WILMOT PROJECT
TASMANIA
EL51/2004

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

Tenement Holder/Manager

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ABSTRACT

Bass Metals Ltd commenced management of the Wilmot exploration licence (EL51/2004) 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
- Acquisition and 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

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Bass Metals 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.

Geoinformatics target generation, interpretation of ASTER data and review of historic exploration data has identified two VHMS targets on the Wilmot licence. Proposed exploration activities will evaluate these two targets.

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1. INTRODUCTION

This report is a summary of the exploration activities conducted on the Wilmot exploration licence, EL51/2004 (Figure 1), for the period 8 August 2005 to 7 August 2006. The licence covers a total area of 75 km^2. The Wilmot 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 licence from a base at the Hellyer Mine site.

The licence is located in the northwest corner of Tasmania and contains a portion of the prospective Mount Read Volcanics belt ("MRV"). Sedimentary units of the Cambro-Ordovician Owen Group also occur on the licence and Devonian granite outcrops approximately 5km to the south. The MRV belt hosts a number of large volcanic-hosted massive sulphide deposits in the nearby area, including, Hellyer (Pb-Zn-Ag-Au) and Que River (Pb-Zn). Devonian granite-related skarn deposits, including, Moina (CaF_2-Sn-W), Hugo (Zn-Au-Bi) and Stormont (Au-Bi) occur to the south of the licence. Exploration at Wilmot is likely to be for Cambrian VHMS deposits and Devonian granite and hydrothermal related deposits.

1.1 Location

The Wilmot licence extends for some 15km east and west from the shores of Lake Barrington to the Leven River north of Black Bluff Range and encompasses the locality of Erriba to the north of the Cradle Mountain National Park in northwest Tasmania (Figure 1). The licence covers an area of 75 km^2 and is located on the Forth & Inglis 1:100,000 scale LTIS map sheets.

The Wilmot licence area is accessed from the north coast by the Wilmot and Cradle Mountain Roads via Forth and Wilmot or by the South Nietta Road from Nietta and from the west coast of Tasmania by the Cradle Mountain Link Road. Vehicle access is possible to large parts of the licence area via forestry tracks.

Topographically the area is rugged in part with deeply incised gorges passing into elevated plateaus of tertiary basalts. State forest covers a large portion of the tenement.

