

**MOUNT SELINA PROJECT
MONTAGU, TASMANIA
EL29/2002**

**ANNUAL PROGRESS REPORT
31ST JANUARY 2005 TO 30TH JANUARY 2006**

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ABSTRACT

Bass Metals commenced management of Mount Selina exploration licence (EL29/2002) on 27 April 2005. Work conducted on the licence for the year ended 30/01/2006 included review and compilation of historical data into a MapInfo database, processing of ASTER satellite data and completion of a soil sampling programme.

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.

Henty Gold mine was visited to gain a better understanding of the geology and mineral deposits in the region. Chief Geologist Simon Pollard gave a briefing on regional and local geology including a detailed account on wall rock alteration zonation. The visit also assisted in the determination of pathfinder elements for Henty style gold deposits as being Au, Ag, Bi, Cu and Pb.

An 'Exploration Proposal' for a soil geochemical programme was submitted to the MRT in November 2005. The programme proposed collection of samples from two areas on a 200 metre by 50 metre spaced grid. Following this tenders were requested from two contract cutting and sampling crews. An approval was granted in December 2005 and the programme was completed before the end of January 2006. Assay results were not available before the end of the year.

Bass plans to use consultant geologists Geoinformatics to compile data into their proprietary database systems (IFS and FracSIS) before producing 3 dimensional geological models and generating ranked targets (using Monte Carlo analysis techniques).

Appendix 1 contains a 'Progress Report on Exploration Activities for the Six Month Period from the 31 January 2006 to the 31 July 2006'. This includes assay results for the above soil geochemical programme as well as Geoinformatics geological models and targets.

All exploration activities are being conducted in an environmentally sensitive manner.

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1. INTRODUCTION

This report is a summary of the exploration activities conducted on the Mount Selina exploration Licence, EL29/2002 (Figure 1), for the period of 31st January 2005 to 30th January 2006. The 58km² project is covered by the single Exploration Licence which is current until 31st January 2008.

The licence forms part of a recent joint venture between Adamus Resources Limited and Bass Metals Limited which commenced in April 2005. Bass will act as managers during the term in period from a base at the Hellyer Mine site. Bass Metals was previously known as Resource Finance and Investments Limited (RFI).

The area is famous for hosting the Rosebery (Pb-Zn), Hellyer (Pb-Zn-Ag-Au), Henty (Au-Ag-Pb-Cu) polymetallic VHMS deposits and the large-scale Mt Lyell copper ore bodies. EL29/2002 was acquired primarily to search for economic VHMS Au-Cu and Pb-Zn-Ag-Au deposits in the Mount Read Volcanic Belt.

Appendix 1 contains a 'Progress Report on Exploration Activities for the six month period from the 31 January 2006 to the 31 July 2006' to meet any additional reporting requirements after the Department of Mineral Resources Tasmania granted a six month deferral of expenditure on 21 December 2005.

1.1 Location:

The Mount Selina licence is located between Queenstown and Rosebery, on the west coast of Tasmania (Figure 1 and 2). Initially a 24km long by 5km wide belt the licence is found on the Sophia and Franklin (1:100,000) map sheets. Following partial relinquishment the licence currently covers 58km². The licence area is bounded to the north and south by Mount Murchison and the Comstock Valley and the eastern and western boundaries are the Sticht and Tyndall Ranges.

The north-western corner of the licence is crossed by the sealed Anthony Road. Access to the central and southern areas is via gravel tracks maintained by the Hydro-Electric Corporation, Parks and Wildlife Service and Copper Mines of Tasmania. Access to the remainder of the licence is either on foot or by helicopter.

The majority of the licence is covered by the Tyndall Range Regional Reserve and the Lake Beatrice Conservation Area. Topographically the area is rugged and quite variable displaying steep wooded slopes, deeply incised valleys and grassed flat plateaus and broad plains. Numerous lakes and closed catchment basins are located throughout the licence area.

