



Pedra Branca Drilling Update

ASX Announcement

27 January 2012

Cougar Metals NL is a Perth based exploration company listed on the Australian Securities Exchange (ASX:CGM).

The Company is focused on exploring the highly prospective Alta Floresta gold belt in central west Brazil, where it holds granted tenements covering an area in excess of 1,450km² and where past production is estimated at five million ounces of gold. Much of the immediate focus is centred on Ze Vermelho Gold Prospect where the Company has received numerous highly encouraging high grade gold assay results and where it is currently undertaking trial mining, which is providing important information about the structure and grade of mineralisation, whilst at the same time generating strong cash-flows from the treatment of the ore.

The Company also operates mineral drilling businesses in Brazil and Uruguay, providing surface diamond, reverse circulation and RAB drilling services to the South American mineral resource industry. The Company currently operates a fleet of 13 rigs with plans to grow this in the near future.

In addition, the Company also holds the nickel and cobalt mineral rights to the Pyke Hill prospect which contains a Measured plus Indicated Resources of 14.7mt @ 0.9% Ni (March 2008).

Directors

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

Senior Management

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

Capital Structure

Shares on Issue: 406,223,576
52 week range: \$0.02 - \$0.11
Last Price (24/01/12): \$0.066
Market Capitalisation: \$26.4 million

Substantial Shareholders

Savvy Capital Management – 34.06%
Marcia Swick – 19.61%
Top 20 – 64.84%

HIGHLIGHTS

- Potential of IP Survey validated by success at Pedra Branca.
- First two drill holes at Pedra Branca (ZV-DDH024 and ZV-DDH025) confirm the down dip extension of the gold-bearing quartz vein to a vertical depth of approximately 53 metres.
- 1.26m intersection in drill hole ZV-DDH024 comprises a 95cm band of quartz containing visible gold and a 31cm zone of altered granite with 25% disseminated pyrite.
- 5.66m intersection in drill hole ZV-DDH025 comprises three quartz veins with the upper vein showing visible gold.

Cougar Metals NL (ASX Code: CGM) is pleased to provide an update with respect to its drilling program being conducted at Pedra Branca.

Background

Pedra Branca is the name given to a structure interpreted from an IP Survey recently conducted over the Ze Vermelho Prospect. The structure lies approximately 50 metres SE of the Ze Vermelho main access shaft.

In December 2011, initial testing of the structure commenced by way of a small excavation pit which uncovered a previously unknown quartz vein. The vein consists of white, massive to brecciated quartz up to 55cm wide containing small fractures filled with visible gold. Twelve (12) tonnes of the vein material were excavated and processed through the Company's gravity plant, returning 286g (9.2 ounces) of gold for a mean gravity recovered gold grade of 24g/t Au.

A drilling program was then designed and programmed for January 2012.

Drilling Program

The first drill hole (ZVDDH024) was commenced on 19 January 2012 and intersected a 1.26m wide vein at a vertical depth of approximately 37 metres (approximately 43 metres down-hole). The vein contains a 95cm wide band of quartz with visible gold and a 31cm wide band of disseminated to massive pyrite (refer to Figures 1 and 2 below).



