



C O U G A R
M E T A L S N L

ABN 27 100 684 053

HALF-YEAR FINANCIAL REPORT

FOR HALF-YEAR ENDED

31 DECEMBER 2010

CORPORATE DIRECTORY

Directors

Randal Swick (Managing Director and Executive Chairman)
Paul Hardie (Non-Executive Director)
Jeff Moore (Non-Executive Director)

Secretary

Chris Bossong

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Subiaco WA 6008

Principal Office

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Auditors

Deloitte Touche Tohmatsu
Woodside Plaza, Level 14
240 St Georges Terrace
Perth WA 6000

Website

cgm.com.au

Australian Securities Exchange

CGM (fully paid ordinary shares)

DIRECTORS' REPORT

The Directors of Cougar Metals NL and its subsidiaries ("Cougar" or "Group") present their report for the half-year ended 31 December 2010. In order to comply with the provisions of the Corporations Act 2001 (Cth), the directors report as follows:

DIRECTORS

The names of the Directors who held office during or since the end of the half-year and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated:

Randal Swick – Managing Director, Executive Chairman
Jeff Moore – Non-Executive Director
Paul Hardie – Non-Executive Director

REVIEW OF OPERATIONS

The net profit for the half-year attributable to members of Cougar Metals NL was \$13,621 (31 December 2009: loss \$2,020,009).

For the Group, the past six months has marked the achievement of two significant milestones:

- the commencement of a small scale gold operation at its Ze Vermelho prospect; and
- the expansion of the Group's contract drilling business in South America.

During this period the group also continued to focus on regional exploration and geological assessment at its Alta Floresta Gold Project and the operation of its contract drilling business in Brazil, GeoLogica Sondagens Ltda ("GeoLogica").

The commencement of gold operations at Ze Vermelho saw the Group's wholly owned exploration subsidiary, Cougar Brasil Mineracao Ltda ("Cougar Brasil") transition from explorer to producer (albeit a small one). Cougar Brasil had reached an agreement with a local mining operation company to explore and mine for gold at Ze Vermelho, but subsequently terminated this agreement after the period to bring mining control and full ownership back to Cougar Brasil.

Activities at the Ze Vermelho minesite during the period included bulk sampling of underground workings and surface stockpiles, surface rehabilitation and development along the -64 level. Five samples blasted from underground and six face samples of the vein returned gold values ranging between 23.1g/t and 80.5g/t. A 360 tonne bulk sample was also treated to produce a gravity concentrate of 10 kilograms of gold, for an average grade of 27.8g/t gold recovered from a gravity circuit. In December 2010, 166 tonnes of ore was processed through the site gravity circuit, returning 2,832 grams of gold, for an average recovered gold grade of 17.1g/t.

On the exploration front, gold assays returned from rock chip, channel and bulk samples from within the Peixoto district confirmed the high grade nature of the Cidinha prospect, with assays returning results from 1.72g/t up to 800g/t gold. The structure has been mapped over a strike length of 650 metres and is open to the northeast and to the southwest.

In Uruguay, Palinir S.A. trading as Cougar Drilling Services ("CDS") commenced its maiden drilling contract, marking the expansion of the Group's contract drilling business into another South American country. Although early operations were hampered by a slow ramp up and delays beyond the company's control, the contract is now performing well and delivering expected revenues. During the period CDS reached an agreement with the client to extend the scope of works, with the revised program consisting of the provision of 30,000 metres of diamond core and 50,000 metres of RC drilling expected to be completed by the end of April 2011. To advance production of the revised program CDS hired two additional diamond rigs, with the client agreeing to advance CDS US\$600,000 to assist with the purchase of consumable for these rigs.

The contract has been generating solid cash flow since October 2010, which has been utilised to repay debt, fund overheads in Australia and exploration costs in Brazil. By the end of the period CDS's operating fleet consisted of 5 rigs, with all rigs employed on a 24 hour, 7 day week basis.

