MT CHARTER PROJECT
TASMANIA
RL11/1997

ANNUAL PROGRESS REPORT
FOR PERIOD ENDED 5TH JUNE 2007

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Note: All coordinates are according to the AGD66 Datum and AMG66 Grid System. Reference is also made to the local Hellyer Mine grid and a description of the conversion is given.

ABSTRACT

The Mt Charter area has been a focus of exploration since the 1970's due to the extensive Silica-Sericite-Pyrite-(Barite) alteration exposed at surface. This alteration is similar to the footwall alteration associated with the nearby Hellyer and Que River VHMS Zn-Pb-Ag-Au deposits.

Early work at Mt Charter aimed at testing the lower contact of the altered Dacite to test the equivalent of the Hellyer/Que River orebody stratigraphic position. In doing so, significant Au-Ag-Ba mineralization was intersected from surface but not fully evaluated.

Bass Metals Ltd has begun to evaluate the Au-Ag-Ba-(Zn) mineralization through the completion of two diamond-drill programs. Results from this work indicate that the mineralization is continuous and of moderate grade.

A follow-up diamond-drilling program is complete at the end of this current reporting period and to date a further five diamond-drillholes have been completed for 907.75m. Results have shown the mineralization to be laterally and vertically continuous and some of the better results returned include:

- 51m @ 1.1g/t Au, 32.9g/t Ag, and 1.25% Zn
- 92m @ 1.3g/t Au, 32.8g/t Ag
- 51.7m @ 1.1g/t Au, 22g/t Ag
- 78m @ 1.7g/t Au, 70g/t Ag

Mineralization is closely associated with barite±quartz veins which are found to be sub-vertical and NNW striking. The veins are hosted within the "Mixed Sequence' of felsic volcanic rocks including dacitic lava and volcaniclastic sediments. The vein package has an enveloping surface which is steeply west-dipping to subvertical and strikes NNE.

The barite-rich veins also host sphalerite and galena mineralization. The single vein set therefore hosts Au, Ag, Zn, and Ba mineralization at Mt Charter. Pre-existing sericite-pyrite VHMS-style alteration of the dacitic rocks upon which the barite vein package is superimposed, does not host mineralization.

Bass Metals Ltd has collected sufficient data for resource estimation to be conducted. This has resulted in the calculation of the Mt Charter resource as containing 239,000 ounces of Gold and 6.9 million ounces of Silver. Metallurgical testwork conducted during this year also indicates that 95% of both Gold and Silver is recoverable.

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1. INTRODUCTION

This report is a summary of the exploration activities conducted on the Mt Charter retention licence RL11/1997, for the period of 6th June 2006 to 5th June 2007. The licence covers a total area of 4 km^2. The retention licence is due for renewal at the end of the current tenure on 5th June 2007 and Bass Metals Ltd intend on extending this licence.

The licence is situated in the northwest corner of Tasmania and was acquired as part of a package of tenements in the Hellyer-Que River area purchased from Intec Ltd. The tenement comprises a known but yet undefined resource of low to moderate grade gold-silver mineralization. Bass Metals Ltd aim to define this resource through diamond-drilling and assess whether an economic mining opportunity exists within the Au-Ag mineralization.

1.1 Location

The tenement is located 13 km north-northeast of the township of Tullah, on the west coast of Tasmania (Figure 1). Access to the area is via the Murchison Highway and tracks which access the 220kv transmission lines which traverse the area. Access within the tenement is via a limited number of 4wd tracks and ATV-only tracks.

The licence area can be found Charter 1:25,000 topographic map sheet and the Sophia 1:100,000 LTIS map sheet.

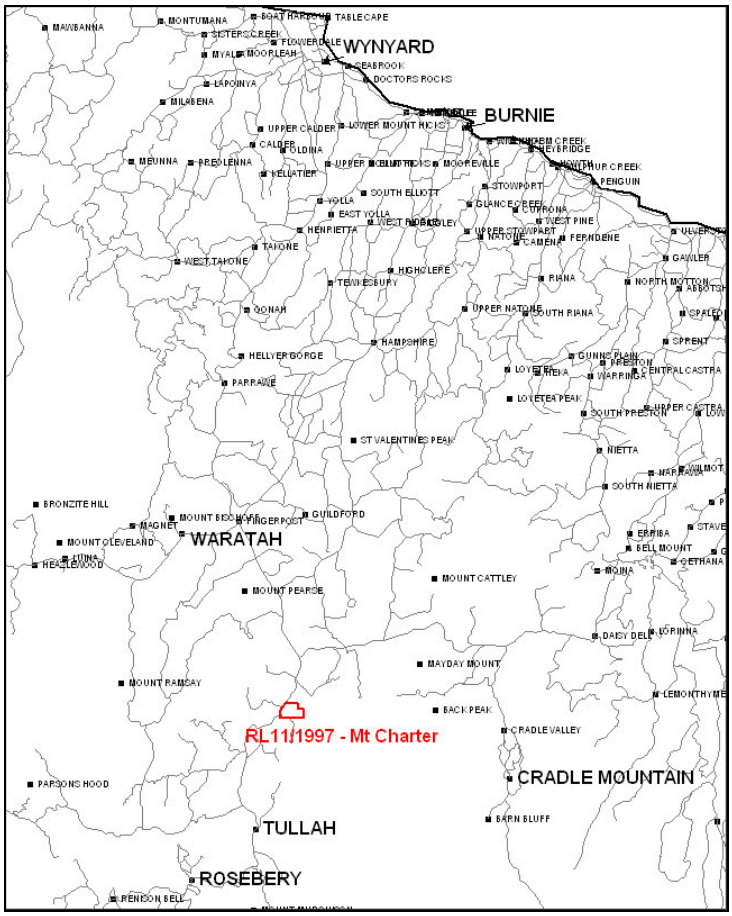


Figure 1. Mt Charter Retention Licence (RL11/1997) location plan

1.2 Geology Overview

The base and precious metal deposits of the Hellyer-Que River-Mt Charter area lie above the main Central Volcanic Complex of the Mt Read Volcanics as it passes into a sequence of volcanics and sediments, which near Hellyer and Que River is called the Mt Charter Group. Within the Mt Charter Group is a volcanic package called the Que Hellyer Volcanics (QHV) comprising a group of andesitic to dacitic volcanics and sediments (Figure 2). Que River, Hellyer and Mt Charter are hosted by the highly variable 'Mixed Sequence', sandwiched between basaltic to andesitic volcanics. Volcanic-related and marine sediments cover the volcanics.