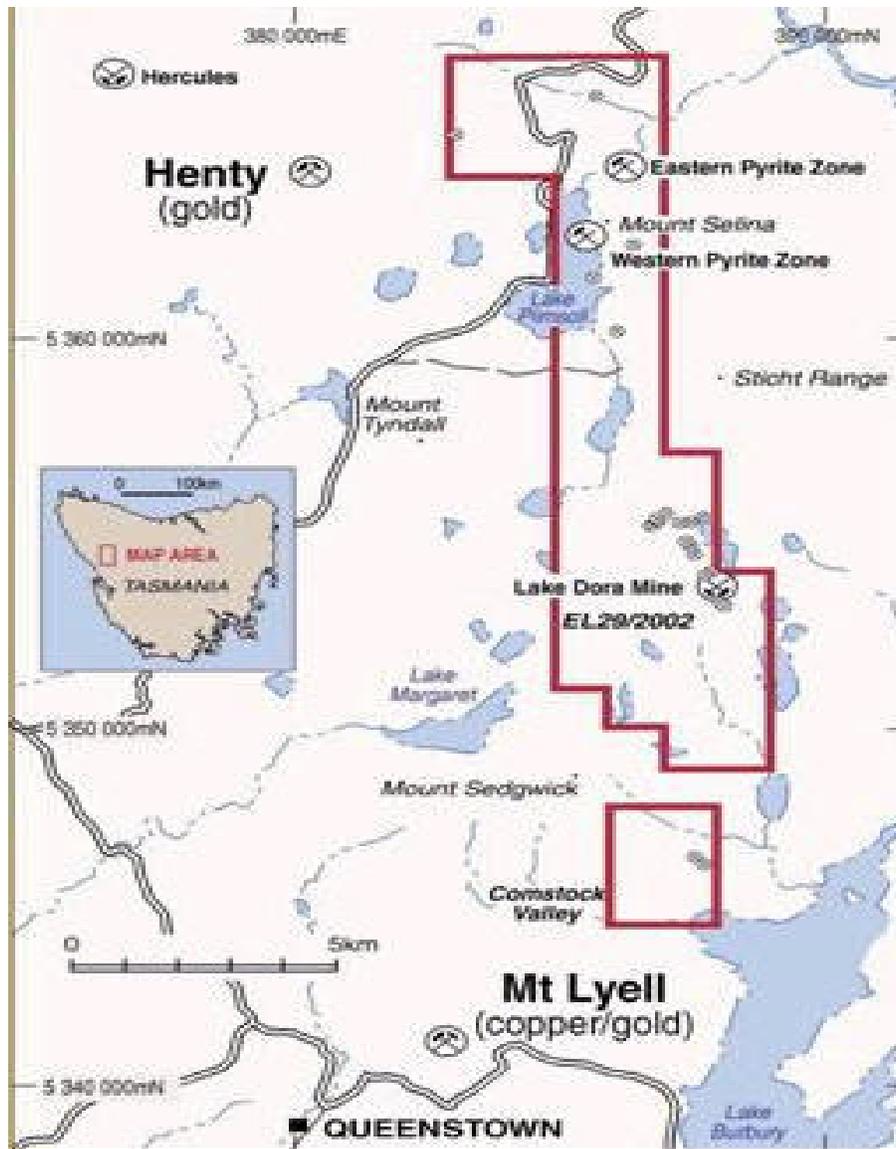


Figure 1. Mount Selina Licence (EL29/2002). Located in North-western Tasmania.

1.2 Geology Overview:

The licence is comprised of Mt Read Volcanics unconformably overlying Tyennan basement. Owen group sediments overlay these volcanoclastic units in the central and western licence areas with alluvium and glacial deposits covering a large portion of the central and northern areas. The Murchison Granite, which can be seen in small outcrops within the licence, intrudes and underlies the Mt Read Volcanics (Rust 2004) (Figure 2).

1.2.1 The Mount Read Volcanics

The Mt Read Volcanics are a belt of volcanoclastics and sediments, of Mid- Cambrian age, which host the known mineralisation in the licence area. Along the eastern margin of the licence outcrops of the Mt Read Volcanics basal units can be observed. These

lower units are made up of the Eastern Quartz Phyrlic Sequence, the Central Volcanic Complex and the Tyndall Group (Rust 2004).

The Eastern Quartz-Phyrlic Sequence lies in the east of the licence area and can be seen to be adjacent outcropping Tyennan Metamorphics. It is comprised of felsic volcanoclastics, porphyries and intrusives, with minor units of shales and cherty mudstones (Rust 2004). It hosts the majority of historical copper workings on the licence.

Within the north-western and southern areas of the licence units from the Central Volcanic Complex can be observed in outcrop. Hosting the Red Hills Cu-Pb-Zn-Au-Ag mineralisation this complex is composed of felsic volcanic rocks, rhyolite, dacite and shale and sandstone units containing volcanoclastic tuffs (Rust 2004).

Outcropping to the north of Mt Selina and then from Lake Dora to the south of the licence as a belt, the Tyndall Group hosts the zinc mineralisation of the Anthony and East Selina prospects. This group is comprised of volcanoclastic sandstone and conglomerate units which are in contact with the basal volcanoclastics of the Eastern Quartz-Phyrlic Sequence. The Tyndall Group is also present in the Henty Fault zone, to the west of the licences, as basal felsic rocks (Rust 2004).

