

COUGAR MINERALS CORPORATION

INTERIM FINANCIAL STATEMENTS

Nine months ended June 30, 2010 (unaudited)

**COUGAR MINERALS CORPORATION
INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED JUNE 30, 2010**

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 SHEETS (Unaudited)

	June 30, 2010	September 30, 2009
ASSETS		
Current		
Cash	\$ 1,032,413	\$ 889,764
Receivables	26,052	29,089
Due from related party	13,200	-
	1,071,665	918,853
Advances	5,000	5,000
Equipment	-	1,527
Oil and gas property (Note 3)	383,760	383,760
Mineral property deposit	-	200,000
Mineral properties (Note 4)	1,091,614	429,292
	\$ 2,552,039	\$ 1,938,432

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ 17,366	\$ 115,188
Due to related party (Note 5)	3,070	30,331
	20,436	145,519
Shareholders' equity		
Capital stock (Note 6)	5,233,164	4,059,642
Contributed surplus (Note 6)	766,519	683,739
Deficit	(3,468,080)	(2,950,468)
	2,531,603	1,792,913
	\$ 2,552,039	\$ 1,938,432

Nature and continuance of operations (Note 1)

On behalf of the Board:

 "Mike Elson"

Director

 "Chris Grove"

Director

The accompanying notes are an integral part of these financial statements

COUGAR MINERALS CORPORATION
STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2010	2009	2010	2009
GENERAL AND ADMINISTRATIVE EXPENSES				
Accounting and auditing	\$ 11,375	\$ -	\$ 44,022	\$ 5,900
Administration	9,895	-	24,458	-
Amortization	-	-	1,527	-
Consulting	-	-	-	13,200
Filing and regulatory fees	2,901	3,402	17,210	9,390
Insurance	-	-	321	-
Investor relations	13,285	2,119	37,296	14,119
Legal fees	34,030	14,852	49,958	40,100
Management fees (Note 5)	10,000	10,500	45,000	33,825
Office expenses	8,101	247	27,813	2,640
Property evaluation costs	1,313	-	2,896	-
Rent	3,586	4,500	11,020	16,500
Stock-based compensation	-	138,005	142,212	138,005
Transfer agent	3,629	-	9,516	-
Travel and promotion	775	2,500	8,346	2,500
Loss before other items:	(98,890)	(176,125)	(421,595)	(276,179)
OTHER ITEMS				
Interest income	-	-	3,961	3,590
Write-off of mineral property costs	(98,325)	-	(98,325)	(549,635)
Flow-through share tax expense	-	-	(1,653)	(32,692)
Net loss for the period	(197,215)	(176,125)	(517,612)	(854,916)
Deficit, beginning of period	(3,270,865)	(2,289,823)	(2,950,468)	(1,611,032)
Deficit, end of period	\$ (3,468,080)	\$ (2,465,948)	\$ (3,468,080)	\$ (2,465,948)
Basic and diluted loss per share	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.03)
Weighted average number of shares	65,867,922	32,235,964	63,291,297	31,419,189

The accompanying notes are an integral part of these financial statements

COUGAR MINERALS CORPORATION
STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2010	2009	2010	2009
Cash flows from operating activities:				
Net loss for the period	\$ (197,215)	\$ (176,125)	\$ (517,612)	\$ (854,916)
Items not affecting cash:				
Write-off of resource property	98,325	-	98,325	549,635
Stock-based compensation	-	138,005	142,212	138,005
Amortization	-	-	1,527	-
Changes in non-cash working capital:				
(Increase) decrease in receivables	11,173	(1,063)	3,037	73,455
Due from related party	(13,200)	(35,500)	(13,200)	(63,500)
Due to related party	2,424	-	(27,261)	(63,500)
Advances	-	(205,000)	-	(205,000)
(Decrease) increase in accounts payable	(196,616)	(5,532)	(97,822)	(49,086)
Cash provided by operating activities	(295,109)	(285,215)	(410,794)	(411,407)
Cash flows from financing activities:				
Issuance of common shares for cash	-	-	749,900	202,000
Shares subscribed	-	352,500	-	352,500
Exercise of warrants	95,750	-	240,750	-
Exercise of options	42,500	-	63,600	-
Share issuance costs	-	-	(20,160)	-
Cash provided by financing activities	138,250	352,500	1,034,090	554,500
Cash flows from investing activities:				
Oil and Gas property	-	(3,299)	-	(3,299)
Mineral property recovery	49,664	-	49,664	66,836
Exploration properties and deferred costs	(117,529)	(52,184)	(530,311)	(54,355)
Cash used for investing activities	(67,865)	(55,483)	(480,647)	9,182
Increase (decrease) in cash	(224,724)	(11,802)	142,649	152,275
Cash, beginning of period	1,257,137	340,986	889,764	200,513
Cash, end of period	\$ 1,032,413	\$ 352,788	\$ 1,032,413	\$ 352,788

Supplemental disclosure with respect to cash flows (Note 10)

The accompanying notes are an integral part of these 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.

