existing commitments with respect to payments under this option agreement.

## **21 Contingent assets and contingent liabilities**

The Directors are not aware of any contingent liabilities or contingent assets as at 30 June 2014, with the exception of the following.

Tycoon Gold Resources Inc, a wholly owned subsidiary incorporated in Canada, has commenced a legal action against the owner of the Shoal Lake East Gold Project with respect to concerns it has in relation to the owner's conduct and alleged breaches of certain representations and warranties made by the owner under the option agreement. The matter is set down for arbitration in the latter part of calendar year 2014. No contingent asset or contingent liability has been recognised in relation to this matter at this time.

## **22 Segment reporting**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The entity's primary segments are three businesses, being drilling operations, mineral exploration and resource development and gold operations.

Drilling operations consists of providing rigs, equipment, consumables and services for drilling holes for the purpose of extraction and presentation of rock and soil samples on a contract basis for mining and exploration companies in Brazil and Uruguay. This business depends upon the supply and utilisation of drilling rigs, the skills and training of the drilling services personnel and the ability to negotiate the contracts under which these services are provided to customers.

Mineral exploration and resource development involves the geological pursuit of identifying mineral resource systems for the purposes of extraction and or sale.

During the year ended 30 June 2014 the consolidated entity operated in the following Geographic Segments: Australia, Brazil, Uruguay and Canada. (2013: Australia, Brazil and Uruguay).

### **Basis of accounting for purposes of reporting by operating segments**

#### *Accounting policies adopted*

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

#### *Inter-segment transactions*

An internally determined transfer price is set for all inter-entity sales. This price is re-set quarterly and is based on what would be realised in the event the sale was made to an external party at arm's-length. All such transactions are eliminated on consolidation for the Groups financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

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*Segment assets*

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

*Segment liabilities*

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

*Unallocated items*

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- impairment of assets and other non-recurring items of revenue or expense

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**(a) Operating segments**

	<b>Australia Admin, Exploration &amp; Evaluation \$</b>	<b>Canada Exploration &amp; Evaluation \$</b>	<b>Brazil Drilling Operations \$</b>	<b>Uruguay Drilling Operations \$</b>	<b>Total Operations \$</b>	
<b>30 June 2014</b>						
<b>Revenue</b>						
Sales to external customers	-	-	4,121,845	-	4,121,845	
Finance revenue	10,675	-	-	-	10,675	
Other	70	-	-	1,066	1,136	
<b>Segment revenue</b>	<b>10,745</b>	<b>-</b>	<b>4,121,845</b>	<b>1,066</b>	<b>4,133,656</b>	
<b>Segment (loss) / profit before tax</b>	<b>(1,207,762)</b>	<b>(231,339)</b>	<b>(2,059,739)</b>	<b>(106,355)</b>	<b>(3,605,195)</b>	
<b>Assets and liabilities</b>						
Segment assets	2,226,568	583,584	2,064,472	67,417	4,942,041	
Segment liabilities	(195,391)	(19,277)	(1,282,046)	(990,179)	(2,486,893)	
<b>Segment net assets / (liabilities)</b>	<b>2,031,177</b>	<b>564,307</b>	<b>782,426</b>	<b>(922,762)</b>	<b>2,455,148</b>	
Addition of non-current assets	1,637	-	8,867	-	10,504	
Depreciation	(409,530)	-	(477,254)	(13,147)	(899,930)	
Impairment	(17,032)	-	(515,232)	-	(532,264)	
	<b>Australia Admin, Exploration &amp; Evaluation \$</b>	<b>Canada Exploration &amp; Evaluation \$</b>	<b>Brazil Exploration &amp; Evaluation \$</b>	<b>Brazil Drilling Operations \$</b>	<b>Uruguay Drilling Operations \$</b>	<b>Total Operations \$</b>
<b>30 June 2013</b>						
<b>Revenue</b>						
Sales to external customers	-	-	1,864,661	4,690,497	615,597	7,170,755
Finance revenue	48,756	-	-	3	-	48,759
Other	-	-	87,310	34,080	17,775	139,165
<b>Segment revenue</b>	<b>48,756</b>	<b>-</b>	<b>1,951,971</b>	<b>4,724,580</b>	<b>633,372</b>	<b>7,358,679</b>
<b>Segment (loss) / profit before tax</b>	<b>(1,522,913)</b>	<b>(41,103)</b>	<b>(11,149,239)</b>	<b>(788,889)</b>	<b>390,059</b>	<b>(13,892,204)</b>
<b>Assets and liabilities</b>						
Segment assets	2,185,657	155,370	624,681	2,294,972	101,999	5,362,679
Segment liabilities	(299,117)	-	(1,464,294)	(1,426,377)	(994,446)	(4,184,234)
<b>Segment net assets / (liabilities)</b>	<b>1,886,540</b>	<b>155,370</b>	<b>(839,613)</b>	<b>868,595</b>	<b>(892,447)</b>	<b>1,178,445</b>
Addition of non-current assets	21,135	-	155,723	963,343	11,167	1,151,367
Depreciation	(565,762)	-	(364,875)	(674,884)	(80,427)	(1,685,947)
Impairment	(73,925)	-	(9,548,629)	-	(305,046)	(9,927,601)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
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**Information about major customers**