1.2.2 The Owen Group

Generally a sequence of marine sediments, Cambrian to Ordovician in age, unconformably overlie the Mt Read Volcanics. This group is made up of a series of conglomerates, pebble conglomerates, breccias, sandstones, limestones, silts and shales (Rust 2004). It is not likely to host any exhalative styles of mineralisation such as Taylor and Mathison (1990) report for the younger Gordon Group. However, it could potentially host mineralisation associated with intrusion of Late Devonian–Early Carboniferous granitoids.

1.3 Exploration Rationale:

The area is famous for hosting the Rosebery (Pb-Zn) and Hellyer (Pb-Zn-Ag-Au) polymetallic VHMS deposits and the large-scale Mt Lyell copper ore bodies. EL29/2002 was acquired primarily to search for economic VHMS Au-Cu and Pb-Zn-Ag-Au deposits within the Mt Read Volcanic Belt.

Historically the area has been examined by a number of companies for potential VHMS deposits with limited work being conducted on the gold potential of the region. Previous companies believed that the licence area was not likely to be the host of any large-scale, economic VHMS base metal deposits.

Historically poor gold exploration results from the licence are thought to be a direct function of the exploration focus being on base metal VHMS-style mineralisation. There is evidence from the licence area of gold assays returning as high as 48.8g/t. Also in the Henty/Mt Julia area there are some high grade gold deposits in the order of <500,000t @ 10-30g/t.

It is felt that the region is still prospective for both economic VHMS Au-Cu and Pb-Zn-Ag-Au deposits and exploration works will focus on these styles of mineralisation.

