



**COUGAR METALS NL
AND CONTROLLED ENTITIES**

ABN 27 100 684 053

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2017**

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Directors

Randal Swick
David Symons
Brian Thomas

Company Secretary

Brett Tucker

Registered Office

Ground Floor, 16 Ord Street
West Perth, Western Australia 6005

Auditors

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Home Securities Exchange

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DIRECTORS' REPORT (CONTINUED)

Your Directors present their report on Cougar Metals NL (the "Company") and its controlled entities (together referred to as the "Group") for the half year ended 31 December 2017.

DIRECTORS

The names of the Directors of the Company in office and at any time during, or since the end of the period are:

Randal Swick	Executive Chairman
David Symons	Non-Executive Director
Brian Thomas	Non-Executive Director

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

COMPANY SECRETARY

Brett Tucker

PRINCIPAL ACTIVITIES

The principal activities of the Company during the course of the period were:

- ii) exploration activities of the Ceara Lithium Project, Brazil;
- iii) preliminary geological assessment of the Chilean Cobalt & Copper Project;
- iv) negotiation and arbitration with project vendor of the Toamasina Saprolitic Graphite Project, Madagascar; and
- v) ongoing arbitration regarding the Shoal Lake Region of Ontario, Canada;

OPERATING RESULTS

The Statement of Profit or Loss and Other Comprehensive Income shows a net loss from ordinary activities after tax for continuing operations attributable to the members of the Group for the half year ended 31 December 2017 of \$1,541,991 (half year ended 31 December 2016 net loss: \$323,617) and from continuing and discontinued operations of \$1,822,252 (half year ended 31 December 2016 net loss: \$999,339).

The net asset deficiency of the Consolidated Entity as at 31 December 2017 was \$4,952,820 (30 June 2017: \$4,107,621).

REVIEW OF OPERATIONS

Ceara Lithium Project (Brazil)

Overview

On 3 August 2016, the Company entered into a Letter of Intent with MMH Capital Ltd (MMH) to acquire an 85% interest in MMH's Ceara Lithium Project located in Ceara state, in north-eastern Brazil. The project comprises 30 applications covering approximately 51,000 hectares across two separate areas lying in excess of 150 kilometres apart, being: (i) an area covering the historical lithium mining centre at Solonopole, and (ii) an area encompassing a pegmatite swarm at Cristais.

Cougar's exploration geologist has been based in Solonopole since mid-May 2017 conducting mapping, sampling and general reconnaissance activities to systematically assess the large tenement package.

Cougar has identified 10 prospects with mineralised pegmatites to date and are the current priority for exploration efforts. Soil sampling programs were undertaken across the 10 priority prospects to assist in defining the strike extents.

The initial program results from 62 grab samples and 242 soil samples, announced to the ASX in October 2017, identified high-grade lithium from grab samples in 6 of the 10 prospects. Further, field mapping identified a total of 10 small scale historical lithium mines. Management interprets that the soil grid anomalies potentially join up below the surface around the fringe of larger granite bodies to the east.

On 15 January 2018 Cougar announced the results of a further 71 grab samples and 35 soil samples which were collected over an area of approximately 5km² and which returned several high-grade results.

Systematic geochemical sampling and trenching is planned for the coming months to clearly define drilling targets