DIRECTORS' REPORT (Continued)

In Brazil, work commenced on the 20,000 metre drilling contract at Beadell Resources Limited's Amapari project. The contract was failing to deliver expected revenues, however the terms of this contract were revised on a retrospective basis to 1 November 2010. This contract then delivered the expected revenues. Subsequent to the period end, GeoLogica was awarded a US\$2.5M contract in the state of Para which is now utilising the diamond drilling rigs previously employed at Beadell. The new contract consists of 10,000 metres of diamond drilling and is expected to be completed in September 2011.

During the six month period, the Group had funds of \$1.4 million injected into it by way of debt and cash advancements. In July and August, Cougar received the final instalments of the US\$2 million advance to be provided to the company under the memorandum of understanding for its Uruguayan drilling contract. In August, Cougar reached an agreement with Mrs Rosanne Swick, Cougar's major shareholder and mother of Managing Director Randal Swick, for a secured loan facility of \$200,000. In September, Cougar reached an agreement with Mrs Rosanne Swick for a further advancement of \$300,000 to the existing \$200,000 secured loan facility. In November, December and January CDS received US\$600,000 as outlined above.

At the end of the period Cougar Metals operations were performing well with both drilling divisions working at full capacity and the Ze Vermelho gold mine producing enough gold to be self funding, setting the foundation for a successful 2011.

Competent Persons Statement

The information in this report that relates to exploration results is based on information compiled by Dr Christopher Stephens who is a consultant to the Company. Dr Stephens is Principal of CJ Stephens Consulting Pty Ltd is a member of the Australian Institute of Geoscientists (AIG) and the Australia Institute of Mining and Metallurgy (AusIMM). Dr Stephens has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Stephens consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

CHANGES IN STATE OF AFFAIRS

The only significant change in the entity's state of affairs during the half-year ended 31 December 2010 was that the consolidated entity's Ze Vermelho tenement commence small scale gold production..

AUDITOR'S DECLARATION OF INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 (Cth) in relation to the review for the half-year ended 31 December 2010 is set out on page 4.

Signed in accordance with a resolution of the directors.



Randal Swick
Managing Director

Perth, 16 March 2011

The Board of Directors
Cougar Metals NL
Suite 33, 22 Railway Road,
Subiaco WA 6008

16 March 2011

Dear Board of Directors

Cougar Metals NL

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Cougar Metals NL.

As lead audit partner for the review of the financial statements of Cougar Metals NL for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Chris Nicoloff
Partner
Chartered Accountants

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	Note	Consolidated 31 December 2010 \$	Consolidated 31 December 2009 \$
Revenue			
Drilling income	2	7,642,076	2,386,804
Other income	2	3,690	43,464
		<u>7,645,766</u>	<u>2,430,268</u>
Other expenses			
Brazilian income taxes deducted		(453,949)	(167,326)
Accounting and audit expenses		(41,751)	(27,755)
Depreciation expense		(510,829)	(277,578)
Exploration costs impaired		(19,792)	(881,158)
Occupancy expenses		(102,737)	(77,898)
Office administration expenses		(250,544)	(208,473)
Corporate expenditure and professional fees		(30,505)	(119,653)
Drilling expenses		(4,312,061)	(2,422,920)
Finance costs	2	(10,593)	(158,963)
Other expenses from ordinary activities		(1,911,199)	(108,553)
Profit/(loss) before income tax expense		<u>1,806</u>	<u>(2,020,009)</u>
Income tax benefit		11,815	-
		<u>13,621</u>	<u>(2,020,009)</u>
Net profit/(loss) attributable to members of Cougar Metals			
Other comprehensive income			
Exchange differences arising on translation of foreign operations		3,745	(41,408)
		<u>17,366</u>	<u>(2,061,417)</u>
Total comprehensive income for the period			
Profit/(loss) attributable to:			
Owners of the parent		17,366	(2,061,417)
Non-controlling interests		-	-
		<u>17,366</u>	<u>(2,061,417)</u>
Basic earnings/(loss) per share (cents per share)		0.00	(1.31)
Diluted earnings/(loss) per share (cents per share)		0.00	(1.31)

