

**HUSKISSON PROJECT
TASMANIA
EL3/2005**

**ANNUAL PROGRESS REPORT
10TH AUGUST 2005 TO 9TH AUGUST 2006**

Tenement Holder/Manager
Bass Metals Ltd.
Suite 5, 2 Richardson St
West Perth, WA, 6005

Prepared By:
Catherine Turnbull, BSc Hons (Geol)
Hellyer Exploration Base, TAS

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ABSTRACT

Bass Metals Ltd commenced management of the Huskisson exploration licence (EL3/2005) on 10 August 2005. Work conducted on the licence for the year ended 9/08/2006 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

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1. INTRODUCTION

This report is a summary of the exploration activities conducted on the Huskisson exploration licence, EL3/2005 (Figure 1), for the period of 10 August 2005 to 9 August 2006. The licence covers a total area of 74 km². The Huskisson 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 only 7km northwest of Rosebery township. The licence was acquired because of the potential for carbonate-replacement and Ni-skarn mineralisation where the Meredith Granite intrudes into the Huskisson syncline.

1.1 Location:

The Huskisson licence is located 22km west of Tullah via the Pieman road, on the west coast of Tasmania (Figure 1). The 74km² tenement is practically inaccessible, except by helicopter in the west, but with good access via the Pieman Road on unsealed forestry and private tracks in the east. The licence area can be found on the Pieman and Sophia 1:100,000 Topographic map sheets.

The terrain in the area is generally rugged with the majority of the area covered in *Nothofagus-Atherosperma* rainforest and related scrub. The licence area does not encroach on any conservation areas, but is covered in the west by State Forest Reserve.

