

Financial Statements (unaudited)

COUGAR MINERALS CORPORATION

Third Quarter

Nine months ended June 30, 2009 with comparative figures for 2008

**COUGAR MINERALS CORPORATION
INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED JUNE 30, 2009**

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by, and are the responsibility of the Company's management.

COUGAR MINERALS CORPORATION**Balance Sheet**

(Unaudited)

	June 30, 2009	September 30, 2008
Assets		
Current Assets:		
Cash and cash equivalents	\$ 352,788	\$ 200,513
Accounts receivable	9,071	85,581
GST receivable	3,055	-
Advances	205,000	-
	569,914	286,094
Oil and gas properties (Note 4)	365,915	362,616
Reclamation deposit	4,000	4,000
Exploration properties and deferred expenditures (Note 5)	266,338	665,204
	\$ 1,206,167	\$ 1,317,914
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 105,505	\$ 154,591
Due to related parties (Note 6)	16,500	60,000
Loan payable (Note 6)	-	20,000
	122,005	234,591
Shareholders' Equity:		
Capital stock (Note 7)	3,059,605	2,442,093
Shares subscribed	352,500	43,800
Contributed surplus	138,005	208,462
Deficit	(2,465,948)	(1,611,032)
	924,162	1,083,323
	\$ 1,206,167	\$ 1,317,914

The accompanying notes are an integral part of these interim financial statements

Approved by the Board of Directors:

"Chris Grove"

Director

"Mike Elson"

Director

COUGAR MINERALS CORPORATION
Statement of Operations and Retained Earnings (Deficit)
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2009	2008	2009	2008
Revenue				
Other income	\$ -	\$ -	\$ 3,590	\$ -
Expenses				
Accounting and auditing	-	-	5,900	-
Advertising and promotion	2,500	1,128	2,500	1,125
Bank charges and interest	228	80	422	770
Consulting	-	2,019	13,200	11,844
Filing and regulatory fees	3,402	2,470	9,390	16,184
Investor relations	2,119	12,029	14,119	25,029
Legal fees	14,852	19,045	40,100	38,555
Licenses and fees	-	-	-	10,100
Management fees (Note 6)	10,500	16,500	33,825	27,500
Office expenses	19	7,873	1,468	9,261
Rent (Note 6)	4,500	-	16,500	-
Stock-based compensation (Note 7)	138,005	171,624	138,005	233,098
Telephone	-	-	750	-
	(176,125)	(232,768)	(276,179)	(373,469)
Loss before other items	(176,125)	(232,768)	(272,589)	(373,469)
Other Items:				
Income taxes (Note 10)	-	-	(32,692)	-
Write off of mineral property (Note 5)	-	(138,552)	(549,635)	(752,353)
Loss for the period	(176,125)	(371,320)	(854,916)	(1,125,822)
Retained earnings (Deficit), beginning of period	(2,289,823)	(1,466,746)	(1,611,032)	(712,244)
Deficit, end of period	\$ (2,465,948)	\$ (1,838,066)	\$ (2,465,948)	\$ (1,838,066)
Basic and diluted loss per share	\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (0.06)
Weighted average number of shares	32,235,964	20,348,715	31,419,189	20,348,715

The accompanying notes are an integral part of these interim financial statements

COUGAR MINERALS CORPORATION**Statement of Cash Flows**

(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2009	2008	2009	2008
Cash provided by (used for):				
Operating Activities:				
Loss for the period	\$ (176,125)	\$ (371,320)	\$ (854,916)	\$ (1,125,822)
Items not affecting cash:				
Write-off of resource property	-	138,552	549,635	752,353
Stock-based compensation	138,005	171,624	138,005	233,098
Changes in non-cash working capital:				
Accounts receivable	-	(5,767)	76,510	36,365
GST receivable	(1,063)	-	(3,055)	-
Due to related party	(35,500)	-	(63,500)	-
Prepaid expenses and advances	(205,000)	(118,388)	(205,000)	(119,888)
Accounts payable and accrued liabilities	(5,532)	(16,830)	(49,086)	(45,875)
Cash used for operating activities	(285,215)	(202,129)	(411,407)	(269,769)
Financing Activities:				
Shares subscribed	352,500	40,000	352,500	40,000
Loan payable	-	120,000	-	120,000
Issuance of common shares for cash	-	35,000	202,000	1,240,028
Cash provided by financing activities	352,500	195,000	554,500	1,400,028
Investing Activities				
Oil and gas property	(3,299)	-	(3,299)	-
Mineral property recovery	-	-	66,836	-
Exploration properties and deferred costs	(52,184)	(34,532)	(54,355)	(301,802)
Cash used for investing activities	(55,483)	(34,532)	9,182	(301,802)
(Decrease) increase in cash	11,802	(41,661)	152,275	828,457
Cash, beginning of period	340,986	894,044	200,513	23,926
Cash, end of period	\$ 352,788	\$ 852,383	\$ 352,788	\$ 852,383

