BASS METALS LTD

EXPLORATION LICENCE EL 36/2003 - WHYTE RIVER TASMANIA

ANNUAL REPORT FOR THE PERIOD ENDED 30th July 2006

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EXECUTIVE SUMMARY

Work completed on Exploration Licence EL36/2003, Whyte River, in the period July 2005 to July 2006 has included the compilation, validation, review and processing of existing data for the tenement area.

Processing of the geophysical and geochemical data has been conducted. The geophysical processing to identify any major structures, lithological units/boundaries and discontinuities at depth. Whilst the geochemical processing has highlighted some areas with anomalous mineralisation

A site visit has also been conducted to gain an understanding of the logistical challenges faced by exploration companies in the rugged north-west of Tasmania. During this visit the regolith was assessed for suitability to surface geochemical investigations.

The results from the geochemistry and geophysics will be used in the formulation of the exploration plan for the Heazlewood tenement and will provide further targets for closer ground level investigation.

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Note: All figures and references to grids are according to the AGD66 datum and AMG66 grid system.

1. INTRODUCTION

This report is a summary of the exploration activities conducted on the Whyte River exploration Tenement, EL36/2003 (Figure 1), for the period of 31st July 2005 to 30th July 2006. The 44km^2 project is covered by the single Exploration Licence which is current until 30th July 2009. The tenement forms part of a recent joint venture between Pioneer Nickel Limited and Bass Metals Limited which commenced in April 2005. Bass Metals will act as managers of the joint venture from a base at the Hellyer Mine site. Bass Metals was previously known as Resource Finance and Investments Limited (RFI).

