

**HIGHCLERE PROJECT
TASMANIA
EL4/2005**

**ANNUAL PROGRESS REPORT
8TH AUGUST 2005 TO 7TH AUGUST 2006**

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ABSTRACT

Bass Metals Ltd commenced management of the Highclere exploration licence (EL4/2005) on 8 August 2005. Work conducted on the licence for the year ended 7/08/2006 has included:

- Compilation of historical exploration reports and data
- processing of ASTER satellite data
- Validation and review of existing data and capturing of data in a proprietary Geoinformatics Exploration Inc database system named FracSIS
- carrying out three dimensional modelling of the captured data
- Target generation and ranking of exploration targets using further proprietary software and Monte Carlo probabilistic algorithms

Bass was aware that ASTER and HyMap data could identify chlorite and sericite alteration at the Mount Lyell field. After some consideration Bass sourced some ASTER satellite data which measures a similar radiation spectrum to the HyMap data though has a lower resolution. Bass hoped that it would be useful in mapping regional alteration trends.

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1. INTRODUCTION

This report is a summary of the exploration activities conducted on the Highclere exploration licence, EL4/2005 (Figure 1), for the period of 8 August 2005 to 7 August 2006. The licence covers a total area of 38 km². The Highclere licence is subject to an exploration joint venture agreement between Bass Metals Ltd and Geoinformatics Exploration Tasmania Pty Ltd. Bass is currently managing exploration of the license from a base at the Hellyer Mine site.

The licence is situated in the northwest corner of Tasmania and located along the prospective north-western margin of the Housetop Granite. The licence was originally claimed because it was interpreted the Tenth Legion Fault cut the tenement thrusting Burnie and Oonah formation on top of Cambrian and Ordovician sediments providing an aquatard for fluids from the granite. This area is considered prospective by Bass for carbonate-replacement mineralisation.

1.1 Location:

The Highclere licence is located less than 20km southwest of Burnie, on the west coast of Tasmania (Figure 1). The 38km² tenement is practically bisected by the Murchison Hwy which provides excellent access to the tenement. The licence area can be found on the Inglis (1:100,000) LTIS map sheet.

Topographically the area is of moderate relief with the majority of the licence area used for agriculture and silviculture (timber plantations) with minor, discreet regions of wet and dry Eucalypt forest and woodland. Vehicular access is good due to an abundance of forestry tracks. The licence area does not encroach on any conservation areas.