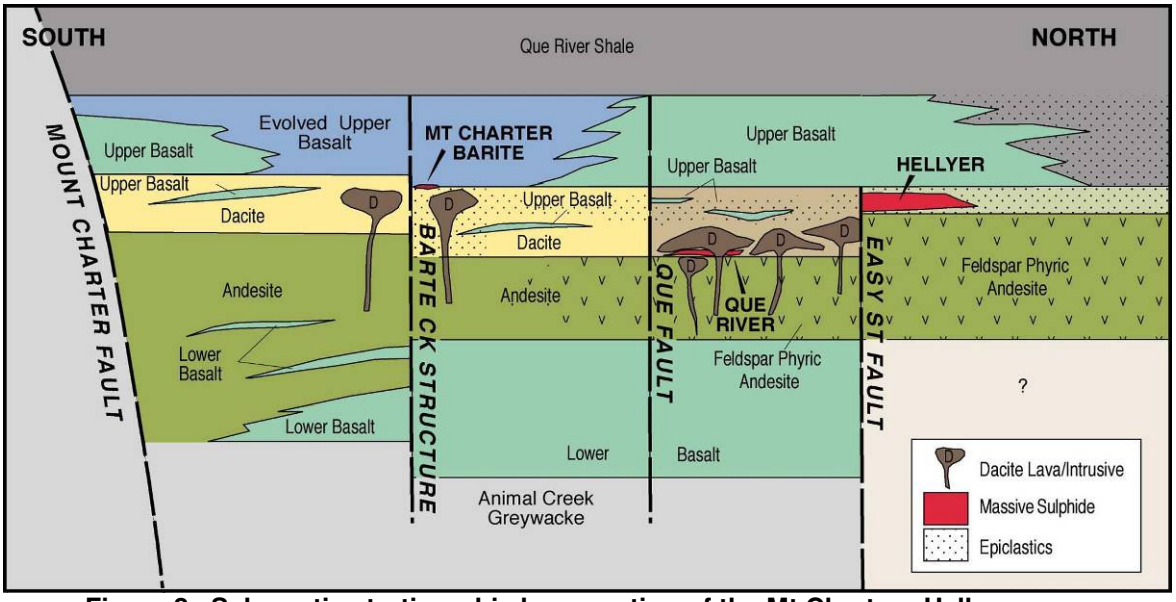


Figure 2. Schematic stratigraphic long-section of the Mt Charter - Hellyer area

The QHV is up to 1000m thick near Que and Hellyer, but wedges out to less than 50m to the northwest of Hellyer. The units of the QHV are summarized below:

- The Upper or Hellyer Basalt consists of massive to pillowed amygdaloidal basalt lava and volcaniclastic rocks.
- The Mixed Sequence host to the Que River, Hellyer and Mt Charter systems is comprised of epiclastics, dacitic lavas and breccias.
- The Feldspar Phyric Andesite, a porphyritic andesite lava which is the footwall unit to the Hellyer and Que River deposits and subsequently altered to Silica-Sericite-Pyrite mineralogy at these locations, which in turn is underlain by
- The Lower Basalt, a sequence of basaltic pillow lavas and volcaniclastics, which form the immediate footwall at Que River and Hellyer.

Overlying the QHV is the Que River Shale (Figure 2), which is in turn overlain by rhyolite, felsic volcaniclastics, greywacke and shale of the Southwell subgroup (Figure3). The Southwell subgroup is overlain by the Mt Cripps subgroup (a correlate of the Tyndall beds at the Henty mine) which is a sequence of volcaniclastics, siltstones and conglomerates only outcropping along the eastern boundary of the Hellyer area tenements.

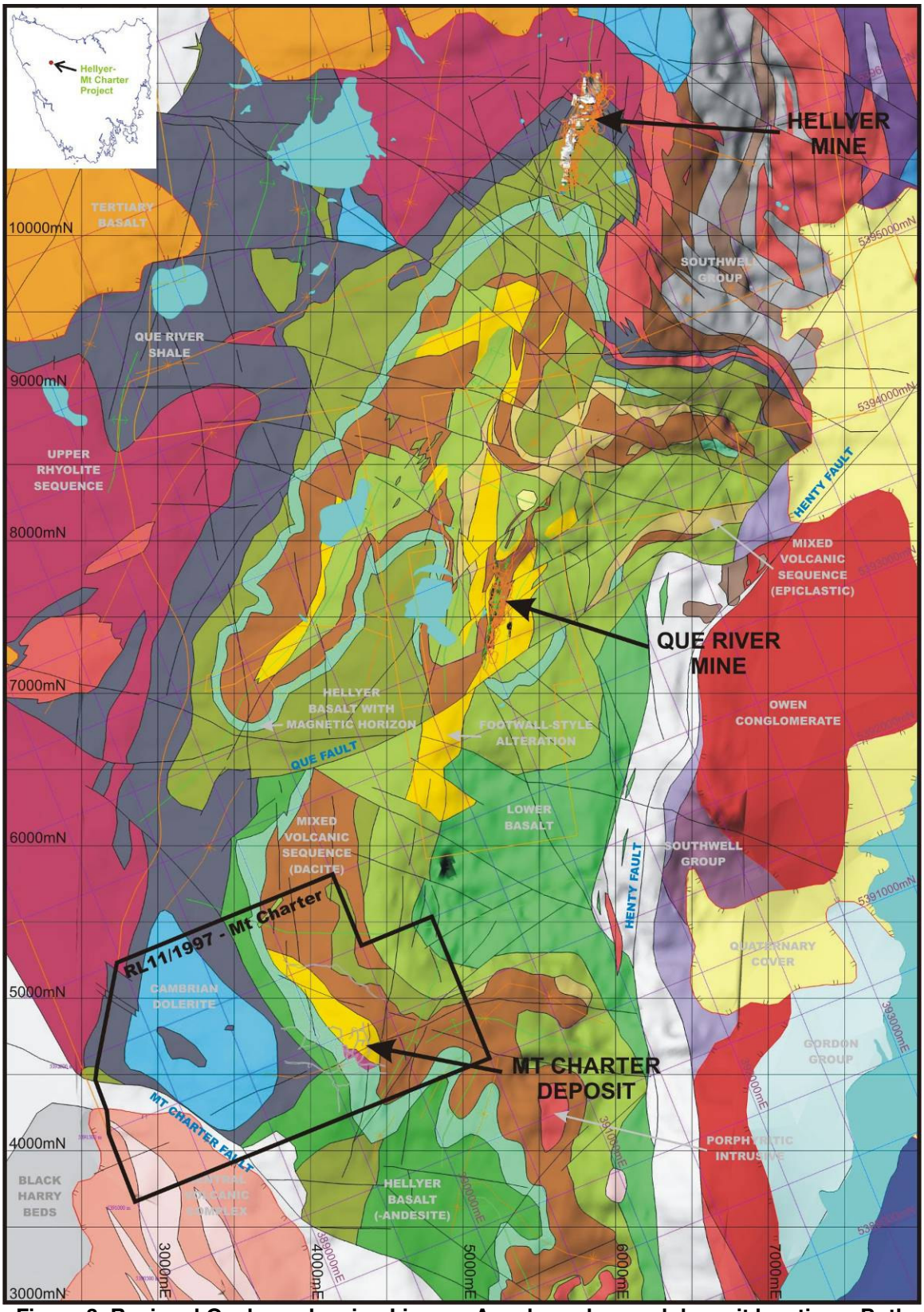


Figure 3. Regional Geology showing Licence Area boundary and deposit locations. Both Hellyer Mine Grid and AMG66 co-ordinates are annotated

Beneath the QHV are the Animal Creek Greywacke and Black Harry Beds (Figure 3), a sequence of sediments defining the base of the Mt Charter Group.