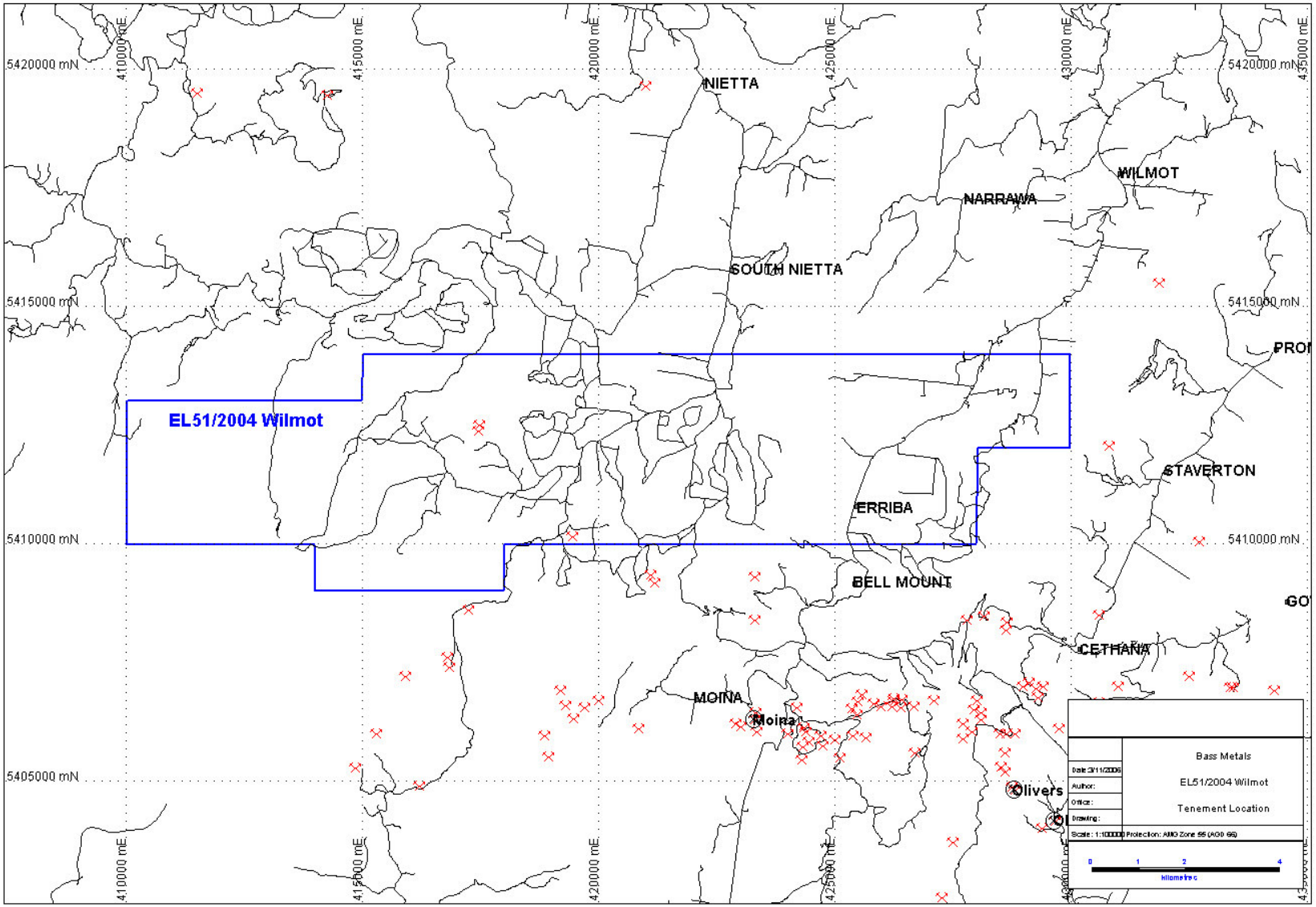

Figure 1. Wilmot Exploration Licence (EL51/2004) is located in north-western Tasmania.

1.2 Geology Overview

The oldest rocks in the licence area belong to the Mt Read Volcanics which are a Cambrian belt of rocks that lie unconformably on top of the Tyennan Metamorphics. Owen Group sediments are Cambrian to Ordovician in age and overlay the MRV. Tertiary basalts and Quaternary sediments are mostly confined to the central and northern parts of the license. The Devonian Dolcoath granite outcrops to the south of the tenement. Refer to the Regional Geology Map in Figure 2.

1.2.1 The Mount Read Volcanics

The Mt Read Volcanics are a belt of volcanic, volcaniclastic 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).

The Wilmot licence is mapped as having outcrops of Western Sequence volcaniclastics, andesites, quartz-feldspar porphyry and Tyndall Group. The andesite may indicate the presence of a new or equivalent cycle of volcanism to the Hellyer-Que River Volcanics or it may be of less significance belonging to the basal beds of the Tyndall Group.

Western Volcano-Sedimentary Sequence

The southeastern portion of the licence is mapped as belonging to the Western Volcano-Sedimentary Sequence. This unit is coeval with the Central Volcanic Complex of the MRV though older than the Tyndall Group. It is described as including beds of lithicwacke turbidite, mudstone (commonly rich in shards), siltstone and shale. It also contains subordinate intrusive and volcanic rocks, which are commonly andesitic (Seymour *et.al.,* 2006).

Bonds Range Quartz Feldspar Biotite Porphyry

The Bonds Range Quartz-Feldspar-Biotite (+/-Hornblende) Porphyry crops out at two localities on the licence. It is recorded as being complex, showing variations in colour, grain size, degree of alteration and deformation, and phenocryst assemblage. At Ten Mile Creek it hosts a quartz-hematite stockwork (containing gold mineralisation).

Tyndall Group

The Tyndall Group is a unit of quartz-bearing volcaniclastic sandstone and conglomerate. It also contains minor volcanic, intrusive and ignimbritic rocks of mixed felsic and andesitic provenance (Seymour *et.al.,* 2006).

1.2.2 The Owen Group

The Owen Group is Cambrian to Ordovician in age and sits unconformably on the Mt Read Volcanics. The unit typically includes large volumes of coarse siliclastic conglomerate composed dominantly of metaquartzite clasts derived from the Tyennan Metamorphics. It also includes turbidite and shallow marine sandstone units (Seymour *et.al.,* 2006). 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.