One customer of the drilling business contributed 34% of income being Beadell Resources Ltd (2013: no customer contributed greater than 20% of drilling income)

**23 Events after balance sheet date**

No matter or circumstances have arisen since the end of the reporting date and the date of this report which significantly affects or may significantly affect the results of the operations of the Group.

**24 Related party transactions**

The parent entity advanced loans and provided accounting and administrative assistance to the other entities in the wholly-owned group during the current financial year. With the exception of the accounting and administrative assistance, which was provided free of charge, and interest free loans provided by the parent entity, these transactions were on commercial terms and conditions.

	<b>Consolidated 2014 \$</b>	<b>Consolidated 2013 \$</b>
The following balances were outstanding with related parties at year end:		
Loans from related parties:		
Advances from director related party <sup>(i)</sup>	-	<b>14,781</b>
Payable to:		
R Swick	<b>53,333</b>	<b>321,056</b>
P Hardie	-	<b>594</b>

- i) Loans advanced to commonly controlled entities from the parent entity are non-interest bearing and not repayable within the next 12 months.

**Group Companies**

<b>Subsidiary</b>	<b>Principal Activity</b>	<b>Place of Incorporation</b>	<b>Percentage Ownership</b>	
			<b>2014</b>	<b>2013</b>
Cougar Brasilia Pty Ltd	Exploration and evaluation	Australia	100%	100%
Cougar Mineracao Ltda	Exploration and evaluation	Brazil	0%	100%
Geologica Sondagens Ltda	Drilling	Brazil	100%	100%
Palinir Sociedad Anonima	Drilling	Uruguay	100%	100%
Tycoon Gold Resources Inc	Exploration and evaluation	Canada	100%	100%
Duport Gold Company Inc	Exploration and evaluation	Canada	100%	n/a

## **25 Financial instruments**

### **a) Financial risk management objectives**

The Group's accounting and finance function co-ordinates access to domestic and financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), foreign currency risk, credit risk, liquidity risk and cash flow interest rate risk. The Group seeks to minimise the effects of these risks, where deemed appropriate.

### **b) Capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 17, cash and cash equivalents and equity attributable to equity holders of the Parent, comprising issued capital, reserves, other equity and retained earnings (accumulated losses) as disclosed in note 26.

### **c) Market risk**

The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group enters into funding agreements with a variety of financial institutions to manage its exposure to interest rate risk.