1.3 Exploration Rationale

The Mt Charter area has been a focus of exploration since the 1970's due to the extensive Silica-Sericite-Pyrite-(Barite) alteration exposed at surface. This alteration is similar to the footwall alteration associated with the nearby Hellyer and Que River VHMS Zn-Pb-Ag-Au deposits.

Given this, early work at Mt Charter aimed at testing the lower contact of the altered Dacite to test the equivalent of the Hellyer/Que River orebody stratigraphic position. In doing so, significant Au-Ag-Ba mineralization was intersected from surface.

Bass Metals Ltd intends to fully evaluate the shallow gold-silver mineralization while also testing any deeper Hellyer/Que River style VHMS targets.

2. PREVIOUS WORK

2.1 Exploration History of the Hellyer - Mt Charter region

The earliest known exploration in the Hellyer area was prospecting carried out around 1920 leading to the discovery of alluvial gold and boulders containing zinc and lead sulphides in a creek draining the area of Que River S lens.

Modern exploration of the Que Hellyer Volcanics (QHV) was carried out almost exclusively by Aberfoyle Resources Ltd (Aberfoyle). Only deep QHV beneath Southwell Subgroup cover, west of the Murchison Highway, have been explored by other companies (CSR, Placer, BHP, Pasminco).

Aberfoyle's involvement began in 1970 with the granting of EL 2/70 and in 1971 the prospectivity of "acid volcanic belts" in the west of the exploration licence was recognised. At this time a regional mapping and stream sediment sampling programme covering west of the Mackintosh River was carried out. In early 1972 a combined airborne electromagnetic (EM) and magnetic survey was flown and one of the six anomalies recommended for follow up was coincident with anomalous stream sediment geochemistry. A follow up ground EM and soil sampling survey in 1973 discovered the outcropping S Lens mineralisation at Que River. The first diamond drill hole (QR1) in April 1974 intersected 11m of massive sulphide mineralisation and was followed by 25,000m of ore resource delineation drilling, which defined the main PQ lens and the P North, QR32 and S lenses. The Que River reserve was defined as containing 3.3Mt @ 13.6% Zn, 7.4% Pb, 0.7% Cu, 3.3 g/t Au and 195 g/t Ag.

The Que River lenses were mined mainly underground, using a shaft, with small opencuts, from February 1981 until 1990, with 2.46Mt of material trucked to and processed at Rosebery. The S lens was the final orebody mined, with its relatively lower grade Pb/Zn material blended with and processed at Hellyer.

Following the discovery at Que River, exploration was heavily focused on testing along strike from the known mineralisation. This led to step out diamond drill testing, on

approximately 100m centres, for about 1.5km north and 1km south of the orebody. These holes were relatively shallow (< 500m) and resulted in definition of the linear (footwall) alteration zone which hosts the Que River orebodies and extends north to eventually underlie the Hellyer orebody.

The period from the mid 1970's to the discovery of Hellyer in 1983 was one in which the main surface geological, geochemical and geophysical programmes were carried out over the QHV. The prospective stratigraphy was mapped at 1:2 500 scale and covered with -80# C-horizon soil sampling on 50 or 100m spaced lines.

Geophysical programmes during this period were heavily influenced by the fact that surface EM testing at Que River failed to detect the main PQ lens, which came close to surface at the southern end of the orebody. This ultimately would be shown to be due to lack of electrical connectivity owing to the disrupted nature of the southern end of the orebody. At the time, this feature was taken to indicate that surface EM was not the best geophysical technique for application to the surrounding volcanics.

Induced Polarisation (IP) however did provide a strong anomalous response at Que River and IP was chosen as a drill targeting tool and widely applied throughout the QHV. However, IP was responding to the strongly pyritic footwall alteration zone enclosing the Que River orebodies rather than the ore itself. During this period, many drill holes were targeted at coincident soil geochemical and IP anomalies, only to intersect geochemically anomalous alteration.

Failure of IP to discover new deposits led to trialling of a new fixed loop time domain EM system - UTEM, at Que River mine in 1983. This time UTEM detected PQ Lens and it was therefore decided to completely cover all prospective volcanics with this system. Only one conductor as strong as Que River was detected; on the most northern line of the survey. The survey was extended to the north and indicated a deep moderately conductive body over a strike length of 400m, open to the north, where it plunged under conductive Que River Shale. The UTEM anomaly was coincident with weakly anomalous soil geochemistry, barite veining and fuchsite alteration.

In August 1983 the first hole intersected 24m of massive sulphide in the Hellyer orebody. By November 1984 approximately 22,000m of delineation drilling had been completed and in June 1986 a 1.3km adit was driven to intersect the orebody. The Hellyer reserve was defined as 16.9Mt @ 13.8% Zn, 7.2% Pb, 0.4% Cu, 167 g/t Ag and 2.5 g/t Au.

Production commenced in December 1986, using underground methods, with production peaking at around 1.3mt pa until the orebody was mined out in June 2000. Material was processed at the newly constructed 1.3Mtpa Hellyer mill, purpose built to accommodate the fine grinding necessary to liberate the sulphides via flotation.

Knowledge gained from the Hellyer drillout showed that a clear relationship exists between the orebody and the stratigraphic contact between footwall andesite and hangingwall basalt. This horizon, the Mixed Sequence, became a key target throughout the QHV. Comparison with Que River indicated the similar stratigraphic position of the Que River orebodies within a thicker Mixed Sequence. The Mt Charter mineralization is also hosted by this unit.

From 1984 to around 1992 exploration focussed on drill testing three styles of target:

1. continued drill testing of surface EM anomalies

2. testing of targets at the Hellyer ore position at various prospective structural locations and in some cases a slightly deeper Que River ore position and

3. testing of the Hellyer ore position, on top of the Hellyer footwall alteration zone, down plunge, north of the Hellyer orebody.

Generally, targets of the first and second categories intersected barren ore positions with no significant alteration. All holes were surveyed with downhole EM. North of Hellyer, a barren ore position underlain by strong footwall alteration and overlain by thick strongly fuchsite-carbonate altered basalt was followed north to 11400N in step-outs of up to 200m.