1.2.3 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 a significant amount of the central license area. The thickness of these basalt units may potentially vary significantly.

1.2.4 Quaternary Sediments

Pleistocene glacial deposits and Holocene alluvium cover some of the central licence area. These units sit on the Tertiary basalt and underlying units of the MRV (Rust *et al*.2005).

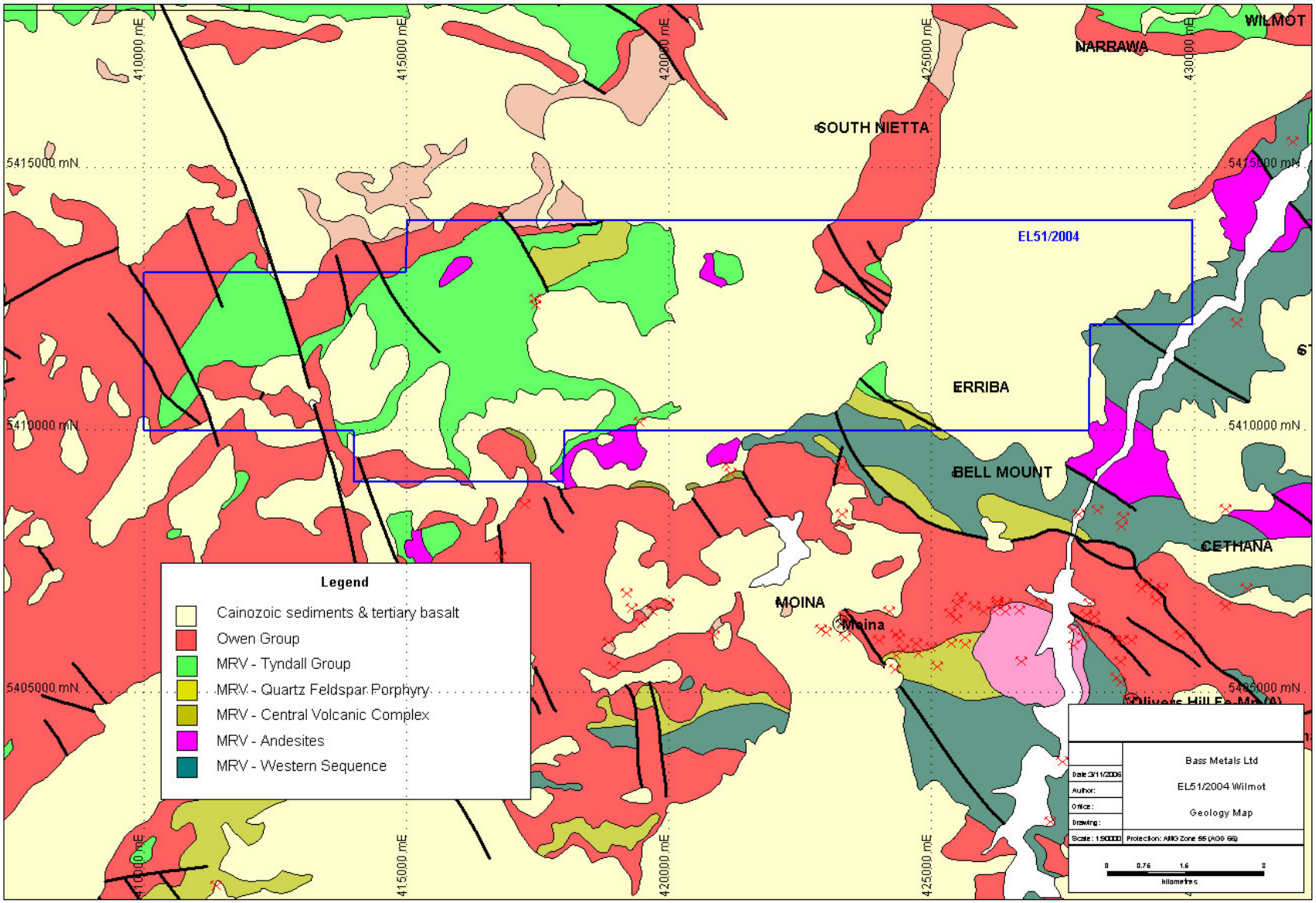

Figure 2. Regional Geology showing Licence Area boundaries, roads and towns.