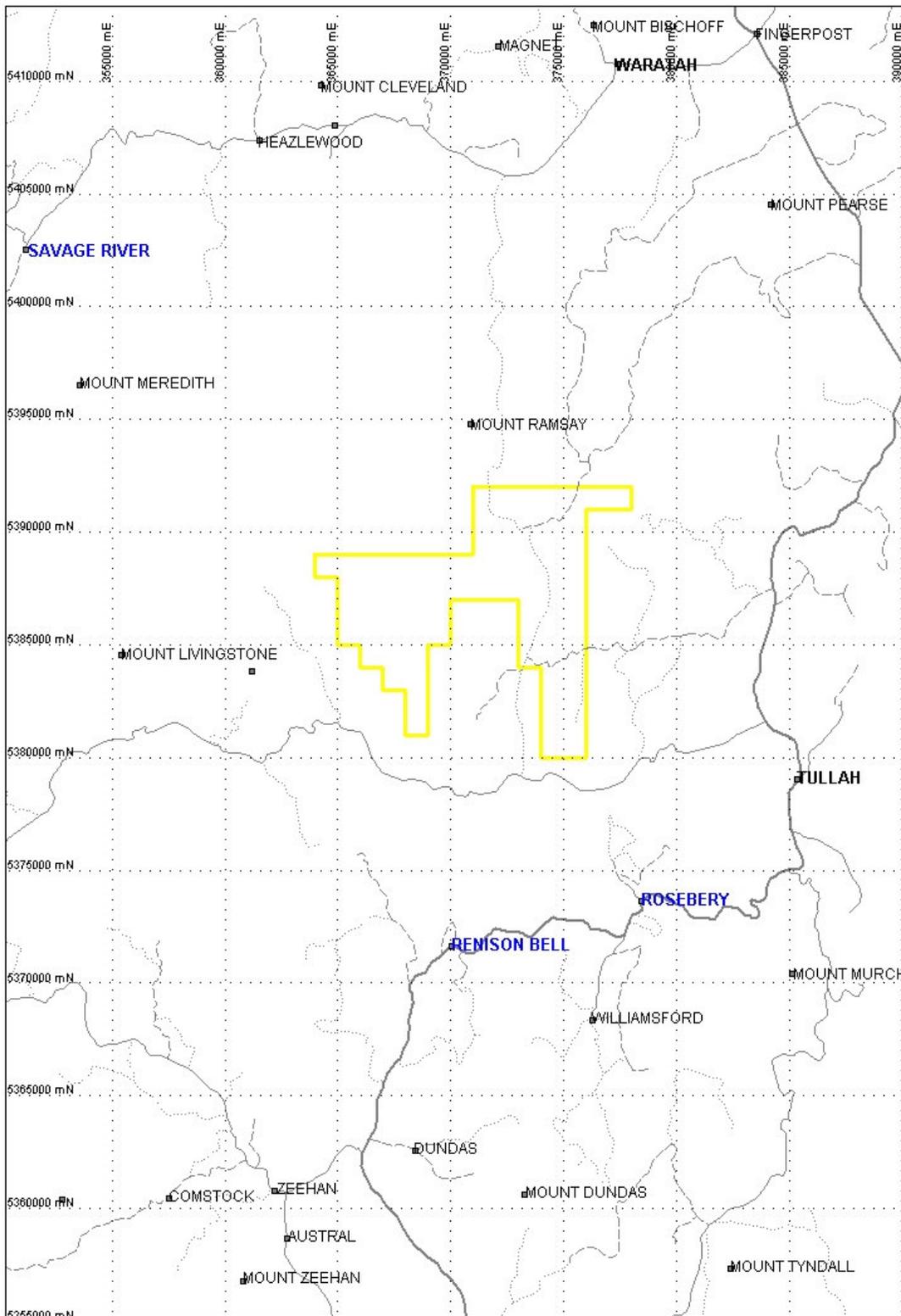


Figure 1. Huskisson Exploration Licence (EL3/2005) is located in north-western Tasmania.

1.2 Geology Overview:

Broadly, the geology of the eastern half of the tenement is dominated by Cambrian sediments lying adjacent to the Rosebery Fault and the northern extensions of the Federal-Bassett Fault system, which hosts the tin mineralisation at Renison Bell. In contrast, the western side of the tenement is dominated by the large, open Huskisson Syncline. The Meredith Granite is interpreted to intrude along the axis of the syncline and come into contact with the Gordon Limestone and Cambrian Ultramafics. 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 Early Cambrian Dundas Group

An Early Cambrian sequence of mafic volcanoclastic lithicwacke, siltstone and mudstone with minor carbonate and basalt sits directly above the Crimson Creek Formation; host to the Renison Bell sulphide tin-skarn mineralisation (Turner *et. al.*, 1991).

1.2.3 Mid-Cambrian Ultramafics

In the early phase of the Tyennan Orogeny, the east-facing Tasmanian passive margin collided with an oceanic arc, resulting in obduction of mafic-ultramafic complexes across much of Tasmania. The original geometry of the allocthanous sheets has been substantially disrupted by later deformation so that the present surface occurrences are typically steeply dipping and fault bounded (Seymour *et al*, 2006).

1.2.4 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.

1.2.5 Gordon Group

The Gordon Group above the Pioneer Sandstone is a shallow-marine to peritidal, platform succession of predominately micritic, dolomitic limestone. The Gordon Group

carbonate sequence is an important ore host for skarn mineralisation associated with intrusion of Late Devonian–Early Carboniferous granitoids (Seymour *et al.*, 2006).

1.2.6 Eldon Group

The Eldon Group is locally disconformable and erosional on the Gordon Group. The lower part of the succession is dominated by shallow-marine quartz sandstone (Crotty and Florence Formations); the upper by a thick, shelf-facies shale unit with minor limestone identified locally as the Bell Shale and correlates (Seymour *et al.*, 2006).

1.2.7 Meredith 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).

1.2.8 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.