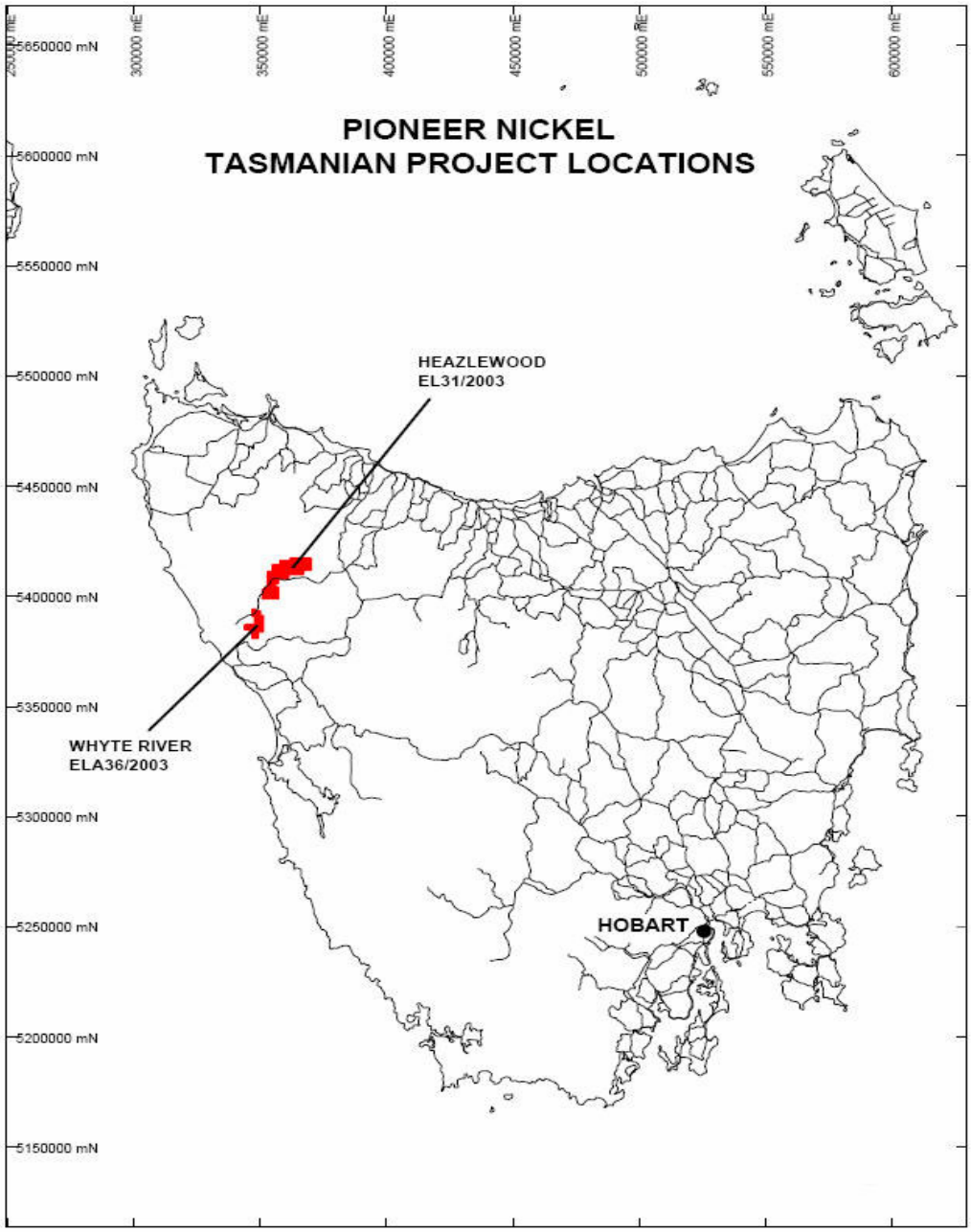

Figure 1. Whyte River Tenement (EL31/2003). Located in North-western Tasmania.

1.1 Location:

The tenement is located 30 km south-west of the township of Waratah and approximately 10km south of the Savage River township, on the west coast of Tasmania (Figure 2). Access to the area is via the sealed Waratah to Savage River Road then via an unsealed road to Corinna. Access within the tenement is via a limited number of 4wd tracks, which tend to be dry weather access only and generally degrade rapidly when not maintained or during wet weather. Access to the majority of the tenement is on foot. Walking tracks and cleared gridlines are required in order to conduct the most basic field work.