### **d) Foreign currency risk**

As a result of the operating activities in Brazil and Canada and the ongoing funding of overseas operations from Australia, the Group's balance sheet can be affected by movements in the Brazilian Real (BRL) / Australian Dollar (AUD), Canadian Dollar (CDN) and US Dollar (USD) / Australian Dollar (AUD) exchange rates. The Group seeks to mitigate the effect of its foreign currency exposure by timing its purchase and payment to coincide with highs in the BRL/AUD, CDN/AUD and USD/AUD exchange rate cycle.

100% of the Group's sales are denominated in currencies other than the functional currency of the operating entity making the sale, with the majority of costs also denominated in the unit's functional currency.

Presently, each operating entity's profits and surplus cash-flows are reinvested back into the operating entity to fund and facilitate ongoing growth, thus eliminating the need for measures to mitigate currency exposure.

### **e) Interest rate risk management**

The Group is not exposed to any significant interest rate risk as entities within the Group are not party to significant borrowing arrangements. The necessity to undertake hedging activities is evaluated regularly to align with interest rate views and defined risk appetite; currently the Management of the Company takes the view that hedging activity is unnecessary. The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

### **f) Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. On-going credit evaluation is performed on the financial condition of accounts receivable.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED**  
**30 JUNE 2014**

**g) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Accounting Department and Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

**h) Liquidity and interest risk tables**

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been presented based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group may be required to pay. The table includes both interest and principal cash flows.

**i) Interest rate risk**

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk.

Consolidated 2014	Weighted average effective interest rate %	Floating interest rate \$	Fixed interest rate maturing			Non- interest bearing \$	Total \$
			< 1 year \$	1 – 5 years \$	> 5 years \$		
<b>Financial assets:</b>							
Cash and cash equivalents	3.24%	34,429*	718,029	-	-	-	<b>752,458</b>
Trade and other receivables	-	-	-	-	-	2,464,807	<b>2,464,807</b>
Total financial assets		<b>34,429</b>	<b>718,029</b>	<b>-</b>	<b>-</b>	<b>2,464,807</b>	<b>3,217,265</b>
<b>Financial liabilities:</b>							
Loan – non-related entity	7%	-	149,176	-	-	-	<b>149,176</b>
Trade and other payables		-	-	-	-	962,272	<b>962,272</b>
Total financial liabilities		<b>-</b>	<b>149,176</b>	<b>-</b>	<b>-</b>	<b>962,272</b>	<b>1,111,448</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED  
30 JUNE 2014**

Consolidated 2013	Weighted average effective interest rate %	Floating interest rate \$	Fixed interest rate maturing			Non- interest bearing \$	Total \$
			< 1 year \$	1 – 5 years \$	> 5 years \$		
<b>Financial assets:</b>							
Cash and cash equivalents	3.67%	48,565*	1,245,202	-	-	-	<b>1,293,767</b>
Trade and other receivables	-	-	-	-	-	1,206,295	<b>1,206,295</b>
Total financial assets		<u>48,565</u>	<u>1,245,202</u>	<u>-</u>	<u>-</u>	<u>1,206,295</u>	<b><u>2,500,062</u></b>
<b>Financial liabilities:</b>							
Loan – related entity	0%	-	-	-	-	262,504	<b>262,504</b>
Loan – non-related entity	10%	-	353,013	147,936	-	-	<b>500,949</b>
Trade and other payables		-	-	-	-	2,504,202	<b>2,504,202</b>
Total financial liabilities		<u>-</u>	<u>353,013</u>	<u>147,936</u>	<u>-</u>	<u>2,766,706</u>	<b><u>3,267,655</u></b>

\* expected maturity profile is less than 1 year

**j) Sensitivity analysis**

The sensitivity table below show the effect on profit and equity after tax if interest rates at the balance date had increased or decreased by 1% (100 basis points) with all other variables held constant, taking into account all underlying exposures. The 100 basis point deviation has been selected as this is considered reasonable given the current level of both short and long term Australian interest rates. A 100 basis point sensitivity would move interest rates payable from 0.62% to 1.62% in an interest rate appreciation environment.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED  
30 JUNE 2014**

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**Interest rate risk**

The Group's exposure to market risk for change in interest rates relates primarily to their interest bearing liabilities.

