HIGHLIGHTS OF THE SECOND QUARTER OF FY17

New Project - Madagascar Graphite
- LOI executed with Canadian Based DNI Metals Inc to for the acquisition of up to 100% of “Toamasina Saprolitic Graphite Project” in Madagascar
- Initial payment of $100,000 to vendor completed.
- Drilling rig being prepared for shipping to Madagascar to undertake resource drilling in support of scoping study.

Madagascar Graphite - Background
- Project comprises a single mining lease covering 43.75 sq km in a district with a history of graphite production
- Project is fully permitted for mining.
- Project has enviable logistics with a major highway traversing the property, and being only 50km south-west of the deep water port city of Toamasina.
- Work performed to date has identified near-surface mineralisation extending over 3km with trenching returning total graphitic carbon grades of up to 25%, and averaging approx 7%.
- Preliminary metallurgical test-work has returned >60% Large Graphite Flakes.
- Graphite mineralisation at the Project comprises disseminated crystalline graphite hosted within free-dig weathered low-silica meta-sediments.
- The weathered profile is expected to extend to an average depth of around 30 metres, based on known weathering profiles of the district and observed geology on site.
- Saprolite hosted graphite deposits have significantly lower mining, processing and capital costs.
- The Toamasina Saprolitic Graphite Project has the potential for quick development into a low cost/high quality graphite producer located only 50km from a port city.
HIGHLIGHTS OF THE SECOND QUARTER OF FY17 (CONTINUED)

Brazil Lithium – Recent
- Consultants engaged to perform high level interpretation of the Solonopole Project area utilising existing high quality satellite, radiometric and airborne magnetic data.
- Areas of initial interest and focus are expected to be delineated in early February 2017.

Brazil Lithium – Background
- Letter of Intent (LOI) executed with Dubai based investment group MMH Capital Ltd (MMH) to acquire an 85% interest in its “Ceara Lithium Project” located in the north-eastern Brazil state of Ceara.
- Ceara Lithium Project incorporates two separate areas lying ~100km apart, being (i) an area covering the historical lithium mining centre at Solonopole, and (ii) an area encompassing the Cristal pegmatite swarm.
- initial 35 applications covering ~60,000Ha formally granted by the Brazilian Mines Department (DNPM).

Drilling Business
- Revenue from the provision of contract drilling services for the quarter ended 31 December 2016 was R$2.395 million (quarter ended 30 September 2016: R$1.921 million).
- Drilling activity throughout the industry increased during the quarter with several foreign companies announcing decisions to recommence exploration activities.

Corporate
- The Company’s 2016 Annual General Meeting took place on Tuesday, 29 November 2016 at its registered office at Level 1, 35-37 Havelock Street, West Perth, Western Australia.
- All three resolutions were carried being Resolution 1: Adoption of the 2016 Remuneration Report; Resolution 2: Re-election of Michael Fry as a Director and Resolution 3: Approval of 10% Enhanced Placement Capacity.
ACTIVITIES REPORT
Cougar Metals NL (ASX Code: CGM) ("Cougar" or "the Company") is pleased to provide its activities report for the quarter ended 31 December 2016.

EXPLORATION ACTIVITIES
Cougar’s exploration effort is focused on the Toamasina Saprolitic Graphite Project in Madagascar and the Ceara Lithium Project in Brazil.

Additionally Cougar retains an option to acquire 51% of the Shoal Lake Gold Project, located in the northwestern Province of Ontario, Canada; and the Nickel and Cobalt rights to at its Pyke Hill Project near Leonora, Western Australia.

Toamasina Saprolitic Graphite Project, Madagascar
The Project is located in east central Madagascar, approximately 50 km south-southwest of the deep-water port city of Toamasina and approximately 50km North of Bass Metals’ (ASX code: BSM) operating Loharano graphite mine.
Access to the initial area of interest is by way of a 1.8km unsealed road leading from the main highway between the port city of Toamasina and the country’s capital Antananarivo. The turn off is located 55km by paved road from the port city of Toamasina.