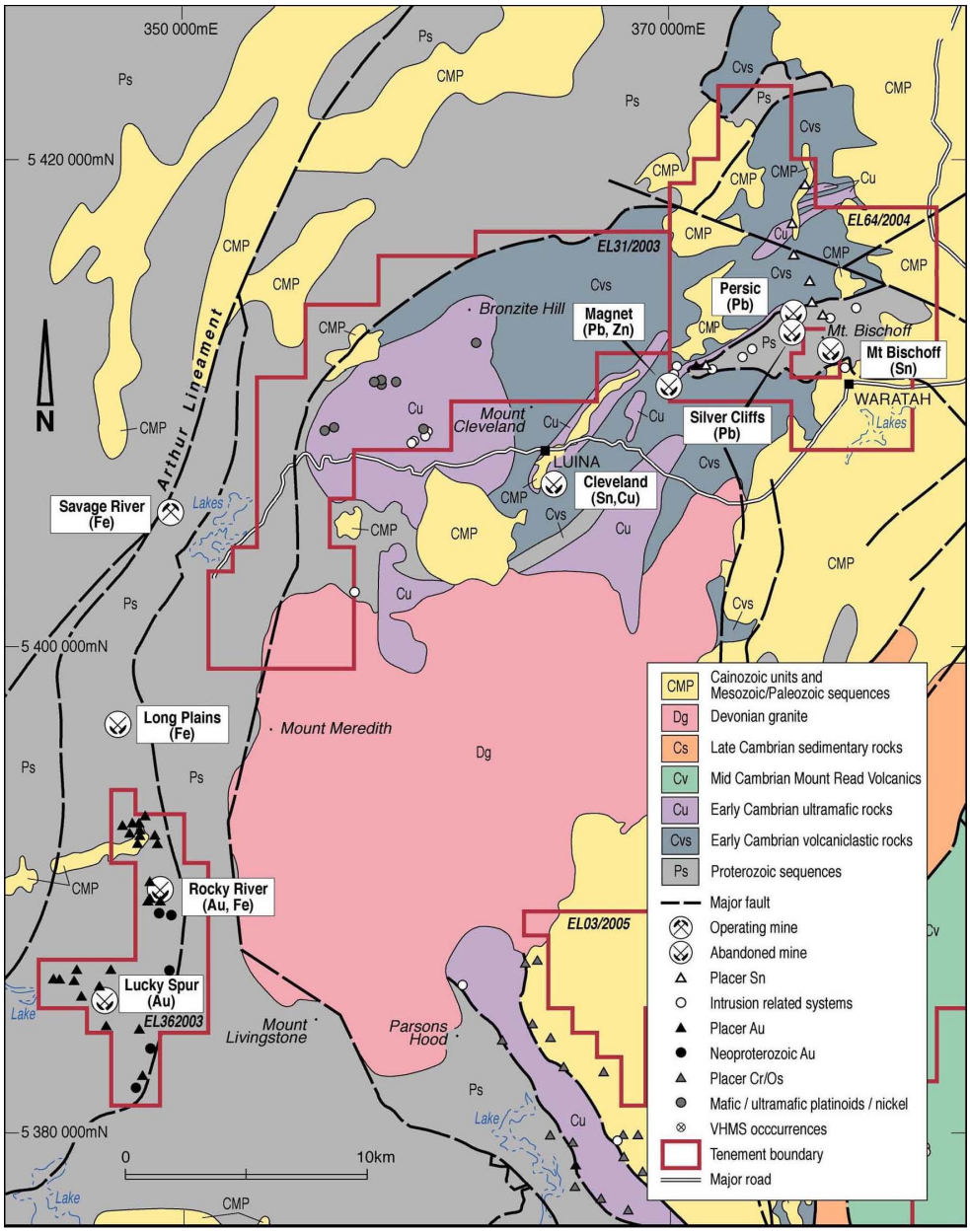

Figure 2. Regional Geology showing tenement boundaries, roads and towns.

1.2 Geology Overview

The Whyte River tenement is located in an area generally referred to as the Corinna Goldfields. The Corinna Goldfields are historically an area of significant alluvial gold production in north-western Tasmania. The Whyte River area is primarily composed of a sequence of Proterozoic metasediments which is common throughout the north-west of the state. (Figure 2 and 3)

The Proterozoic rocks of the Corinna Goldfield are divided into 2 subgroups:

1.2.1 The Sigma Group

Occurring to the west of the area this sequence, composed of the Savage River Dolomite being conformably overlain by the Bernafai Volcanics, does not actually occur within the tenement but underlies the vacant ground to the west of the tenement boundary. Regional-scale folding has resulted in repetition of the sequence in the region in the form of the Corinna Dolomite and the Upper Bernafai/Tunnelrace Volcanics.

The dolomite unit, which is the oldest unit in the formation, is comprised of silicified impure dolomites interspersed with rare stromatolites. The younger overlying volcanics range from semi-intrusive doleritic bodies to lavas of basaltic to andesitic composition. Locally derived siltstones and shales occur adjacent to the volcanics.

1.2.2 The Arthur Metamorphic Complex

The Arthur Metamorphic Complex, also referred to as the Arthur Lineament Complex, is a greenstone belt which has been intensely deformed. The complex displays subvertically dipping compositional bands which have been isoclinally folded and overprinted by a second dominant subvertical cleavage. Metamorphic grade is generally retrograde greenschist facies with areas of relic prograde amphibolite facies locally preserved, especially in the Bowry Formation. Dating for the prograde metamorphism results in a Cambrian age which was an important time for Tasmanian metallogenesis.

The western margin of the Arthur Metamorphic Complex is marked by the Lefroy Ridge strike-slip fault. This fault also forms the boundary between the Sigma Group and the Arthur Metamorphic Complex.

The Arthur Metamorphic Complex can generally be subdivided into the Timbs Group and Oonah Formation. The boundary between these two units is transitional but structurally very complex.

The Timbs Group is primarily composed of a muscovite-chlorite schist unit with minor intervals of quartzose material. The Timbs Group displays three units of chlorite schists and phyllite; the western unit (Nancy Formation), middle unit (Lucy Formation), and the eastern unit (Bowry Formation). Widespread lenses of interlayered chlorite schist, amphibolite and massive to banded ironstone are evident within the Bowry Formation.

The Oonah Formation is predominantly a muscovite schist and phyllite interbanded with a quartz schist.

To the east of the Whyte River Tenement a substantial granite intrusion is evident from outcrops. Associated with this granite are occurrences of tin and base metals mineralisation.

Tertiary gravels are widespread throughout the tenement as remnant deposits on ridge tops. Thin basalt flows are commonly associated with these gravels and are a potential source for the alluvial gold occurring within the tenement.