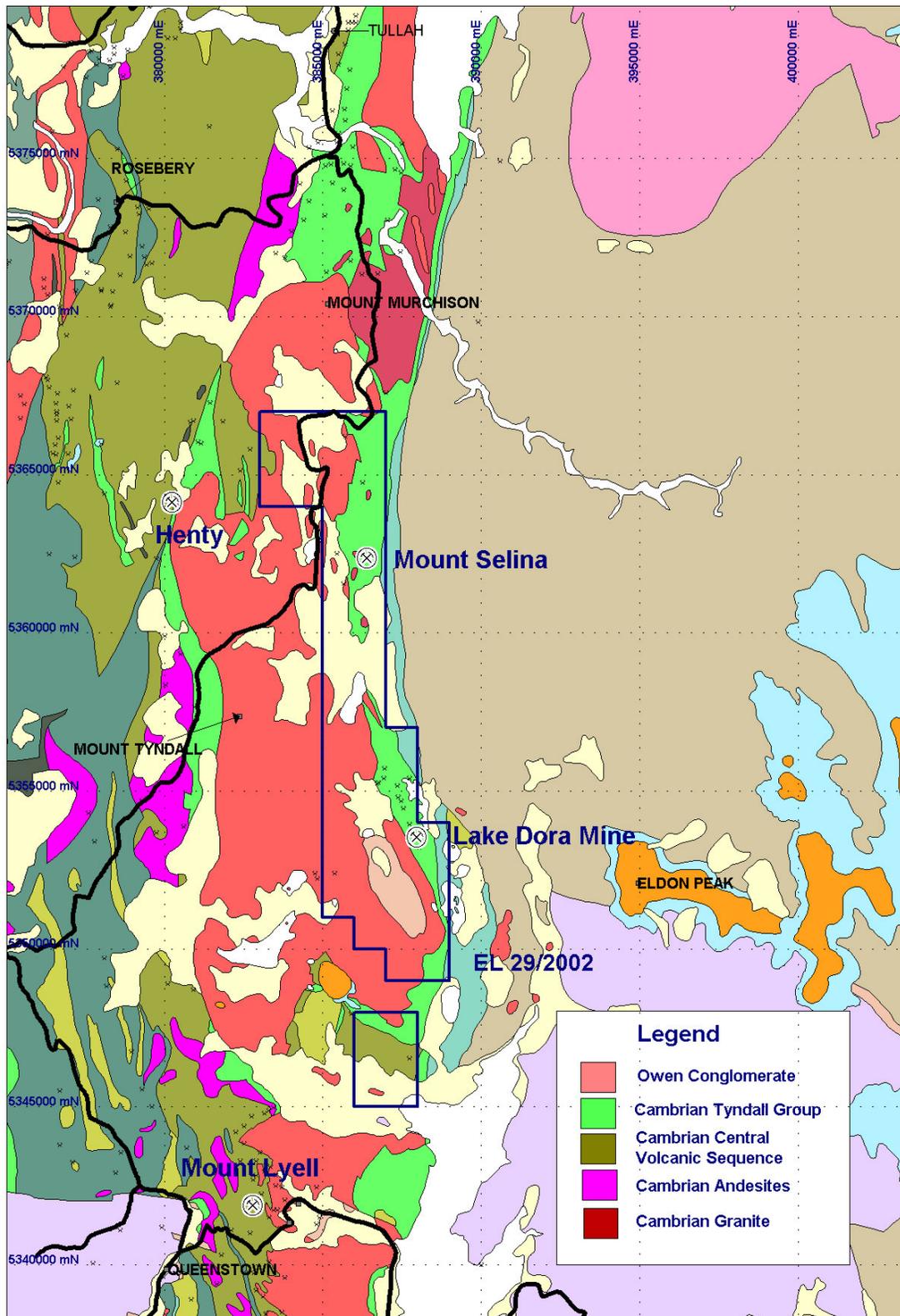


Figure 2. Regional Geology showing licence boundaries, roads and towns.

2. WORK COMPLETED

2.1 Historical Mining:

The discovery of the Red Hills and Lake Dora mineral fields, in 1891, brought about the beginning of historical work in the area. Efforts at this time basically consisted of small to moderate scale prospecting and limited mining attempts. Historically copper was the main element of interest.

The Lake Dora area was worked with only moderate success through a series of trenches and prospecting shafts and tunnels. Early workers noted the presence of cobalt in the region and copper and silver were the main elements of economic interest. In 1908 the Lake Dora field was abandoned due to poor copper grades.

The Red Hills field saw a very small window of activity from 1905 when limited mining operations were conducted by Mount Lyell Mining & Railway Company Ltd (MLM&RC). Red Hills operations ceased in 1908.

There is very little recorded activity in the region from 1908 until the beginning of modern exploration efforts in the late 1950's.

2.2 Exploration Prior to Current Licence:

Modern exploration efforts in the Mt Selina region commenced in the late 1950's (Figure 3). Prior to this only limited prospecting and mining took place. The following history of modern exploration in the Mt Selina licence has been taken from Rust (2004):

Date: 1957 - 1962

Company: Rio Tinto Australian Exploration Pty Ltd

Exploration Philosophy: Focus on locating large-scale, economic Cu, Zn, Pb, Sn mineralisation utilising geophysical methods, mapping and stream sediment sampling.

Work Completed: Examined the Lake Selina, Lake Dora, Lake Spicer, West Sedgwick, Comstock Valley and Red Hills areas for potential to host large-scale Cu, Zn, Pb, Sn mineralisation. Aeromagnetic surveys and four diamond drill holes were completed over the Red hills area.

Results and Conclusions: No results are recorded.

Date: 1966 - 1987

Company: MLM&RC and Goldfields Exploration Pty Ltd (both subsidiaries of Renison Goldfields Consolidated Ltd)

Exploration Philosophy: Initially targeting Mt Lyell analogous copper mineralisation, later expanded to incorporate VHMS base metals with a more recent focus on gold mineralisation.

Work Completed: Assessment and interpretation of previous aeromagnetic surveys (for target generation), stream sediment, soil and rock chip sampling, induced polarization surveys, resistivity and ground magnetics surveys, mapping, diamond drilling, trace element and Ni:Co drill core studies, EM and UTEM ground level geophysical surveys.

Results and Conclusions: several targets generated however follow up drilling generally only returned low grade anomalous results. Area shows large anomalous zones of Cu-Pb-Zn-Ag±Au.

Date: 1985 - 1995

Company: CRA Exploration and Aberfoyle Resources Ltd Joint Venture

Exploration Philosophy: Generally focused on base metals, however the southern areas were explored for base metals and gold due to structural and lithological similarities between the area and the Red Hills Pb-Zn-Au deposit.

Work Completed: Ground based magnetic surveys, mapping, stream sediment, soil and rock chip sampling, diamond drilling and a downhole EM survey.

Results and Conclusions: Limited exploration targets generated, previous anomalies confirmed however further work failed to increase the economic potential of the anomalies. Some interesting anomalous results returned from rock chip samples showing elevated Au, Pb and Zn assays.

Date: 1987 - 1998

Company: Aberfoyle Resources Ltd

Exploration Philosophy: Exploration for VHMS deposits at +200m depth. Main elements of interest were Pb-Zn and gold to a lesser degree.

Work Completed: Ground magnetic surveys, mapping, rock chip sampling and diamond drilling.

Results and Conclusions: Work returned some anomalous Au, Ag, Cu and Pb grades, however overall Pb, Zn and Au values were poor.

Date: 1996 - 1997

Company: Copper Mines of Tasmania Pty Ltd

Exploration Philosophy: Targeting VHMS base metals, gold or disseminated sulphide deposits. The exploration area was selected as it was considered to be analogous with the Red Hills Rhyolite Dome.

Work Completed: Stream sediment and rock chip sampling. Assaying for Cu, Pb, Zn, Ag and Au.