Figure 1: Drill core sample highlighting Pedra Branca Vein

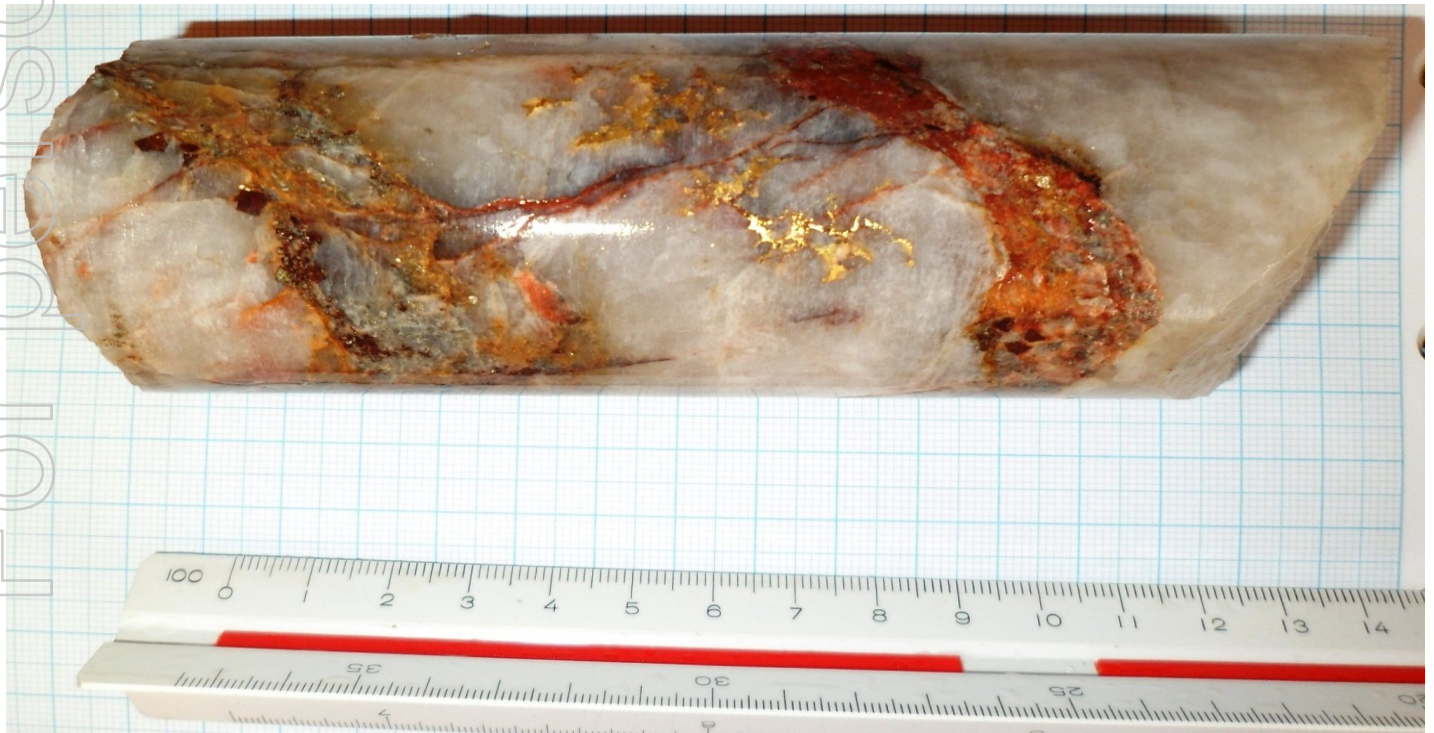


Figure 2: Close-Up view of core showing visible gold

The second drill hole (ZVDDH025) dips vertically at the same collar position as drill hole ZV-DDH024 and was designed to test the down-dip extension of the Pedra Branca Vein.

Drilling started on January 22nd and intersected the vein at 49.46m down-hole. This intersection is 5.66m wide and consists of three quartz veins separated by narrow zones of mylonite and hydrothermally altered granite hosting disseminated pyrite. The upper quartz vein is 51cm wide and shows visible gold filling narrow fractures (see Figure 3 below). The middle vein is 18 cm wide and the lower vein is 20 cm wide (and contains approximately 3% pyrite).



Figure 3: Visible gold filling narrow fractures in Drill Hole ZVDDH025

The table below shows the coordinates, angles and depth of each drill hole (note that the collar coordinates provided are SAD69 datum and UTM grid zone 21S coordinates).

HOLE ID	EAST	NORTH	RL	EOH	DIP	AZIMUTH
ZV-DDH024	5566818	8947169	249	55	-70	200
ZV-DDH025	5566818	8947169	249	85	-90	200

Table 1: Drill collar details for Pedra Branca Prospect's drilling program.

We await assay results from the drill core.

Per Randal Swick (Managing Director) “the visible gold intercepted at Pedra Branca is an excellent outcome from our first two drill holes at this target and demonstrates that the IP Survey is an excellent tool to assist us in our exploration activities in the region. We now await the results of the TDEM Survey which is underway and which, in conjunction with existing information, will assist with new target generation and drill planning.”

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

Yours sincerely

COUGAR METALS NL



RANDAL SWICK

Executive Chairman

The information in this report that relates to 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 and 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.