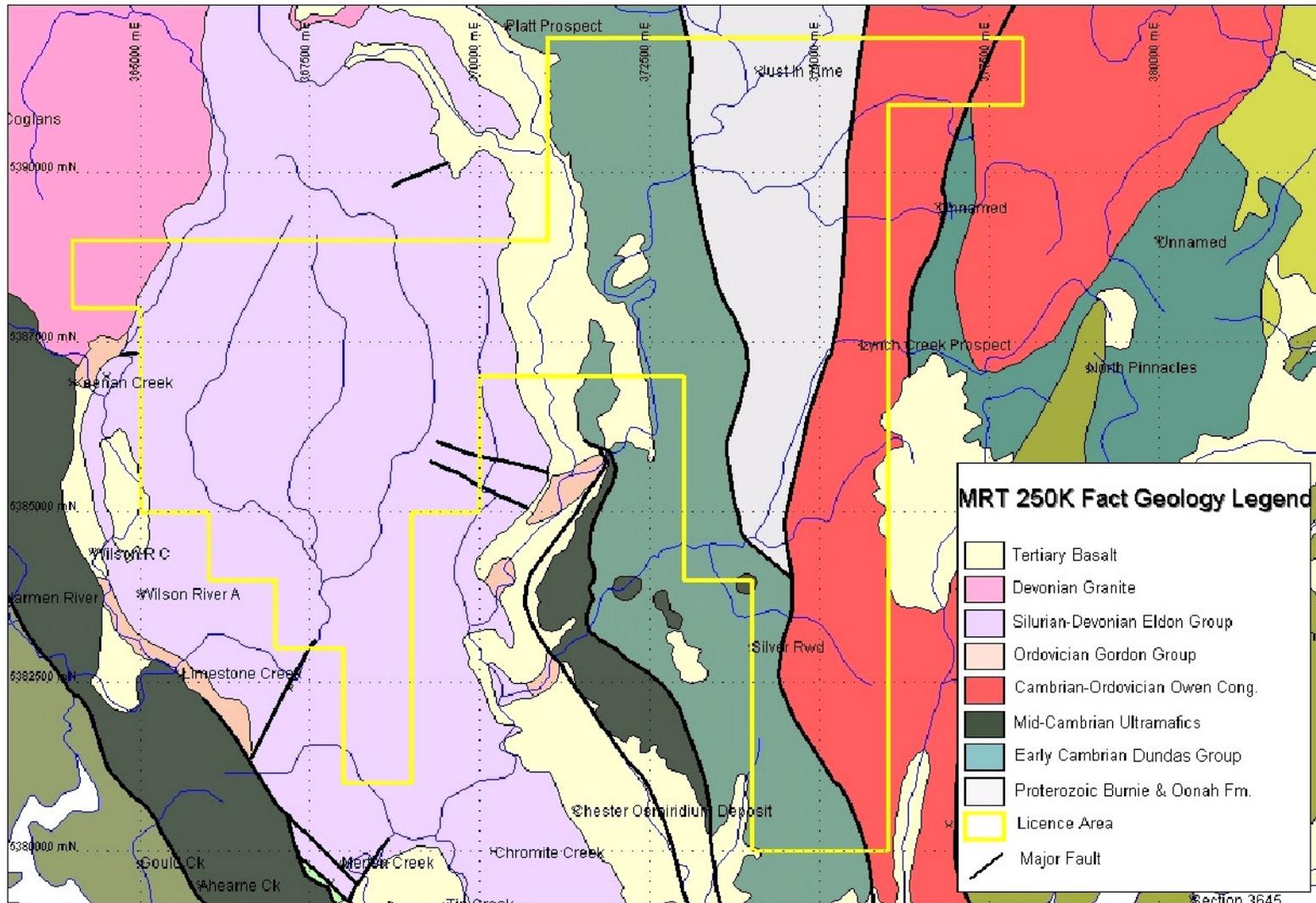


Figure 2. Regional Geology showing Licence Area boundaries and mineral occurrences.

1.3 Exploration Rationale:

The Huskisson tenement was acquired as it covers a large portion of the Huskisson Syncline and the southeastern margin of the Meredith Granite. The granite is interpreted to come into contact with the Gordon Limestone and Cambrian Ultramafics providing the possibility for stratabound carbonate-replacement mineralisation and/or Ni-skarn mineralisation associated with Devonian granites.

Within 10km of the southern licence boundary sit the world-class deposits of Renison Bell (24.54Mt @ 1.41% Sn) and Rosebery (32.7Mt @ 14.5% Z, 4.4% Pb, 0.58% Cu, 145 g/t Ag & 2.2 g/t Au).