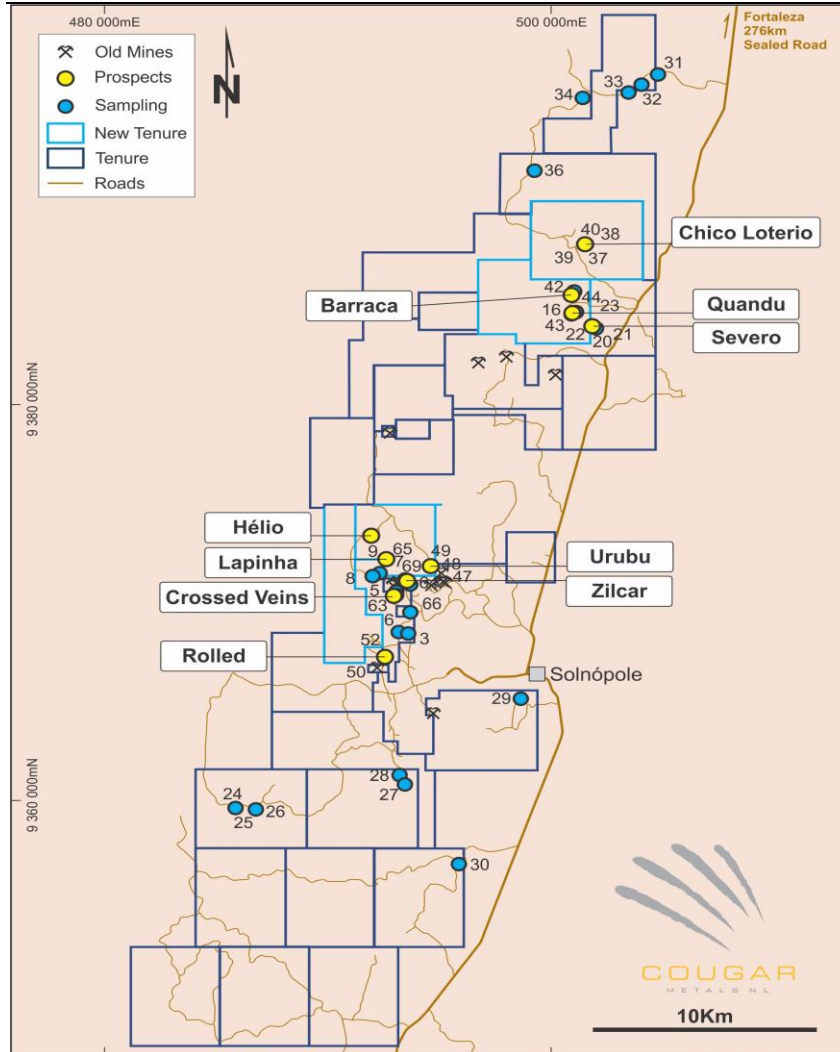


Figure 1: Tenement map of Brazil lithium project showing areas of initial focus with 10 priority areas

Chile Cobalt / Copper Project

Subsequent to the period end, on 7 February 2018 Cougar signed a Letter of Intent (“LOI”) with Antasitua Chile SPA (“Antasitua” or “ACS”), to acquire a 100% interest in the Plateado Cobalt Project in Chile, which contains a small scale historical cobalt mine located 130km north-west of the capital, Santiago.

The Plateado Project comprises 12 contiguous granted tenements, listed as Plateado 1 to 12 in the name of Antasitua Chile SPA, covering an area of 36km² in the province of Petorca, Chile.

Cougar plans to start reconnaissance exploration activities over the project which include a rock-chip sampling and mapping program, as well as a soil geochemical survey over the prospective andesite volcanic/sedimentary succession. The Company will also assess the suitability of ground geophysics to assist the delineation of structures in the prospect.

Toamasina High Quality Graphite Project (Madagascar)

Overview

In November 2016, Cougar executed a Letter of Intent with DNI Metals Inc (“DNI”) to acquire 100% of the Toamasina Saprolitic Graphite Project in Madagascar comprising a single tenement covering approximately 43 km² in a district with a history of high quality graphite production. Preliminary geological assessment of the project areas was undertaken during the year and preparations made for field-work.

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DIRECTORS' REPORT (CONTINUED)

Cougar's directors were attracted to the Toamasina Graphite Project on account of its following merits:

- Excellent location being 50km by national highway to Madagascar's main port facilities in Toamasina providing low transportation costs
- Existing permits for commercial production, as per DNI's advice
- The weathered nature of the mineralisation which could result in low mining and processing costs due to the absence of drilling, blasting, crushing and grinding.
- The high percentage (circa 60%) of sought after large flake graphite
- The high quality of graphite present in the flake material (circa 98%)
- The potential of the project to economically sustain a staged development, allowing small production to commence and increase with demand from new and existing clients
- The partnering with DNI Metals Inc - an established graphite wholesaler with existing contacts within the complex graphite sales arena

In March 2017 a Definitive Agreement was executed with DNI Metals Inc in order to earn a 50% interest.

All payments due to DNI Metals were made in accordance with the terms of the Definitive Agreement.

Drilling commenced at the Graphite project on 26 April 2017 and assay results from drilling were reported to the ASX on 27 July 2017 and 31 August 2017.

In July 2017 the Company received results from two metallurgical samples collected from the Toamasina Project. The flotation test work, based on a standard graphite process flowsheet developed by Independent Metallurgical Operations (IMO), demonstrated that coarse high purity graphite flakes can be produced from this standard flowsheet. The Board of Cougar viewed these initial results as excellent and that they were in line with expectations for this project.

On 23 June 2017, an extension of time to complete its obligations was requested by Cougar Metals and eventually granted unconditionally by DNI Metals Inc on 16 August, 2017. The revised due date of the Preliminary Economic Assessment was 31 December 2017 and 31 October 2017 for a resource report.

On 31 August 2017 the Company announced further drilling results, comprising sixteen holes and one trench from the Main Zone.

On October 26, 2017 a further extension of 100 days was requested for delays beyond Cougar's control, including 42 days lost due to landowner issues being managed by DNI. As the requested extension was not granted by DNI, Cougar then issued a Notice of Default to DNI, which included a claim that the agreement was breached by DNI unreasonably withholding the requested extension.

Following the close of ASX trading on Friday 1 December, 2017 Cougar was provided a Notice of Default by DNI in regards to the Toasmina project earn-in agreement.

Cougar elected to have the defaults claimed by DNI adjudicated by arbitration as per the Agreement, by serving DNI with a Notice of Arbitration on 6 December 2017 seeking the following:-

- a) an order quashing DNI's notice of default and ordering specific performance of the Definitive Agreement, including an order extending the time for the performance of Cougar's obligations, including all steps required for the work program referred to in section 5.3 of the Definitive Agreement, and including an order requiring DNI to provide adequate protection and security for Cougar's employees and contractors against unlawful arrest, imprisonment or other harassment;
- b) alternatively, damages for breach and improper termination of the Definitive Agreement in the amount of US\$7.5 million per year for the life of the Project, being approximately 50% of the profits projected by DNI, on the basis of production of 12,000 tonnes of graphite per year at a margin of US\$1267.80 per tonne;
- c) in the further alternative, an order for rescission of the Definitive Agreement, including payment to Cougar of all amounts paid by it to DNI, plus all amounts paid by Cougar in relation to the Project, plus damages for Cougar's loss of bargain in the amount of US\$7.5 million per year for the life of the Project;
- d) damages resulting from DNI's misrepresentations to the market in press releases and in other statements published to third parties, in the amount of US\$5 million; and its full legal and arbitral costs.

