



ASX Announcement – 29 July 2011

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## COMPANY ACTIVITIES UPDATE

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- **June quarter drilling services revenues generated of US\$5.59M.**
  - **June quarter gold sales of US\$1.19M from trial mining at Ze Vermelho**
  - **Assay results returned from drilling and underground face channel samples at Ze Vermelho trial mine**
  - **Cyanidation circuit now scheduled for early September start**
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Cougar Metals NL (ASX Code: CGM) is pleased to provide the following update with respect to operations within its drilling services and gold exploration businesses.

### *Drilling Services*

On a combined basis, the Group's Uruguayan and Brazilian drilling businesses generated external sales for the June 2011 quarter of US\$5.59 million (March 2011 quarter: US\$5.31 million).

In addition, during the June quarter the Brazilian drilling business provided diamond drilling services (utilising one (1) surface diamond drill rig) at the Ze Vermelho prospect valued at approximately US\$200k. It is expected that this drill rig will continue throughout the remainder of calendar year 2011.

Drilling demand continues to be strong across both businesses.

### *Exploration – Ze Vermelho Prospect*

Exploration activities are currently centred about the Ze Vermelho prospect where the Company is exploring through trial mining and drilling a high grade gold vein system.

### **Trial Mining**

In its last quarterly report the Company reported that it had cleaned out a relatively large section of the -20 metre level and developed along the -64 metre level. Samples taken during that process returned narrow but high grade intercepts.

Since that last report the Company has opened 68.6 linear metres of drive as follows:

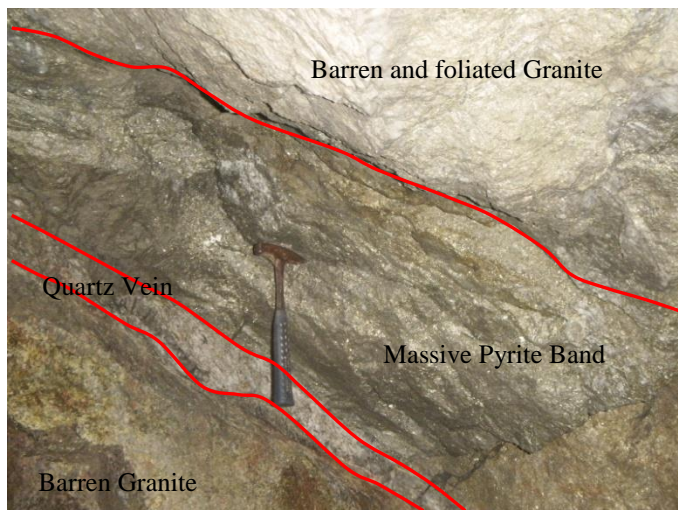
- 4.4 linear metres to the NW on the -64 level;
- 7.5 linear metres of rising at 45\_220, from the -74 level towards the -20 level (currently at -54 metres);
- 10.37 linear metres of decline to link the -64 level to the -74 level (drive 40\_45); and
- 43.97 linear metres of development drive on the -74 level, consisting of 22.94 linear metres NW and 21.03 linear metres to SE. (See Figure 2 below).

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The mineralized structure at the -74 level is similar to what was observed at the -64 level consisting of a quartz vein showing varied degrees of sulphide dissemination.

It has been confirmed that the gold grade is proportional to the amount of contained pyrite so that when a massive pyrite band is encountered a gold bonanza grade can be expected.

A massive pyrite band was consistently encountered in the first 19 m to NW of -74 level (see Figure 1 below). The structure continues to pinch and swell up to 1.51 metres in width.



**Figure 1: Mineralised structure at -74 level, 16.17m to NW.**

The high gold grade nature of the Ze Vermelho mineralised structure continues to be confirmed through assays of channel samples systematically taken at each advance. Thirty-two (32) samples taken at the -74 level returned an average grade of 104 g/t for a mean vein width of 0.78m.

These assays are shown in the table below.