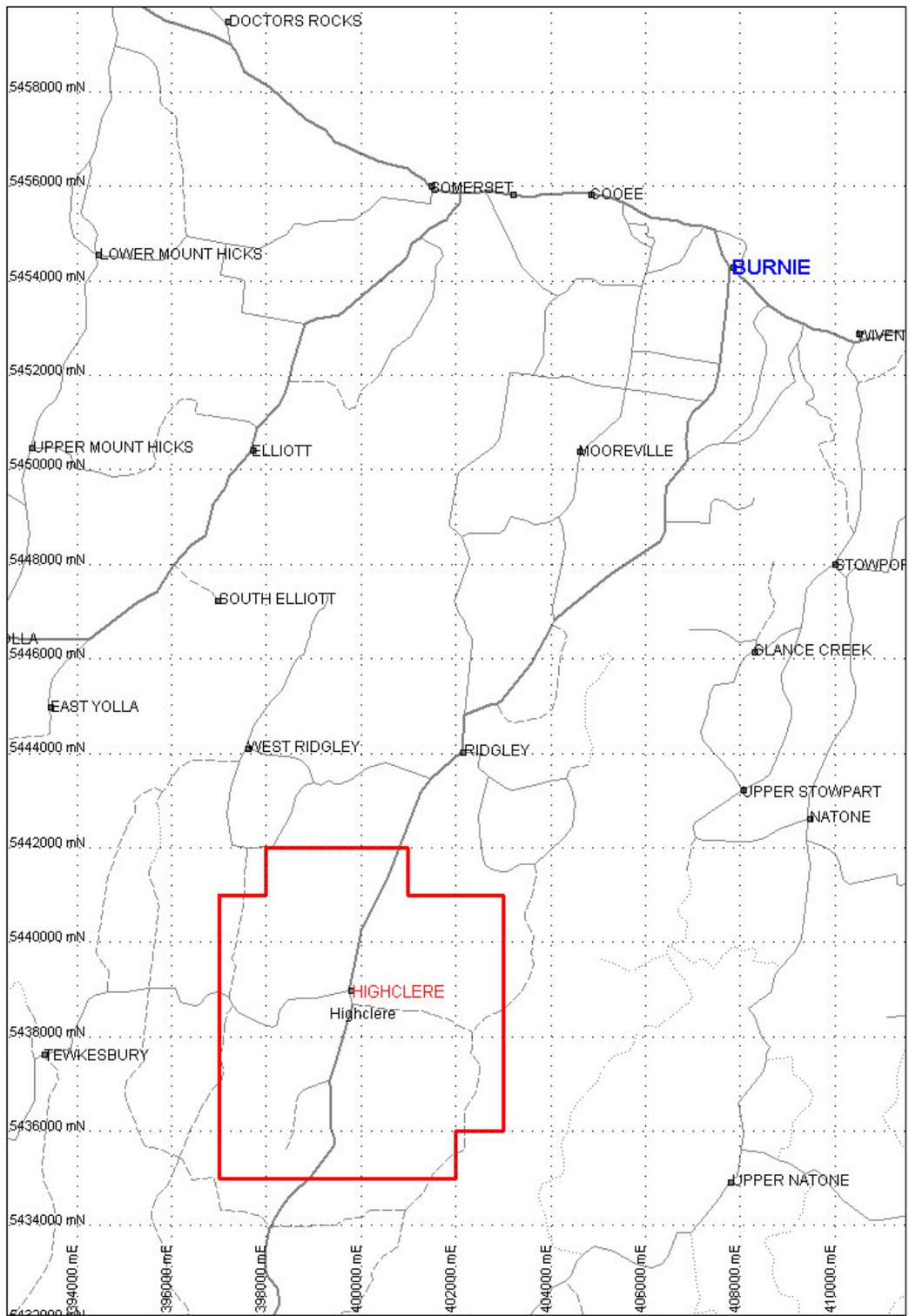


Figure 1. Highclere Exploration Licence (EL4/2005) is located in north-western Tasmania.

1.2 Geology Overview:

The vast majority of the tenement is covered in a considerable veneer of Tertiary basalt with minor inliers of Burnie and Oonah formation in the north and west, and the Devonian Husetop Granite along the western boundary. The Tenth Legion Fault is interpreted to bisect the southern half of the tenement thrusting the Proterozoic Burnie and Oonah Formation over Cambrian and Ordovician sediments of the Tyndall Group; part of the Mt Read Volcanics. Refer to the Regional Geology Map in Figure 2.

1.2.1 Burnie and Oonah Formation

The Burnie and Oonah Formation is a thick, polydeformed Proterozoic quartzwacke turbidite succession, widespread in western Tasmania. The formation comprises of two lithological associations. The dominant quartzwacke turbidite association, which includes minor alkaline dolerite intrusions and lavas, consists of interbedded quartz sandstone, quartzwacke, siltstone and pelite. The secondary lithological association is predominately pelite and/or carbonate including mafic volcanics and conglomerate in some places. Near Zeehan this association is host to a number of Devonian vein, skarn and replacement-tin deposits, and at Mt Bischoff a dolomitic unit hosted major Devonian tin lodes (Seymour *et al*, 2006).

1.2.2 Tyndall Group (Mt Read Volcanics)

The Tyndall Group is a unit of quartz-bearing volcanoclastic sandstone and conglomerate of mixed felsic and andesite provenance with minor lavas, intrusives and welded ignimbrites (White and McPhie, 1996).

At a regional scale, the Mt Read Volcanics are a belt of volcanic, volcanoclastic and sedimentary rocks of Mid- Cambrian age. The belt is famous for hosting Tasmania's world-class polymetallic VHMS deposits (eg Rosebery, Hellyer, Que River).

1.2.3 The Husetop Granite

World-class tin and tungsten ore bodies, as well as many lead, silver, gold, zinc, copper and bismuth deposits of different styles, are genetically and spatially related to the emplacement of high-level Middle Devonian to Early Carboniferous granitoids in Western Tasmania. The major bodies are the Husetop, Granite Tor, Grassy, Dolcoath, Meredith, Heemskirk and Interview granites, and these include both I and S types. Styles of mineralisation associated with the Devonian granitoids include stratabound carbonate replacement cassiterite-massive sulphide, silicate and magnetite skarns, and disseminated and vein deposits.

Economically, the stratabound carbonate-replacement cassiterite-massive sulphide mineralisation forms the most important Devonian ore type, with major deposits at Renison Bell, Mt Bischoff, Queen Hill, Montana, Cleveland and Razorback (MRT Report, 2005).

1.2.4 Tertiary Basalts

Radiometric dates from basalts across Tasmania indicate an age range of between 16.4Ma and 64.5Ma (Everard *et al.*, 2004). These basalts cover the majority of the licence.