On December 7, 2017 DNI issued Cougar a Notice of Termination. Arbitration proceedings have now commenced with both parties agreeing to Mr William Horton being appointed as the sole arbitrator.

Shoal Lake Gold Project (Canada)

Overview

Work remained suspended on the Shoal Lake East Gold Project throughout the current period.

In January 2016, the results of the arbitration initiated by Cougar's wholly owned Canadian subsidiary, Tycoon Gold Resources Inc. (Tycoon), in relation to the Shoal Lake East Gold Project were handed down with Tycoon succeeding on all major matters raised in the arbitration proceedings. The arbitrator awarded Tycoon costs totalling CDN\$297,165.44 on an indemnity basis.

The Option Agreement remains in force, but in hiatus, pending compliance of the orders of the arbitration.

The Group progressed with the arbitration it had initiated in response to various concerns relating to the conduct of KPM, and alleged breaches of certain representations and warranties made by KPM, the project vendor, under the option agreement.

Arbitration proceedings are now progressing with a final award expected around July 2017.

Pyke Hill Project (Western Australia)

The Company continues to investigate all possibilities to advance the Project including seeking a sale or third parties who may have an interest in participating in the Project.

Contract Drilling Business

The unfavourable economic conditions within Brazil and the absence of an exploration recovery, as experienced in Australia and Africa, resulted in the Company deciding cease contract drilling operations, allowing the Company to focus on developing its mineral exploration portfolio.

The Company is currently exploring its options to divest its drilling business and as such has been presented as a discontinued operation in the financial report.

CORPORATE EVENTS

- 15 September 2017 – the Company announced that it had secured firm commitments to raise \$800,000 (before costs) comprising a placement of 61,538,462 shares at an issue price of \$0.013 per share to sophisticated and professional investors
- 27 November 2017 - the Company held its Annual General Meeting of Shareholders and all resolutions that were put to the meeting were passed on a show of hands

AFTER BALANCE DATE EVENTS

On 15 January 2018 the Company announced further high-grade lithium results from follow-up geological mapping, soil rock chip, soil and grab sampling of the Solonopole Lithium Project. Follow-up exploration work over the next 3 months will be focussed on extending the soil grids between the identified high-grade outcropping pegmatites to identify the regional trend of the hidden pegmatites below the soil cover, and trenching along identified trends. Drilling will be planned following trenching results being received and is expected to commence in Q4 FY 2018. Details of the sample results are provided in the Company's ASX release dated 15 January 2018.

On 23 January 2018 the Company appointed Mr Scott Reid as General Manager, with the responsibility of progressing and expanding Cougar's current exploration portfolio.

On 7 February 2018 Cougar signed a Letter of Intent ("LOI") with Antasitua Chile SPA ("Antasitua" or "ACS"), to acquire a 100% interest in the Plateado Cobalt Project in Chile, which contains a small scale historical cobalt mine located 130km north-west of the capital, Santiago.

The Plateado Project comprises 12 contiguous granted tenements, listed as Plateado 1 to 12 in the name of Antasitua Chile SPA, covering an area of 36km² in the province of Petorca, Chile.

No other 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 except as stated below.

DIRECTORS' REPORT (CONTINUED)

Auditor's Declaration of Independence

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the review for the half-year ended 31 December 2017 is set out on page 7.

Signed in accordance with a resolution of the directors, made pursuant to s306(3) of the Corporations Act 2001.



Randal Swick
Executive Director

Dated this 16th day of March 2018

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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 review of the financial statements of Cougar Metals NL for the period ended 31 December 2017, 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 review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully

BENTLEYS
Chartered Accountants

DOUG BELL CA
Director

Dated at Perth this 16th day of March 2018



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- Accountants
- Auditors
- Advisors

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

	Note	Consolidated 31 December 2017 \$	Consolidated 31 December 2016 (Restated) \$
Continuing operations			
Finance revenue	2	1,214	366
Other income	2	12,553	-
		<u>13,767</u>	<u>366</u>
Accounting and audit expenses		(36,356)	(14,729)
Corporate expenditure and professional fees		(187,507)	(254,443)
Depreciation expense	3	(2,195)	(345)
Recovery of doubtful debts		-	-
Impairment of assets		(1,128,420)	(32,931)
Operating expenses		(202,113)	(10,945)
Finance costs	3	(3,051)	(2,568)
Office administration expenses		(11,412)	(5,799)
Foreign exchange gain / (loss)		15,296	(2,223)
Loss from continuing operations before income tax		<u>(1,541,991)</u>	<u>(323,617)</u>
Income tax benefit		-	-
Loss for the year after income tax from continuing operations		<u>(1,541,991)</u>	<u>(323,617)</u>
Discontinued operations			
Loss for the year after income tax from discontinued operations	8	<u>(280,261)</u>	<u>(675,722)</u>
Loss for the year		<u>(1,822,252)</u>	<u>(999,339)</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		<u>13,386</u>	<u>(198,067)</u>
Other comprehensive expense for the year		<u>13,386</u>	<u>(198,067)</u>
Total comprehensive loss for the year		<u>(1,808,866)</u>	<u>(1,197,406)</u>
Loss per share from continuing operations			
Basic loss per share (cents)	4	(0.17)	(0.05)
Diluted loss per share (cents)	4	(0.17)	(0.05)
Loss per share from continuing and discontinued operations			
Basic loss per share (cents)	4	(0.20)	(0.15)
Diluted loss per share (cents)	4	(0.20)	(0.15)