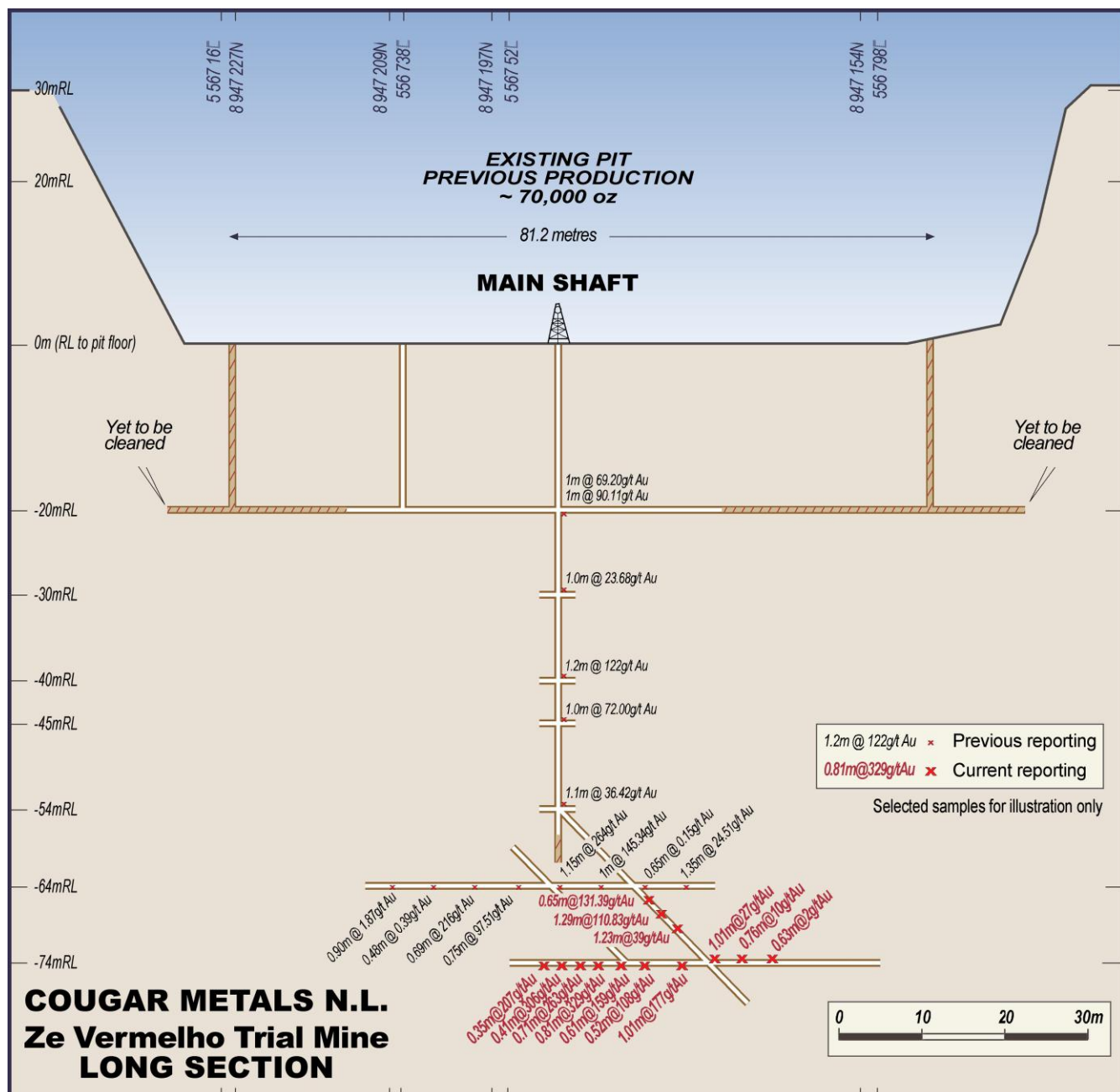
Drive	Collected face	Location ( m from the beginning of the drive)	Vein Width (m)	Au Grade (g/t)
40_45	NE	2.25	0.64	87.8
40_45	NE	4.52	0.65	131.4
40_45	NE	5.62	0.9	89.8
40_45	NE	5.9	1.29	110.8
40_45	NE	7.03	1.52	80.1
40_45	NE	7.93	1.23	39.7
40_45	NE	10.37	0.55	8.9
74	NW	1.4	1.23	166.8
74	NW	2.48	1.01	177.5
74	NW	3.9	0.94	63.9
74	NW	5.42	0.68	60.9
74	NW	7.26	0.52	108.7
74	NW	8.4	0.35	156.2
74	NW	10	0.61	159.2
74	NW	11.4	0.61	122.0
74	NW	12.75	0.81	329.9
74	NW	13.44	0.81	302.8
74	NW	14.93	0.71	263.5
74	NW	16.17	0.54	415.6
74	NW	17.63	0.41	306.8
74	NW	19.1	0.35	207.8

Drive	Collected face	Location ( m from the beginning of the drive)	Vein Width (m)	Au Grade (g/t)
74	SE	1.01	1.01	27.7
74	SE	2.38	1.12	5.4
74	SE	2.9	1.01	2.4
74	SE	3.54	0.94	2.8
74	SE	4.6	0.76	10.9
74	SE	5.72	0.66	3.2
74	SE	6.8	0.71	0.8
74	SE	7.9	0.71	1.8
74	SE	8.4	0.63	2.0
74	SE	11.1	0.79	1.3
74	SE	12.7	0.51	3.5
74	SE	13.63	0.56	0.5

**Table 1: Assay results from recent channel samples collected**

Note: Location refers to the distance in metres from the beginning of the drive, at the decline intercept

The above assay results overlaid against prior results are reflected in the diagram below:



**Figure 2: Long section of Ze Vermelho Trial Mine Workings to date.**

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## Exploration Drilling

The drilling program aims to evaluate the extension of the mineralized structure both along the strike and down dip of Ze Vermelho.