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

	Note	Consolidated 31 December 2010 \$	Consolidated 30 June 2010 \$
ASSETS			
Current Assets			
Cash and cash equivalents	3	247,438	233,541
Trade and other receivables		531,416	456,712
Other assets		51,933	118,659
Total Current Assets		830,787	808,912
Non-Current Assets			
Plant and equipment		4,341,317	3,179,923
Exploration and evaluation expenditure	4	5,988,503	5,358,797
Total Non-Current Assets		10,329,820	8,538,720
TOTAL ASSETS		11,160,607	9,347,632
LIABILITIES			
Current Liabilities			
Trade and other payables		1,215,713	875,805
Provisions		5,096	14,110
Interest bearing loans and borrowings	5	521,277	64,696
Deferred revenue		2,025,279	1,177,346
Total Current Liabilities		3,767,365	2,131,957
TOTAL LIABILITIES		3,767,365	2,131,957
NET ASSETS		7,393,242	7,215,675
EQUITY			
Issued capital	6	20,420,122	20,420,122
Foreign exchange reserve		(190,361)	(194,106)
Share-based payments reserve		389,466	229,265
Accumulated losses		(13,225,985)	(13,239,606)
TOTAL EQUITY		7,393,242	7,215,675

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	Issued Capital	Accumulated Losses	Foreign Exchange Reserve	Share-based Payment Reserve	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2009	15,125,629	(9,381,020)	(96,011)	229,265	5,877,863
Securities issued during the period (net of transaction costs)	621,071	-	-	-	621,071
Total comprehensive income for the period	-	(2,020,009)	(41,408)	-	(2,061,417)
Balance at 31 December 2009	15,746,700	(11,401,029)	(137,419)	229,265	4,437,517
Balance at 1 July 2010	20,420,122	(13,239,606)	(194,106)	229,265	7,215,675
Securities issued during the period (net of transaction costs)	-	-	-	-	-
Share-based payments	-	-	-	160,201	160,201
Total comprehensive income for the period	-	1,806	3,745	-	17,366
Balance at 31 December 2010	20,420,122	(13,225,985)	(190,361)	389,466	7,393,242

The above statement should be read in conjunction with the accompanying notes.

**CONDENSED CONSOLIDATED CASHFLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	Consolidated 31 December 2010 \$	Consolidated 31 December 2009 \$
Cash flows from operating activities		
Receipts from customers	9,275,631	2,556,140
Payments to suppliers and employees	(7,061,567)	(2,148,139)
Payments for exploration and evaluation of tenements	(446,299)	(1,219,890)
Interest received	1,432	1,490
Interest paid	(7,015)	(826)
	<hr/>	<hr/>
Net cash provided by/(used in) operating activities	1,762,182	(811,225)
Cash flows from investing activities		
Payment for plant and equipment	(1,340,963)	(73,538)
	<hr/>	<hr/>
Net cash (used in) investing activities	(1,340,963)	(73,538)
Cash flows from financing activities		
Proceeds from issue of securities	-	631,426
Payment of share issue costs	-	(10,354)
Proceeds from loan	456,581	250,000
Repayment of borrowings	(863,903)	(57,585)
	<hr/>	<hr/>
Net cash provided by/(used in) financing activities	(407,322)	813,487
Net increase/(decrease) in cash and cash equivalents	13,897	(71,276)
Cash and cash equivalents at beginning of half-year	233,541	318,602
	<hr/>	<hr/>
Cash and cash equivalents at end of half-year	<u>247,438</u>	<u>247,326</u>

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2010

1a. BASIS OF PREPARATION

This half year financial report for the period ended 31 December 2010 has been prepared in accordance with the requirements of the *Corporations Act 2001 (Cth)* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Cougar Metals NL and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2010, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

1b. GOING CONCERN

As at 31 December 2010 the consolidated entity had a working capital deficiency (excluding deferred revenue) of \$975,995 (30 June 2010: \$145, 699).

The main contributing factors to the working capital deficit are the loan of \$521,277 payable to a related party and the increase of trade creditors as at 31 December 2010.

These conditions indicate a material uncertainty that may cast significant doubt about the ability of the consolidated entity to continue as a going concern.