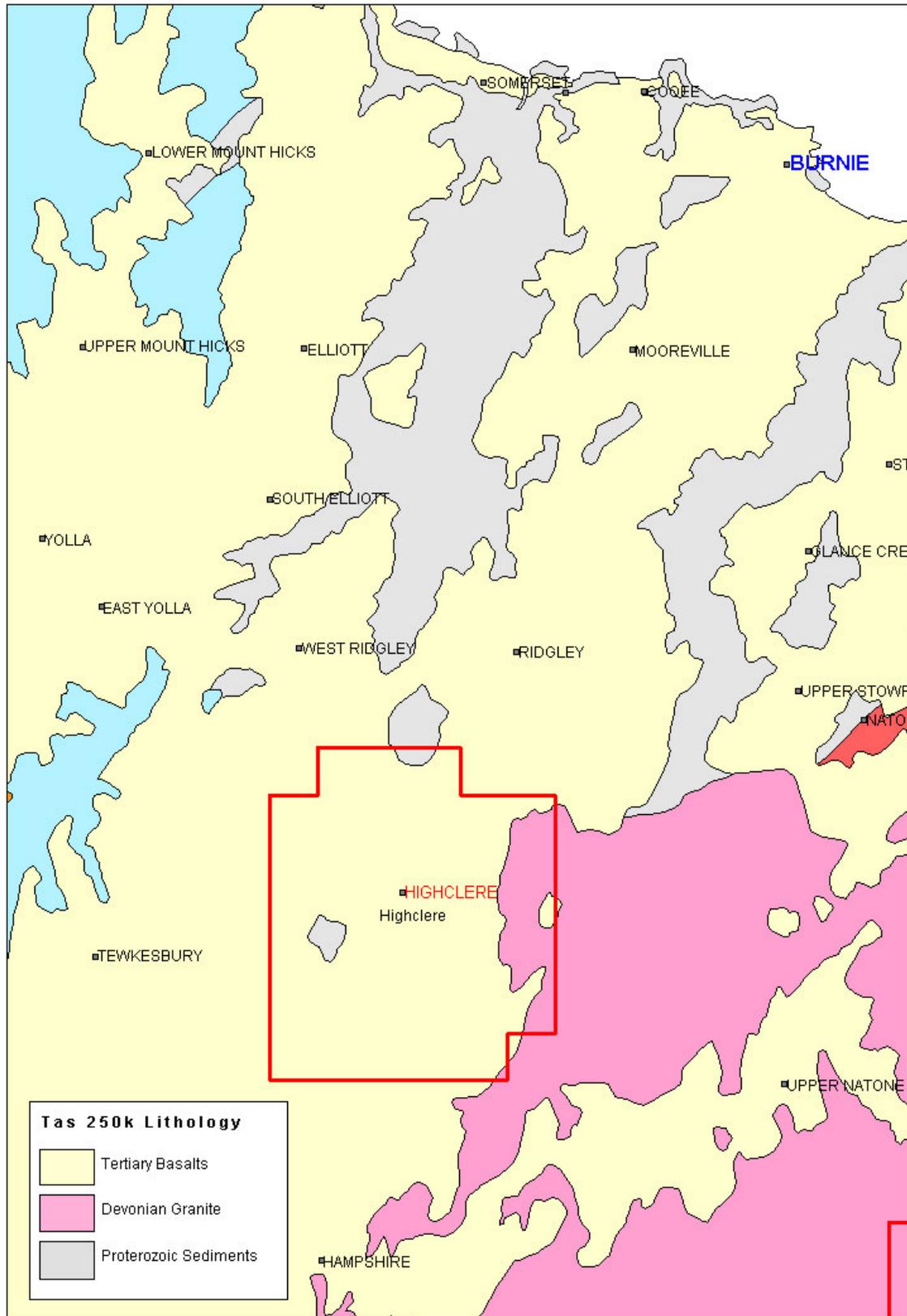


Figure 2. Regional Geology showing Licence Area boundaries and towns.

1.3 Exploration Rationale:

The Highclere tenement was acquired for the interpreted relationship between the Tenth Legion Fault (conduit), Housetop Granite (mineralising fluids) and Burnie and Oonah Formation carbonates (trap).

This relationship is seen as a possible analogy to stratabound carbonate-replacement mineralisation associated with Devonian granites such as occur at Renison Bell, Mt Bischoff, Queen Hill, Montana, Cleveland and Razorback.

There are two known mineral occurrences within the tenement; Highclere and Buckby's. The Highclere deposit is considered a residual Fe-magnetite deposit hosted in Cambrian sediments. The extent of mining is not recorded and its current MRT status is abandoned.

Buckby's is a minor tin prospect with coincident magnetic and tin in soil anomalies that has not been fully tested.

2. WORK COMPLETED

2.1 Historical Mining:

No records exist in the public domain for work done in the Highclere region prior to 1974.