At June 30, 2010, the Company reported working capital of \$1,051,229(2009 - \$447,909) which should be sufficient to fund operations for the next fiscal year. The Company may require additional financing from outside participation to undertake further exploration and subsequent development of its mineral properties. At June 30, 2010, the Company had not yet achieved profitable operations, has accumulated losses of \$3,458,080 (2009 - \$2,465,948) since its inception and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent on continued financial support from its shareholders, the ability of the Company to raise equity financing, the attainment of profitable operations, external financings and further share issuances.

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies adopted by the Company are as follows:

Use of estimates

The preparation of financial statements in conformity with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates and would impact future results of operations and cash flows.

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

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.

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 capitalizes its cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in exploration properties are credited to the carrying value of the properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of its exploration properties on an on-going basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing and permitting to complete the development and future profitable production or proceeds from the disposition thereof.

2. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd...)

Asset retirement obligation

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.

Stock-based compensation

The Company uses the fair value based method of accounting for employee stock options as required under the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3870, “Stock-based Compensation and Other Stock-based Payments”. Under the fair value based method, compensation cost of a stock option is measured at fair value at the date of grant and is expensed over the vesting period of the stock option with a corresponding increase to contributed surplus. When the stock options are exercised, the proceeds, together with the amount recorded in contributed surplus, are recorded in capital stock.

Flow-through shares

Under the terms of flow-through share agreements, the related expenditures are renounced to the subscribers of such shares. In March 2004, the CICA issued Emerging Issue Committee Abstract (“EIC”) No. 146, Flow-through Shares, which clarifies the recognition of previously unrecorded future income tax assets caused by renouncement of expenditures relating to flow-through shares. For flow-through shares issued after March 19, 2004, the Company records the tax effect related to the renounced deductions as a reduction of income tax expense in the statement of operations on the date that the Company renounces the deductions for investors.

Income taxes

Future income taxes are recorded using the asset and liability method. Under the asset and liability method, 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 the 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 more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Basic and diluted loss per share

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common shares. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred.

Financial instruments – recognition and measurement

All financial instruments are classified into one of five categories; held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale assets and 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 has classified its financial instruments as follows:

- a) Cash and cash equivalents are classified as held-for-trading;
- b) Receivables and advances are classified as loans and receivables;
- c) Mineral property deposit is classified as held-to-maturity; and
- d) Accounts payable and accrued liabilities, due to related party and loans payable are classified as other liabilities.

The carrying value of cash, receivables, advances, mineral property deposit, accounts payable and accrued liabilities and due to related party approximate their fair values due to the relatively short periods to maturities of these financial instruments.

Comprehensive income

Comprehensive income is the change in the Company's shareholders' equity that results from transactions and other events from other than the Company's shareholders and includes items that would not normally be included in net earnings, such as unrealized gains and losses on available-for-sale investments. Gains and losses that would otherwise be recorded as part of net earnings are to be presented in other "comprehensive income" until it is considered appropriate to recognize into net earnings.

The presentation of comprehensive income and its components in a separate financial statement is displayed with the same prominence as the other financial statements. Accumulated other comprehensive income is presented as a new category in shareholders' equity. The presentation of "accumulated other comprehensive loss" in the shareholders' equity section of the balance sheet is not required because the closing balance is \$Nil.

2. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd...)

Comparative figures

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

Adoption of new accounting policies

Effective October 1, 2009 the Company is required to adopt the following new Canadian accounting pronouncements:

a) **Amendment to Financial Instruments – Disclosures**

Canadian Institute of Chartered Accountant ("CICA") Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of cash is based on level 1 inputs of the fair value hierarchy.

Recent accounting pronouncements

Business combinations; consolidated financial statements; and non-controlling interests

The CICA issued three new accounting standards in January 2009: Section 1582 – Business combinations; Section 1601 – Consolidated financial statements; and Section 1602 – Non-controlling interests. These standards will be effective for fiscal years beginning after January 1, 2011 (the Company's 2012 fiscal year). Early adoption of these standards is permitted. The Company is in the process of evaluating the potential effects of the requirements of these new standards.

Section 1582 replaces Section 1581 and establishes standards for the accounting for a business combination and essentially provides the Canadian equivalent of International Financial Reporting Standards IFRS 3 – Business Combinations.