By 1992 it became clear that surface EM had effectively sterilised the QHV down to 200m for a Que River sized target and 400m for a Hellyer sized target. Exceptions to this were unusually oriented targets (eg steeply plunging) that could still remain undetected by the largely out-of-loop surveys that had been conducted. Any future discovery would be deep and a new method of target generation was required.

In 1992 Etheridge and Henley (now SRK) were approached and a regional structural model was devised to generate conceptual, deep, structural/stratigraphic targets. The aim was to integrate geological, geophysical and geochemical data to develop a three-dimensional structural model of the entire QHV basin and to delineate the synvolcanic fault network within the basin.

The structural study proposed a syndepositional fault network of linked NE trending normal faults and NW trending transfer faults. In addition, important NNE trending structures such as the Que - Hellyer structure (reflected by the Que River to Hellyer footwall alteration zone) were recognised and seen as reactivated basement faults, which had undergone oblique extension.

Localised dilation and subsidence, at or near structural intersections, were thought to allow focussed hydrothermal fluid flow, which could lead to orebody formation. Prospective stratigraphy, adjacent to these structures, below surface EM range, was seen as a valid deep drill target. A total of 26 target areas were defined and these were prioritised for drilling using geophysical, alteration, geochemistry and stratigraphic indicators.

During the period 1992 to 1994 supporting data was gathered, such as close spaced aeromagnetics and additional gravity data. The structural / stratigraphic targets began to be tested from 1993 as the structural model evolved and targets became evident.

At this time reinterpretation of Mount Read Volcanics raised the possibility that the Rosebery orebody may be younger than Hellyer (rather than older as previously thought) and hosted by correlates of the Southwell Subgroup. Prospectivity of felsic volcanic sequences north of Hellyer was increased and these rocks were surveyed with surface EM. Only one anomaly worthy of follow up was located and drill tested. It was found to be due to Tertiary sediment.

The main period of drill testing from 1995 to1996 identified structural / stratigraphic targets, with nine of the highest ranked areas being tested by at least one hole. Some targets provided sufficient encouragement for further drilling which was also carried out during this period. Of note was the "rediscovery" of the Hellyer alteration system down-plunge from the orebody on section 12000N, where from earlier drilling it was thought to have died out. Although deep, the system remains open to the north.

Partial digest or Mobile Metal Ion (MMI) geochemistry was used in the Hellyer area in 1996. In-house research showed that partial digest soil geochemistry detected an anomalous response 300m above the Hellyer orebody. Given this potential it was decided to survey approximately 10km along strike north from Hellyer mine to the exploration licence boundary. The aim of the survey was to detect a body of massive sulphide buried beneath barren cover rocks. The target body could be hosted by deep QHV or overlying felsic sequences.

The survey only detected one coherent anomaly, which coincided with the highly ranked Mayday structural target, 4km north of Hellyer which was drill-tested in 1997 with a 1500m vertical diamond hole but it failed to intersect the QHV or a source for the anomalous soil geochemistry.

Western Metals took ownership in late 1998 and drilled four holes prior to the completion of mining at Hellyer. The Tasmanian Government (MRT), together with AMIRA completed a regional seismic traverse in 1996, with data available in 1998, across the Hellyer area to improve regional understanding. This was complemented in 2002-03 when the MRT flew close spaced airborne magnetics, radiometrics and EM across the entire Mt Read Volcanics belt.

2.2 Exploration Prior to Current Licence Area

Aberfoyle Resources

Previous exploration of the Mt Charter area by Aberfoyle Resources Ltd occurred over a 20 year period from the mid-1970's. The significant surface alteration zone comprised of barite+silica+pyrite has been an alluring exploration target for Hellyer and Que River style VHMS mineralization.

Of the drilling to test the VHMS ore positions, six historic holes (MAC and MC prefix) intersect the Mt Charter Au-Ag-(Zn) mineralization. These holes are drilled on varying orientations and are generally deeper than recent drill-programs. The holes were systematically assayed for the same suite of metals as the Bass Metals Ltd recent programs however, as the focus was not on gold at the time, a core-grind method was employed over intervals ranging from 4 to 10 metres to obtain indicative geochemical data only. Bass Metals Ltd have cut and sampled sections of these earlier holes to obtain valid and representative geochemical information. The attached database includes a field indicating whether the sample represents a core-grind or half-core sample.

Some of the intercepts from the early phases of drilling, pre-Bass Metals Ltd, at Mt Charter have included:

- 56.4m @ 1.6g/t Au, 38g/t Ag
- 64m @ 0.8g/t Au, 7g/t Ag

- 22m @ 1.0g/t Au, 46g/t Ag

A significant amount of quality mapping, rock-chip sampling, and soil sampling was conducted by Aberfoyle Resources over the Mt Charter area. This has been integral in focusing Bass Metals Ltd exploration efforts. Aberfoyle geologists recognized several major structures in the area and interpreted these as growth faults due to changes in thickness of stratigraphic units across the structures. The Barite-silica-pyrite alteration was interpreted as strongest at the intersection of these Cambrian faults. It was also recognized that the Mt Charter Au-Ag Barite-associated mineralization was located in the upper part of the Mixed Sequence as opposed to the Hellyer and Que River deposits which are located at the base of this unit (Richardson, 1992).

Bass Metals Ltd (2005-06)
A 362 sample infill soil-sampling program was conducted and results indicated the broad geometry and orientation of the mineralized zone. The highest soil sample assay returned was 4669ppb Au and the highest Ag assay was 87.6ppm. The defined soil anomaly is continuous at grades of ~1g/t Au.

Bass Metals Ltd has completed a five hole diamond-drilling program in late 2005 which totalled 541.9m. This program was designed to follow-up on the successful soil sampling campaign. The program was successful in delineating significant mineralization including:

- 56.4m @ 1.6g/t Au, 38g/t Ag
- 64m @ 0.8g/t Au, 7g/t Ag
- 22m @ 1.0g/t Au, 46g/t Ag

A follow-up program was underway at the end of the 2005-06 reporting period and seven diamond-drillholes had been completed for a total of 929.9m. Results have shown the mineralization to be laterally and vertically continuous and some of the better results returned include:

- 113m @ 1.4g/t Au, 49g/t Ag
- 49.4m @ 1.4g/t Au, 22g/t Ag, and 2.6% Zn

Mineralization was found to be closely associated with barite±quartz veins which are found to be sub-vertical and NNW striking. The veins are hosted within the "Mixed Sequence' of felsic volcanic rocks including dacitic lava and volcaniclastic sediments. The vein package has an enveloping surface which is steeply west-dipping to subvertical and strikes NNE.