1.3 Exploration Rationale

EL51/2004 was acquired as geological interpretation suggests that the Mt Read Volcanic belt may outcrop in the area and thus there is considered to be potential for the discovery of polymetallic VHMS style mineral deposits similar to those in the adjacent Hellyer and Que River mineral field. There are also known skarn deposits immediately south of the tenement and the licence area is considered prospective for further intrusive-related mineral deposits.

Target generation by Geoinformatics has identified two VHMS style targets on the western side of the licence.

2. WORK COMPLETED

2.1 Historical Mining

Historic mining activity is not recorded within the actual area of licence EL51/2004 but significant granite-related skarn mineral deposits have been identified to the immediate south of the licence in the Moina area. These deposits include the Moina deposit (18 Mt @ 26% CaF_2, 0.1% Sn, 0.1% WO_3), the Hugo deposit (0.25 Mt @ 5.5% Zn, 1g/t Au, 0.1% Bi) and the Stormont deposit (0.135 Mt @ 3.44g/t Au, 0.21% Bi; Seymour et al., 2006).

2.2 Previous Exploration

Modern exploration efforts in the area of EL51/2004 commenced in the mid 1960's by BHP Billiton (Figure 3). Companies have variably been targeting either VHMS style base metal deposits or granite-related skarn mineralisation similar to deposits around Moina. A summarized version of the exploration history on the licence is given below:

Date: 1965 - 1971
Company: BHP Company Pty Ltd
Exploration Philosophy: Area recently mapped by Mines Department. Company interested in assessing potential for granite-related mineral deposits.
Work Completed: Airborne magnetic survey followed by ground evaluation of magnetic anomalies. Geological mapping of magnetic targets and some rock chip sampling reported.
Results and Conclusions: Results were disappointing.
Report: Hall, K.M. & Hewitt, D., 1968

Date: 1969 - 1970
Company: Mt Lyell Mining and Railway Company Limited
Exploration Philosophy: Dominant focus on further assessment of Moina area skarn mineralisation.
Work Completed: Majority of work completed south of the EL51/2004 licence area at Olivers Hill, Fletchers Adit, Shepherd and Murphy Mines. Discusses mineral deposits in this area. Work completed includes geological mapping, ground geophysics at prospect scale, soil sampling at prospect scale & limited rock chip sampling.
Report: Danday, B.C., 1970.

Date: 1971
Company: Cortima Mines Proprietary Limited
Work Completed: Limited stream sediment and rock chip sampling in the Black Bluff and Liena areas. Black Bluff is within current licence EL51/2004.
Results and Conclusions: Results for Pb, Zn and Cu were generally low, Au results below detection limit. Ag results up to 3g/t recorded in stream sediment samples.
Report: Anon, 1971.

Date: 1974 - 1978
Company: Comalco Ltd
Exploration Philosophy: Targeting Zn-Cu-Pb style VHMS mineralisation but also covering fluorite targets surrounding the Dolcoath granite.
Work Completed: Stream sediment sampling, geological mapping & prospecting, geophysics, soil geochemistry (-80# mesh), diamond drilling (2 holes).
Results and Conclusions: Minor visible sphalerite & galena found within outcropping MRV andesites near Mt Jacob (1.5km south of Wilmot EL51/2004) and elsewhere reported in carbonaceous shales. Maximum soil results were 305ppm Cu, +1000ppm Pb, 200ppm Zn. IP anomaly defined at Mt Jacob. Diamond drill hole MTJD18 intersected interpreted MRV lithologies and a best mineralised intercept of 16.2m @ 0.89% Pb, 0.99% Zn & approximately 30g/t Ag (including 9.3m @ 1.25% Pb, 2.65% Zn & 37g/t Ag) from 118m to 134.2m down hole. Only selective sampling completed.
Report: Weste, G., 1978.
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Date: 1980 - 1981
Company: Shell Company of Australia Ltd & Comalco Ltd
Exploration Philosophy: Tenement originally pegged to cover known fluorite mineralisation but it was also recognized that Cambrian MRV stratigraphy occurred in the license. Joint venture with Comalco.
Work Completed: Majority of work completed at Shepherd & Murphy and Tin Spur prospects targeting skarn mineralisation. Over 2,000m of diamond core but south of current Wilmot tenement. Regional aeromagnetic survey. No specific work at Mt Jacob or Smiths Plains. Soils sampling around the Cambrian Dove granite.
Results and Conclusions: Fluorite resource (26 Mt @ 18% CaF_2, 0.1% Sn & 0.1% W) defined south of Wilmot tenement at Shepherd & Murphy, gold-tin resource (2 Mt @ 1g/t Au & 0.2% Sn) defined at Tin Spur. Pb, Zn & Au soil anomaly defined in Cambrian MRV adjacent to the Cambrian Dove granite.
Report: Smyth, W.D., 1981