Sections 1601 and 1602 together replace Section 1600 – Consolidated financial statements. Section 1601 establishes the standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary within consolidated financial statements subsequent to a business combination and is substantially equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 – Consolidated and separate financial statements.

International financial reporting standards ("IFRS")

In 2006, the CICA published a strategic plan that outlines the convergence of GAAP with IFRS over an expected five year transitional period. In February 2008, the CICA announced that 2011 is the year during which publicly-listed companies are to use IFRS. The transition date of October 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. While the Company is assessing the effects of adopting IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

COUGAR MINERALS CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Unaudited)
JUNE 30, 2010

3. OIL AND GAS PROPERTY

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 expiring November 30, 2010. To acquire its interest, the Company paid \$100,000 and is required to drill one exploration well on the lease. At December 31, 2009, the drilling of the well has been suspended due to the economic climate, but will be drilled when economic conditions have improved.

	<u>Total</u>
Acquisition cost, balance September 31, 2008 and 2009	\$ 100,000
Deferred exploration costs, September 30, 2008	-
Project consulting	84,010
Seismic	62,058
Other	8,032
Surface rights and road use	22,036
Pre-site and survey	15,677
Lease and access construction	72,944
Drilling	870
Drilling advance	<u>18,133</u>
Deferred exploration costs, end of period	<u>283,760</u>
<u>Oil and Gas property, September 30, 2009 and June 30, 2010</u>	<u>\$ 383,760</u>

4. MINERAL PROPERTIES

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.

COUGAR MINERALS CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Unaudited)
JUNE 30, 2010

4. MINERAL PROPERTIES (cont'd)

Rice Lake, Manitoba

During the year ended September 30, 2009 the Company entered into five (5) separate option agreements to acquire interests in various mineral claims in the Rice Lake area in south east Manitoba. The Company has also staked additional claims not subject to these option agreements.

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>
Within 5 days of regulatory approval	\$ 10,000 (paid)	500,000 (issued with a value of \$25,000)
April 30, 2010	25,000 (paid) -	
April 30, 2011	50,000	-
April 30, 2012	<u>70,000</u>	<u>-</u>
	<u>\$ 155,000</u>	<u>500,000</u>

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>Share Issuances</u>
Within 5 days of regulatory approval	1,000,000 (issued with a value of \$50,000)
April 17, 2010	1,000,000 (issued with a value of \$80,000)
April 17, 2011	<u>1,000,000</u>
	<u>3,000,000</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. On May 17, 2010 the Company announced that its option agreement on the Con claims has been terminated because historical gold assays were not duplicated in Cougar's winter drill program.

COUGAR MINERALS CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Unaudited)
JUNE 30, 2010

4. MINERAL PROPERTIES (cont'd...)

Rice Lake, Manitoba (cont'd...)

On July 20, 2009 the Company entered into an option agreement to acquire a 100% interest in eleven (11) mineral claims (Wyatt claims) in the Rice Lake area, subject to a 3% net smelter return royalty of which 50% may be purchased for \$1,500,000. The terms of the option agreement are as follows:

Wyatt Claims	<u>Payments</u>	<u>Share Issuances</u>
Within 5 days of regulatory approval	\$ 7,500 (paid)	300,000 (issued with a value of \$27,000)
July 20, 2010	20,000	400,000
July 20, 2011	<u>30,000</u>	<u>500,000</u>
	<u>\$ 57,500</u>	<u>1,200,000</u>

On August 5, 2009 the Company entered into an option agreement to acquire a 100% interest in five (5) mineral claims (Vena claims) in the Rice Lake area, subject to a 3% net smelter return royalty of which 50% may be purchased for \$1,500,000. The terms of the option agreement are as follows:

Vena Claims	<u>Payments</u>	<u>Share Issuances</u>
Within 5 days of regulatory approval	\$ 7,500 (paid)	250,000 (issued with a value of \$17,500)
August 5, 2010	20,000	300,000
August 5, 2011	<u>30,000</u>	<u>400,000</u>
	<u>\$ 57,500</u>	<u>950,000</u>

Saskatchewan Coal Permits

As at June 30, 2010, the Company has received from the Saskatchewan Ministry of Energy and Resources 51 coal permit certificates covering an area of 37,280 hectares.