The following sensitivity analysis is based on the interest rate exposures in existence at the balance sheet date. At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	<b>Post tax profit</b>		<b>Other Equity</b>	
	<b>higher / (lower)</b>		<b>higher / (lower)</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Judgements of reasonably possible movements	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
+ 1% (100 basis points)	7	4	-	-
- 1% (100 basis points)	(7)	(4)	-	-

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances for the year.

**Fair value of financial instruments**

Directors consider that carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values. There are no financial assets or liabilities which are required to be revalued on a recurring basis.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED  
30 JUNE 2014**

	<b>Parent Entity 2014 \$</b>	<b>Parent Entity 2013 \$</b>
<b>26 Parent entity disclosures</b>		
<b>(a) Financial position</b>		
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	67,095	1,325,148
Trade and other receivables	-	-
Other current assets	13,194	10,530
<b>Total Current Assets</b>	<b>80,289</b>	<b>1,335,678</b>
<b>Non-Current Assets</b>		
Trade and other receivables	2,437,514	9,749,488
Financial assets	200	200
Property, plant and equipment	2,001	677,292
Exploration and evaluation expenditure	42,664	42,664
<b>Total Non-Current Assets</b>	<b>2,482,379</b>	<b>10,469,644</b>
<b>Total Assets</b>	<b>2,562,668</b>	<b>11,805,322</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	113,820	184,515
Provisions	2,248	1,160
Interest bearing loans and borrowings	79,324	298,965
<b>Total Current Liabilities</b>	<b>195,392</b>	<b>484,640</b>
<b>Total Liabilities</b>	<b>195,392</b>	<b>484,640</b>
<b>Net Assets</b>	<b>2,367,276</b>	<b>11,320,682</b>
<b>EQUITY</b>		
Issued capital	26,676,661	26,676,661
Other reserve	370,200	706,266
Accumulated losses	(24,679,585)	(16,062,245)
<b>Total Equity</b>	<b>2,367,276</b>	<b>11,320,682</b>
<b>(b) Financial performance</b>		
Net profit / (loss) for the year	(8,955,968)	(915,733)
Other comprehensive income for the year		
Exchange differences arising on translation of foreign operations	2,562	-
<b>Total comprehensive result for the year</b>	<b>(8,953,406)</b>	<b>(915,733)</b>

There were no contingent assets or contingent liabilities existing at year end for the parent entity.

## **DIRECTORS' DECLARATION**

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The Directors declare that:

- a) in the Directors' opinion, there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable;
- b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company and the Consolidated Entity;
- c) in the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as disclosed in Note 1(a); and
- d) the Directors have been given the declarations required by s295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to s295(5) of the Corporations Act 2001.



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**Randal Swick**  
**Managing Director**

Dated this 30th day of September 2014



## Independent Auditor's Report

### To the Members of Cougar Metals NL

We have audited the accompanying financial report of Cougar Metals NL ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the statement of financial position as at 30 June 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

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#### Directors Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: *Presentation of Financial Statements* that the financial statements comply with *International Financial Reporting Standards*.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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- Accountants
- Auditors
- Advisors

**Independent Auditor's Report**  
To the Members of Cougar Metals NL (*Continued*)



**Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

**Opinion**

In our opinion:

- a. The financial report of Cougar Metals NL is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
- b. The financial statements also comply with *International Financial Reporting Standards* as disclosed in Note 1.

**Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 1 (c) in the financial report which indicates the existence of a material uncertainty which may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**Opinion**

In our opinion, the Remuneration Report of Cougar Metals NL for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

**BENTLEYS**  
Chartered Accountants

**DOUG BELL CA**  
Director

Dated at Perth this 30<sup>th</sup> day of September 2014

The board of directors is responsible for the corporate governance of the Company and has adopted a range of corporate governance policies consistent with the “Principles of Good Corporate Governance and Recommendations” released by the ASX Corporate Governance Council, to the extent that such recommendations are appropriate to the structure and operations of the Company.

A summary of the major policies is set out below.

### **Functions and Responsibilities of Board and Management**

The role of the board is to develop strategies for the growth of the Company and its assets and monitor and evaluate the implementation of those strategies against set performance objectives. The board is responsible for the corporate governance of the Company and considers a wide range of corporate governance issues on a regular basis, including accountability and control, risk management, ethical conduct, financial stability, performance appraisal and human resource management. Each director has the ability, as agreed to by the board, to seek independent professional advice at the Company’s expense on a Company related matter on an as required basis.

The board of directors is structured with the required mix of skills and experience to ensure that the Company’s growth strategies can be effectively implemented. The composition of the board is continually monitored to ensure that it has the appropriate mix of skills and experience. The responsibility for the day-to-day operation and administration of the Company is delegated by the board of directors to the Managing Director.

The Company’s Management is responsible for implementing the Company’s strategy and managing the affairs of the Company on a day-to-day basis. The performance of the Managing Director and Management is measured against objectives and outcomes determined at the commencement of each financial year and against the requirements set out in the job descriptions for the members of Management.

### **Board Structure**

Given the current size and nature of the Company’s operations, the board of directors has assumed the responsibilities that would ordinarily be assigned to a nomination committee with respect to the nomination, appointment, retention and removal of directors. When a vacancy or perceived deficiency in skill or experience exists at board level, the directors are responsible for the recruitment and appointment of the most suitable candidate, who shall hold office until the next annual general meeting, where the appointee is required to stand for re-election.

No director shall hold office for a period of more than three years without having to stand for re-election (excluding the Managing Director). All board appointments will be made and maintained subject to the rules of the Company’s constitution.

Details of qualifications, experience, responsibilities and tenure of current directors are set out in the directors report. The board is currently comprised of three directors: one executive, being Randal Swick (Managing Director) and two Non-Executive Directors, being Roger Hussey (Chairman) and Paul Hardie.

The Board is required to assess the independence of its Non-Executive Directors at least annually. In assessing independence, the Board considers all circumstances relevant to determining whether the Non-Executive Director is free from any interest and any business or other relationship, which could, or reasonably be perceived to, materially interfere with that Director’s ability to exercise unfettered and independent judgement on Company issues. The board has assessed that Roger Hussey and Paul Hardie are considered to be independents as they do not have any contractual relationships with the Company, or through a business affiliate which results in greater than 10% revenue of gross assets for either party.

**Ethical Decision Making**

All directors, executives, management and employees are expected to act with the upmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The board of directors is committed to the establishment of appropriate ethical standards for the Company.

All directors, executives, management and employees must comply with all relevant laws and regulations. The board is required to be notified as soon as a conflict of interest arises so that an appropriate resolution can be determined.

As a measure to ensure that insider trading does not occur, all directors, executives, management and designated employees must notify the Managing Director in writing prior to being permitted to undertake any transaction that results in a change in their relevant interest in the securities of the Company. The Managing Director will assess the information available to the person wishing to trade in the securities of the Company and the information available to the market, and will then advise of the appropriateness of such a trade.

The Managing Director must advise the board in writing prior to trading in the securities of the Company. The Board will assess the information available to the Managing Director and the information available to the market, and will then advise on the appropriateness of such a trade.