2.2 Exploration Prior to Current Licence Area:

Modern exploration efforts in the Highclere region commenced in 1959 (Figure 3). A summary of this work is taken from the limited open file data available and is presented below.

Date: 1959

Company: Bureau of Mineral Resources

Work Completed: Magnetic survey in search of iron ore. Technical report not found.

Results and Conclusions: Several magnetic anomalies located

Date: 1964

Company: Tasmanian Department of Mines

Work Completed: Magnetic survey and four diamond drill holes into the Highclere prospect. Technical report not found.

Results and Conclusions: Drill holes indicated small high-grade iron ore horizon in limonitic clays.

Date: 1972 - 1974

Company: Australia & New Zealand Exploration Company

Exploration Philosophy:

Work Completed: Stream sediment heavy concentrate sampling for scheelite. Thirty-three power auger drill holes. Logging and sampling of Tasmanian Department of Mines diamond drill holes for significant tungsten mineralization.

Results and Conclusions: No significant scheelite mineralization was found in the stream sediment sampling campaign. The power auger drilling delineated a narrow,

discreet zone of tungsten anomalism within granite. Two of the four Department of Mines diamond drill holes were found to be anomalous for tungsten; one sample containing >2000ppm W.
Tenement was relinquished in 1974.

Date: 1977 – 1980(?)

Company: Comalco Ltd

Exploration Philosophy: Discovery of fluorite-magnetite skarns at Moina prompted search of Housetop Granite for similar skarn deposits. Assessment of the BMR magnetic survey anomalies main priority.

Work Completed: Geological mapping, ground magnetometer traverses, rock, soil and water sampling (>400 samples), ground magnetic survey, IP survey, local gravity survey, diamond drilling (7 holes) and petrology.

Results and Conclusions: Drill results from the Buckby's prospect were disappointing, however a significant, prospective carbonate horizon has been discovered. The skarns have uneconomic, but very anomalous tin values indicating the correct conditions for the formation of pyrrhotite-cassiterite style deposits. The area also has potential for scheelite skarn deposits replacing the carbonate horizon. These may be devoid of magnetite and pyrrhotite hence difficult to see in basalt covered areas.

The mapping, magnetic and IP data all strongly indicate that the Highclere deposit consists of only small, isolated roof pendants of magnetite skarn/calc-silicate rocks. They are also likely to be extremely weathered and hence do not rate as targets for tin, tungsten, fluorine mineralization. No further work is recommended.

Date: 1980(?) – 1984(?)

Company: The Shell Company of Australia Ltd (JV Comalco Ltd)

Exploration Philosophy: Follow up work on Old Park Road geochemical anomaly.

Work Completed: Ground magnetic survey, ground Sirotem survey, soil geochemistry, petrography and geological mapping.

Results and Conclusions: A coincident Zn and Pb 500x500m soil anomaly exists over the Old Park Road grid. Local intense metamorphic and metasomatic processes have taken place indicating local igneous intrusive activity. Petrographic studies confirm the major rock type to be an impure quartzose limestone. Ground magnetic results show that only minor anomalies exist within the grid, however ground EM on one line produced an unexplained anomaly within the Zn-Pb soil anomaly. Further testing is warranted, however no further reporting is available.