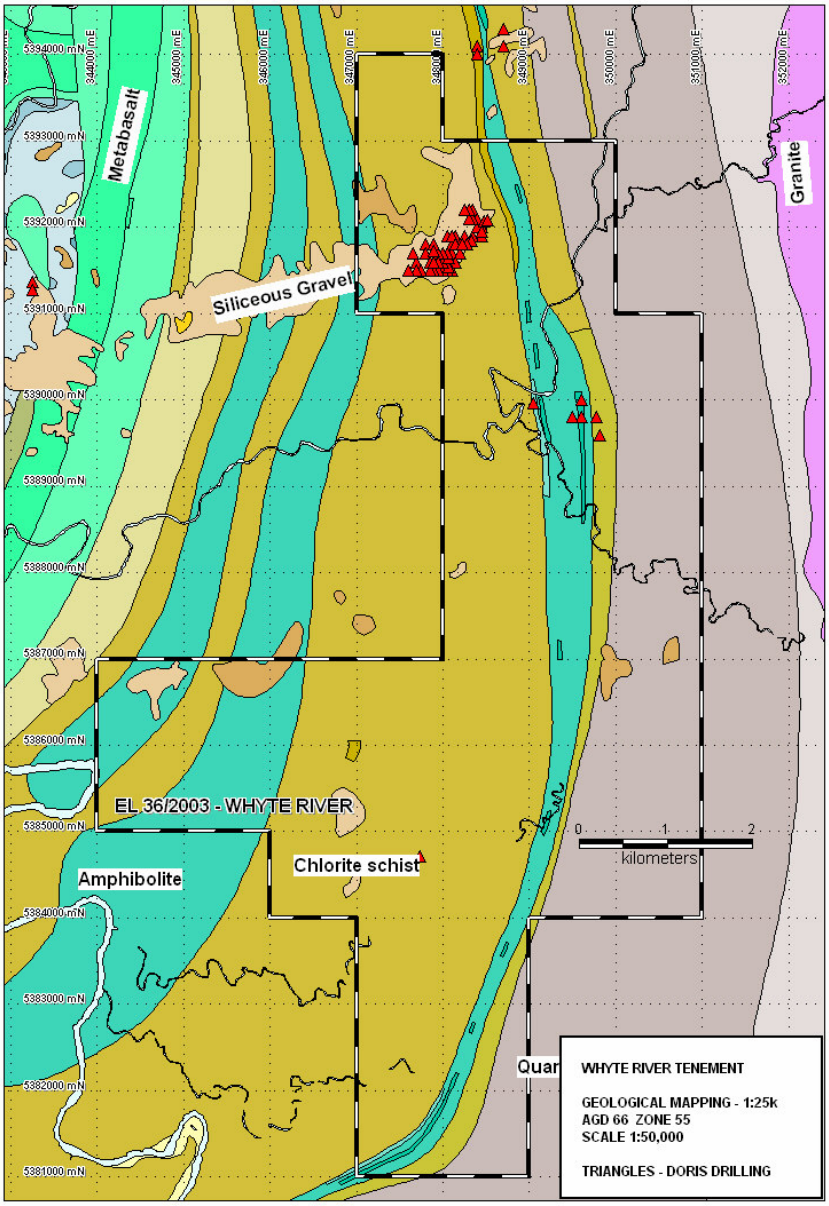

Figure 3. Whyte River tenement local geology.

1.3 Exploration Rationale

Hard rock results to date do not explain the level of alluvial gold reported. Gold grain morphology studies conclude a local source for the gold grains studied. Previous companies have systematically explored the tenement area, however they do not appear to have followed up the low level soil anomalies generated in sampling programmes on the Lucy Spur, Lefroy Ridge East and Rocky River prospects.

Stream sediment sampling indicated that the Bowry Formation south of the Owen Meredith River was not prospective. The fineness and travel damage studies of individual gold grains concluded a proximal source for the majority of grains studied; it also identified supergene processes may have acted on about half the grains.

Bass Metals intends to target exploration towards finding gold and/or iron ore (magnetite) deposits in the tenement area. To accomplish this geophysical methods will be utilized to identify favourable structural settings for mineralisation in the bedrock. It will be necessary to determine the most probable source for the anomalous gold values on the tenement – whether they are resulting from tertiary gravels and transported to the area or if they originate from deeper bedrock and the source has not yet been identified.

2. PREVIOUS WORK

2.1 Historical Mining

There are no accurate historical records for the Corinna Goldfield as it is thought that most of the gold found was taken directly to Victoria. The first known gold discovery from the area was in 1879 with alluvial gold found at Middleton's Creek to the west of the current Whyte River tenement. By 1881 workings at Nancy Creek, Lucy Creek and Paradise River were all reporting the discovery of coarse gold. All the above areas are roughly covered by the current mining lease (7M/1997).