The accompanying notes form part of this financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Consolidated 31 December 2017 \$	Consolidated 30 June 2017 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	498,126	398,249
Trade and other receivables	6	33,734	82,548
Other current assets		13,859	3,234
		545,719	484,031
Assets classified as held for sale	8	80,157	511,727
Total Current Assets		667,876	995,758
Non-Current Assets			
Property, plant and equipment	7	-	72
Exploration and evaluation expenditure	9	70,588	832,607
Total Non-Current Assets		70,588	832,679
Total Assets		696,464	1,828,437
LIABILITIES			
Current Liabilities			
Trade and other payables	10	1,224,298	1,453,184
Provisions	11	-	1,243
Loans and borrowings	12	223,000	221,546
		1,447,298	1,675,973
Liabilities directly associated with Assets classified as held for sale	8	4,201,986	4,260,085
Total Current Liabilities		5,649,284	5,936,058
Total Liabilities		5,649,284	5,936,058
Net Liabilities		(4,952,820)	(4,107,621)
EQUITY			
Issued capital	13	28,580,190	27,752,043
Foreign exchange reserve		(603,317)	(616,703)
Option reserve	14	135,520	-
Accumulated losses		(33,065,213)	(31,242,961)
Net Deficit		(4,952,820)	(4,107,621)

The accompanying notes form part of this financial report.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

	Issued Capital	Accumulated Losses	Option Reserve	Foreign Currency Translation Reserve	Net Deficit
	\$	\$	\$	\$	\$
Consolidated					
Balance at 1 July 2016	26,676,661	(29,796,132)	-	(390,327)	(3,509,798)
Loss for the period	-	(999,339)	-	-	(999,339)
Foreign currency translation	-	-	-	(198,067)	(198,067)
Total comprehensive income for the period	-	(999,339)	-	(198,067)	(1,197,406)
Balance at 31 December 2016	26,676,661	(30,795,471)	-	(588,394)	(4,707,204)
Balance at 1 July 2017	27,752,043	(31,242,961)	-	(616,703)	(4,107,621)
Loss for the period	-	(1,822,252)	-	-	(1,822,252)
Foreign currency translation	-	-	-	13,386	13,386
Total comprehensive income for the period	-	(1,822,252)	-	13,386	(1,808,866)
Share based payments			135,520		135,520
Equity issued during the half-year (net of issue costs)	828,147	-	-	-	828,147
Balance at 31 December 2017	28,580,190	(33,065,213)	135,520	(603,317)	(4,952,820)

The accompanying notes form part of this financial report.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

	Note	Consolidated 31 December 2017 \$	Consolidated 31 December 2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		265,465	1,890,105
Payments to suppliers and employees		(1,312,459)	(1,818,195)
Interest received		1,214	366
Interest paid		(3,051)	(202)
Net cash (used in) / generated by operating activities	8a	<u>(1,048,831)</u>	<u>72,076</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(228)	(10,158)
Proceeds from sale of plant and equipment		485,570	-
Purchase of mining tenements		-	(100,000)
Payments for exploration and evaluation		(366,401)	-
Net cash generated by / (used in) investing activities		<u>118,941</u>	<u>(110,158)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of shares		800,000	-
Payments for share issue costs		(48,000)	-
Proceeds from loan		552,171	1,368,769
Repayment of borrowings		(570,924)	(1,143,385)
Net cash generated by financing activities		<u>733,247</u>	<u>225,384</u>
Net (decrease)/increase in cash and cash equivalents held		<u>(196,643)</u>	<u>187,302</u>
Cash and cash equivalents at beginning of financial period		<u>750,286</u>	<u>67,538</u>
Cash and cash equivalents at end of financial period	5b	<u>553,643</u>	<u>254,840</u>

The accompanying notes form part of this financial report.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Corporate Information

The condensed consolidated interim financial report of the Group for the half year ended 31 December 2017 was authorised for issue in accordance with a resolution of directors on 16 March 2018. Cougar Metals NL is a no liability company incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors Report.

(b) Statement of Compliance

This condensed consolidated interim financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS34 'Interim Financial Reporting'.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 30 June 2017 and any public announcements made by Cougar Metals NL during the interim reporting period in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

(c) Basis of Preparation

The accounting policies and methods of computation adopted in the preparation of this condensed consolidated interim financial report are consistent with those adopted and disclosed in the company's annual financial report for the financial year ended 30 June 2017, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(d) Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2017, the Company has reviewed all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2017.

It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies.