The ability of the consolidated entity to continue as a going concern is principally dependent upon the following:

- The ability of the consolidated entity to continue to generate positive cash flows from its drilling business, and the recently commenced small scale gold operation at Ze Vermelho, Brazil. The drilling business has improved significantly over the past 6 months and has generated a net profit of \$717,834. Based on the existing pipeline of contracts the profitability is expected to increase over the next 12 months. For the period ended 31 December 2010 the consolidated entity has experienced cash inflows from operations of \$1,697,486 and overall inflows of \$13,897; and
- Subsequent to year end the majority of current creditors as at 31 December 2010 have been paid. In addition, payment plans have been agreed with a key supplier and a related party entity with respect to aged creditor balances. The consolidated entity continues to service all outstanding creditors using existing cashflow.

The directors have prepared a cash flow forecast that indicates the consolidated entity will have sufficient cash flows to meet all commitments and working capital requirements for a period of 12 months from the date of signing this half-year financial report.

Based on the cash flow forecast and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. The half year financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

However, if the consolidated entity is unable to continue to trade profitably and generate cash inflows from operations there is a significant uncertainty whether the consolidated entity will be able to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

1. BASIS OF PREPARATION (Continued)

Should the consolidated entity be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

The half year financial report does not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the consolidated entity be unable to continue as a going concern.

Consolidated 31 December 2010 \$	Consolidated 31 December 2009 \$
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2. REVENUE, INCOME AND EXPENSES

(a) Revenue, income and expenses

Revenue

Sales revenue from drilling operations	7,642,076	2,386,804
Interest received	1,432	1,490
Other revenue	2,258	41,974
	<u>7,645,766</u>	<u>2,430,268</u>

Finance costs

Director related entity loan	-	158,137
Other	10,593	826
	<u>10,593</u>	<u>158,963</u>

Other expenses

Depreciation	510,829	277,578
	<u>510,829</u>	<u>277,578</u>

(b) Seasonality of operations

During the months of December, January, and part of February, exploration activity in Brazil was limited due to the onset of the wet season. Depending on the level of rainfall during the wet season and the timing of that rainfall, conditions may allow for or delay the recommencement of exploration activity from late February. Contract drilling continued during the wet season however, productivity was affected by the difficult weather conditions.

3. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents are comprised of the following:

Cash at bank and in hand	82,753	2,824
Short term deposits	164,685	230,717
	<u>247,438</u>	<u>233,541</u>

(i) Non-cash financing and investing activities

There were no non-cash financing and investing activities during the period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Consolidated 31 December 2010 \$	Consolidated 30 June 2010 \$
4. EXPLORATION AND EVALUATION EXPENDITURE		
Balance at beginning of period	5,358,797	5,407,218
Exploration expenditure capitalised	649,498	1,445,522
Exploration expenditure written off	(19,792)	(1,493,943)
	<u>5,988,503</u>	<u>5,358,797</u>

5. INTEREST BEARING LIABILITIES

Hire purchase liabilities	-	64,696
Loans repayable (refer note (ii))	521,277	-
	<u>521,277</u>	<u>64,696</u>

(i) Terms and conditions relating to the loan from director related entity:

- The Company may elect to repay all or part of the total debt in cash at any given time on or before 31 August 2011;
- Interest will accrue on the loan at the standard variable rate of interest charged by the National Australia Bank from time to time on secured overdraft facilities equal to the amount of the loan.

6. ISSUED CAPITAL

	31 December 2010		30 June 2010	
	No.	\$	No.	\$
Issued Capital				
Ordinary shares - fully paid	406,223,576	20,416,696	406,223,576	20,416,696
Contributing shares	3,425,725	3,426	3,425,725	3,426
	<u>409,649,301</u>	<u>20,420,122</u>	409,649,301	20,420,122
Movement in ordinary shares				
Balance at the beginning of the period	406,223,576	20,416,696	150,339,341	15,122,203
Shares issued on 25 November 2009	-	-	22,550,901	631,425
Shares issued on 4 February 2010	-	-	97,619,045	2,050,000
Shares issued on 4 February 2010	-	-	135,714,289	2,850,000
Transactions costs relating to issue of shares	-	-	-	(236,932)
	<u>406,223,576</u>	<u>20,416,696</u>	406,223,576	20,416,696

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

7. SEGMENT INFORMATION

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 two businesses, being drilling operations and mineral exploration and resource development.