**Financial Reporting**

Given the current size and nature of the Company's operations, the board of directors is not in a position to justify the establishment of an audit committee. The board has assumed the responsibilities that would ordinarily be assigned to an audit committee. Such matters include reviewing the annual report, financial report and other information to be externally distributed, reviewing external audit reports and the performance of external auditors, monitoring the internal control framework, evaluating Company performance, monitoring legal compliance and maintaining budgeting control and responsible accounting procedure. The external auditor will be requested to attend the annual general meeting of the Company, where shareholders will be able to discuss with the external auditor the conduct of the external audit and the preparation and content of the audit report.

Prior to the consideration of the financial report by the board of directors, the Managing Director and the Financial Controller are required to represent in writing to the board that the Company's financial report:

- Presents a true and fair view, in all material respects, of the Company's financial condition and operational results; and
- Has been prepared in accordance with relevant accounting standards.

The Managing Director and Financial Controller are also required to represent in writing to the board that:

- the above statement made by the Managing Director and Financial Controller pertaining to the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board; and
- the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material aspects.

Such representations do not diminish the ultimate responsibility of the board to ensure the integrity of the Company's financial reporting.

**Continuous Disclosure**

The Company will adhere to the disclosure requirements of the Corporations Act 2001 and ASX Listing Rules. The board will aim to identify all price sensitive information and ensure that it is disclosed to ASX in a timely and efficient manner. All ASX releases shall be reviewed for accuracy and completeness by a director prior to release to the market.

**Shareholder Communications**

The Company's website will be updated for all ASX releases, shareholder notifications, media and analyst briefings and other general information useful to investors. The Company has established an email subscription service for distribution of ASX releases to interested stakeholders. Shareholders will be encouraged and given the opportunity to ask questions at general meetings, as well as directly to the Company at any other time during the year.

The Company keeps shareholders and the market regularly informed through annual, half-year and quarterly reports and other required statutory information. The Company discloses material information to the ASX and media as required and regularly provide updates to the ASX on operational matters.

**Risk Assessment and Management**

The board of directors is responsible for putting in place practices and monitoring procedures designed to identify significant areas of business risk, both internal and external. The effectiveness of these practices and procedures in identifying risk will be reviewed at least annually. All risks identified pertaining to the Company will be incorporated into a risk profile that will be regularly reviewed and updated by the board.

The board is responsible for the effective management of any risks identified. Where considered appropriate, the board will draw upon the expertise of appropriately qualified external consultants to assist in identifying, dealing with or mitigating risk.

**Remuneration**

The board of directors has established a Remuneration Committee for the purposes of reviewing and making recommendations with respect to remuneration practices of the Company. The board of directors prepared and approved a Remuneration Committee Charter as the basis on which the committee was constituted and is operated. The role of the Remuneration Committee is to provide an independent mechanism for the determination and assessment of the remuneration practices of the Company, including remuneration packages and incentive schemes for executive directors and senior management, and fees payable to Non-Executive directors. The aim of the committee is to ensure that the remuneration practices of the Company are commensurate with industry standards and companies of similar operational and financial position.

The Remuneration Committee has the ability, as agreed to by the board, to seek independent professional advice at the Company's expense on any matter on an as required basis, such as acquiring available information which measures the remuneration levels in the various labour markets in which the Company competes.

The Remuneration Committee should ensure that the board of directors is provided with sufficient information to ensure informed decision making. Formal recommendations of the committee are not binding on the board, however the board is encouraged to comply with such recommendations to ensure that the integrity of the Company's corporate governance procedures and Remuneration Committee is maintained.

Two formal Remuneration Committee meetings were held during the year, with additional informal discussions between members being held. A review of the remuneration for FY14 is yet to be completed.

See *Directors' Report* for details and discussion of the remuneration of directors and executives.

***Principles of Good Corporate Governance and Recommendations not adopted by the Company***

Due to the small scale of the Company's operations and the limited number of employees, the Company has not yet elected to establish policies with respect to the **Establishment of an Audit Committee** or **Diversity**.

As the Company develops the Board will consider establishing an Audit Committee and adopting a Diversity Policy.