Non-cash investing and financing activities:

Shares issued for interest in exploration properties	\$ 160,000	\$ -	\$ 163,250	\$ -
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The accompanying notes are an integral part of these interim financial statements

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. NATURE AND CONTINUANCE OF OPERATIONS

Cougar Minerals Corporation (the “Company”) was incorporated under the Canada Business Corporations Act on April 21, 2004. Its principal business activities include the acquisition and exploration of mineral properties and oil and gas properties.

The Company is in the process of exploring its mineral properties and its oil and gas properties and has not yet determined whether the mineral properties contain ore reserves and oil and gas reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and oil and gas properties and their related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

The Company completed an Initial Public Offering (“IPO”) on April 26, 2007 (Note 9).

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing on reasonable terms and to commence profitable operations in the future. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company’s operations and exploration programs. To the extent financing is not available, lease payments, work commitments, rental payments and option payments may not be satisfied and could result in a loss of property ownership or earning opportunities for the Company. Management is closely monitoring commodity prices of precious metals and oil and gas, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. The financial statements do not include any adjustments to the recoverability and classification of reduced asset amounts and classification of liabilities that might be necessary should the Company be unable to continue operations.

	June 30, 2009	September 30, 2008
Working capital	\$ 447,909	\$ 51,503
Deficit	(2,465,948)	(1,611,032)

Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

Significant accounts that require estimates as the basis for determining the stated amounts include oil and gas property, mineral properties, stock-based compensation and future income taxes.

Oil and gas properties

The Company utilizes the full cost method to account for its investment in oil and gas properties. Under this method, all costs of acquisition, exploration and development of oil and gas reserves, including such costs as leasehold acquisition costs, geological expenditures, tangible and intangible development costs and direct internal costs, are capitalized as incurred. The cost of the oil and gas properties with proved reserves will be depleted and charged to operations using the unit-of-production method based on the ratio of current production to estimated proved oil and gas reserves.

Costs directly associated with the acquisition and evaluation of unproved properties are excluded from the depletion computation until it is determined whether or not proved reserves can be assigned to the properties or whether impairment has occurred. If the results of an annual assessment indicate that the properties are impaired, the amount of the impairment along with the costs of drilling exploratory dry holes and geological and geophysical costs that cannot be directly associated with specific unevaluated properties are added to the capitalized costs subject to depletion. Should the Company not have properties with proven reserves, these costs are charged to operations for the year.

In applying the full cost method, the Company performs an annual cost centre impairment (ceiling test). The Company tests each cost centre for recoverability by comparing the carrying value of capital costs to the undiscounted cash flows expected to result from its use and eventual disposition. The calculation of future net revenues is based on reasonable estimates of future oil and gas prices and costs. Unproved properties are included in the cost centre impairment test by adding the cost of the unproved property, less any impairment, to the estimated future cash flow for the cost centre. An impairment loss is recognized when the carrying amount of a cost centre is not recoverable and is measured as the amount by which the carrying amount of the assets capitalized in a cost centre exceeds the sum of the fair value of proved and probable reserves plus costs, less any impairment, of unproved properties.

Any amounts recorded for depletion and amortization of oil and gas properties and equipment and any provision for future site restoration and abandonment costs are based on estimates. The ceiling test is based on estimates of proved reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Mineral properties

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition and exploration of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment. These costs will be amortized on the basis of units produced in relation to the probable and proven reserves available on the related property following commencement of production. Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The recorded cost of mineral exploration interests is based on cash paid, the assigned value of share considerations and exploration and development costs incurred. The recorded amount may not reflect recoverable value as this will be dependant on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability for an asset retirement obligation and the related asset retirement cost capitalized as part of the carrying amount of the related long-lived asset. The Company does not have any significant asset retirement obligations.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per common share is recognized on the use of proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive.