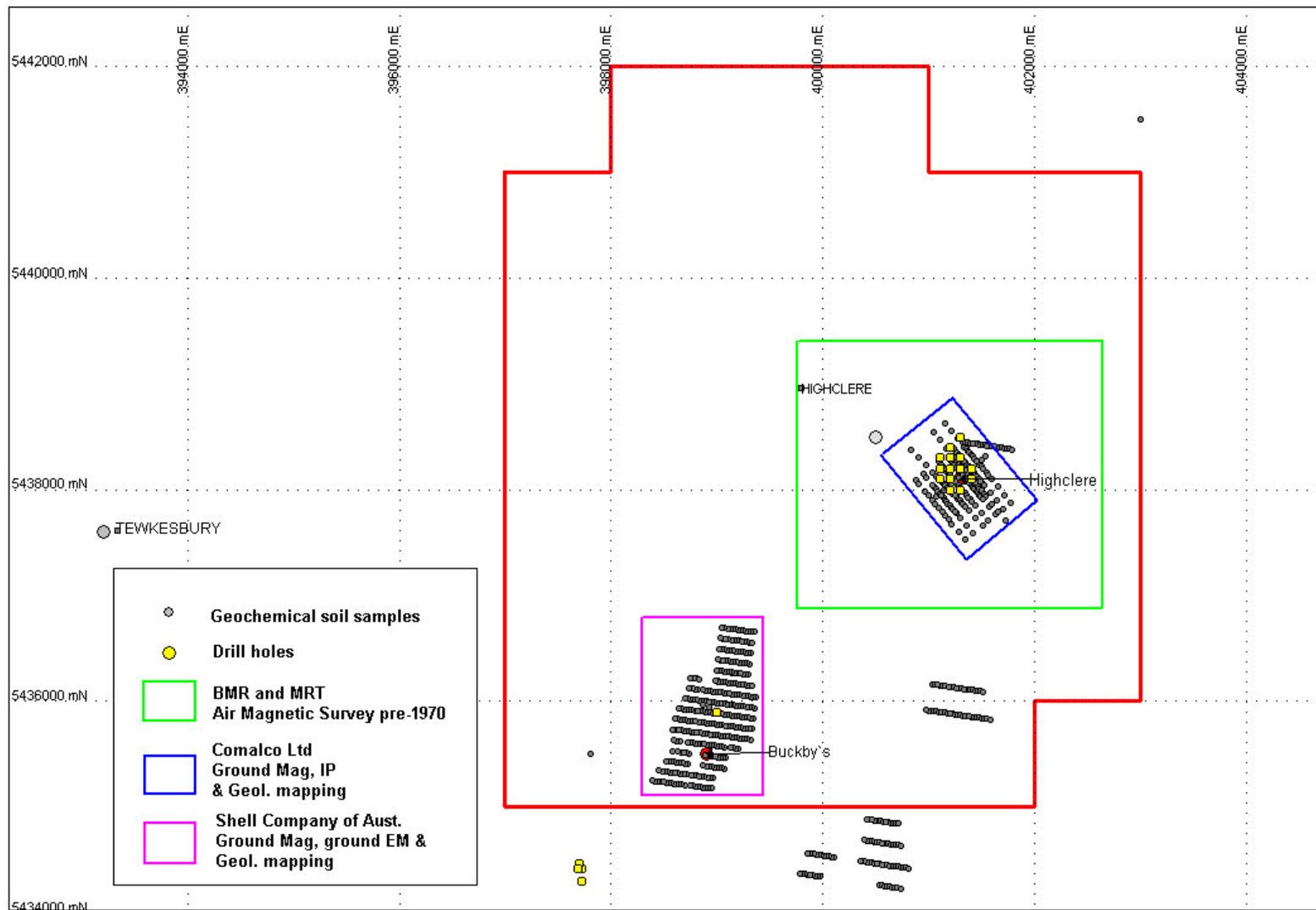


Figure 3. Historical Exploration Activity Map showing old workings and prospects.

3. EXPLORATION COMPLETED 8 AUGUST 05 TO 7 AUGUST 06

The section below reports on exploration activities between 8th August 2005 and the 7th August 2006. Following execution of the Joint Venture Agreement with Geoinformatics Ltd, Bass actively sought any datasets of potential value for targeting VHMS and intrusive-related skarn deposits in the Highclere licence area. The MRT topographic, geophysical and 1:100,000 scale digital geological map series were used as base maps for presenting other historical company datasets. Various company datasets were captured into FracSIS and MapInfo format. Appendix 2 contains a summary of the Geoinformatics MOCA process.

Notwithstanding the significant GIS database that had been compiled at this time, Bass decided to investigate the use of remote sensing in mapping alteration at the licence. Bass had several meetings with Mike Hussey at the CSIRO where it was established that HyMap data was likely to provide the best data source for mapping alteration at the licence. However, after viewing some draft images supplied by Mike Hussey it was decided that vegetation at the licence negatively affected the quality of the data and the data was not purchased.

3.1 TERRA Satellite (ASTER Data)

Still interested in the idea of using a remote sensing system to map wall rock alteration on a more regional basis. Bass managed to source some ASTER data over the northwest corner of Tasmania. It was decided that the data would be used in a more regional sense than had originally been anticipated.

ASTER is an acronym for 'Advanced Spaceborne Thermal Emission and Reflection Radiometer' and it is an instrument that flies on the Terra Satellite. It collects a similar radiation spectrum to the HyMap instrument but at a lower resolution (4x4m pixels versus 30x30m pixels). Bass had this ASTER data forwarded to Bob Agars at AGARSS.

Bass realised that because of the lower resolution of the ASTER data and the issue of vegetation shielding radiation reflected from the ground surface that the data would be more useful for targeting 'active zones' rather than providing the bullseye targets that had originally been hoped for from the HyMap data.

An argillic alteration zone is considered significant in its relationship to the Old Park Road Pb-Zn soil anomaly in the south-western portion of the tenement. The extension of this argillic alteration north of the anomaly may indicate the anomalism extends in this direction. More interestingly, the argillic alteration appears to map the interpreted position of the Tenth Legion Fault. This area of potential anomalism is located within the green polygon in Figure 4. Appendix 1 contains a report on the interpretation methodology employed in processing ASTER data.