2. WORK COMPLETED

2.1 Historical Mining:

No records exist in the public domain for mining activity within the Huskisson licence area.

2.2 Exploration Prior to Current Licence Area:

Exploration has been conducted over the Huskisson tenement since the 1960s when Comstaff evaluated the area for base metal and gold mineralisation. Since that time the area has been assessed for Renison-style tin, Hellyer/Rosebery-style VHMS, granite-related skarn deposits and vein-hosted tin-tungsten mineralisation.

Date: 1963-1988

Company: Comstaff P/L EL5/63

Exploration Philosophy: Part of a wider regional program exploring for multiple commodities such as asbestos, Ni, Sn, Au and base metals.

Work Completed: Stream sediment sampling, geological mapping, Self Potential survey, Ground Magnetic survey, CRONE, INPUT, ground and GENIE EM surveys, auger geochemistry, rock chip sampling, costeaning, drilling and IP survey.

Results and Conclusions: Will O Wisp (Pb) and Just-In-Time (Pb/Ba) prospects identified. Joint venture entered with BHP in 1985, but upon review prospects not considered sufficiently significant. No further field work completed until licence relinquished in 1988 [97_4004].

Date: 1980-1985

Company: Gold Fields Exploration P/L (JV Renison Ltd) EL17/77

Exploration Philosophy: Targeting stanniferous skarns and Renison-style carbonate-replacement deposits.

Work Completed: Stream sediment sampling, airborne magnetic and EM surveys, geological mapping and petrology.

Results and Conclusions: No significant results. No further work recommended [85_2496].

Date: 1980-1985

Company: Getty Oil Development Co Ltd (JV BHP) EL32/79

Exploration Philosophy: Exploring for Renison-style tin deposit at Pre-Cambrian – Cambrian contact.

Work Completed: Stream sediment sampling, soil geochemistry, rock chip sampling, DIGHEM 2 airborne EM survey, Ground Magnetic survey and geological mapping.

Results and Conclusions: No conductors or geochemical anomalies identified; no further potential exists for Renison-style tin deposits with EL32/79 [85_2346].

Date: 1990-1992

Company: RGC Ltd EL12/90 & EL15/90

Exploration Philosophy: Exploring for tin associated with the Meredith Granite.

Work Completed: Minimal work completed; technical report not found.

Results and Conclusions: Licence relinquished in 1992 due to budget constraints [97_4004].

Date: 1993-1997(?)

Company: Pasminco Exploration Ltd EL1/93

Exploration Philosophy: Exploring Proterozoic Oonah Formation for carbonate-hosted massive sulphides.

Work Completed: Literature review, geological surface mapping, compilation of soil geochemical data, airborne magnetic survey and interpretation, ground magnetic survey, rock chip sampling and petrology.

Results and Conclusions: No sufficiently significant results. Prospectivity for base metals low; few obvious targets left. Licence holding to be reviewed [97_4004].