The barite-rich veins also host sphalerite and galena mineralization. The single vein set was therefore interpreted to host Au, Ag, Zn, and Ba mineralization at Mt Charter. Pre-existing sericite-pyrite VHMS-style alteration of the dacitic rocks upon which the barite vein package is superimposed, does not host mineralization.

3. EXPLORATION COMPLETED 6th JUNE 06 TO 5th JUNE 07

Bass Metals Ltd engaged Geoinformatics Exploration Inc to undertake geological modeling and targeting work over all of the Bass Metals Ltd tenements as an initial phase to the exploration effort in Tasmania. This work involves integration of all historic

data plus new interpretation of the data so as to give Bass Metals Ltd geologists the most robust database to use as a platform for exploration work. Geological compilations such as that illustrated in Figure 3 are the result of this work. Monte Carlo Analysis targeting exercises were run in order to focus geologists' attention on areas where there is higher probability of finding mineralization. This process is summarized in Appendix 3. The Mt Charter deposit was 're-discovered' using this process during the Hellyer-Rosebery VHMS run of the analysis. This phenomenon suggests the inputs to the modelling and targeting work are valid and are geologically robust.

3.1 Diamond-drill program

The second phase of diamond-drilling was completed in mid-2006 with 907.75m for 5 holes drilled during the 2006-07 year. The holes completed during this period were named MCD032-36 (Figure 4). This completed the twelve hole program for a total metreage of 1837.65m and drill-hole metreage by Bass Metals Ltd to date of 2379.55m. This program also reduced the drill-hole spacing to approximately 50mx50m and extended the area of known mineralization as well as establishing continuity of the system through drilling of infill sections.

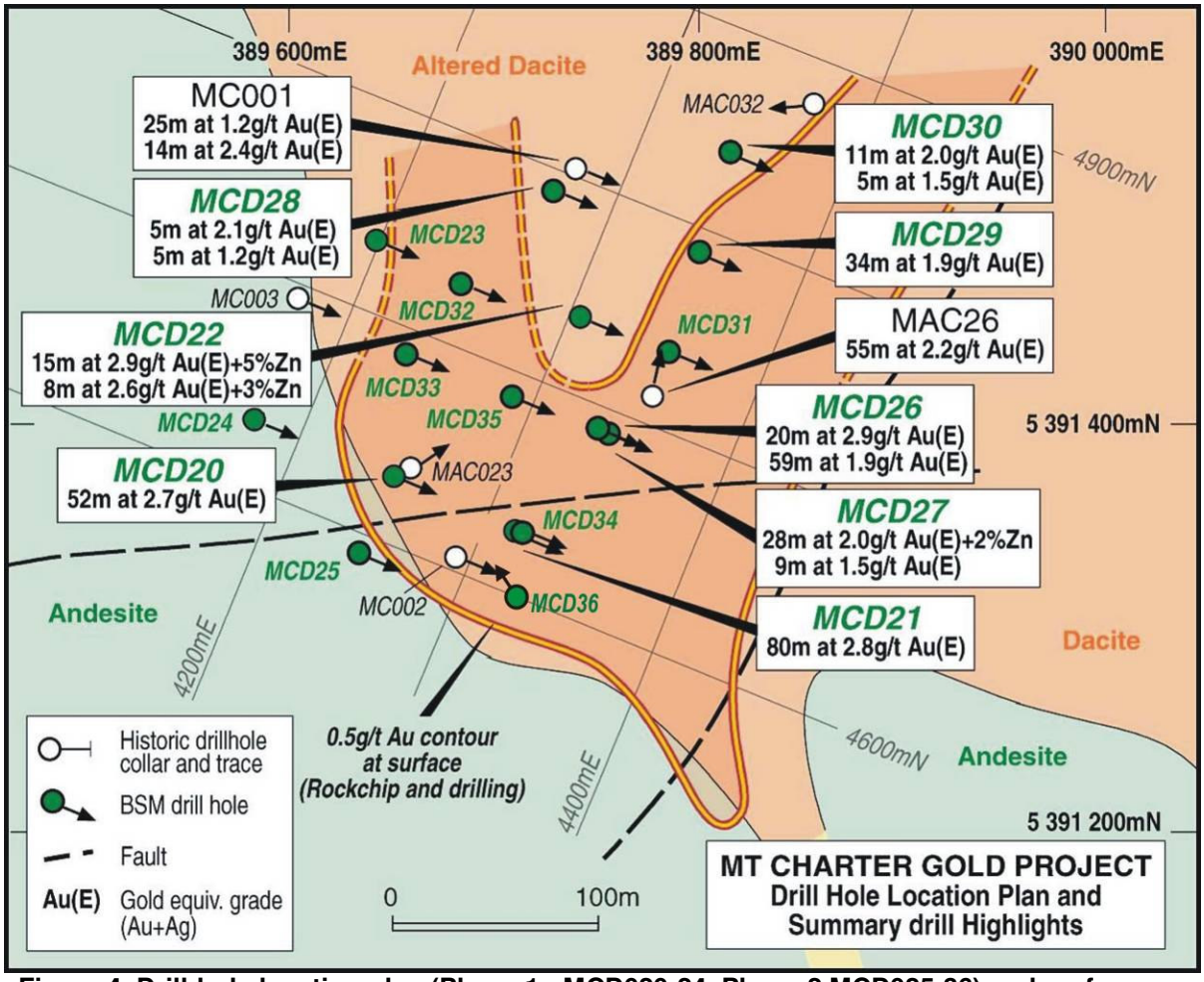
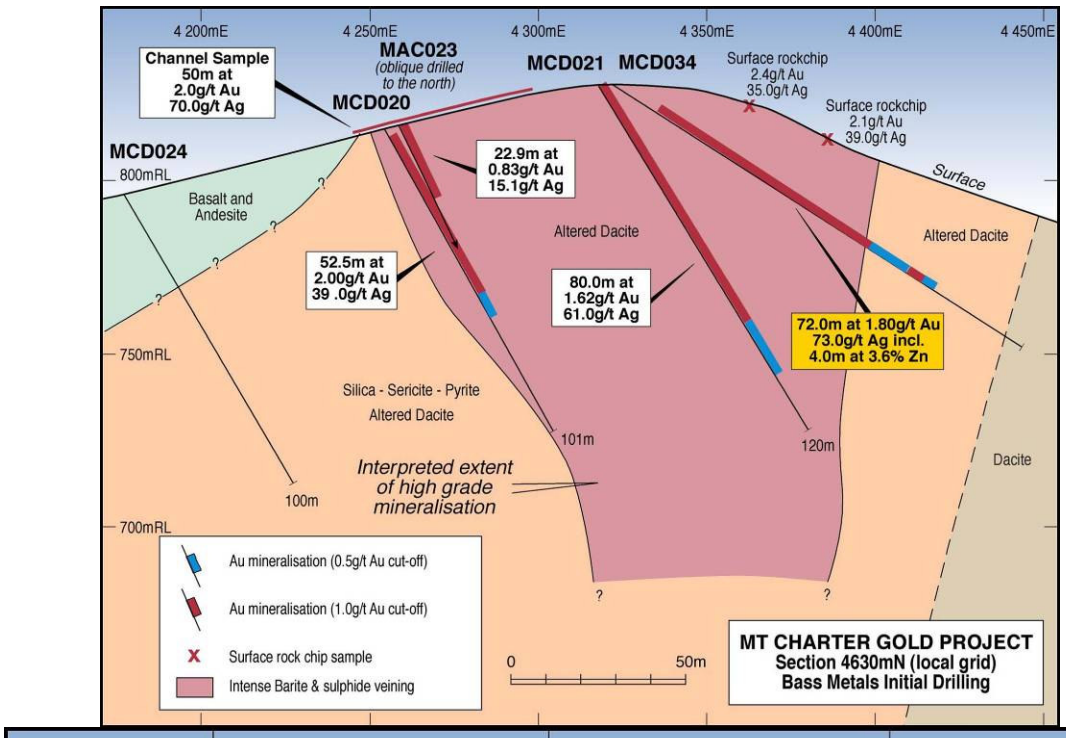
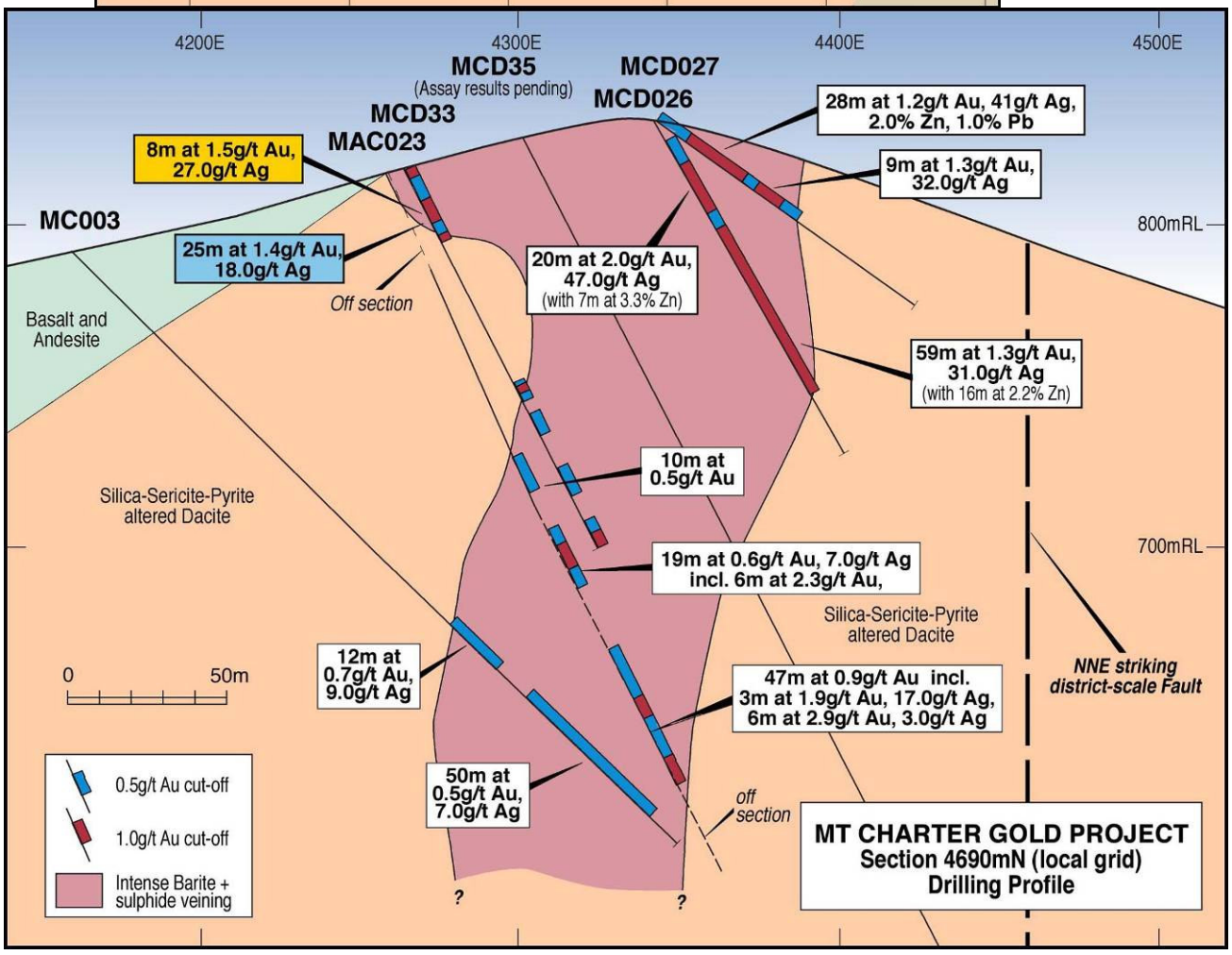