Results and Conclusions: Results returned from the programs were variable with some Au, Zn, Cu and Pb point anomalies defined.

Date: 1996 - 2001

Company: Pasminco Exploration Ltd

Exploration Philosophy: exploring for VHMS Pb-Zn-Cu-Au-Ag deposits using the Rosebery/Hellyer deposits as the conceptual model. Also concentrating on large tonnage, intrusive related Cu-Au systems and vent-breccia style "Leyshon" Au.

Work Completed: Literature review, helicopter supported reconnaissance, re-assaying of diamond drill holes, mapping, rock chip and soil sampling and Pb isotope studies.

Results and Conclusions: Re-assaying of diamond drill holes returned disappointing results. However rock chip sampling showed significant Au, Cu, Pb, Zn, Ag and Co anomalism from narrow veins. Several anomalous (6-37 g/t) Ag assays were returned.

Date: 1998 - 2002

Company: Goldfields Exploration

Exploration Philosophy: Unsure

Work Completed: None

Results and Conclusions: The Mt Selina ground was held in conjunction with another area. Goldfields concentrated exploration efforts on the other ground. The Mt Selina portion was released due to increasing expense commitments without any work being conducted on it.

The exploration conducted by previous companies had highlighted the following targets: the Eastern Pyrite Zone, Anthony, the Western Pyrite Zone and some geophysical targets at Lake Dora, Lake Spicer and Beatrice Dome.

Previous exploration efforts generally focused on Rosebery/Hellyer style VHMS deposits and Mt Lyell style copper deposits as the conceptual target. As a result the elements of primary interest have been the base metals Pb, Zn and Cu with later limited focus on Au.

