

2 January 2007

**ANNUAL MINERAL EXPLORATION REPORT  
PYKE HILL NICKEL – COBALT PROJECT  
1 September 2005 to 30 August 2006**

During the reporting year Cougar Metals NL completed another aircore drilling programme and a Resource Calculation.

The Resource Calculation was carried out by independent consultancy firm RSG Global in October 2005. The result of this was an Inferred Resource consisting of 3.15 Million tonnes @ 1.15% Ni and 0.07% Co when using a 1% Ni lower cut-off.

The drill programme consisted of 44 vertical aircore holes (PHAC063-106) for a total of 1845 metres and was designed to infill previous drilling in an attempt to better define the high grade Ni-Co mineralisation. This was completed after the Resource Calculation and was successful at better defining the high grade mineralisation although it has not totally closed off. High grades were sustained along the entire length tested and remain open in both directions. Some of the better intersections included:

- 6m @ 2.4% Ni & 0.16% Co;
- 7m @ 1.6% Ni & 0.34% Co;
- 12m @ 1.5% Ni & 0.03% Co; and
- 18m @ 1.6% Ni & 0.12% Co.

Further drilling will be completed in the coming year with the aim of defining an Indicated and/or Measured Resource.

In June 2005 a third aircore drilling programme was completed by Cougar Metals NL. A total of 31 holes (PHAC032-062) were drilled for 1380 metres. The same sampling and assaying procedures were used as previously and the drill spacing was closed up to 50m on lines 200m apart.

The results from the drilling were sufficiently encouraging for Cougar Metals to decide to continue with the Prospect and exercise the option agreement with Greater Australian Gold NL.





Object Description : M 39/159 : Applied for/Granted; Unsurveyed; Live  
Estimated area : 537.0594 (Ha)  
Datum: GDA94