Madagascar has supplied high quality graphite for the international market for over 100 years. In particular, the Toamasina-Brickaville belt; in which the Toamasina project is centrally located, is well known for the high purity and larger flake-size distribution of its graphite concentrates.

The Project area has been subjected to historical artisanal mining in the period between WW2 and the end of French colonial rule (1960’s). Visual estimates from site inspection and anecdotal reports from indigenous personnel put this production around 100,000T of material.

Toamasina is the largest port in the country and is considered the commercial capital of Madagascar. The city and port have been developed extensively since 2008 as a result of major infrastructure investment on the part of Sherritt; who with its partners, have developed the U$8.0Billion Ambatovy HPAL lateritic nickel-cobalt mine 200km inland from Toamasina.

The Project is particularly well located, with its proximity to the Toamasina port and the infrastructure of a major city, and is expected to have significantly lower construction and operating costs compared with other international graphite projects.

**Work to Date**

Mineralisation has been identified over a combined 3km strike length from visual examination of near surface samples (< 1m from surface). The mineralisation follows a distinct ridge in the area varying in elevation from 40m to 110m AMSL.

Small pits less than 2m in depth were dug to inspect for mineralisation, which is easily identified visually on account of the high % content of large flake graphite. This confirms the potential of the project to host a high margin / low-cost mining operation. Mineralisation most often occurs on topographic highs and generally within 1m of surface. The near surface and weathered style of mineralisation leads to significantly reduced costs associated with mining and processing.

A trenching, surface sampling and test pitting program was conducted on the Toamasina Project in 2015. Trenches were targeted from field observation in conjunction with man-portable ground EM and magnetics along cut lines (using GPS control).

**Initial Program**

The initial exploration program will involve approximately 3,000m of air-core drilling and 1,000m of trenching. An air-core rig, owned by Cougar, along with the necessary equipment to complete the drilling program has been loaded into a sea container and is expected to depart Brazil for Madagascar in early February, arriving in Madagascar early March. The drilling program is expected to be completed by the end of April 2017.
Ceara Lithium Project, Brazil

Background
The Ceara Lithium Project is located in Ceara State, in north-eastern Brazil.

Figure 1: Location map of project areas in Ceara (north-eastern Brazil) state; application areas in blue

The Project is located across two separate areas, being (i) at Cristais (1.5 hours’ drive from State Capital, Fortaleza) and (ii) at Solonopole (3.5 hours’ drive from Fortaleza).

In total, the Project comprises thirty-five (35) granted licences covering an area of ~60,000Ha.

Both Cristais and Solonopole have excellent infrastructure being located along major sealed highways and in close proximity to a high voltage national electricity grid.
Solonopole Project

The Solonopole area is a known area of lithium mineralisation with lithium having been mined in the area intermittently over the past 40 years.

Historical production tonnages of lithium have not been recorded as mining operations have been informal and of small scale, with no pits going below 5 metres in depth.

Figure 2: small scale mining operation in Solonopole, typical of the region (from 1980's).
In 2012, the DNPM undertook a geological assessment of the Solonopole pegmatites. The DNPM identified seven (7) distinct areas of pegmatite as depicted in the following diagram:

The minerals identified in each of the areas were determined as follows:

| Area 1: | amblygonite and secondarily tantalite-columbite and beryl |
| Area 2: | quartz k-feldspar, clevelandite, spodumene, lepidolite, amblygonite, cassiterite, muscovite, tantalite, beryl and tourmaline; |
| Area 3: | amblygonite crystals up to 40 cm x 15 cm |
| Area 4: | amblygonite, tantalite-columbite and beryl |
| Area 5: | amblygonite, beryl and spodumene |
| Area 6: | beryl main production, in association with microcline, afrisite, apatite and other phosphates; |
| Area 7: | beryllium, mica and amblygonite |
The DNPM's geological team took ~60 grab samples from each of the locations and had the samples assayed at ACME Laboratories in Brazil.