The Company has also reviewed all of the new and revised Standards and Interpretations that have been issued but are not effective for the half-year ended 31 December 2017. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies.

(e) Going Concern

The half year 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 incurred a loss for the half year of \$1,822,252 (2016 loss: \$999,339) and net cash outflows from operating activities of \$1,048,831 (2016 inflows: \$72,076).

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

(e) Going Concern (continued)

As at 31 December 2017, the Consolidated Entity has a deficiency in net assets of \$4,952,820 (30 June 2017: deficiency \$4,107,621). As disclosed in note 8, the net liabilities of the disposal group as at 31 December 2017 was \$4,121,829, as such the net liability position of the consolidated entity excluding the proposed disposal of the drilling operations was \$830,991 at balance date.

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 half year to 31 December 2017 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 Consolidated Entity has decided to wind back drilling operations in Brazil and Uruguay; and liquidate its position in order to focus on its lithium and cobalt exploration projects. These projects have provided greater investor appetite providing the Company confidence with its ability to raise capital as and when required;
- The Company has raised \$800,000 from the issue of shares before costs during the half year;
- the Company has ceased providing financial support to its wholly owned Uruguayan subsidiary Palinir S.A. (which is included in the disposal group) which has external liabilities of \$1.906 million and no financial ability to settle its obligations without financial support of the Company;
- the Company has commenced legal actions against parties owing monies to the Consolidated entity;
- the Company has received a letter of financial support from Mr Randal Swick (Managing Director), stating that he will continue to support the company over a period of at least 12 months from the date of signing this financial report, as and when required in order for the company to continue as a going concern. In addition, Mr Swick will not call upon any loans or amounts owing to the Company within 12 months of signing the financial report unless otherwise agreed by the directors and himself. As at 31 December 2017 \$2,000,321 is owed to Mr Swick for outstanding fees and loans advanced to the Consolidated Entity; and

The directors have prepared a cash flow forecast, which indicates that the Company will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report.

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

1. Disposal or liquidation of Cougar Brasilia Pty Ltd and its subsidiaries (refer note 8);
2. The ability of the Company to raise capital as and when required and manage cash flows in line with available funds;
3. That no significant liabilities will revert to the Company relating to Palinir S.A; and
4. The continued financial support from the Managing Director.

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.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

1 Statement of Significant Accounting Policies (continued)

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Consolidated Half Year ended 31 December 2017 \$	Consolidated Half Year ended 31 December 2016 \$ Restated
2 Revenue – continuing operations		
Other revenue	12,553	-
Finance revenues	1,214	366
	<hr/>	<hr/>
Total revenue	13,767	366
	<hr/>	<hr/>
3 Expenses – continuing operations		
Loss before tax is arrived after charging the following expenses:		
(a) Depreciation		
Depreciation expense	2,195	345
	<hr/>	<hr/>
(b) Finance costs		
Interest expense	3,051	2,568
	<hr/>	<hr/>
(c) Employee benefits		
Wages and salaries	9,332	31,994
Other	1,005	1,082
	<hr/>	<hr/>
	10,337	33,076
	<hr/>	<hr/>
4 Loss per share		
Loss from continuing operations - used in the calculation of loss per share	(1,541,991)	(323,617)
	<hr/>	<hr/>
Net loss for the half-year – used in the calculation of loss per share	(1,822,252)	(999,339)
	<hr/>	<hr/>
	31 December 2017 No.	31 December 2016 No.
Weighted average number of shares used in calculating loss per share	889,375,075	665,268,524
	<hr/>	<hr/>
Diluted and undiluted loss per share from continuing operations (cents)	(0.17)	(0.05)
	<hr/>	<hr/>
Diluted and undiluted loss per share from continuing and discontinued operations (cents)	(0.20)	(0.15)
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Consolidated 31 December 2017 \$	Consolidated 30 June 2017 \$
5 Cash and cash equivalents		
Cash at bank and in hand	478,126	378,249
Short-term bank deposits	20,000	20,000
	<u>498,126</u>	<u>398,249</u>

a) Non-cash financing and investing activities

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

b) Cash and cash equivalents as shown in the consolidated statement of cash flows is reconciled to the related items in the consolidated statement of financial position as follows:

Cash and cash equivalents as per the consolidated statement of financial position	498,126	398,249
Cash and cash equivalents attributable to discontinued operations	55,517	352,037
	<u>553,643</u>	<u>750,286</u>

6 Trade and other receivables

Current

Consideration receivable (b)	1,615,229	1,640,025
Other Receivables	106,250	155,064
Provision for Impairment	(1,687,745)	(1,712,541)
	<u>33,734</u>	<u>82,548</u>

- a) Due to the short term nature of these receivables their carrying value is assumed to approximate their fair value.
- b) The Group disposed of its interests in the Alta Floresta Project in Brazil during the 2014 financial year. Under the terms of the sale agreement, the proceeds were to be received over a 2 year period. The acquirer failed to meet the agreed payment schedule and as a consequence the Group has commenced legal action to recover. Due to the uncertainty of recovery at this time, a provision for impairment of \$1,615,229 (30 June 2017: \$1,640,025), being the full amount of the receivable, has been recognised.