In 1882 a 7.5kg gold nugget was recovered from 5-6 feet of gravel from Rocky River. This area produced further finds of coarse gold until 1900 with notable nuggets of 130 and 39 ounces being unearthed. After the turn of the century (1900) small scale alluvial mining has been on-going in the area until the present day. Historic hard-rock mining has been small scale and scattered with the largest mine being the Rocky River Mine which operated between 1895 and 1900. Modern day sampling conducted by a Goldstream-Titan JV showed the mineralisation at the Rocky River Mine to be quite low grade.

2.2 Exploration Prior to Current Tenement

Mineralisation was first discovered in the area in 1879 with alluvial gold found at Middleton's Creek to the west of the current Whyte River tenement. The Whyte River area has historically been explored by several companies,

most notably:

Rio Tinto Exploration – Pre 1961

- Conducted regional airborne magnetic surveys.
- Examined regional airborne magnetic anomalies identified as massive magnetite-pyrite mineralisation within the Bowry Member. Drilling of these targets resulted in the conclusion that the targets were of no further interest.

Industrial and Mining Investigation (IMI) later Savage Resources – 1961 to 1988

- Continued to examine the magnetic anomalies identified by Rio Tinto.
- Following the discovery of the Savage River Mine (Magnetite-Pyrite) exploration focused on similar deposits which resulted in the generation of some possible Fe resources (non-JORC compliant) in the area. The first being 30 Mt grading 28% Fe at Long Plains South and the other being the Rocky River Deposit of 4 Mt at 10-15% Fe. Only the Rocky River prospect is located on the Whyte River tenement.
- As Savage Resources the company continued to explore the area for a wide range of commodities including gold, diamonds and base metals.
- Some drilling of gold targets was conducted. Results from the drilling was generally unencouraging, however a close association between magnetite and gold was noted.

Outokumpu – 1991

- Conducted exploration over the southern half of the current Whyte River tenement.
- Work carried out included geological mapping, soil and rock chip sampling and limited amounts of stream sediment sampling.
- Minor anomalous gold and copper results were identified on the eastern boundary of the Bowry formation, whilst on the western boundary of the same formation magnetite-pyrite lenses return low values for gold and copper but up to 70% Fe.

Fodina – 1993

- Conducted eight profile traverses detailing geology between Rocky River and the Owen Meredith River.
- Information collected during these traverses included mapping geology, sampling rock chips and the B/C soil horizon and recording ground magnetic measurements.
- The sampling returned isolated anomalous value for both arsenic and gold.

Goldstream/Titan Joint Venture – 1993 to 2002

- During this period Titan Resources and Goldstream Mining commenced work under a joint venture agreement which cover most of the present Whyte River tenement.
- The exploration conducted during this JV is the first systematic search for the source of the alluvial gold present within the area.
- Initially stream sediments were investigated using a panned concentrate and a minus 80 mesh sieved sample from every site. The panned concentrate was to provide information on gold grain morphology, fineness and provide the variation in the abundance of gold through the surveyed area. The grain morphology studies indicated a proximal source for the alluvial gold.
- Some coarser gold grains were used in polished section studies to investigate inclusions in the grains.
- The inclusion and fineness studies both confirm the morphology studies results for a localized source for the alluvial gold.
- Helimag surveys at 50m line intervals were conducted, however the results of these surveys have only had minor initial processing.
- Later close-spaced (50m spacing) stream sediment sampling was conducted to determine prospect boundaries.
- Reconnaissance diamond drilling, C horizon soil sampling and rock chip sampling from the southern adits and hydraulic workings from Lucy Spur were also completed by Goldstream/Titan.
- From stream sediment sampling south of the Owen Meredith River it was determined that this area of the Bowry Formation is not prospective for gold.

2.3 During Current Tenement Pre July 2005:

- Establish exploration base at Helleyer.
- Complete compilation of historical exploration data and target evaluation.
- Review all reports relevant to the Whyte River tenement.
- Completed QA/QC on all data and recode geology.
- Download magnetic survey data for the area covering north-western Tasmania. The grids were smoothed to remove noise as the surveys were not leveled properly.
- Gravity data was downloaded for the relevant area covering the tenement from the Geoscience Australia website.
- Worming was conducted on gravity and magnetic data. Worming is an edge detection method used on data to detect boundaries between long wavelength features not initially apparent in the original data. These boundaries often correspond with deep level structures and therefore potential fluid pathways.
- Inversion Modeling of the Whyte River magnetic data was started to gain a better understanding of the distribution of units in 3-dimensions. Inversion Modeling of the gravity data was unsuccessful due to the coarse nature of the data.