Figure 4. Drill-hole location plan (Phase 1 - MCD020-24, Phase 2 MCD025-36) and surface geological/geochemical summary.


4 200mE
4 250mE
4 300mE
4 350mE
4 400mE
4 450mE
Channel Sample
50m at
2.0g/t Au
70.0g/t Ag
MAC023
(oblique drilled
to the north)
MCD020
MCD021
MCD034
Surface rockchip
2.4g/t Au
35.0g/t Ag
Surface rockchip
2.1g/t Au
39.0g/t Ag
MCD024
800mRL
Surface
Basalt and
Andesite
22.9m at
0.83g/t Au
15.1g/t Ag
Altered Dacite
Altered Dacite
52.5m at
2.00g/t Au
39 .0g/t Ag
80.0m at
1.62g/t Au
61.0g/t Ag
72.0m at 1.80g/t Au
73.0g/t Ag incl.
4.0m at 3.6% Zn
750mRL
Silica - Sericite - Pyrite
Altered Dacite
101m
120m
Dacite
Interpreted extent
of high grade
mineralisation
100m
700mRL
Au mineralisation (0.5g/t Au cut-off)
Au mineralisation (1.0g/t Au cut-off)
Surface rock chip sample
Intense Barite & sulphide veining
0
50m
MT CHARTER GOLD PROJECT
Section 4630mN (local grid)
Bass Metals Initial Drilling