Basic loss per common share is calculated using the weighted average number of common shares outstanding during the year.

Future income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Flow-through shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences. When flow-through expenditures are renounced, a portion of future income tax assets not recognized in previous years, due to the recording of a valuation allowance, will be recognized as a recovery of income taxes in the statement of operations.

Stock-based compensation

The Company uses the fair value-based method for stock-based compensation and therefore all awards to employees and non-employees will be recorded at fair value on the date of the grant and expensed over the period of vesting. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option at the date of grant. Any consideration paid by the option holders to purchase shares is credited to capital stock.

Financial instruments, comprehensive income and hedges

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company classified its cash as held for trading which is measured at fair value. Receivables and reclamation deposit are classified as loans and receivables and accounts payable and accrued liabilities, due to related party and loan payable are classified as other liabilities, all of which are measured at amortized cost.

Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

2. FUTURE ACCOUNTING CHANGES

International financial reporting standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with international financial reporting standards ("IFRS") for Canadian enterprises with public accountability ("PAEs"). The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. The use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

Goodwill and intangible assets

Section 3064, Goodwill and Intangible Assets, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and expenses during the pre-operating period. As a result of the withdrawal of EIC 27, the Company will no longer be able to defer costs and revenues incurred prior to commercial production at new operations. This new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

3. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of its mineral properties and oil and gas properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage, as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for

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administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels

3. CAPITAL MANAGEMENT (continued)

there is sufficient geologic or economic potential and if it has adequate available or committed financial resources to complete such acquisitions.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the third quarter ended June 30, 2009.

4. OIL AND GAS PROPERTY

	Total
Balance, September 30, 2007	-
Acquisition of oil and gas property interests	100,000
Project consulting	69,665
Seismic	62,058
Other	8,302
Surface rights and road use	18,536
Pre-site and survey	15,677
Lease and access construction	72,944
Drilling	600
Drilling advance	<u>18,133</u>
Balance, June 30, 2009	\$ 365,915

George Field Property

The Company entered into a farm-in agreement pursuant to which it has acquired the right to earn an interest in its Petroleum and Natural Gas Mineral lease in the George Field, located near Fairview, Alberta. The Company will earn a 75% working interest in the lease until payout and revert to a 60% working interest after payout. To acquire its interest, the Company paid \$100,000 and is required to drill one exploration well on the lease. At December 31, 2008, the drilling of the well was suspended due to the economic climate, but will be drilled when economic conditions have improved and the Company has sufficient funds to expend.

5. EXPLORATION PROPERTIES AND DEFERRED EXPENDITURES

	<u>Rice Lake</u>	<u>Saskatchewan Coal</u>	<u>Hudson Bay</u>	<u>Total</u>
Balance, September 30, 2008	\$ _____ -	\$ <u>115,568</u>	\$ <u>549,636</u>	\$ <u>665,204</u>
Acquisitions costs	176,000	-	-	176,000
Assaying	280	152	-	432
Claim maintenance	10,860	1,499	-	12,359
Consulting	14,200	3,250	-	17,450
Maps and reports	5,013	520	-	5,533
Travel	5,276	-	-	5,276
Supplies and field expenses	<u>555</u>	<u>-</u>	<u>-</u>	<u>555</u>
	212,184	5,421	-	217,605
Costs Written-off or recovered	<u>-</u>	<u>(66,836)</u>	<u>(549,636)</u>	<u>(616,472)</u>
Balance, June 30, 2009	<u>\$ 212,184</u>	<u>\$ 54,153</u>	<u>\$ _____ -</u>	<u>\$ 266,337</u>

Title to mining properties

Title to mining properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has diligently investigated rights of ownership to all of the mineral concessions in which it has an interest and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

Rice Lake, Manitoba

During the period the Company entered into three (3) separate option agreements to acquire interests in various mineral claims in the Rice Lake area of south east Manitoba. On April 7, 2009 the Company entered into an option agreement to acquire a 100% interest in fourteen (14) mineral claims (PFG claims) in the Rice Lake area, subject to a net smelter return royalty of 2%. The terms of the option agreement are as follows:

PFG Claims	<u>Payments</u>	<u>Share Issuances</u>	<u>Exploration Expenditures</u>
Within 5 days of regulatory approval	\$ 10,000(paid)	500,000(issued)	\$ -
April 30, 2010	25,000	-	-
April 30, 2011	50,000	-	-
April 30, 2012	<u>70,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 155,000</u>	<u>500,000</u>	<u>\$ _____ -</u>

5. EXPLORATION PROPERTIES AND DEFERRED EXPENDITURES (continued)

Rice Lake, Manitoba (continued)

On April 17, 2009 the Company entered into an option agreement to acquire a 100% interest in three (3) mineral claims (Bill claims) in the Rice Lake area, subject to a 2% net smelter return royalty of which 50% may be purchased for \$1,000,000. The terms of the option agreement are as follows:

Bill Claims	<u>Payments</u>	<u>Share Issuances</u>	<u>Exploration Expenditures</u>
Within 5 days of regulatory approval	\$ -	1,000,000 (issued)	\$ -
April 17, 2010	-	1,000,000	-
April 17, 2011	-	1,000,000	-
	<u>\$ -</u>	<u>3,000,000</u>	<u>\$ -</u>

On May 7, 2009 the Company entered into an option agreement to acquire an 80% interest in two (2) mineral claims (Con claims) in the Rice Lake area, subject to a 3% net smelter return royalty of which 50% may be purchased for \$1,500,000. Upon the exercise of the option the remaining 20% interest may be purchased for an additional \$1,500,000. The terms of the option agreement are as follows:

Con Claims	<u>Payments</u>	<u>Share Issuances</u>	<u>Exploration Expenditures</u>
Within 5 days of regulatory approval	\$ 5,000(paid)	100,000(issued)	\$ -
May 7, 2010	11,000	30,000	-
May 7, 2011	11,000	70,000	-
May 7, 2012	10,000	90,000	-
May 7, 2013	20,000	130,000	300,000
	<u>\$ 57,000</u>	<u>420,000</u>	<u>\$ 300,000</u>

Saskatchewan Coal Permits

At June 30, 2009, the Company has received from the Saskatchewan Ministry 51 coal permits certificates covering an area of 37,280 hectares.

Hudson Bay, Saskatchewan

The Company entered into an agreement dated July 15, 2008, with Noble Hydrocarbons Alta. Ltd. ("NHA"), a subsidiary of Noble Metals Group Inc., to conduct a diamond drill program on NHA's oil shale permitted holdings located near Hudson Bay, Saskatchewan. Under the agreement, the Company has advanced \$550,000 to NHA to earn an option to acquire a 25% interest in any non-hydrocarbon resources discovered in the present drill program. During the period ended June 30, 2009 management abandoned its interest in the property. Accordingly the company has incurred a loss of \$ 549,636.

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6. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$33,825 (2008 - \$27,500) to an officer and a company controlled by a director of the Company.
- b) At June 30, 2009, \$4,071 (2008 - \$4,071) remains outstanding to be received under the IXL claim option agreement and is included in receivables. These funds are due from a public company with directors in common.
- c) The Company shares office space with other companies related through common directors and paid \$16,500 (2008 - \$Nil) in rent to a related company.

7. CAPITAL STOCK

	Number of Shares	Amount	Contributed Surplus
Balance, September 30, 2007	14,523,100	\$ 1,252,604	\$ 1,280
Private placements	12,600,000	1,421,000	-
Exercise of warrants	400,000	60,000	-
Exercise of options	150,000	28,500	(13,500)
Finder's fee	80,000	9,600	-
For mineral properties	1,000,000	130,000	-
Share issuance costs	-	(103,551)	-
Stock-based compensation	-	-	220,682
Future income taxes on exploration expenditures renounced to shareholders	-	(356,060)	-
Balance, September 30, 2008	28,753,100	\$ 2,442,093	\$ 208,462
Private placement	2,296,600	245,800	-
Stock-based compensation	-	-	-
Stock options cancelled	-	208,462	(208,462)
For mineral property	<u>50,000</u>	<u>3,250</u>	<u>-</u>
Balance, March 31, 2009	31,099,700	\$ 2,899,605	\$ -
Stock-based compensation	-	-	138,005
For mineral property	<u>1,600,000</u>	<u>160,000</u>	<u>-</u>
Balance, June 30, 2009	<u>32,699,700</u>	<u>\$ 3,059,605</u>	<u>\$ 138,005</u>

During the nine month period ending June 30, 2009, the Company:

- a) Issued 50,000 shares at a value of \$3,250 for consulting services for the Saskatchewan Coal Permits.
- b) Issued 1,600,000 shares at a value of \$160,000 for mineral properties in Manitoba.
- c) Issued 2,296,600 units at a value of \$245,800.