**Holdings as at 23 September 2014**

No. Securities Held	Fully Paid Shares	Listed Options
	No. Holders	No. Holders
1 – 1,000	72	-
1,001 – 5,000	45	-
5,001 – 10,000	87	-
10,001 – 100,000	398	-
> 100,001	324	-
Total no. holders	926	-
No. holders of less than a marketable parcel	670	-
Percentage of the 20 largest holders	73.93%	-
Total on issue	665,268,524	-

**Substantial shareholders as at 23 September 2014**

	No. Shares	%
SAVVY CAPITAL MANAGEMENT PTY LTD	138,366,224	20.80
SWICK, MARCIA	276,000,000	41.49

**20 Largest holders of securities at 23 September 2014**

Fully paid ordinary shares	No. Shares	%
1) SWICK, MARCIA	195,000,000	29.31
2) SAVVY CAPITAL MANAGEMENT PTY LTD	138,366,224	20.80
3) SWICK, MARCIA	47,239,940	7.10
4) SWICK, MARCIA	32,410,060	4.87
5) JP MORGAN NOMINEES AUSTRALIA	15,187,500	2.28
6) MR IANAKI SEMERDZIEV	8,308,000	1.25
7) K & T SWICK PL <K & T SWICK FAM A/C>	7,659,531	1.15
8) CHEMCO SUPERANNUATION FUND P/L	5,625,000	0.85
9) ACVS CAPITAL INVESTMENTS P/L	5,340,967	0.80
10) RAMNEG PTY LTD	5,150,000	0.77
11) ZEVA, FRANK	4,615,242	0.69
12) BURTON, JEFFREY JOHN	3,712,500	0.56
13) ELLIS, ANTHONY JAMES	3,652,500	0.55
14) HARRIS, MICHAEL NEIL	3,175,000	0.48
15) LEE, MOOI FAH	3,150,000	0.47
16) TEOFILOVA, LILIANA	3,051,669	0.46
17) HUIZINGA, WAYNE RICHARD	2,700,000	0.41
18) KANGSAV PTY LIMITED	2,654,004	0.40
19) WILLIAMSON, DAVID PHILIP	2,500,000	0.38
20) CARAOUTZADIS, VASILIS	2,308,178	0.35
	491,806,315	73.93

**Unlisted options as at 23 September 2014**

There are no unlisted options on issue as at this date.

<b>Class of unlisted equity securities</b>	<b>No. Contributing Shares</b>
Contributing Shares (Issue price \$0.125, \$0.001 paid)	3,425,725
Holders of more than 20% of this class	
Rosmar Holdings Pty Ltd <Rosmar Super Fund A/C>	1,400,000
Rowntree Pty Ltd <Rowntree Family A/C>	800,625

**Voting rights**

The Constitution of the company makes the following provision for voting at general meetings:

On a show of hands, every ordinary shareholder present in person, or by proxy, attorney or representative has one vote. On a poll, every shareholder present in person, or by proxy, attorney or representative has one vote for any share held by the shareholder.

**Restricted securities**

There are no restricted securities or securities subject to voluntary escrow.

**Mining Tenements**

Tenements may be subject to various overlaps, amalgamations and conversions, and native title claims.  
Pyke Hill (Western Australia)

<b>Number</b>	<b>Date of Grant</b>	<b>Area in km<sup>2</sup></b>
M39/159*	30/08/1988	5.4