3.2 Geoinformatics Geological Modelling & Targeting

Bass Metals utilised consultant geologists Geoinformatics Exploration Inc to compile a 3-dimensional spatial database (GIS).

The Geoinformatics process involves the efficient capture of historical data in proprietary Geoinformatics database and software systems (eg IFS & FracSIS). Proprietary software and methods are then used to generate 3-dimensional geological models and targets (Monte Carlo Ranking). Highclere is part of a larger 'Intervention Project' called the MRVIP (Mount Read Volcanics Intervention Project - Stage 1b). The Stage –1b Project focuses on all of Bass Metals 13 regional licences. A final Stage-2 Project focused on regional target generation without consideration of licence boundaries though is not reported on here.

The Stage 1b Project attempts to incorporate Geoinformatics understanding of the three dimensional controls on world class VHMS mineralisation to rapidly provide Bass with high-quality targets for rapid drill testing and for follow-up field work including soil type geochemistry. Models were also developed for targeting intrusive related tin systems (e.g. Renison and Mt Bischoff) and intrusive related nickel skarn systems (e.g. Avebury). Targets were identified and ranked according to probabilistic Monte Carlo analysis of best-available 2D and 3D geoscientific data and allowed an assessment of exploration risk and uncertainty.

Much of the data for the project was obtained from open file reports. A data audit of 1,300 reports was completed by Dan Core, Graeme Cameron, Neville Panizza and Helen Ly. Work on the Stage 1b Project commenced in early February 2006 and was largely complete by July 2006. A target workshop with alliance personnel was held at Hellyer in July 2006 and final targets are being delivered in August 2006.

At Highclere, Geoinformatics generated a total of 6 intrusive-related, carbonate-replacement targets (Figure 5).

Refer to Appendix 2 for a summary report on the Geoinformatics process methodology.