7 Property, plant and equipment

Furniture and equipment:

At cost	9,837	7,714
Accumulated depreciation and impairment	(9,837)	(7,642)
	<u>-</u>	<u>72</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

8 Discontinued Operations and Assets and Liabilities Held for Sale

a) Assets and Liabilities Held for Sale

During the year ended 30 June 2017, the Company announced to the market its decision to wind back drilling operations in Brazil and Uruguay; and liquidate its position in order to focus on its graphite and lithium exploration assets. The Group's drilling operations comprise of the following companies:

- i) Cougar Brasilia Pty Ltd
- ii) Geologica Sondagens Ltda
- iii) Palinir S.A.

As at 31 December 2017, the Company is still in the process of preparing for the sale of the above operations. The carrying amounts of assets and liabilities of the above operations as at 31 December 2017 are as follows:

	Consolidated 31 December 2017 \$
Assets classified as held for sale	
Cash and cash equivalents	55,517
Property, plant and equipment	24,640
	<u>80,157</u>
Liabilities directly associated with Assets classified as held for sale	
Trade and other payables	(1,245,747)
Provisions	(2,157,351)
Loans and borrowings	(798,888)
	<u>(4,201,986)</u>
Net liabilities	<u>(4,121,829)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

8 Discontinued Operations and Assets and Liabilities Held for Sale (continued)

b) Financial Performance from discontinued operations

	Consolidated Half Year ended 31 December 2017 \$	Consolidated Half Year ended 31 December 2016 \$ Restated
The financial performance of the discontinued operations are as follows:		
Revenue	157,156	1,428,952
Finance revenue	-	-
Profit on sale of assets	485,570	-
Other revenue	8,204	-
Total revenue	<u>650,930</u>	1,428,952
Expenses	<u>(931,191)</u>	(2,104,674)
Profit / (Loss) from discontinued operations before tax	(280,261)	(675,722)
Income tax benefit	-	-
Profit / (Loss) from discontinued operations	<u>(280,261)</u>	(675,722)

9 Deferred exploration expenditure

	Consolidated 31 December 2017 \$	Consolidated 30 June 2017 \$
Expenditure brought forward	832,607	-
Expenditure incurred during year	366,400	832,607
Expenditure impaired during year	<u>(1,128,419)</u>	-
Expenditure carried forward	<u>70,588</u>	832,607

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Consolidated 31 December 2017 \$	Consolidated 30 June 2017 \$
10 Trade and other payables		
Current		
Trade payables	1,026,798	952,616
Other accruals	197,500	500,568
	<u>1,224,298</u>	<u>1,453,184</u>

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value. The Payables disclosed are unsecured.

11 Provisions		
Employee entitlements	-	1,243
Foreign taxes	-	-
Foreign employee provisions	-	-
	<u>-</u>	<u>1,243</u>

12 Loans and borrowings

Current		
Loan from director related entity – unsecured	223,000	221,546
	<u>223,000</u>	<u>221,546</u>

Terms and conditions relating to the above financial instruments:

- The Loan from director related entity – unsecured relates to an advance by Randal Swick (Managing Director). Randal Swick has provided the Company with a letter of financial support stating that he will not call upon any loans to the company within 12 months of signing the financial report unless agreed otherwise by the Directors. The total loan from Randal as at 31 December 2017 amounted to \$1,021,888 (30 June 2017: \$1,043,679). The \$798,888 relates to advances made to discontinued operations (30 June 2017: \$822,133).

13 Issued capital

Ordinary fully paid ordinary shares (a)	28,576,764	27,748,617
Contributing shares partly paid to \$0.01	3,426	3,426
	<u>28,580,190</u>	<u>27,752,043</u>

	Consolidated 31 December 2017		Consolidated 30 June 2017	
	\$	No.	\$	No.
Ordinary shares				
Balance at beginning of year	27,752,043	829,554,238	26,676,661	665,268,524
Issue of shares	800,000	61,538,462	1,150,000	164,285,714
Share based payments	211,667	26,709,991	-	-
Share issue costs (including share-based payments expense)	(183,520)	-	(74,618)	-
	<u>28,580,190</u>	<u>917,802,691</u>	<u>27,752,043</u>	<u>829,554,238</u>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

14 Option Reserve

On 9 August 2017, the Company issued 20,000,000 unlisted options exercisable at \$0.015 expiring on 31 July 2018 and 10,000,000 unlisted options exercisable at \$0.017 expiring on 30 June 2019 as part of consideration to GTT Ventures for services in relation to capital raising for the Company.

	Consolidated 31 December 2017		Consolidated 30 June 2017	
	\$	No.	\$	No.
Option Reserve				
Balance at beginning of year	-	-	-	-
Share based payments	135,520	30,000,000	-	-
Balance at end of year	135,520	30,000,000	-	-

	Consolidated 31 December 2017 \$	Consolidated 30 June 2017 \$
15 Capital and leasing commitments		
Finance leases		
<1 year	-	73,357
1 – 5 years	-	-
>5 years	-	-
Minimum lease payments		
Future finance charges		
Lease liability	-	73,357
Comprising:		
Current liability (note 16)	-	73,357
Non-Current liability (note 16)	-	-
	-	73,357

Operating lease commitments

The Group has operating lease commitments of \$nil (30 June 2017: \$nil).