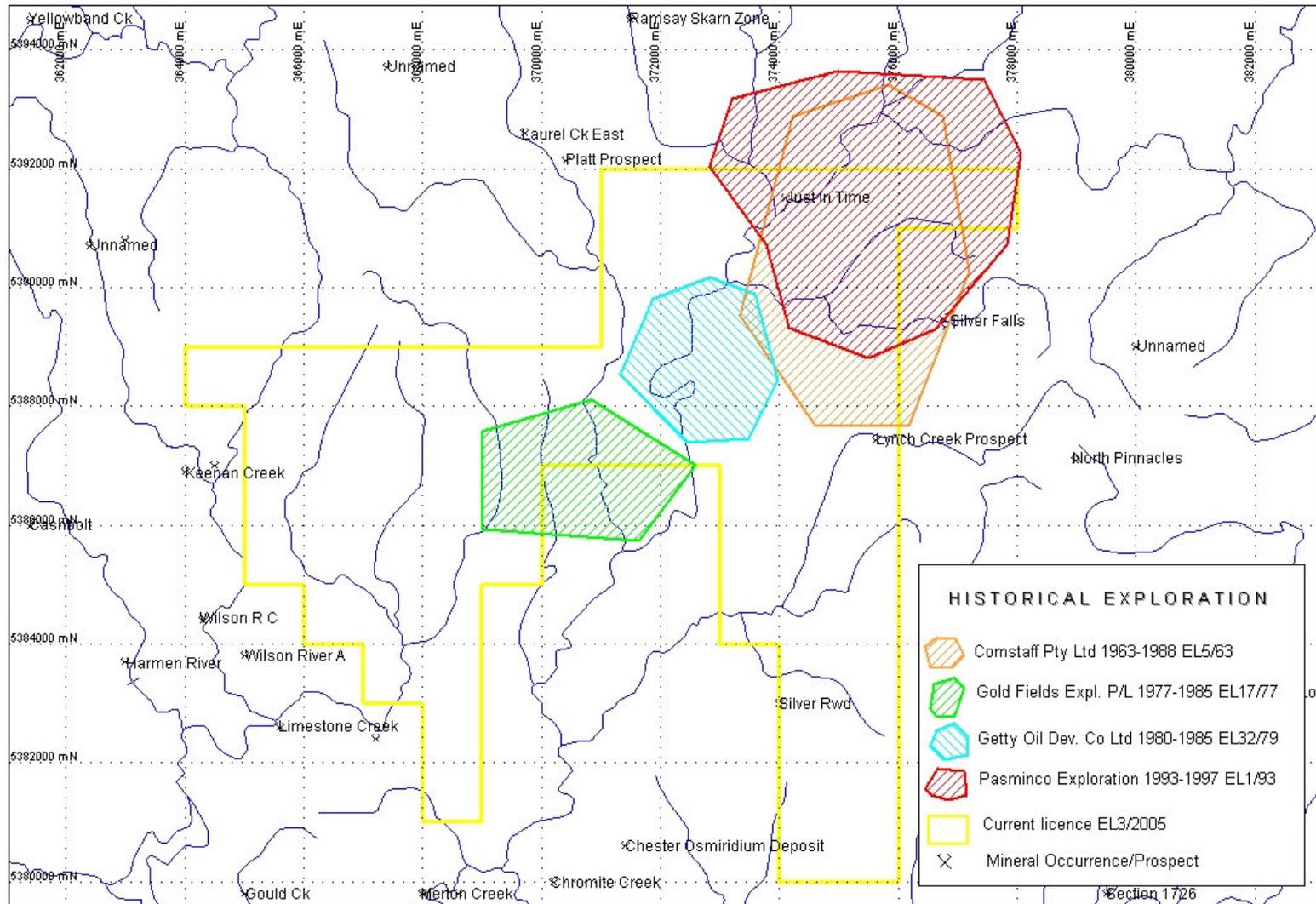


Figure 3. Historical Exploration Activity Map showing old workings and prospects.

3. EXPLORATION COMPLETED 10 AUGUST 05 TO 9 AUGUST 06

The section below reports on exploration activities between 10th August 2005 and the 9th 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 Huskisson 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.

Most of the southern portion of the tenement is covered in a patchy silica alteration associated with the intrusion of the Meredith Granite, however no other anomalies of any significance has been identified within the licence area. 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). Huskisson 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 Huskisson, Geoinformatics generated a large intrusive-related, carbonate-replacement target related to the interpreted granite contact with the Gordon limestone (Figure 5).