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7. CAPITAL STOCK (continued)

Warrants

Warrant transactions are summarized as follows:

	Weighted Average Exercise Price	Outstanding Warrants
Balance, September 30, 2008	0.16	17,198,000
Granted	0.11	1,689,100
Expired	<u>0.17</u>	<u>8,143,000</u>
Balance, June 30, 2009	\$ 0.15	10,744,100

At June 30, 2009, the Company had outstanding share purchase warrants, enabling holders to acquire shares as follows:

Number of Warrants	Description	Exercise Price	Expiry Date
800,000	Flow-through shares	0.1875	July 31, 2009
4,025,000	Flow-through shares	0.15	December 27, 2009
1,900,000	Non-flow through shares	0.15	December 27, 2009
1,000,000	Non-flow through shares	0.15	January 9, 2010
1,250,000	Non-flow through shares	0.12	September 12, 2010
80,000	Finders fees	0.12	September 12, 2010
607,500	Flow-through shares	0.15	February 10, 2011
<u>1,081,600</u>	Flow-through shares	0.12	February 10, 2011
<u>10,744,100</u>			

Stock Options

The Company has an incentive stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option shall not be less than the market price of the Company's stock as calculated immediately preceding the day of the grant. The options can be granted for a maximum term of 5 years and are subject to vesting provisions determined by the board of directors.

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7. CAPITAL STOCK (cont'd...)

Stock Options (cont'd...)

	Weighted Average Exercise Price	Outstanding and Exercisable
Balance, September 30, 2008	\$ 0.13	2,555,000
Cancelled	<u>0.13</u>	<u>2,555,000</u>
Balance, March 31, 2009	\$ -	-
Granted	<u>0.05</u>	<u>3,100,000</u>
Balance, June 30, 2009	0.05	3,100,000

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The Company's significant non-cash transactions during the period ended June 30, 2009 were as follows:

- a) Issued 1,650,000 shares for consulting services included in mineral properties at a value of \$163,250.

9. COMMITMENT

The Company entered into an agreement with a consultant during the year for the acquisition of certain information to assist the Company in determining the location for making applications of certain coal permits in Saskatchewan. In connection with the agreement, the Company has agreed to issue 50,000 common shares (issued) for his services, and to issue an additional 100,000 common shares in the event that an independent feasibility study confirms that coal mineralization exists in the economically mineable quantities on the coal permits located on the information provided by the consultant.

10. INCOME TAXES

During the year ended September 30, 2008, the Company issued 8,050,000 common shares on a flow-through basis for gross proceeds of \$966,000. The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to the flow-through participants. As at December 31, 2008 the Company had not incurred the required qualifying exploration expenditures which it had renounced to the participants and consequently has recorded a flow-through share tax expense of \$34,327 during the period.

11. SUBSEQUENT EVENTS

- a) Subsequent to June 30, 2009 the Company announced an extension to its Private Placement financing of up to 7,000,000 units at \$0.05 per unit and up to an additional 7,000,000 flow-through shares at \$0.05 per FT share, to raise up to an aggregate of \$700,000. Each unit will consist of one common share and one non-transferable share purchase warrant, exercisable to acquire an additional share for two years at an exercise price of \$0.05 per share during the first year and \$0.10 during the second year from the date of closing. The proceeds will be used for general working capital purposes and for mineral exploration in Canada.

- b) Subsequent to June 30, 2009 the Company entered into an agreement to earn a 100% interest in the Wyatt Property located in the Garner Lake area in the Rice Lake area of Manitoba. In order to exercise the option, the Company has agreed to pay the vendors a total of \$57,500 and issue a total of 1,200,000 shares over a two year period. The Company may purchase one-half of a 3% NSR Royalty from the vendors for \$1,500,000. The Wyatt property (1,556 hectares) is located southwest of Garner Lake, in the Rice Lake Greenstone Belt.