Exploration expenditure obligations

The Group has no minimum expenditure obligations relating to its tenements (30 June 2017: \$53,800).

16 Contingent assets and contingent liabilities

The Directors are not aware of any contingent liabilities or contingent assets as at 31 December 2017, with the exception of the following.

Shoal Lake East Gold Project

In 2015, 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, which was referred to arbitration. In February 2016, the results of the arbitration were handed down with Tycoon succeeding on all major matters raised in the arbitration proceedings. The arbitrator awarded Tycoon costs totalling CDN\$297,165 on an indemnity basis. The matter remains incomplete pending compliance of the arbitrator's orders. No asset or liability has been recognised in relation to this matter at this time.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

Ceara Lithium Project

The Company and MMH Capital Ltd entered into a Letter of Intent on or about 2 August 2016 (**LOI**) under which the Company was to acquire an 85% interest in approximately 35 tenement applications in Brazil covering an area of ~60,000 Ha that are prospective for lithium mineralisation (**Tenement Applications**). Pursuant to the LOI, the Company agreed to issue, on completion of a definitive legal agreement, subject to available capacity or Shareholder approval, a total of 100,000,000 Shares as consideration for the acquisition of an 85% interest in the Tenement Applications. The Company obtained shareholder approval on 30 November 2017 at its Annual General Meeting and has yet to issue the shares. The value of the shares as at 31 December 2017 is \$600,000 using the closing price of \$0.006 on 29 December 2017 (last trading day before balance date).

DNI Arbitration

In November 2016, Cougar executed a Letter of Intent to acquire 100% of the Toasmina Saprolitic Graphite Project in Madagascar comprising a single tenement covering approximately 43 km² in a district with a history of high quality graphite production. Preliminary geological assessment of the project areas was undertaken during the year and preparations made for field-work.

In March 2017 a Definitive Agreement was executed with DNI Metals Inc in order to earn a 50% interest.

On October 26, 2017 a further extension of 100 days was requested for delays beyond Cougar's control, including 42 days lost due to landowner issues being managed by DNI. As the requested extension was not granted by DNI, Cougar then issued a Notice of Default to DNI, which included a claim that the agreement was breached by DNI unreasonably withholding the requested extension.

Following the close of ASX trading on Friday 1 December, 2017 Cougar was provided a Notice of Default by DNI in regards to the Toasmina project earn-in agreement.

Cougar elected to have the defaults claimed by DNI adjudicated by arbitration as per the Agreement, by serving DNI with a Notice of Arbitration on December 6, 2017 seeking the following:-

- a) an order quashing DNI's notice of default and ordering specific performance of the Definitive Agreement, including an order extending the time for the performance of Cougar's obligations, including all steps required for the work program referred to in section 5.3 of the Definitive Agreement, and including an order requiring DNI to provide adequate protection and security for Cougar's employees and contractors against unlawful arrest, imprisonment or other harassment;
- b) alternatively, damages for breach and improper termination of the Definitive Agreement in the amount of US\$7.5 million per year for the life of the Project, being approximately 50% of the profits projected by DNI, on the basis of production of 12,000 tonnes of graphite per year at a margin of US\$1267.80 per tonne;
- c) in the further alternative, an order for rescission of the Definitive Agreement, including payment to Cougar of all amounts paid by it to DNI, plus all amounts paid by Cougar in relation to the Project, plus damages for Cougar's loss of bargain in the amount of US\$7.5 million per year for the life of the Project;
- d) damages resulting from DNI's misrepresentations to the market in press releases and in other statements published to third parties, in the amount of US\$5 million; and its full legal and arbitral costs.

On December 7, 2017 DNI issued Cougar a Notice of Termination. Arbitration proceedings have now commenced with both parties agreeing to Mr William Horton being appointed as the sole arbitrator.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

17 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 half year ended 31 December 2017 the consolidated entity operated in the following Geographic Segments: Australia, Brazil, Uruguay, Canada and Madagascar. (30 June 2017: Australia, Brazil, Uruguay and Canada).

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

17 Segment reporting (continued)

The details of the financial information for each segment are as follows:

	Continuing Operations		Discontinued Operations		Total Operations
	Australian Administration Exploration & Evaluation	Canada Exploration & Evaluation	Brazil Drilling Operations	Uruguay Drilling Operations	
	\$	\$	\$	\$	\$
31 December 2017					
Revenue					
Sales to external customers	-	-	157,156	-	157,156
Finance revenue	1,214	-	-	-	1,214
Profit on Sale of Assets	12,523	-	485,570	-	498,093
Other	-	-	8,204	-	8,204
Segment revenue	13,737	-	650,930	-	664,667
Segment profit / (loss) before tax	(1,460,149)	(40,156)	(246,432)	(75,515)	(1,822,252)
Assets and liabilities					
Segment assets	602,148	14,159	80,157	-	696,464
Segment liabilities	(1,333,469)	(113,825)	(2,538,926)	(1,663,064)	(5,649,284)
Segment net assets / (liabilities)	(731,321)	(99,666)	(2,458,769)	(1,663,064)	(4,952,820)
Movements in assets					
Addition of plant and equipment	-	-	-	-	-
Depreciation expense	2,195	-	-	-	2,195
Doubtful debts	-	-	(24,874)	-	(24,874)
Impairment	1,128,419	-	-	-	1,128,419
30 December 2016					
Revenue					
Sales to external customers	-	-	1,428,952	-	1,428,952
Finance revenue	366	-	-	-	366
Profit on Sale of Assets	-	-	-	-	-
Other	-	-	-	-	-
Segment revenue	366	-	1,428,952	-	1,429,318
Segment loss before tax	(290,897)	(33,992)	(642,601)	(31,849)	(999,339)
30 June 2017					
Assets and liabilities					
Segment assets	1,580,843	15,413	232,181	-	1,828,437
Segment liabilities	(1,597,300)	(152,030)	(2,529,157)	(1,657,571)	(5,936,058)
Segment net assets / (liabilities)	(16,457)	(136,617)	(2,296,976)	(1,657,571)	(4,107,621)
Movements in assets					
Addition of plant and equipment	-	-	15,456	-	15,456
Depreciation expense	566	-	100,808	-	101,374
Doubtful debts	951	-	(42,883)	-	(41,932)
Impairment	-	(3,799)	-	-	(3,799)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