Date: 1974 - 1987
Company: CRA Exploration
Exploration Philosophy: Joint venture between Comalco, BHP and CRA to follow up previous targets defined on licence.
Work Completed: Mostly a relinquishment report and summary of previous work. New work completed on the Winterbrook grids targeting EM anomalies included soil sampling, follow-up EM and percussion (2 holes) & diamond drilling (6 holes).
Results and Conclusions: Results were generally disappointing with drill holes intersecting only low level base metal values (not anomalous).
Report: Von Strokirck, T. 1987

Date: 1988 - 1989
Company: Aberfoyle Resources Ltd
Exploration Philosophy: Utilizing deep search geophysical techniques to target VHMS deposits.
Work Completed: Rock chip sampling, petrology, UTEM survey.
Results and Conclusions: No conductors attributable to massive sulphide mineralisation located.
Report: Rand, S.W. & Wallace, D.B., 1989

Date: 1989 - 1990
Company: Aberfoyle Resources Ltd
Exploration Philosophy: Targeting VHMS deposits.
Work Completed: Rock chip sampling, mapping & petrology.
Results and Conclusions: Cambrian andesites identified with anomalous Pb geochemistry (3 samples with 310ppm, 485ppm and 910ppm Pb). Further follow-up was not recommended and the licence was relinquished.
Report: Rand, S.W. & Wallace, D.B., 1990