Drilling operations consist 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 solely in Brazil. 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 half year ended 31 December 2010 the consolidated entity operated in the following Geographic Segments: Australia, Brazil and Uruguay. (2009: Australia and Brazil).

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.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

7. SEGMENT INFORMATION (Continued)

(a) Business and geographical segments

	Australia Exploration & Evaluation \$	Brazil Exploration & Evaluation \$	Brazil Drilling Operations \$	Uruguay Drilling Operations \$	Total Operations \$
31 December 2010					
Revenue					
Sales to external customers	-	52,554	3,666,158	3,923,364	7,642,076
Finance revenue	1,432	-	-	-	1,432
Other	2,258	-	-	-	2,258
Segment revenue	3,690	52,554	3,666,158	3,923,364	7,645,766
Segment profit/(loss)	(504,390)	(211,638)	111,993	605,841	1,806
Assets and liabilities					
Segment assets	153,465	8,429,309	1,104,533	1,473,300	11,160,607
Segment liabilities	(1,274,066)	(55,377)	(160,291)	(2,277,631)	(3,767,365)
Segment net assets	(1,120,601)	8,373,932	944,242	(804,331)	7,393,242
Addition of non-current assets	6,529	571,373	163,632	1,071,441	1,812,975
Depreciation	(9,102)	(305,200)	(26,852)	(169,675)	(510,829)
31 December 2009					
Revenue					
Sales to external customers	-	-	2,386,804	-	2,386,804
Finance revenue	1,490	-	-	-	1,490
Other	25,361	-	16,613	-	41,974
Segment revenue	26,851	-	2,403,417	-	2,430,268
Segment profit/(loss)	(1,558,690)	(258,690)	(202,629)	-	(2,020,009)
30 June 2010					
Assets and liabilities					
Segment assets	495,729	7,871,885	543,251	436,767	9,347,632
Segment liabilities	(730,019)	(81,584)	(102,054)	(1,218,300)	(2,131,957)
Segment net assets	(234,290)	7,790,301	441,197	(781,533)	7,215,675
Addition of non-current assets	9,950	747,823	302,517	462,633	1,522,923
Depreciation	(17,266)	(627,231)	(69,417)	(92,276)	(806,190)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

8. COMMITMENTS

Minimum Expenditure Commitments

The consolidated entity has minimum expenditure obligations relating to its Australian tenements of \$54,000 (30 June 2010: \$53,000) and obligations to meet in Brazil in respect of annual rents on granted tenements of \$103,081 (30 June 2010: \$182,853).

9. CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities as at 31 December 2010. There has been no change in liabilities since the last annual reporting date.

10. EVENTS SUBSEQUENT TO REPORTING DATE

There are no matter or circumstances which have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial periods other than the following:

On 16 March 2011 a Deed of Variation was entered into with Roseanne Swick to extend the loan by \$150,000 to \$650,000 and extend the repayment date to 28 February 2012.

GeoLogica was awarded a US\$2.5M contract in the state of Para which is now utilising the diamond drilling rigs previously employed at Beadell. The new contract consists of 10,000 metres of diamond drilling and is expected to be completed in September 2011.

DIRECTORS' DECLARATION

The directors of the company declare that:

- 1) The financial statements and notes set out on pages 5 to 14 are in accordance with the Corporations Act 2001 (Cth), including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001;
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year then ended.
- 2) In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Randal Swick
Managing Director

Perth, 16 March 2011

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Independent Auditor's Review Report to the members of Cougar Metals NL

We have reviewed the accompanying half-year financial report of Cougar Metals NL, which comprises the condensed statement of financial position as at 31 December 2010, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 5 to 15.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cougar Metals NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Cougar Metals NL, would be in the same terms if given to the directors as at the time of this auditor's review report.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cougar Metals NL is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1b) in the financial report which indicates that as at 31 December 2010 the consolidated entity had a working capital deficiency (excluding deferred revenue) of \$975,995. This condition, along with other matters as set forth in Note 1b), indicate 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.



DELOITTE TOUCHE TOHMATSU



Chris Nicoloff
Partner
Chartered Accountants
Perth, 16 March 2011

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