COUGAR MINERALS CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Unaudited)
JUNE 30, 2010

4. MINERAL PROPERTIES (cont'd...)

	<u>Manitoba</u>	<u>Saskatchewan</u>	
	Rice Lake	Coal Permits	Total
Balance at September 30, 2009	\$ 375,138	\$ 54,154	\$ 429,292
Expenditures during the period			
Acquisition costs	105,000	-	105,000
Assaying	38,254	-	38,254
Camp and field costs	14,593	-	14,593
Claim maintenance	(10,860)	-	(10,860)
Consulting	3,900	-	3,900
Drilling	404,032	-	404,032
Equipment rental	3,030	-	3,030
Geology	152,969	-	152,969
Meals and accommodation	33,570	-	33,570
Supplies and equipment	7,694	-	7,694
Travel	17,419	-	17,419
Vehicle	40,709	-	40,709
	810,311	-	810,311
Written-off	(98,325)	-	(98,325)
Recovery of costs	(49,664)	-	(49,664)
Balance at June 30, 2010	\$ 1,037,460	\$ 54,154	\$ 1,091,614

5. RELATED PARTY TRANSACTIONS

During the period ended June 30, 2010, the Company incurred the following charges with related parties that include officers, directors or companies with common directors of the Company as follows:

- a) Paid or accrued management fees of \$45,000 (2009 - \$33,825) to a company controlled by a director of the Company.
- b) Paid or accrued rent of \$11,020 (2009- \$16,500) to a company with common directors.
- c) Paid or accrued accounting fees of \$22,500 (2009 - \$nil) to an officer of the Company.

As at June 30, 2010, \$3,070 (2009 - \$16,500) due to related parties remains outstanding, which consist of general and administrative expenses. The amounts are non-interest bearing, with no fixed terms of repayment.

As at June 30, 2010, the Company also had advances of \$13,200 (2009 - \$5,000) due from a director.

The transactions with related parties were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

COUGAR MINERALS CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Unaudited)
JUNE 30, 2010

6. SHARE CAPITAL

Capital stock and contributed surplus consists of the following:

	Number of Shares	Capital Stock	Contributed Surplus
Authorized:			
Unlimited common shares without par value			
Issued:			
Balance, September 30, 2008	28,753,100	\$ 2,442,093	\$ 208,462
Private placements	27,905,000	1,530,300	-
Finders' fee	81,600	8,160	-
Share issuance costs	-	(108,935)	-
For mineral property	2,150,000	124,500	-
Stock options exercised	150,000	7,500	-
For mineral property consulting	50,000	3,250	-
Value of stock options exercised	-	7,005	(7,005)
Stock-based compensation	-	-	482,282
Future income taxes (net of exploration expenditures renounced of \$36,450) unrenounced to shareholders	-	45,769	-
Balance, September 30, 2009	59,089,700	4,059,642	683,739
Private placements	4,999,333	749,900	-
For mineral property	1,000,000	80,000	-
Warrants exercised	3,415,000	240,750	-
Stock options exercised	1,260,000	63,600	-
Value of stock options exercised	-	59,432	(59,432)
Stock-based compensation	-	-	142,212
Finders' fees	-	(20,160)	-
Balance, June 30, 2010	69,764,033	\$ 5,233,164	\$ 766,519

COUGAR MINERALS CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Unaudited)
JUNE 30, 2010

6. SHARE CAPITAL (cont'd)

During the period ended June 30, 2010, the Company:

- a) Completed a private placement of 4,999,333 units at a price of \$0.15 per unit for gross proceeds of \$749,900. Each unit consisted of one flow-through common share and one half share purchase warrant, where each full share purchase warrant entitled the holder to acquire an additional common share at a price of \$0.15 per share until December 17, 2010 and thereafter at \$0.18 per share until December 17, 2011. Pursuant to this private placement, the Company paid finder's fees of \$55,200.
- b) Issued 1,000,000 shares with a fair value of \$80,000, pursuant to the option agreement on the Bill claims.
- c) Issued 3,415,000 shares on the exercise of warrants for proceeds of \$240,750.
- d) Issued 1,260,000 shares on the exercise of options for proceeds of \$63,600, with a corresponding reallocation of contributed surplus to share capital of \$19,712.

Warrants

Warrant transactions are summarized as follows:

	Weighted Average Exercise Price	Outstanding Warrants
Balance, September 30, 2008	\$ 0.16	17,198,000
Granted	0.06	18,029,100
Expired	<u>0.17</u>	<u>(8,943,000)</u>
Balance, September 30, 2009	0.09	26,284,100
Granted	0.15	2,499,667
Exercised	<u>0.07</u>	<u>(3,415,000)</u>
Balance, June 30, 2010	\$ 0.09	25,368,767

COUGAR MINERALS CORPORATION
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6. SHARE CAPITAL (cont'd)

Warrants

At June 30, 2010, the Company had outstanding share purchase warrants, enabling holders to acquire shares as follows:

Number of Shares	Description	Exercise Price	Expiry Date
4,025,000	Flow-through shares	\$ 0.15*	December 28, 2011
1,900,000	Non-flow through shares	0.15*	December 28, 2011
1,000,000	Non-flow through shares	0.15*	January 9, 2012
250,000	Non-flow through shares	0.12	September 12, 2010
80,000	Finder's fees	0.12	September 12, 2010
607,500	Non-flow-through shares	0.15	February 10, 2011
1,081,600	Non-flow-through shares	0.12	February 10, 2011
13,925,000	Non-flow-through shares	0.05**	August 20, 2011
<u>2,499,667</u>	Non-flow-through shares	0.15***	October 26, 2010
<u>25,368,767</u>			

* The Company has filed applications with the CNSX to extend the warrants expiry date from December 28, 2009 to December 28, 2011 and from January 9, 2010 to January 9, 2012.

** The exercise price increases to \$0.10 in year two.

*** The exercise price increases to \$0.18 in year two.

Share purchase options

The Company has a 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 stock 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 on the date of grant. The options can be granted for a maximum term of 10 years and vest as determined by the board of directors.

Total stock-based compensation for the fair value of stock options granted to directors, officers and consultants during the period ended June 30, 2010 was \$142,212 (2009 - Nil) which has been recorded in the statement of operations as stock-based compensation with a corresponding amount recorded in shareholders' equity. The fair value of stock options granted was \$0.12 per option (2009 - \$Nil).

The following assumptions were used for the Black-Scholes valuation of stock options granted during the period:

	2010	2009
Risk-free interest rate	2.70%	-
Expected dividend yield	0%	-
Expected volatility	150.0%	-
Expected life	5 years	-

COUGAR MINERALS CORPORATION
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JUNE 30, 2010

6. SHARE CAPITAL (cont'd)

Share purchase options (cont'd)

	Weighted Average Exercise Price	Outstanding and Exercisable
Balance, September 30, 2008	0.13	2,555,000
Cancelled	0.13	(2,555,000)
Granted	0.08	6,000,000
Exercised	0.05	<u>(150,000)</u>
Balance, September 30, 2009	\$ 0.08	5,850,000
Exercised	0.05	(1,260,000)
Granted	0.13	<u>1,100,000</u>
Balance, June 30, 2010	\$ 0.09	5,690,000
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Options exercisable, June 30, 2010	\$ 0.09	5,690,000

At June 30, 2010, the Company had outstanding stock options, enabling holders to acquire common shares as follows:

Number of Options	Exercise Price	Expiry Date
1,700,000	\$ 0.05	April 23, 2014
2,740,000	0.11	August 25, 2014
150,000	0.15	September 24, 2014
<u>1,100,000</u>	0.13	January 11, 2015
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5,690,000		

7. FINANCIAL INSTRUMENTS

The Company's financial instruments and risk exposures are summarized below.

Interest rate risk

The Company has cash balances. The Company's current policy is to invest excess cash in investment-grade short-term certificates of deposit issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks. The Company does not hold any financial liabilities with variable interest rates.

Currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company is not exposed to foreign currency risk.

7. FINANCIAL INSTRUMENTS (cont'd)

Credit risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash which is held with high-credit quality financial institutions. Receivables mainly consist of goods and services tax due from the Federal Government of Canada and employee and other advances.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. As at June 30, 2010, the Company had cash and receivables of \$1,058,465 to settle current liabilities of \$20,436, which have contractual maturities of less than 30 days and are subject to normal trade terms. The Company is considered to be in the exploration stage. Thus it is dependent on obtaining regular financings in order to continue its exploration stage. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected by interest rate risk, currency risk and credit risk.

8. SEGMENTED INFORMATION

The Company currently conducts substantially all of its operations in Canada in one business segment being the acquisition and exploration of resource properties.

9. CAPITAL RISK MANAGEMENT

The objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders, benefits to other stakeholders and to have sufficient funds on hand to meet the Company's exploration plans to ensure the on-going growth of the business.

The Company considers the items in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares through private placements, sell assets, incur debt, or return capital to shareholders. As of June 30, 2010, the Company is not subject to externally imposed capital requirements.

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10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOW

	2010	2009
Cash paid during the period for income taxes	\$ -	\$ -
Cash paid during the period for interest	\$ -	\$ -

The Company's significant non-cash transactions during the period ended June 30, 2010 were as follows:

- a) Issued 1,000,000 shares with a fair value of \$80,000, pursuant to the option agreement on the Bill claims.
- b) Recorded \$59,432 for stock options exercised during the period from contributed surplus to capital stock.