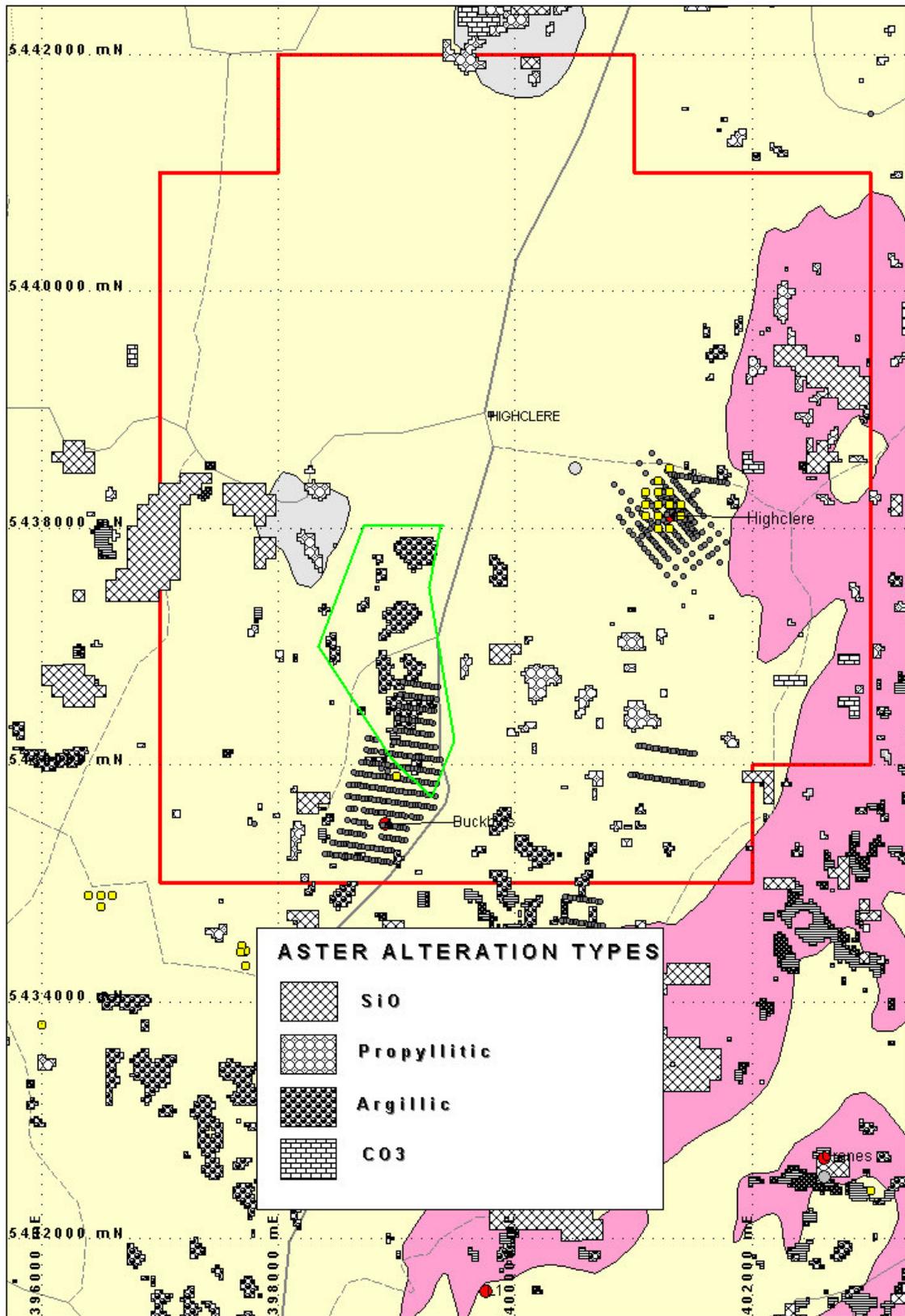


Figure 4. Alteration Map based on processing of ASTER satellite data.

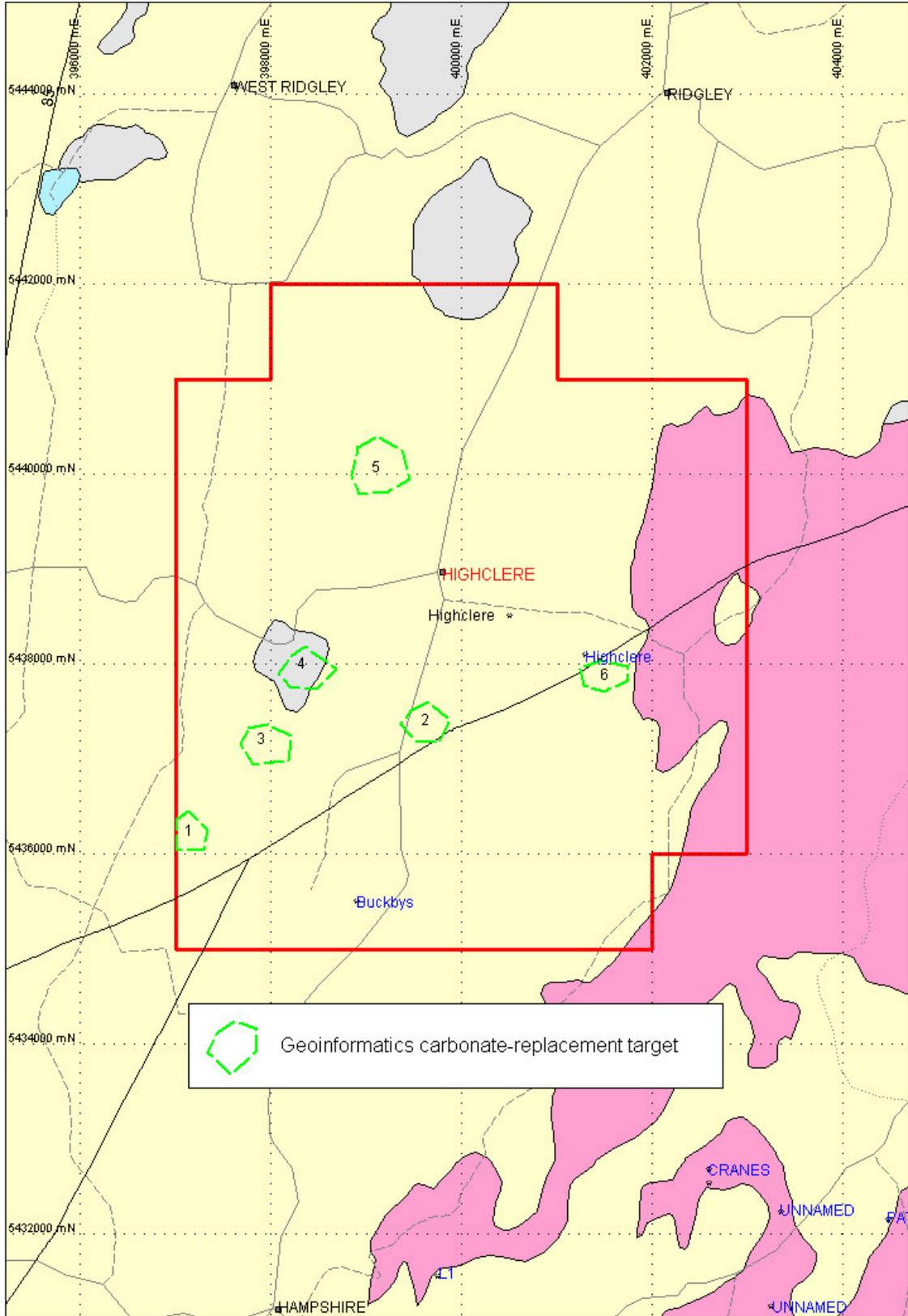


Figure 5. Geoinformatics Targets on Highclere Licence.