4200E
4300E
4400E
4500E
MCD35
(Assay results pending)
MCD027
MCD026
MCD33
MAC023
28m at 1.2g/t Au, 41g/t Ag,
2.0% Zn, 1.0% Pb
8m at 1.5g/t Au,
27.0g/t Ag
9m at 1.3g/t Au,
32.0g/t Ag
MC003
800mRL
25m at 1.4g/t Au,
18.0g/t Ag
20m at 2.0g/t Au,
47.0g/t Ag
(with 7m at 3.3% Zn)
Off section
Basalt and
Andesite
59m at 1.3g/t Au,
31.0g/t Ag
(with 16m at 2.2% Zn)
10m at
0.5g/t Au
Silica-Sericite-Pyrite
altered Dacite
700mRL
19m at 0.6g/t Au, 7.0g/t Ag
incl. 6m at 2.3g/t Au,
Silica-Sericite-Pyrite
altered Dacite
12m at
0.7g/t Au,
9.0g/t Ag
0
50m
47m at 0.9g/t Au incl.
3m at 1.9g/t Au, 17.0g/t Ag,
6m at 2.9g/t Au, 3.0g/t Ag
NNE striking
district-scale Fault
50m at
0.5g/t Au,
7.0g/t Ag
off
section
0.5g/t Au cut-off
1.0g/t Au cut-off
Intense Barite +
sulphide veining
MT CHARTER GOLD PROJECT
Section 4690mN (local grid)
Drilling Profile

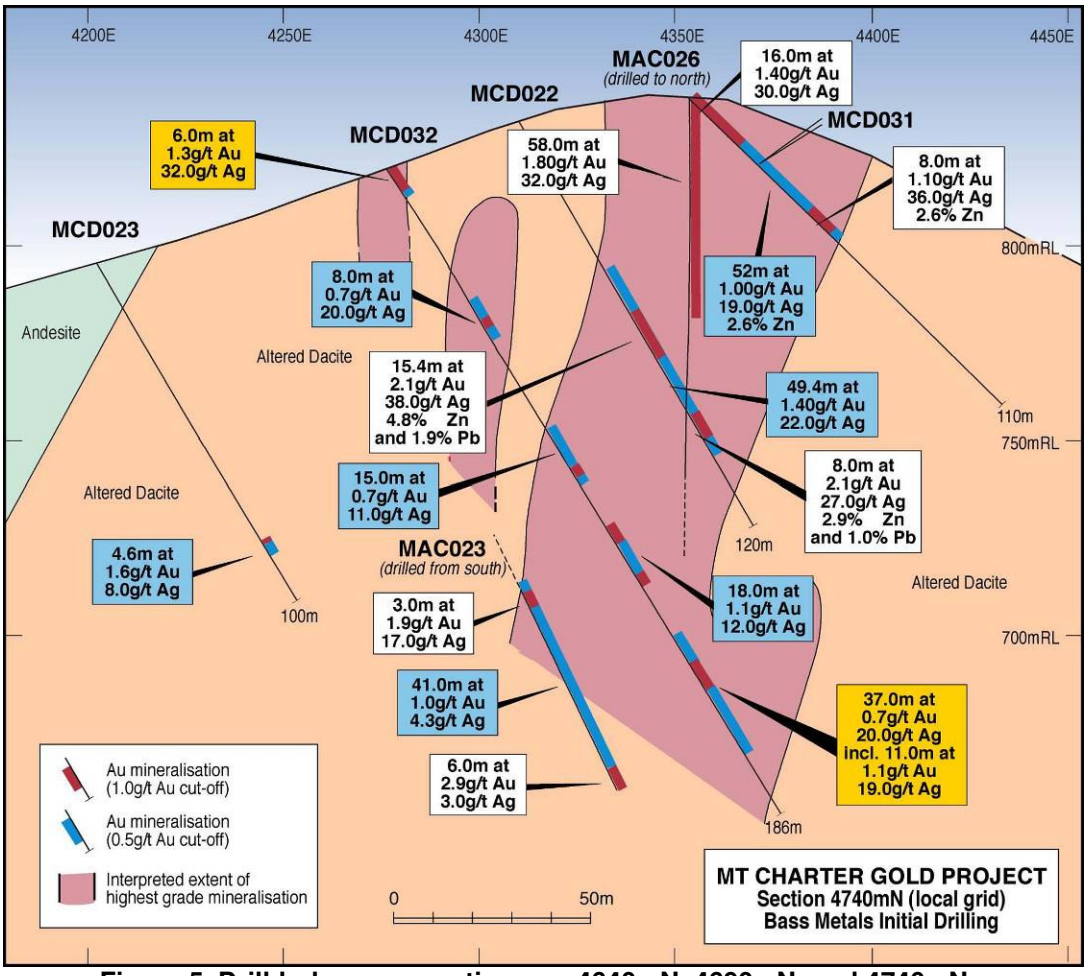


Figure 5. Drill-hole cross-sections on 4640mN, 4690mN, and 4740mN

The 2006 program consisted of 12 diamond holes and tested the mineralization over 300m of strike and down to approximately 150m below surface. Sections drilled were as follows:

- 4590mN
- 4640mN (Figure 5)
- 4690mN (Figure 5)
- 4740mN (Figure 5)
- 4790mN
- 4840mN

Consistent with the initial program, Au-Ag-(Zn) mineralization was observed to be associated with barite-dominant veins. The enveloping surface of the vein package is sub-vertical to steeply west-dipping (Figure 5) and strikes NNE (Figure 4) with respect to the local mine-grid. The zone of veining was found to be continuous over approximately 225m of strike and 200m down-dip also. Grade variation in intersections was directly proportional to the frequency of barite+sphalerite+galena veins.

Some of the intersections obtained during this program included:

- 51m @ 1.1g/t Au, 32.9g/t Ag, and 1.25% Zn
- 92m @ 1.3g/t Au, 32.8g/t Ag

- 51.7m @ 1.1g/t Au, 22g/t Ag
- 78m @ 1.7g/t Au, 70g/t Ag

3.2 Down-hole EM

MCD035 was drilled to a depth of 376.45m to test both the Mt Charter Au-Ag resource and also the Hellyer/Que River VHMS ore-position at depth (Figure 6). The drill-hole passed through the Mixed Sequence - Footwall Andesite contact and no sulfides or significant alteration was present.

Down-hole EM was run on the drill-hole in order to look-out from the hole to any potential conductors underlying the Mt Charter Au-Ag resource. The loop positions are indicated in Figure 7. No anomalism was detected in the survey (data located in Appendix 2).