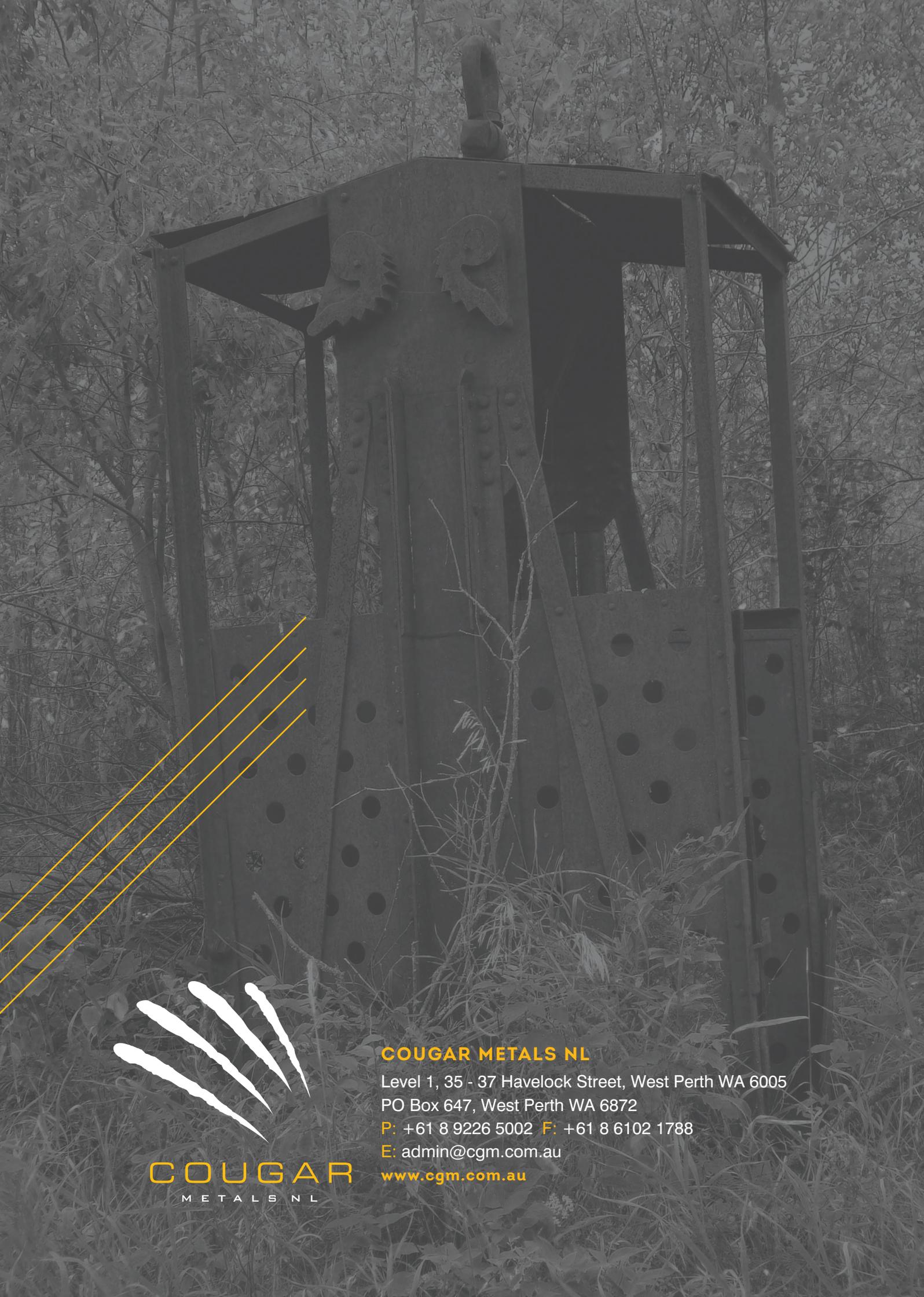
\*: Cougar Metals NL is not the registered holder of tenement M39/159 but holds the Nickel Laterite Rights in relation to M39/159 pursuant to an agreement dated 30 April 2004

Alta Floresta Project (Brazil)

<b>Number</b>	<b>Date of Grant</b>	<b>Area in ha</b>

All tenements in Brazil previously held by Cougar Metals and or its subsidiary companies have now been transferred to purchasers.





**COUGAR**  
METALS NL

**COUGAR METALS NL**

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