4. PROPOSED EXPLORATION

Proposed exploration over the next year includes; field checking of the Shell and Comalco soil grids with the view to extending the Old Park Road soil grid.

If the Old Park Road Pb-Zn anomalism can be verified and is considered adequately significant, a ground EM survey is proposed to model the unexplained Sirotem anomaly reported by Shell.

As yet no proposals have been submitted to the MRT for approval.

5. ENVIRONMENT

The company has environmental policies in place that minimise the impact that exploration activities have on the environment. The policies include guidelines on how to reduce the risk of spreading plant diseases and weeds as a result of day-to-day exploration tasks.

The attached Environmental Activity Map in Figure 6 shows the location of the licence relative to conservation areas. No conservation areas encroach on the Highclere licence.

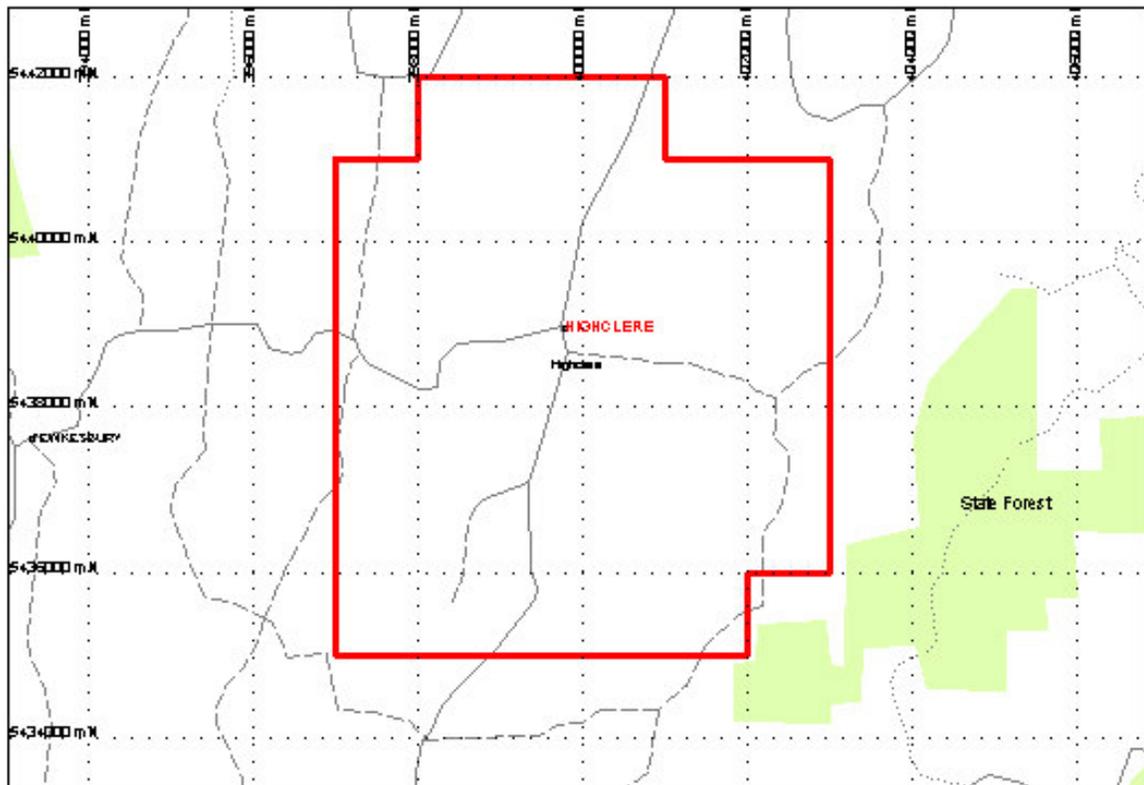


Figure 6. Environmental Activity Map

6. EXPENDITURE

	Aug-05 to Aug-06
Administration	1859.59
Geology-Personnel& Overheads.	6610.24
Gridding	
Geochemistry	
Geophysics	
Drilling	
Feasibility Studies	
Rehabilitation	
Safety	157.23
Other - Geoinformatics	9968.93
Total - Eligible	18595.99

Table 1. Expenditure 8 August 2005 to 7 August 2006.

Expenditure for the twelve months between 8 August 2005 and 7 August 2006, has primarily been taken up with collation and processing of existing open file data.

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APPENDIX 1

APPENDIX 2