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

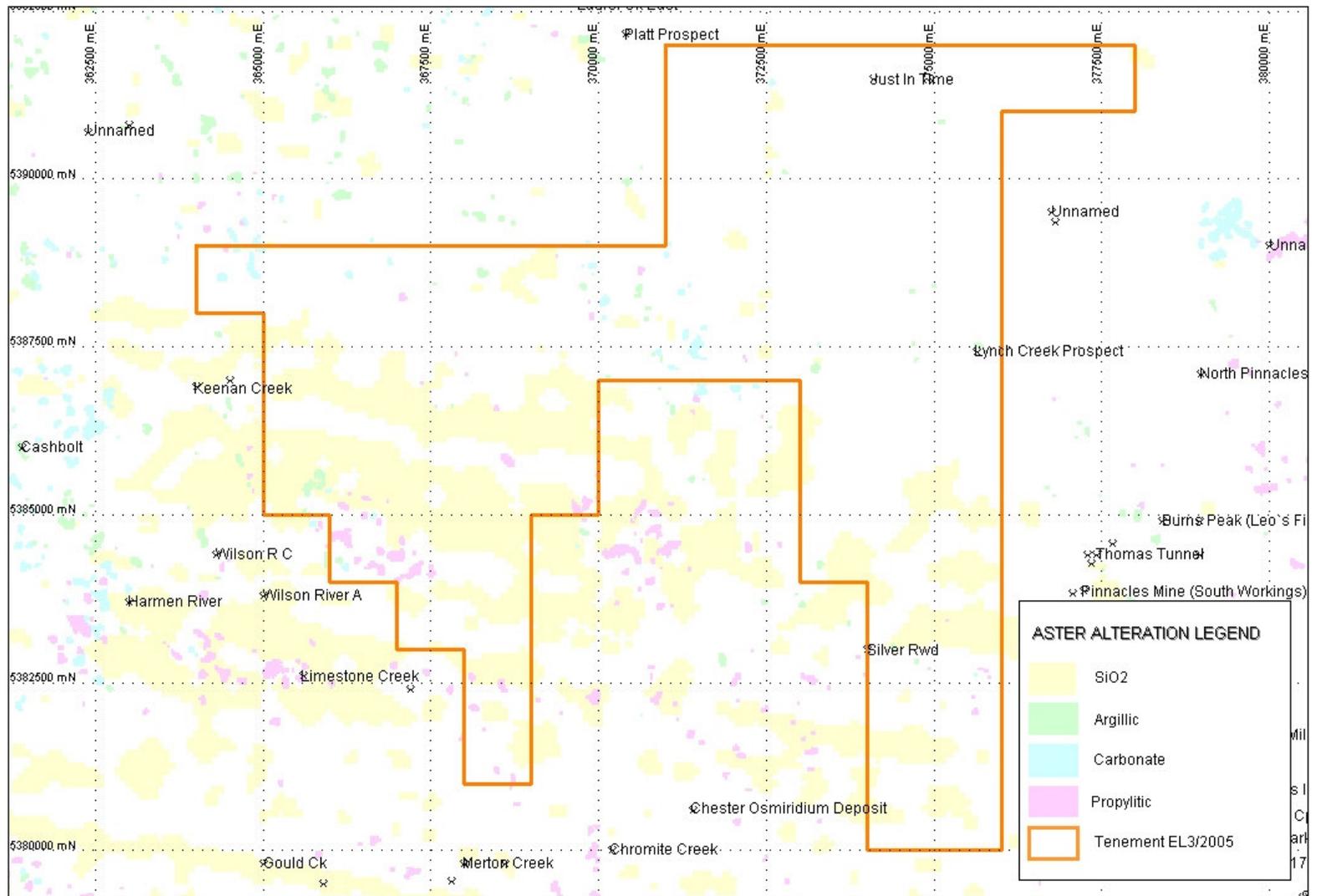


Figure 4. Alteration Map based on processing of ASTER satellite data.