- Filtering of aeromagnetic and ground gravity data was also started. This process manipulates the frequency domains to highlight features such as lithological boundaries, structures and discontinuities at differing depths. This filtering will assist in the interpretive process.
- Filtering of topographic data was also conducted with the same goal of highlighting features of interest, discontinuities and pertinent structures.
- Initial processing of geochemical data from stream sediment, and rock chip, sampling was completed.
- Planning for the future "grassroots" exploration program was initiated but not finalized.

3. EXPLORATION COMPLETED JULY 05 TO JULY 06

- Site visits conducted by Bass Metals personnel to assess tenement for access and suitability of the regolith for future surface geochemical sampling.
- Continue to formulate exploration plan and targets.
- Preparation for prospecting, mapping and further surficial geochemical sampling.
- All data along with appropriate metadata, original and processed, was uploaded into the Geoinformatics IFS database and also into a FracSIS database.
- Geoinformatics continued the processing and interpretation of existing open-file geophysical and geochemical data. Once completed this will help to generate further targets and to rank any new and existing targets. (Figure 4 and 5)

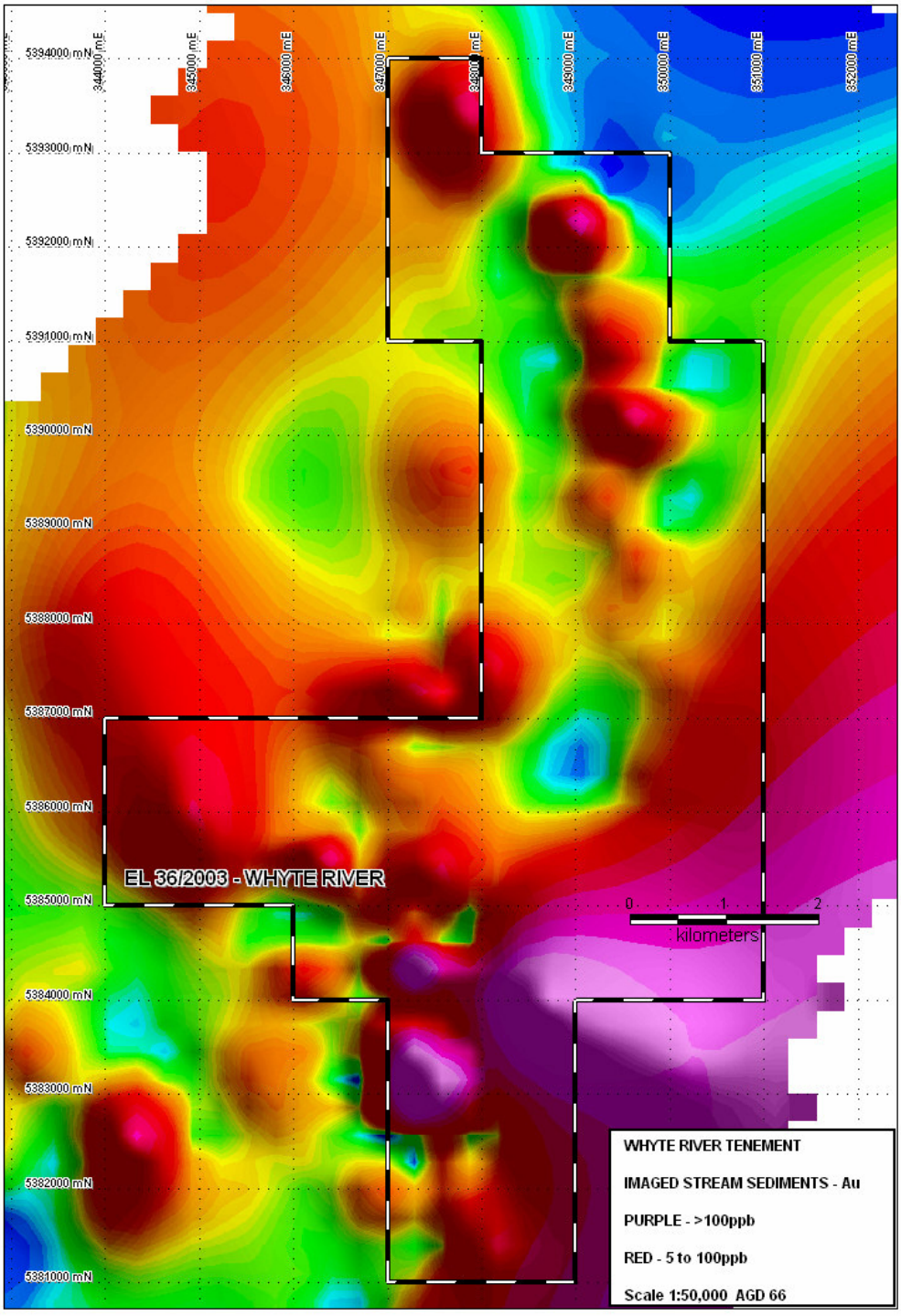

Figure 4. Whyte River stream sediment data (Au) processed by Geoinformatics.