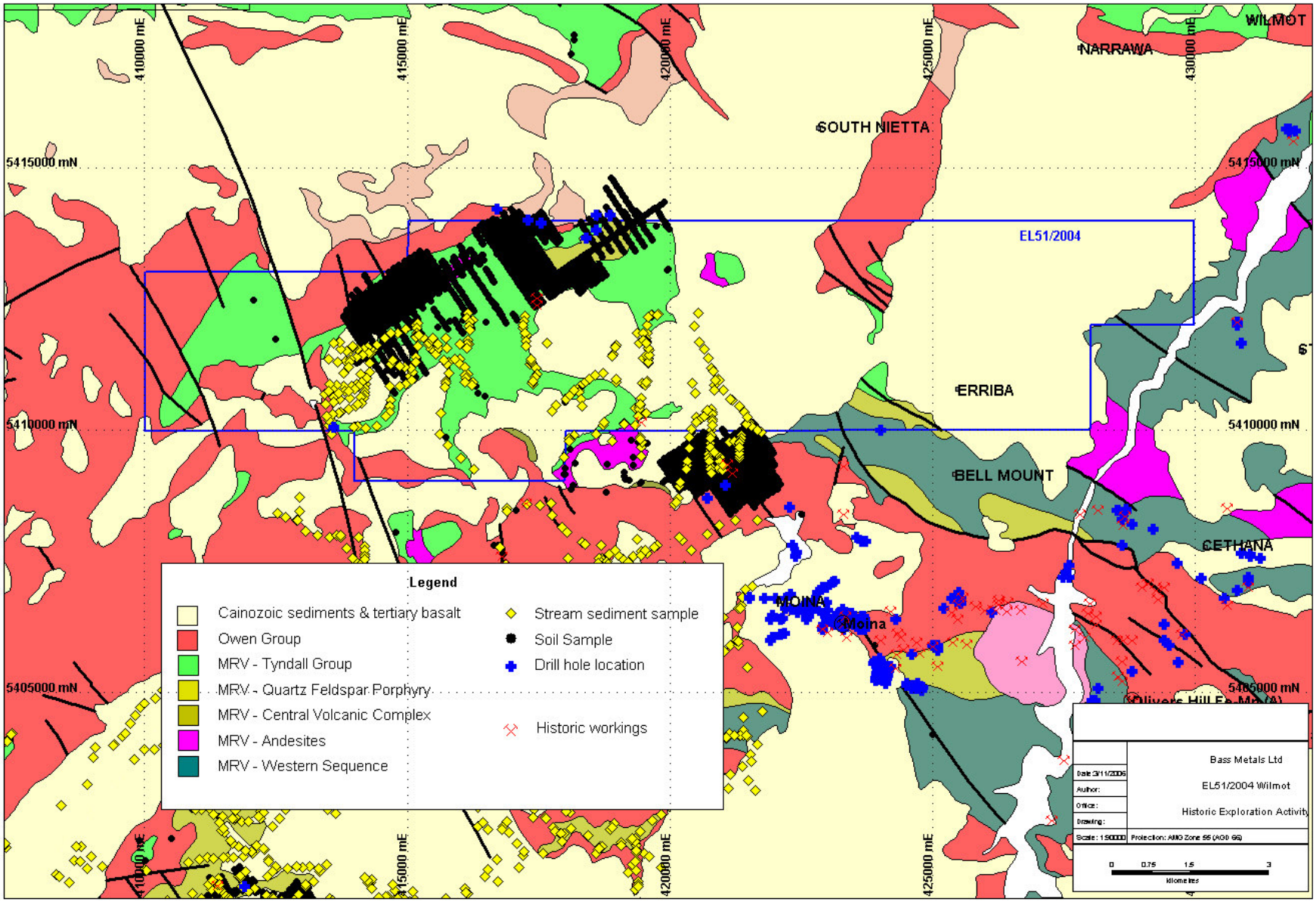

Figure 3. Historical Exploration Activity Map showing old workings and prospects.

3. EXPLORATION COMPLETED 8 AUGUST 2005 TO 7 AUGUST 2006

This section reports on exploration conducted between 8 August 2005 and the 7 August 2006 by Bass Metals and Geoinformatics. Initial work undertaken has consisted of collating previous exploration information in the area as well as acquiring datasets that may be of assistance in targeting VHMS and intrusion-related mineral 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. Previous exploration company reports in PDF format were downloaded from the Mineral Resources Tasmania website.

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 Australian Geological & Remote Sensing Services. A report describing the interpretation methodology utilized is included as Appendix 1.

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 bulls-eye targets that had originally been hoped for from the HyMap data.

Areas of the Wilmot licence (EL51/2004) that are considered to have anomalous alteration types have been marked using a green ellipse outlining their extent (Figure 4). Two main areas of potentially significant alteration are evident on Aster images. Area 1 occurs on the western side of the licence and corresponds to a major NNW-SSE striking fault and is marked by FeOx (jarosite, goethite, hematite) and silica alteration while area 2 occurs on the eastern side of the tenement, is also NNW trending, and is marked by silica with propylitic (chlorite) alteration zones.

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). The Wilmot work 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 mineralization to rapidly provide Bass with high-quality targets in the Wilmot licence for rapid drill testing and other areas for follow-up field work including soil type geochemistry. Models were also developed for the targeting of 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 Wilmot, Geoinformatics generated a total of two VHMS style targets on the licence (Figure 5). One target is for Mt Lyell style VHMS deposits and one target is for Hellyer-Rosebery style VHMS deposits.

Refer to Appendix 2 for a summary Geoinformatics report.