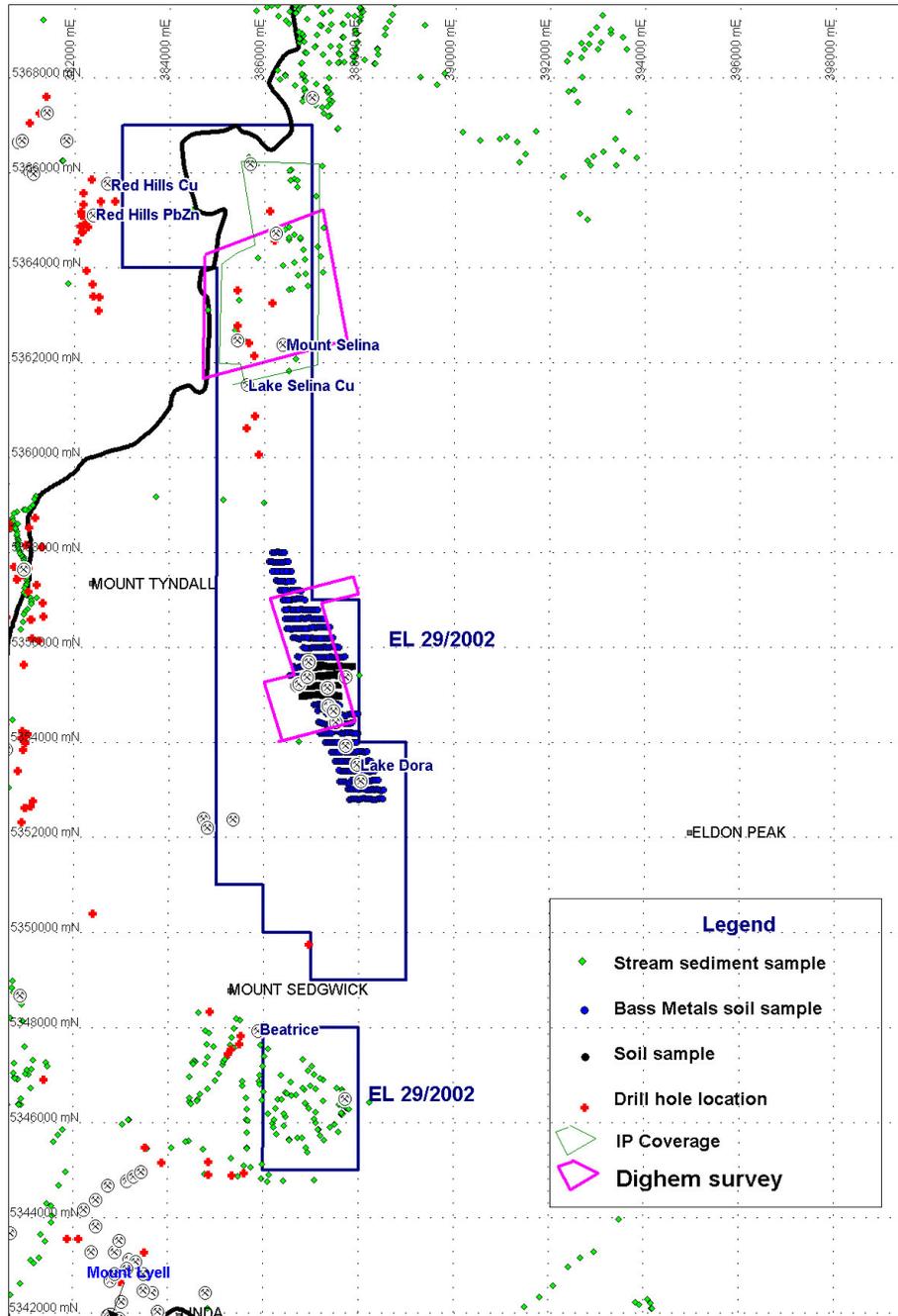


Figure 3. Historical Exploration Activity Map showing old workings and prospects.

2.3 During Current Licence Pre 31st January 2005:

- Literature reviews of historical exploration data, technical and annual reports
- Adamus conducted gridding and soil sampling over selected targets.
- Compilation of historical data available from open file sources.

3. EXPLORATION COMPLETED 31 JANUARY 05 TO 30 JANUARY 06

The below section reports on exploration conducted between 31 January 2005 and the 30 January 2006. This included capture and compiling of historical data in a MapInfo database, processing of ASTER satellite data and a soil geochemical programme.

Between execution of the Farm in & Joint Venture Agreement with Adamus Resources on the 27 April 2005 and October 2005 Bass actively sought any datasets of potential value for targeting VHMS and standalone gold deposits. 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 including; EM surveys by Goldfields Exploration as well as various geochemical surveys were captured in the MapInfo database.

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 the 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.

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). This ASTER data was forwarded to Bob Agars at AGARSS for processing.

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

The ASTER data was processed and despite various alteration types being mapped in the licence area no areas were mapped as having an extremely prospective alteration suite or requiring further investigation (Figure 4). Appendix 2 contains digital ASTER data in ESRI (GIS) Shapefile format.

Geochemical Programme

An 'exploration proposal' to conduct a soil sampling programme at Mt Selina was submitted to the MRT in November 2005. There were two main areas that were selected for soil sampling. Area 1 was between Lake Rolleston and Lake Dora and Area 2 was between Lake Dora and Lake Spicer. The MRT granted the company approval in December 2005. The last samples had been collected by the end of January 2006.

Logistics

The program was carried out mostly in the Tyndall Range Regional Reserve. Consequently much of the area explored was densely vegetated and contained native fauna. Care was taken to look out for any areas infected with the *Phytophthora cinnamomi* fungus to enable the area to either be avoided or control measures to be put in place. None of the field staff reported entering any such areas though hygiene measures as outlined in the Mineral Exploration Code of Practice were still adhered to. The sampling procedures that were used are outlined below;

A Honda Big Red quad bike was floated to the nearest public road access point. The bike was then used to transport the samplers and sampling equipment to the general sampling area for that day. Any wet or muddy routes were avoided and in instances where they could not be avoided the bike was cleaned at the point of soiling. After completing a day of work the bike was then used to transport everything (as well as the collected samples) back to the main vehicle.

Access to the sample sites involved the cutting of 'minimal impact lines' at 200 metre intervals. Essentially a field technician with a chainsaw walked the lines cutting only that vegetation that was blocking access. This essentially equated to the cutting of larger shrubs along a total of 18 grid line kilometres. Sample sites were positioned using a hip-chain to measure 50 metre intervals and were only ever accessed by foot with paths routinely less than 1 metre in width.

Once at a sample site if ground vegetation and litter was present it was scraped to the side. A hand auger was then used to drill between 10cm and 50cm through vegetation and humic topsoil. A sample that varied between 0.8kg and 2.55kg was collected from the bottom of the hole. The hole was then backfilled and any vegetative litter raked back over the top of the area so that evidence of soil sampling was almost zero.

At all times during the cutting of grids and collecting of samples care was taken to avoid the transfer of soil or vegetation. With tools, shoes and clothing being cleaned of loose soil or vegetation after each sample was collected to minimize the transport of noxious weeds and plant diseases.

The samples were transported back to the Hellyer base camp before being dispatched to Genalysis Laboratory Services Pty Ltd in WA for Au, Ag, As, Bi, Cu, Mo, Pb, Sb, Ti and Zn assay. Copper and Zinc were analysed for using Atomic Absorption Spectrometry (AAS). All other elements were analysed for using Inductively Coupled Plasma – Mass Spectrometry (ICP-MS). A total of 342 field samples were submitted for assaying.