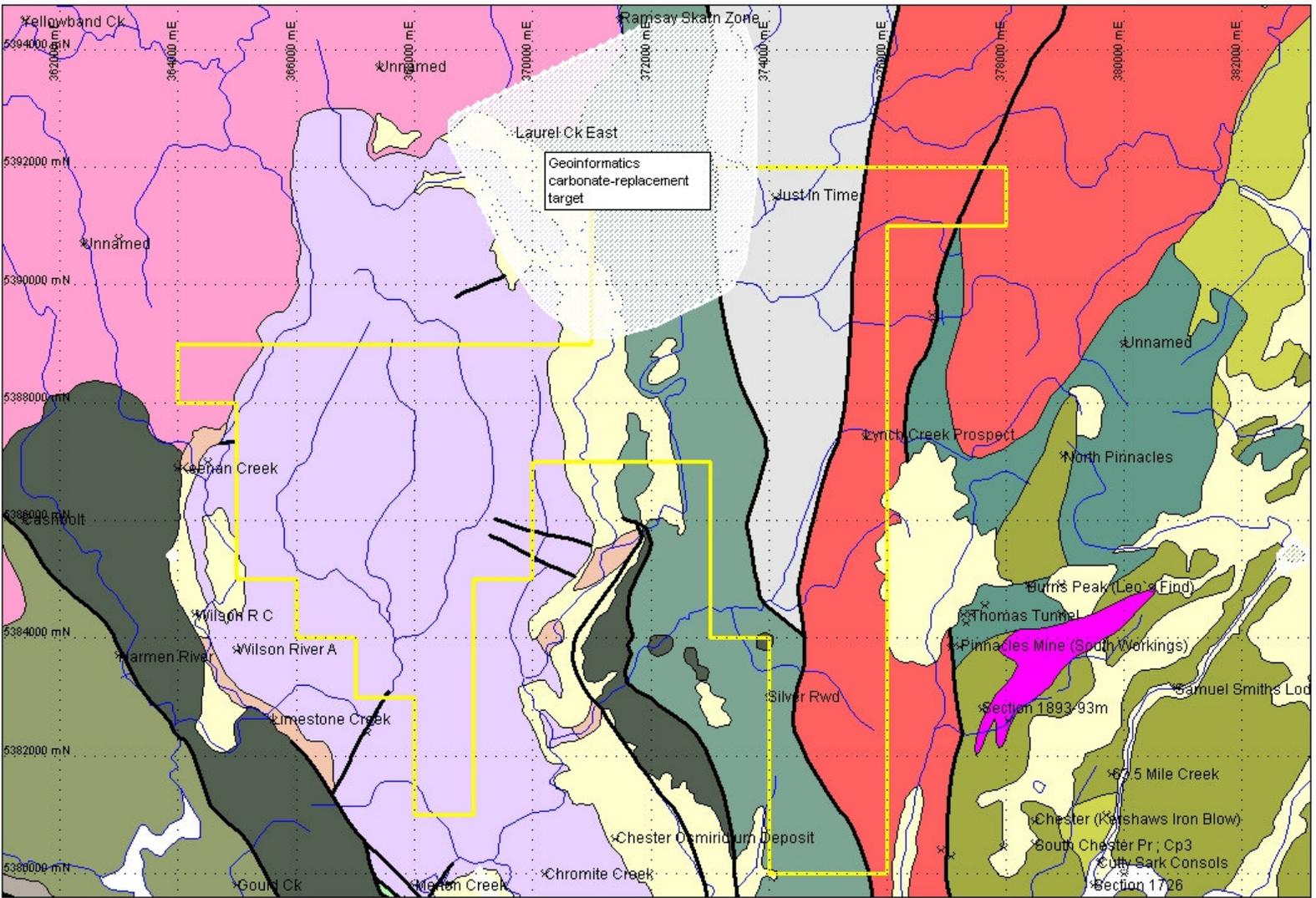


Figure 5. Geoinformatics Target on Huskisson Licence.

4. PROPOSED EXPLORATION

Proposed exploration over the next year includes; field checking of the Geoinformatics target and soil geochemistry over those NE trending faults considered prospective for carbonate-replacement deposits in the western portion of the tenement.

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 Environmental Activity Map in Figure 6 shows the location of the licence relative to conservation areas.