So far eleven (11) drill holes have been drilled totaling 1,490 metres. Results for the first nine (9) holes have now been received with the most significant intercepts presented in the table below.

HOLE_ID	SAMPLE	EAST	NORTH	DIP	AZIMUTH	DEPTH (m)	FROM (m)	TO (m)	Au (g/t)
ZV-DDH-01	117020	556795	8947215	-60	220	70.65	60.00	60.50	19.0
ZV-DDH-02	117026	556795	8947215	-65	220	76.53	58.68	58.80	17.0
ZV-DDH-03	117032	556795	8947215	-70	220	70.9	61.11	61.84	16.4
ZV-DDH-06	117044	556772	8947246	-90	230	106.75	87.55	87.80	6.5
ZV-DHH-07	117052	556772	8947246	-83	230	88.7	81.26	81.58	140.4
ZV-DHH-08	117056	556816	8947289	-75	230	155.35	77.46	78.21	10.5
ZV-DDH-09	117072	556816	8947289	-90	230	251.65	94.52	95.12	9.9

It is noted that the Ze Vermelho structure was intersected in holes 001, 002, 003, 006, 007, and 011, and confirmed the pinching and swelling nature observed within the underground workings. Drill holes 005 and 010 did not intersect the structure while holes 008, 009 and 011 intersected what is interpreted to be shallower and cross-cutting mineralized structures.

## Gold production

The processing plant was upgraded during June with the addition of a third hammer mill and a second centrifuge. This upgrade aimed to raise the processing rate from the actual 350-450 t/month up to 600-650t/month. This upgrade was completed successfully with processing rates increased up to a maximum of 30 tonnes per day.

For the quarter, 1066 t of ROM was gravity processed which yielded 23,249g of gold at a mean recovered grade of 21.8 g/t of gold. Revenue by way of gold sales for the quarter was US\$1.186 M.

A systematic sampling of the centrifuge overflow has been implemented since the beginning of June to evaluate the tailing grade for cyanidation treatment.

Results for the first batch of nine (9) samples (see Table 2 below) returned a mean gold grade of 28.72 g/t which compared with the mean gravity gold grade implies a recovery rate of 45%.

Sample	Date of collecting	Type of sample	Au (g/t)
130199	6/6/2011	<i>Centrifuge overflow</i>	17.6
130201	7/6/2011	<i>Centrifuge overflow</i>	20.9
130202	8/6/2011	<i>Centrifuge overflow</i>	18.1
130203	9/6/2011	<i>Centrifuge overflow</i>	2.1
130204	14/6/2011	<i>Centrifuge overflow</i>	67.9
130205	15/6/2011	<i>Centrifuge overflow</i>	48.4
130206	16/6/2011	<i>Centrifuge overflow</i>	7.8
130207	17/6/2011	<i>Centrifuge overflow</i>	22.4
130208	18/6/2011	<i>Centrifuge overflow</i>	53.2

**Table 2. Assays for centrifuge overflow samples.**

An estimated 2,000 tonnes of tailings grading an estimated 35-40g/t are now stockpiled awaiting cyanidation.

## ***Cyanidation Program Status***

The commencement of cyanidation of tailings has been delayed from late July to early September as a result of equipment and contractor availability. Additionally, further test work is underway to clarify the metallurgical characteristics.

Currently the leaching and pregnant solution tank has been constructed and lined with a geomembrane. The cyanidation laboratory is currently under construction with an estimated completion date of mid-August.

Equipment for cyanidation desorption has been ordered and is expected to be delivered on site by early August.

For further information please call +61 8 9381 1755 or email the undersigned at [r.swick@cgm.com.au](mailto:r.swick@cgm.com.au).

Yours sincerely  
COUGAR METALS NL



**RANDAL SWICK**  
Executive Chairman

*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.*

**About Cougar Metals NL:**

*Cougar Metals NL is a Perth based exploration company listed on the Australian Securities Exchange (ASX:CGM). The Company is focused on exploring the Alta Floresta Gold Project in central west Brazil, where past production is estimated at five million ounces of gold. The Company also operates growing mineral drilling businesses in Brazil and Uruguay, providing surface diamond, reverse circulation and RAB drilling services to the Brazilian and Uruguayan mining industries. The Company also holds the mineral rights to the Pyke Hill Measured plus Indicated Resources of 14.7mt @ 0.9% Ni and 0.06% Co (published March 2008).*

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