Results

Assay results from the programme were not received until February-April 2006. Refer to Appendix 1 for results from the soil geochemical programme.

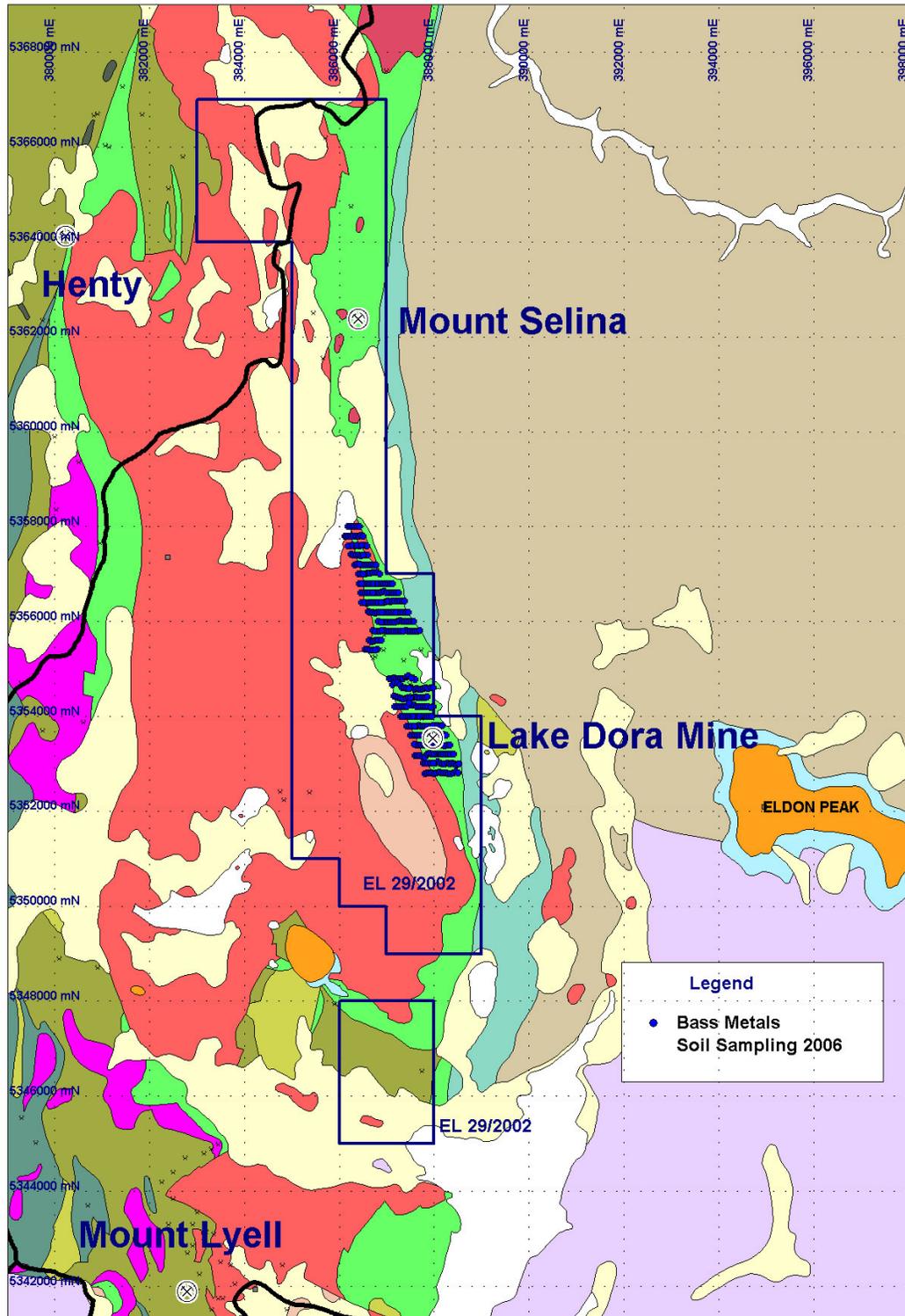


Figure 5. Mount Selina Soil Geochemical Programme –Soil Sample Locations.

4. PROPOSED EXPLORATION

Bass believes that the Mt Selina licence has excellent potential of hosting either a VHMS deposit or a Henty style gold deposit. Over the next year Bass metals plans to;

Analyse soil geochemical results from the programme finished in January 2006. If any anomalies are defined then an infill soil sampling programme will be devised to confirm the anomaly. If these results enhance the anomaly then an electromagnetic or resistivity type geophysical survey may be conducted to refine targets before drilling.

Bass also intends to use consultant geologists Geoinformatics to compile a 3-d spatial database (GIS). The Geoinformatics process uses an office in India to efficiently compile large amounts of historical data into proprietary database and software systems (such as IFS and FracSIS). These databases enable generation of 3-dimensional geological models and ranked targets (Monte Carlo).