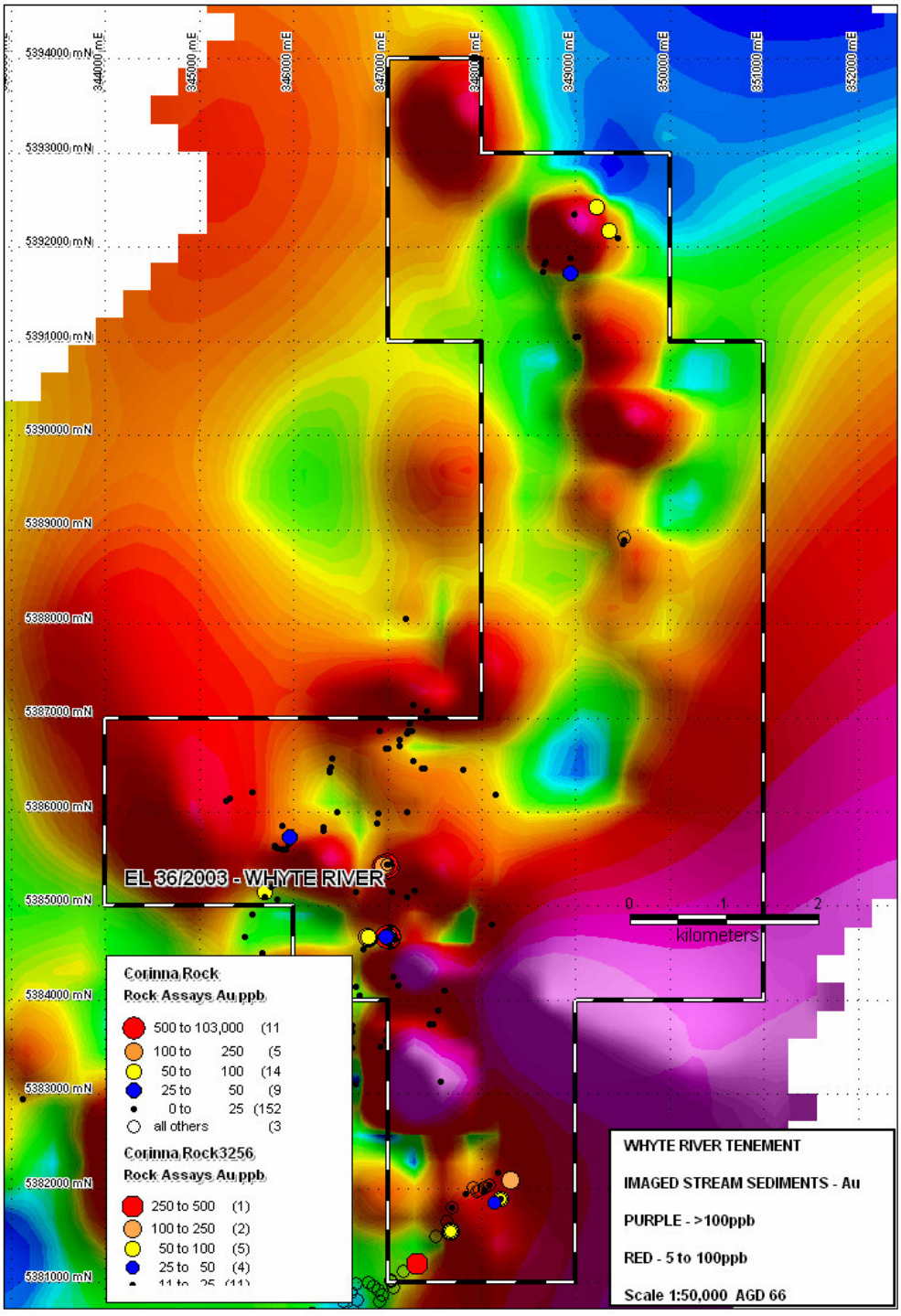

Figure 5. Whyte River stream sediment data (Au) and rock chip results (Au) processed by Geoinformatics.

4. PROPOSED EXPLORATION

Extensive previous exploration has failed to adequately explain the origin of widespread alluvial gold. Hard rock results to date do not explain the level of alluvial gold reported. Gold grain morphology studies conclude a local source for the gold grains studied. To add value to the project a different approach is required to the stream sediment, rock chip and soil sampling exhaustively completed to date. To provide this different approach Geoinformatics will complete high level processing of all geophysical and geochemical data to provide detailed models of the tenement area. Proposed exploration is summarized as follows:

- Geoinformatics to complete processing and interpretation of existing geophysical and geochemical data available from open-file records.
- Specific targets/projects need to be highlighted and prioritized within the tenement.
- Airborne EM should be flown over the project area to collect magnetic and gravity data.
- All new data collected to be processed by Geoinformatics and compared to existing models/targets.
- EM targets generated by this survey should be checked against previous work, and then investigated in the field if found to be untested.
- Field work is likely to involve ground based EM, auger soil geochemistry, mapping, prospecting and sampling of magnetite lenses to define low order bedrock anomalism.
- Complete a comparison of geophysical, geochemical, mapping and prospecting data to highlight areas where positive correlation between the methods occurs. Drill testing of targets will probably be required in order to progress the project past this point.
- Conducting this type of work in this area will usually require either the development of vehicular access, or use of a helicopter to mobilize personnel and equipment to site and cutting of grid lines and walking tracks to facilitate detailed access to each anomaly.