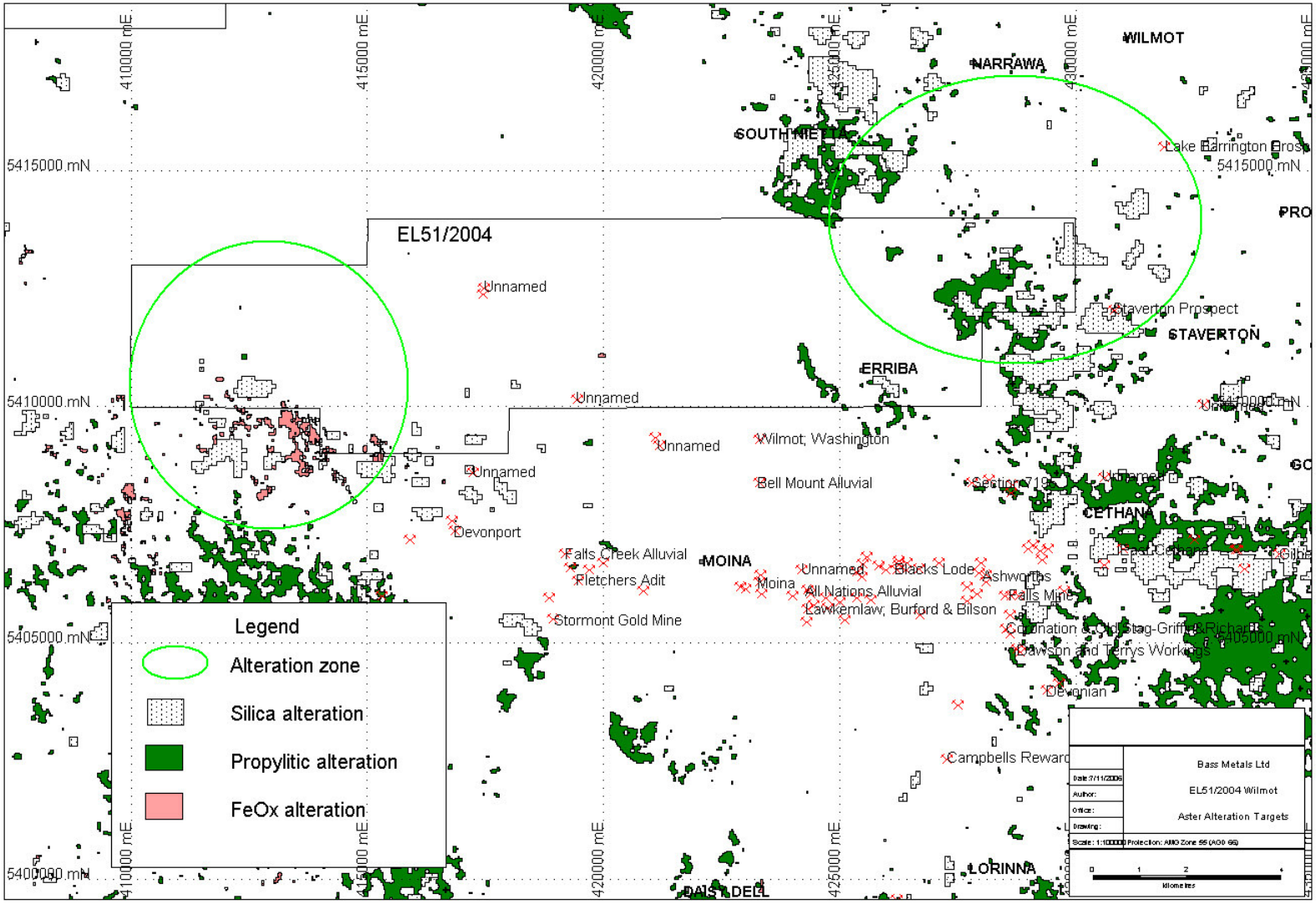

Figure 4. Alteration Map based on processing of ASTER satellite data.