Refer to the 'Six-Month Progress Report for EL29/2002' in Appendix 1 for results from the above programmes. Further, refer to the 'Proposed Exploration' section for the most recent details on exploration planned for the six-month period 31 July 2006 to 30 January 2007.

5. ENVIRONMENT

The bulk of the soil sampling programme was carried out in the Tyndall Range Regional Reserve. Prior to starting the program all staff were made aware of the importance of minimizing the impact that exploration activities had on the environment and the risks associated with spreading plant diseases and weeds as a result of day to day exploration tasks.

By the end of the programme approximately 18km of line cutting had been completed. All lines cut were less than 1 metre wide and entrances had been cut at an angle to existing tracks. A total of 342 samples were collected using a drill auger and the holes were backfilled after each sample had been collected. Vegetative litter was raked back over the hole before moving onto the next site so that evidence of a soil sample being taken was almost zero.

Following the completion of soil sampling the gridlines that were cut were partially covered so as to allow access at a later date should it be required. If no further access is deemed necessary lines will be rehabilitated in the manner required by the relevant state legislation.

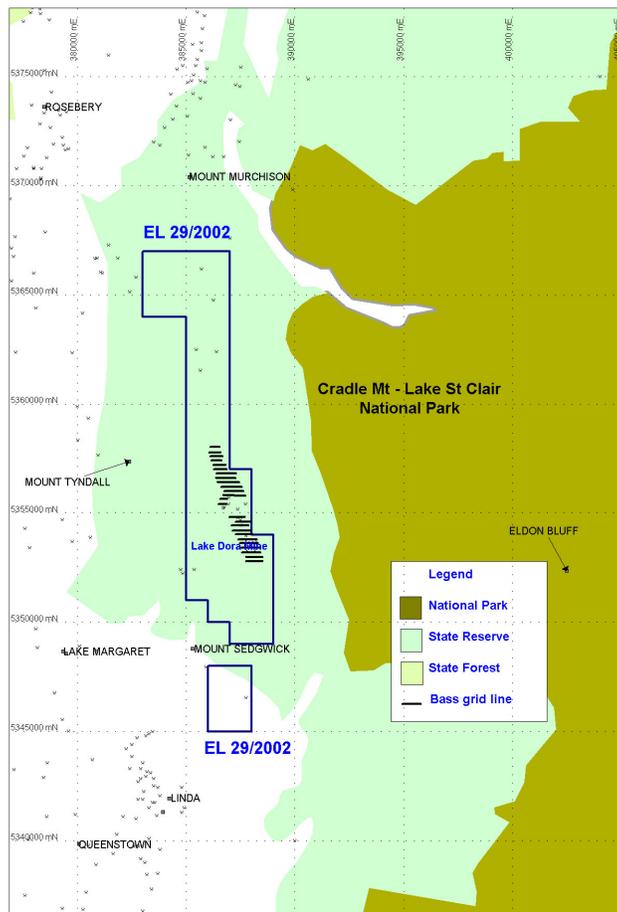


Figure 6. Environmental Activity Map –Bass Grid Lines January 2006.

6. EXPENDITURE

Quarter Ending	Mar-05	Jun-05	Sep-05	Dec-05	Total-Eligible
Administration	957.00	171.60	790.96	999.67	2,919.23
Geology - Personnel & Overheads.	9,565.00	1,544.40	7,118.65	8,812.68	27,040.73
Gridding					
Geochemistry				118.00	118.00
Geophysics					
Drilling					
Feasibility Studies					
Rehabilitation					
Other					
Total - Eligible	10,522.00	1,716.00	7,909.61	9,996.68	30,144.29
Cumulative Total	34,136.85	35,852.85	43,762.46	53,759.14	

Table 1. Expenditure 1 January 2005 to 31 December 2005.

It became apparent late in 2005 that the minimum expenditure commitment for year 3 was not going to be met. On the 5 December the licensee requested MRT to grant a deferral of expenditure for six months. The MRT granted this deferral in expenditure on the 21 December 2005 from the 31 January 2006 to the 31 July 2006.

Expenditure, for the twelve months 1 January 2005 to 31 December 2006, has primarily been taken up with data compilation and preparations for the planned soil geochemical programme. Despite the program being completed by the end of January, expenditure was not booked until early 2006 when the contract cutting and sampling crews submitted their invoices and laboratory invoices came in.

Total expenditure for the year till December 31 2005 stood at \$30,144.29 while expenditure incurred during the 6 month extension period till 31 July 2006 was \$127,454.24.

7. REFERENCES

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APPENDIX 1

APPENDIX 2