- Drilling in this terrain can be prohibitively expensive, hence the prioritization and rationalization of targets by other means is considered worthwhile.

5. ENVIRONMENTAL CONSIDERATIONS

No surface-disturbing activities have been carried out on the Whyte River tenement to date. A site visit was conducted to assess conditions of tracks for potential future access. The tracks were found to be very overgrown and in a very poor state making access to the majority of the tenement very difficult by vehicular means.

Any future surface activities will either require the tracks to be reconditioned, further tracks to be cut or the use of helicopter access.

6. EXPENDITURE

	Quarter ending				
Activity	**Sep-05**	**Dec-05**	**Mar-06**	**Jun-06**	**Total**
Exploration Management	$1,375.00	$375.00	$147.26	$263.10	**$2,160.36**
Field Costs	$304.03	$0.00	$843.19	$326.65	**$1,473.87**
Salaries	$3,139.93	$411.18	$4,656.96	$494.86	**$8,702.93**
Data processing	$2,345.63	$143.18	$671.00	$0.00	**$3,159.81**
Rent	$965.13	$2,738.44	$0.00	$6,370.80	**$10,074.37**
Legal costs	$0.00	$202.50	$0.00	$0.00	**$202.50**
Other - GXL modelling	$0.00	$0.00	$1,828.00	$21,269.35	**$23,097.35**
					$0.00
Total for Quarter	**$8,129.72**	**$3,870.30**	**$8,146.41**	**$28,724.76**	**$48,871.19**
Cumulative from previous	$9,367.24	$17,496.96	$21,367.26	$29,513.67	
Total to date	**$17,496.96**	**$21,367.26**	**$29,513.67**	**$58,238.43**	

Table 1. Quarterly expenditure on EL36/2003. 'GXL modelling' refers to geological modelling and target generation analysis performed by Geoinformatics Exploration Inc.

Expenditure, for the twelve months 29th June 2005 to 30th June 2006, has primarily been taken up with collation and processing of existing available data. The required processing and modelling of this data has been conducted by specialist consultants.

Site visits to assess the tenement have also been carried out to better evaluate options for access any ground-based exploration activities to be conducted.