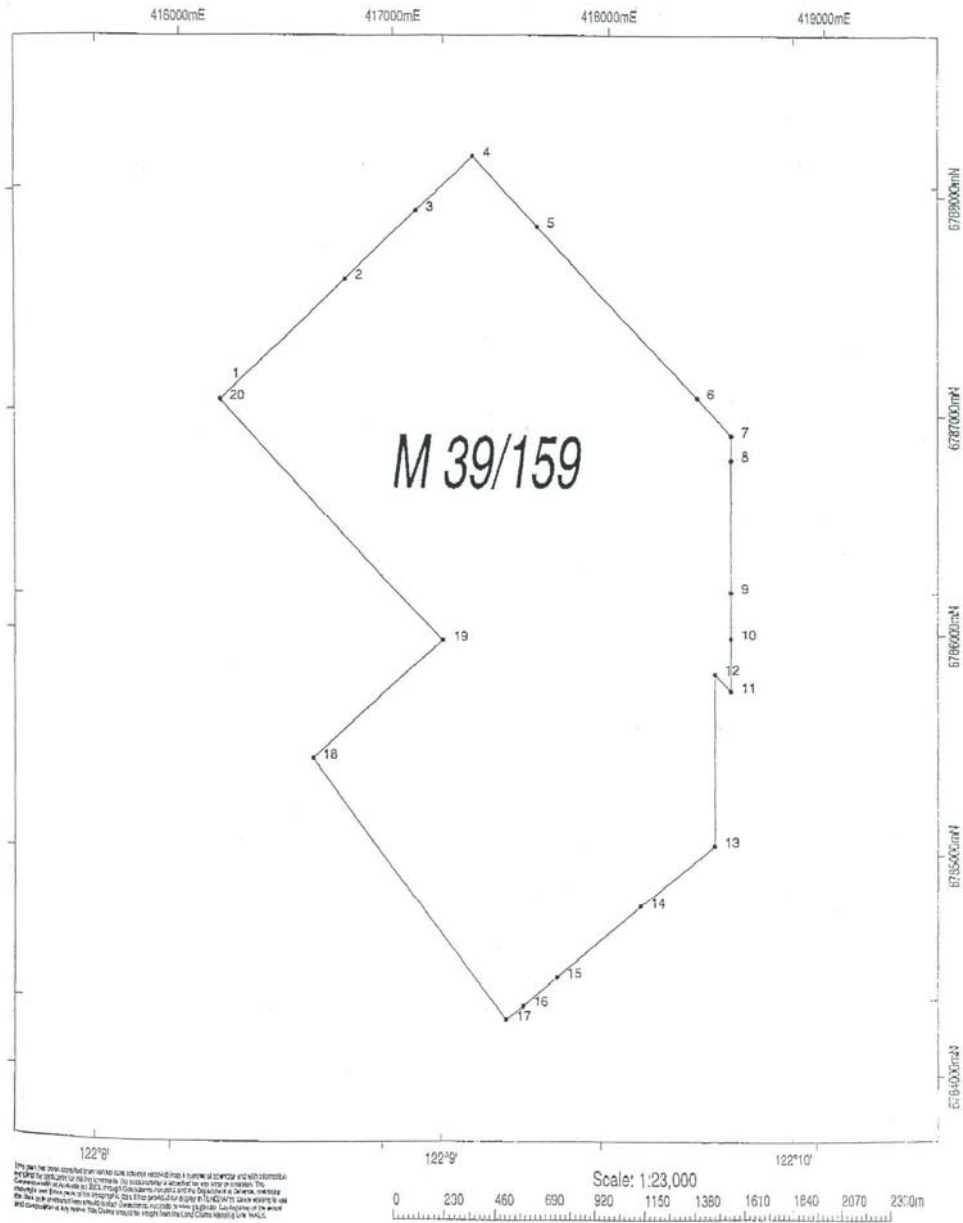


Figure 2: Drill-hole Collar Plot

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### CURRENT EXPLORATION

In October 2005 an Inferred Resource calculation was completed by independent consultancy firm RSG Global. The resource calculation was done with data from the first 62 aircore holes drilled by Cougar Metals on approximately 200m x 50m centres but sometimes on 200m x 100m centres. A drillhole collar plot is included as Figure 2.

The Inferred Resource consists of 3.15 Million tonnes @ 1.15% Ni and 0.07% Co when using a 1% Ni lower cut-off. Using a higher 1.2% Ni cut-off the Inferred Resource is 2.36 Million tonnes @ 1.39 Ni and 0.085% Co.

A further infill drilling programme was completed after the resource calculation. The programme consisted of 44 vertical aircore holes (PHAC063-106) for a total of 1845 metres and was designed to infill previous drilling in an attempt to better define the high-grade Ni-Co mineralisation. This was successful at better defining the high grade mineralisation although it has not totally closed off. The drill spacing is now 100m x 50m or 100m x 25m.

Samples were taken once again on single metre and four metre composite intervals. Single metre samples were weighed and split at the time of drilling and these weights recorded. Samples were collected in plastic bags onsite. Samples were assayed at Ultratrace laboratory for the same suite of elements as previously.

At the time of drilling many of the samples were wet and this meant that some intervals could not be split. Therefore hand grab samples were taken and this information recorded. At a later time when the samples were sufficiently dry a resplit sample programme was completed to verify the accuracy of the original individual metre assays. This was successful.

### CONCLUSIONS

The Resource Calculation has shown that at Pyke Hill there is a potentially economic Ni-Co deposit although it does require further drilling to take it to Measure Resource status. It is the intention of Cougar Metals to advance towards this in the coming reporting year.

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- Grades have been estimated for Ni and Co using Block Ordinary Kriging (OK). A comparative estimate was also generated via Inverse Distance Squared (ID2) weighting which compared well with the kriged estimate. Two estimation passes were used to fill the model for Ni and Co. Estimation parameters are presented as Table 2.
- Density coding of the block model is based on the Toomey Hill Project, which is considered an analogue of the Pyke Hill Project. The density coding is based on the interpreted geological model and subdivides the Ferruginous Zone, Smectite Zone, and Saprolite zone. It should be noted that very little of the mineralised model falls within the Ferruginous Zone. Table 3 summarises the density stratification.
- An assessment of the grade estimate quality and data quality has been completed. Excluding data quality, RSG Global considers the resource is consistent with an Inferred Mineral Resource, as set out in the December 2004 JORC code guidelines. RSG Global is happy to endorse this categorisation jointly with Cougar, conditional on Cougar providing joint signoff on all data quality aspects.
- The grade estimate (unclassified) is reported as Table 4.

Domain	Nugget (C0)	Rotation (geological)			Sill (C1)	Structure 1			Sill (C2)	Structure 2		
		Z	Y'	Z''		Range (m)				Range (m)		
						Major	Semi Major	Minor		Major	Semi Major	Minor
Ni %	0.13	0	0	0	0.40	80	20	10	0.47	250	150	11
Co %	0.22	0	0	0	0.46	200	65	9	0.32	500	180	12

Method	OK and ID2	
Estimation Pass	1	2
Element	Ni, Co	Ni, Co
min samples	12	2
max samples	24	24
max axis radius	250	500
semi maj axis radius	50	100
minor axis radius	10	20

Domain	Density
Ferruginous Zone	1.81
Smectite Zone	1.21
Saprolite Zone	1.21

Table 4 Grade Tonnage Report						
Grade Estimate						
% Ni	Volume	Tonnes	Ni % OK	Ni% ID2	Co% OK	Co% ID2
0.5-1	7678094	9354493	0.799	0.813	0.055	0.056
>1	2608191	3156017	1.153	1.153	0.068	0.069
<b>Total</b>	<b>10286285</b>	<b>12510511</b>	<b>0.888</b>	<b>0.899</b>	<b>0.058</b>	<b>0.059</b>

Notes: 1) No rounding has been applied to the grade tonnage report.  
2) All reported material consistent with Inferred Mineral Resource subject to data quality.

With best regards



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Brian Wolfe  
Resource Consultant

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Yours sincerely,



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