The assays returned 11 positive results with lithium grades ranging between 0.5% and 9.41% \( \text{Li}_2\text{O} \), as presented in Table 1 following. The principle lithium minerals identified were spodumene, amblygonite and lepidolite.

<table>
<thead>
<tr>
<th>Sample Number</th>
<th>Mineral</th>
<th>Li(_2)O</th>
</tr>
</thead>
<tbody>
<tr>
<td>DNPN-53</td>
<td>Amblygonite</td>
<td>9.41</td>
</tr>
<tr>
<td>DNPN-26</td>
<td>Amblygonite</td>
<td>8.89</td>
</tr>
<tr>
<td>DNPN-01</td>
<td>Amblygonite</td>
<td>8.68</td>
</tr>
<tr>
<td>DNPN-41B</td>
<td>Lepidolite</td>
<td>4.84</td>
</tr>
<tr>
<td>DNPN-45</td>
<td>Lepidolite</td>
<td>3.16</td>
</tr>
<tr>
<td>DNPN-41A</td>
<td>Lepidolite</td>
<td>3.12</td>
</tr>
<tr>
<td>DNPN-52</td>
<td>Lepidolite</td>
<td>2.48</td>
</tr>
<tr>
<td>DNPN-37B</td>
<td>Lepidolite</td>
<td>2.35</td>
</tr>
<tr>
<td>DNPN-55</td>
<td>Lepidolite</td>
<td>1.96</td>
</tr>
<tr>
<td>DNPN-40</td>
<td>Amblygonite</td>
<td>1.03</td>
</tr>
<tr>
<td>DNPN-37A</td>
<td>Spodumene</td>
<td>0.43</td>
</tr>
</tbody>
</table>

** Samples assayed at ACME laboratory – details of analysis not provided.  
***XRD undertaken to define mineralogy

The Images below show pegmatites identified during the site visit undertaken by MMH’s geological consultants in March 2016.
Sampling Techniques, Data, Exploration Results (ASX Listing Rule 5.7)

Information material to understanding the exploration results pertaining to the Ceara Lithium Project was included in Appendix 1 of ASX announcement dated 3 August 2016.

Activities During the Current Quarter

Work has been focussed around preparation for upcoming exploration program to involve:

- airborne geophysics and remote sensing targeting;
- project mapping and grab sampling;
- soil geochemistry;
- trenching; and
- drilling (RC).

Shoal Lake East Gold Project (Ontario, Canada)

Background

In January 2013, the Company entered into an Option Agreement with Kenora Prospectors & Miners, Limited (“KPM”) to acquire a 51% interest in its project located in the Province of Ontario, Canada. The option has been assigned to Cougar’s wholly owned Canadian subsidiary Tycoon Gold Resources Inc (Tycoon).

The Project is host to the past producing Mikado and Cedar Island gold mines, a portion of the advanced undeveloped Cedar Island Mainland Gold Deposit, and a number of other gold occurrences. These occurrences provide significant potential for the development of a high grade gold production operation.

Following the execution of the option agreement and the first two option payments, the vendors failed to respond to Tycoon’s reasonable requests to satisfy certain alleged breaches under the agreement. The Vendor counter claimed that Tycoon was in default of payments, which led to the instigation of arbitration proceedings.
In January 2016, the arbitrator, Mr John A.M. Judge, handed down his decision finding for Tycoon on all major matters and awarding Tycoon costs totalling CAD$297,165.44, on an indemnity basis. In arriving at his decision, Mr John A.M. Judge, stated “Here, it is clear that Tycoon has succeeded on all major issues raised in the arbitration. Tycoon has not engaged in any misconduct and there is no principled basis on which to justify depriving Tycoon, as the successful party, of an award of costs in its favor.”

The Award specifically states that the Notice of Termination issued by KPM is null and void, meaning that the Agreement remains in force but suspended pending compliance by KPM of the orders of the arbitration.