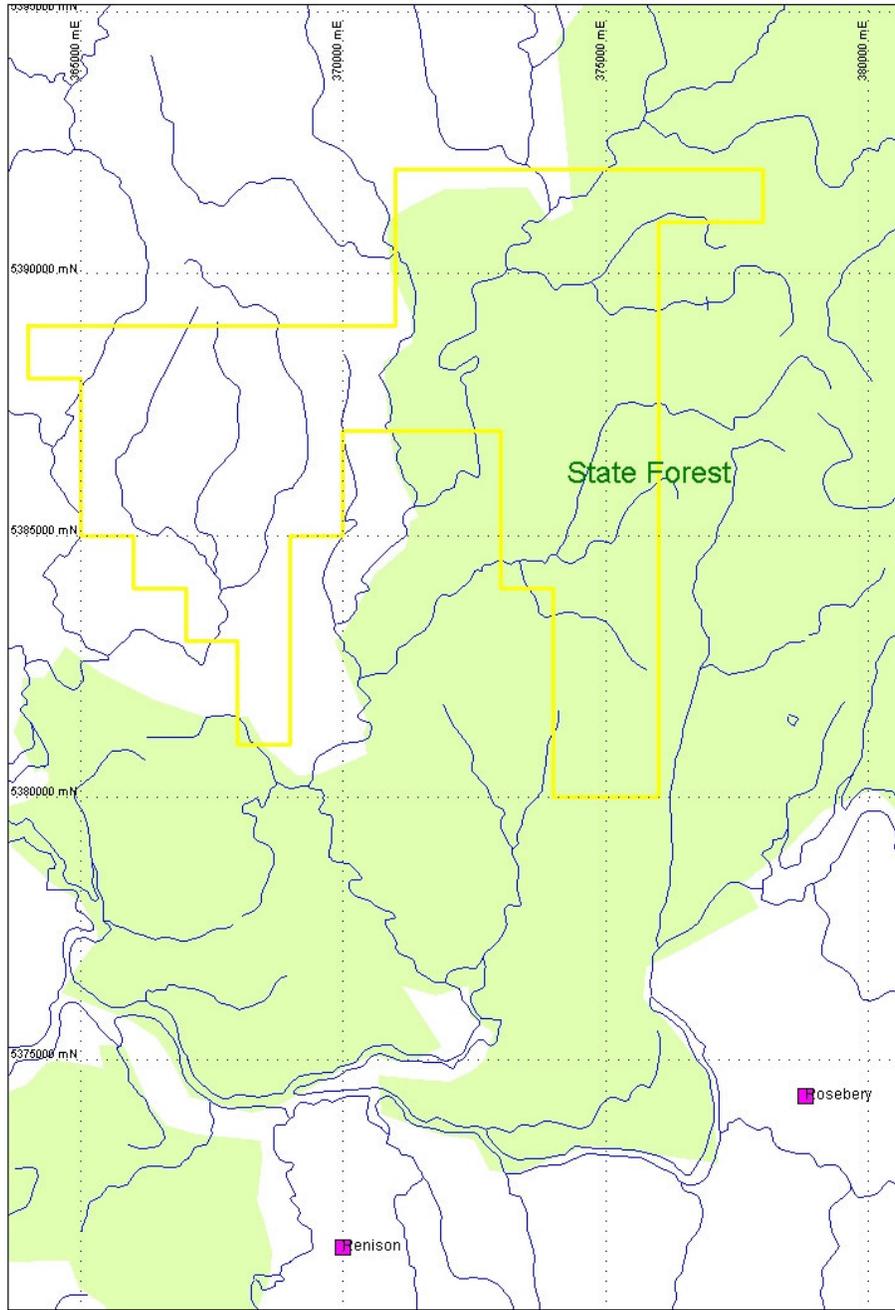


Figure 6. Environmental Activity Map

6. EXPENDITURE

	Aug-05 to Aug-06
Administration	\$2286.61
Geology-Personnel& Overheads.	\$6091.41
Gridding	
Geochemistry	
Geophysics	
Drilling	
Feasibility Studies	
Rehabilitation	
Safety	\$157.23
Other - Geoinformatics	\$14330.85
Total - Eligible	\$22866.10

Table 1. Expenditure 10 August 2005 to 9 August 2006.

Expenditure for the twelve months between 10 August 2005 and 9 August 2006, has primarily been taken up with collation and processing of existing open file data.

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APPENDIX 1

APPENDIX 2