18 Events after balance sheet date

On 15 January 2018 the Company announced further high-grade lithium results from follow-up geological mapping, soil rock chip, soil and grab sampling of the Solonopole Lithium Project. Follow-up exploration work over the next 3 months will be focussed on extending the soil grids between the identified high-grade outcropping pegmatites to identify the regional trend of the hidden pegmatites below the soil cover, and trenching along identified trends. Drilling will be planned following trenching results being received and is expected to commence in Q4 FY 2018. Details of the sample results are provided in the Company's ASX release dated 15 January 2018.

On 23 January 2018 the Company appointed Mr Scott Reid as General Manager, with the responsibility of progressing and expanding Cougar's current exploration portfolio.

On 7 February 2018 Cougar signed a Letter of Intent ("LOI") with Antasitua Chile SPA ("Antasitua" or "ACS"), to acquire a 100% interest in the Plateado Cobalt Project in Chile, which contains a small scale historical cobalt mine located 130km north-west of the capital, Santiago.

The Plateado Project comprises 12 contiguous granted tenements, listed as Plateado 1 to 12 in the name of Antasitua Chile SPA, covering an area of 36km² in the province of Petorca, Chile.

No other 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 except as stated below.

19 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 half 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.

	Consolidated 31 December 2017 \$	Consolidated 30 June 2017 \$
The following balances were outstanding with related parties at period end:		
Loans from related parties:		
Advance from Randal Swick ⁽ⁱ⁾	1,021,888	1,039,186
Payable to:		
Corporate Management Services LLC ⁽ⁱⁱ⁾	978,433	891,433
M&A Family Trust – Michael Fry	-	237,219
David Symons	11,500	36,667
Brian Thomas	-	3,500
Independent Metallurgical Operations Pty Ltd ⁽ⁱⁱⁱ⁾	9,103	-

(i) Advance from Randal Swick to commonly controlled entities from the parent entity are non-interest bearing and not repayable within the next 12 months. Of this amount, \$798,888 (30 June 2017: \$822,133) relates to discontinued operations.

(ii) Corporate Management Services LLC is the personal services entity of Randal Swick. Under the services agreement between Cougar Metals NL and Corporate Management Services LLC, Corporate Management Services LLC receives fixed remuneration of \$218,400 per annum in connection with the provision of services of its principal Randal Swick.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

Payments:

Independent Metallurgical Operations Pty Ltd (“IMO”) is a company that is controlled by Director David Symons. IMO was engaged on arms length terms and conditions to perform metallurgical analysis for the Company. IMO was paid \$9,103 during the period for these services.

Group Companies

Subsidiary	Principal Activity	Place of Incorporation	Percentage Ownership	
			31 December 2017	30 June 2017
Cougar Brasilia Pty Ltd	Exploration and evaluation	Australia	100%	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%	100%

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DIRECTORS' DECLARATION

1. In the opinion of the Directors of Cougar Metals NL (the "Company"):
 - a. the accompanying interim financial statements and notes are in accordance with the *Corporations Act 2001* including:
 - i. giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half- year then ended; and
 - ii. complying with Australian Accounting Standards, the *Corporations Regulations 2001*, professional reporting requirements and other mandatory requirements.
 - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
 - c. the interim financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
1. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 303(5) of the *Corporations Act 2001* for the half-year ended 31 December 2017.

This declaration is signed in accordance with a resolution of the board of Directors.



Randal Swick
Executive Chairman

Dated this 16th day of March 2018

Independent Auditor's Review Report

To the Members of Cougar Metals NL

We have reviewed the accompanying financial report of Cougar Metals NL ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the period.

Directors Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the 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 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 2017 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 the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a 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.

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Independent Auditor's Review Report

To the Members of Cougar Metals NL (Continued)



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Cougar Metals NL and Controlled Entities 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 2017 and of its performance for the period ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(e) in the financial report, which indicates that the Consolidated Entity incurred a net loss of \$1,822,252 during the half year ended 31 December 2017. As stated in Note 1(e), these events or conditions, along with other matters as set forth in Note 1(e), indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

BENTLEYS
Chartered Accountants

DOUG BELL CA
Director

Dated at Perth this 16th day of March 2018

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