**Shoal Lake Project Summary and Description**
Refer Appendix 1

**Activities During the Current Quarter**
Work on the Shoal Lake East Gold Project remains in suspension pending compliance by KPM of the orders of the arbitration.

**Pyke Hill Project (Western Australia)**

**Activities During the Current Quarter**
No new work was conducted during the quarter. The Company continues to seek a sale or third parties who may have an interest in participating in the Project.

**SUMMARY OF TENEMENTS AND CHANGES**
In accordance with ASX Listing Rule 5.3, Cougar advises of the following:

<table>
<thead>
<tr>
<th>Project</th>
<th>Tenement Reference</th>
<th>Interest held by Cougar at 31 December 2016</th>
<th>Changes during the quarter (acquisitions/disposals)</th>
<th>Interest held by Cougar at 30 September 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pyke Hill Nickel (Australia)*</td>
<td>M39/159</td>
<td>Ni/Co rights - 100%</td>
<td>-</td>
<td>Ni/Co rights - 100%</td>
</tr>
<tr>
<td>Shoal Lake Gold (Canada)</td>
<td>MH9</td>
<td>100%</td>
<td>-</td>
<td>100%</td>
</tr>
<tr>
<td>Shoal Lake Gold (Canada)</td>
<td>MH10</td>
<td>100%</td>
<td>-</td>
<td>100%</td>
</tr>
<tr>
<td>Shoal Lake Gold (Canada)</td>
<td>MH40</td>
<td>100%</td>
<td>-</td>
<td>100%</td>
</tr>
<tr>
<td>Shoal Lake Gold (Canada)</td>
<td>D259</td>
<td>100%</td>
<td>-</td>
<td>100%</td>
</tr>
</tbody>
</table>

* Cougar holds 100% of the Nickel and Cobalt Laterite rights in relation to the tenement, with tenement ownership to be transferred to Cougar upon the commencement of mining activities.
CONTRACT DRILLING BUSINESS ACTIVITIES

Geologica Sondagens is a wholly owned subsidiary of Cougar which provides contract drilling services to the mining industry in Brazil. Geologica Sondagens is headquartered in Belo Horizonte and operates a fleet of RC and Diamond Drilling rigs.

Geologica Sondagens revenue for the quarter ended 31 December 2016 was R$2.394 million as compared with the previous quarter (ended 30 September 2016) of R$1.921 million.

There are currently 4 rigs working under short term contracts.

Revenues for the coming months are expected to remain steady on the back of improved activity and confidence within the Brazil mining industry largely as a consequence of stabilised gold and iron ore prices.

For further information please contact the undersigned via email using r.swick@cgm.com.au or alternatively contact Michael Fry (Director, CFO & Company Secretary) on +61 8 9226 5002.

Yours sincerely

COUGAR METALS NL

RANDAL SWICK
Executive Chairman and Managing Director

Forward Looking Statements

Statements contained in this release, particularly those regarding possible or assumed future performance, costs, dividends, production levels or rates, prices, resources, reserves or potential growth of Cougar Metals NL, industry growth or other trend projections are, or may be, forward looking statements. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. Actual results and developments may differ materially from those expressed or implied by these forward looking statements depending on a variety of factors.
Competent Persons Statements

The information in this report that relates to Exploration Results or Minerals Resources in relation to the Toamasina Saprolitic Graphite Project is extracted from an ASX Announcement dated 16 November 2016, (see ASX Announcement – 16 November 2016 “LOI Executed over Madagascar Graphite Project”, www.cgm.com.au and www.asx.com.au ). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Exploration Results or Minerals Resource estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person’s findings are represented have not been materially modified from the original market announcement.

The information in this report that relates to Exploration Results or Minerals Resources in relation to the Ceara Lithium Project is extracted from an ASX Announcement dated 3 August 2016, (see ASX Announcement – 3 August 2016 “LOI Executed over Brazilian Lithium Project”, www.cgm.com.au and www.asx.com.au ). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Exploration Results or Minerals Resource estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person’s findings are represented have not been materially modified from the original market announcement.