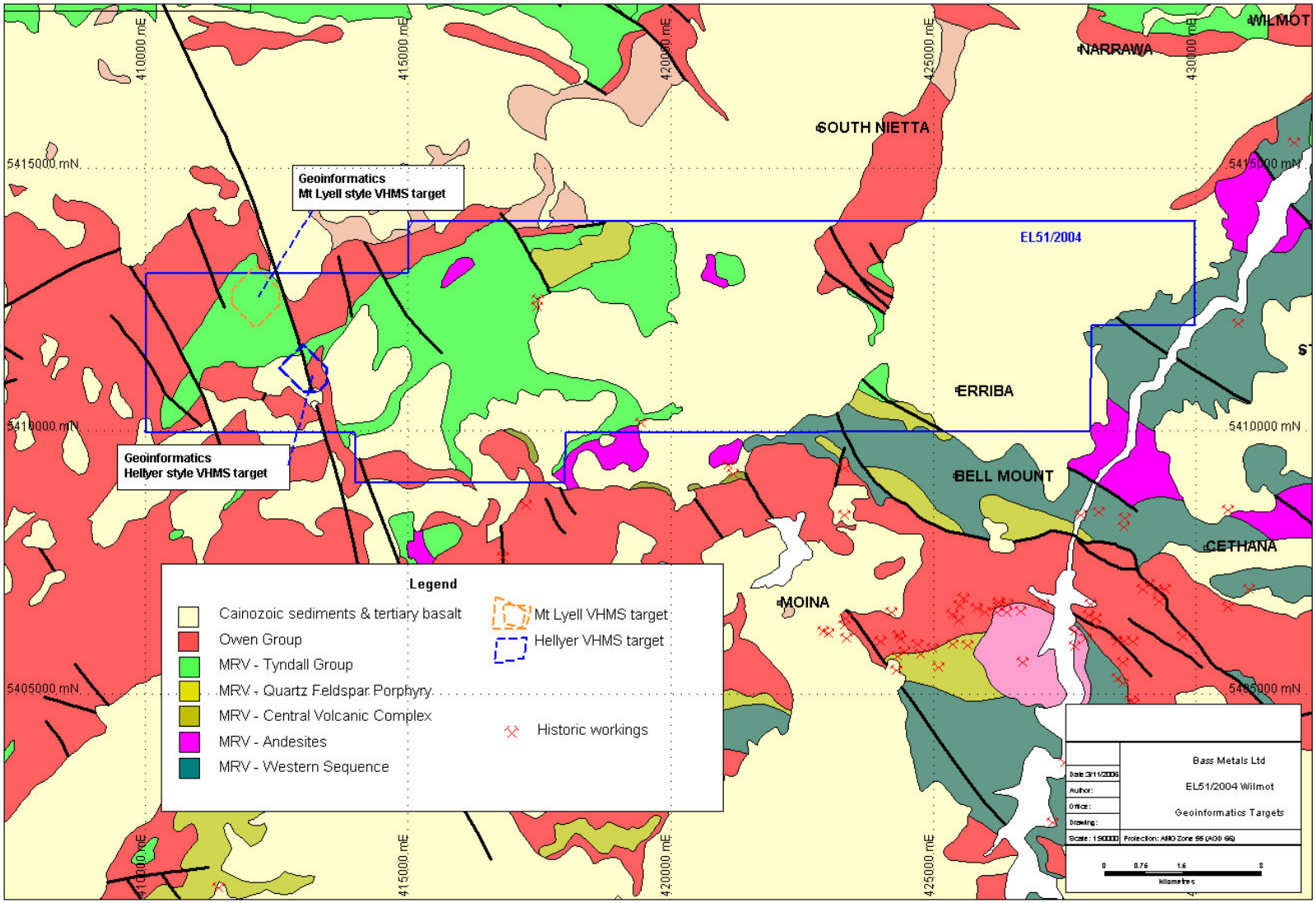

Figure 5. Geoinformatics Generated Targets

4. PROPOSED EXPLORATION

Proposed exploration over the next year on the Wilmot licence includes geological mapping and rock chip sampling of the two VHMS style targets identified by Geoinformatics. These targets occur over interpreted Mt Read Volcanic rock units and initial geological mapping will confirm if this interpretation is correct.

If mapping confirms the presence of Mt Read Volcanic units in the target areas then soil geochemistry will probably be undertaken as a first step in evaluating the potential for VHMS style mineralisation on the licence. Further exploration will be dependant on results achieved.

5. ENVIRONMENT

The company has environmental policies in place that minimize 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.

No field work has been conducted at the Wilmot licence by Bass Metals at this point in time.

6. EXPENDITURE

	Aug-05 to Aug-06
Administration	2,791.47
Geology-Personnel& Overheads.	7,808.18
Gridding	
Geochemistry	
Geophysics	
Drilling	
Feasibility Studies	
Rehabilitation	
Safety	157.27
Other - Geoinformatics	17,157.87
Total - Eligible	**27,914.79**

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

Expenditure, for the twelve months 8 August 2005 to 7 August 2006, has primarily been taken up with collation and processing of existing available data, purchase and interpretation of ASTER Satellite data, Geoinformatics Exploration Inc collation and processing costs and mineral deposit targeting activities.

Total expenditure for the year was $27,914.79.

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APPENDIX 1

ASTER REPORT

APPENDIX 2

GEOINFORMATICS REPORT