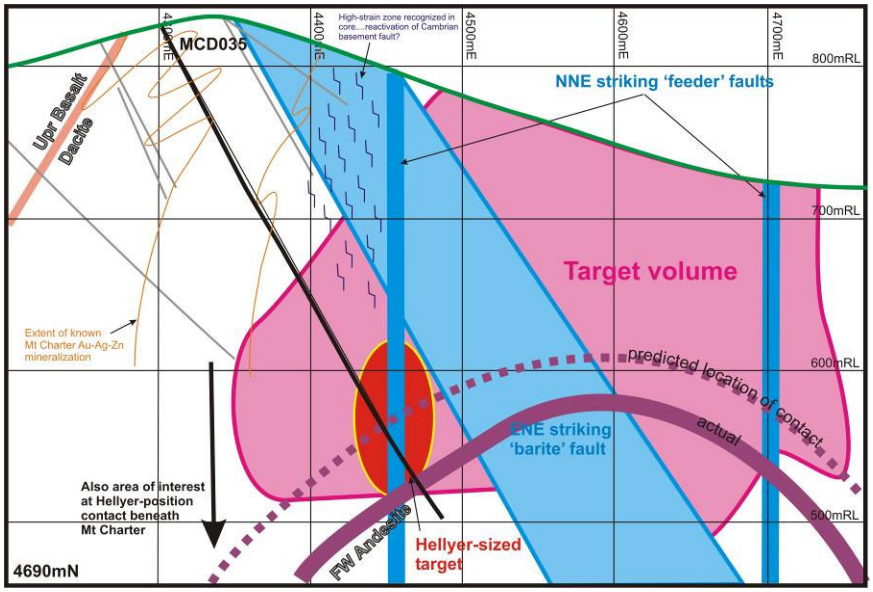


Figure 6. Cross-section on 4690mN indicating MCD035 and the MOCA-VHMS target volume (see Appendix 3)

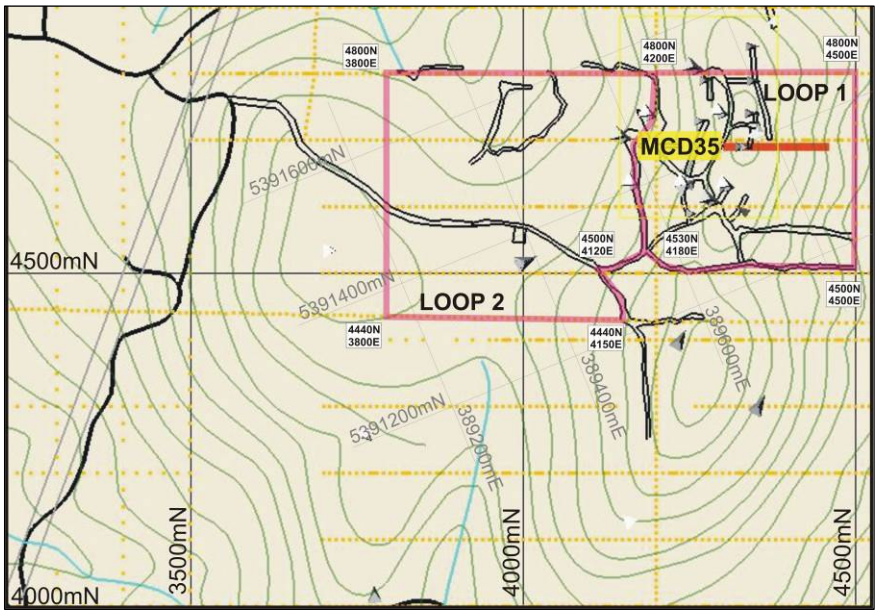


Figure 7. Loop locations for DHEM on MCD035 at Mt Charter.

3.3 Geological Interpretation

Core orientation data was obtained from recent drilling to add to the geological observations which were being compiled. The key feature to orient was the barite veins with associated sulfide to determine whether the drilling orientation chosen was optimum for sampling of the mineralized veins, and to assess whether the interpreted sub-vertical/steep westerly dip and NNE strike correlated with the vein-scale observations.

A classification of veins based on mineralogy and cross-cutting relationships. The main vein classes (see Figure 8) in order of relative timing were:

- early pyritic stringer veins (A)
- mineralized barite+sulfide veins (B)
- late cross-cutting quartz-dominant veins (C)

Foliation was also recorded where observed.

From the stereographic projections below, it is apparent that early pyritic veins (Figures 8, 9) are generally flat-lying. Note that this vein type is most likely associated with Cambrian VHMS fluid systems and is characteristic of the footwall alteration at Que River and Hellyer.

Barite+sphalerite+galena veins cross cut the earlier pyritic stringers and several observations have been made where sphalerite and galena occurs at the intersection of barite-dominant and early pyrite veins (Figure 8). This has implications for the extensional exploration of the Mt Charter deposit as it may mean that the early pyritic alteration is implicit in base metal and gold deposition. Further drilling and detailed metallurgical work will shed more light on this issue. The stereographic projection illustrates a dominant sub-vertical NNW trend (Figure 9) to these veins with the vein package constrained by a NNE trend enveloping surface as indicated by drilling results. The presence of some flat-lying veins suggests dilation of early pyritic veins and this has been observed in core.

Type C veins comprise flat-lying extensional quartz veins which are often fibrous and/or vughy (Figure 8). The veins are interpreted to have occurred during Devonian tectonism, are sub-horizontal (Figure 9) and are the youngest veins recognized. Coarse galena and sphalerite has been observed in some of these veins and this is interpreted as remobilization of the pre-existing mineralization.

Two trends are apparent in the foliation measurements which correlate with the abovementioned vein orientations (Figure 9). There is a strong correlation between the mineralized barite+sulfide veins and foliation orientations as seen in the projections below. The interpretation of this relationship is of dilation of cleavage planes and pre-existing pyritic stringer veins during barite-vein emplacement. Some examples of this have been recognized in the drill-core. This interpretation requires the Mt Charter Au-Ag-(Zn) emplacement to occur syn- to post- deformation thereby temporally distinguishing this mineralization from the VHMS mineralization dominating in the region. It is possible that this mineralization represents remobilization from a Hellyer-style ore position at depth. Ongoing work is underway to test this hypothesis.

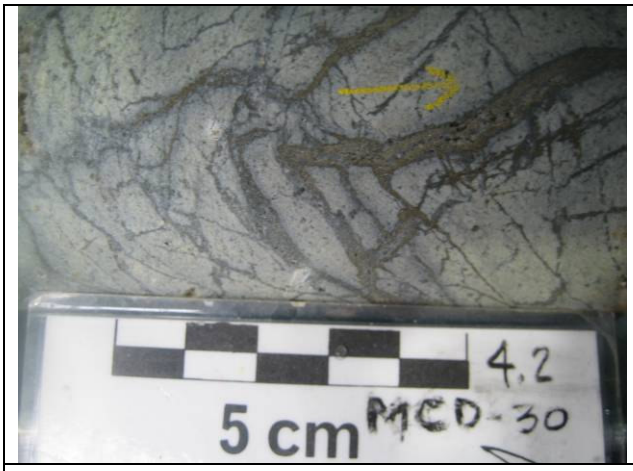
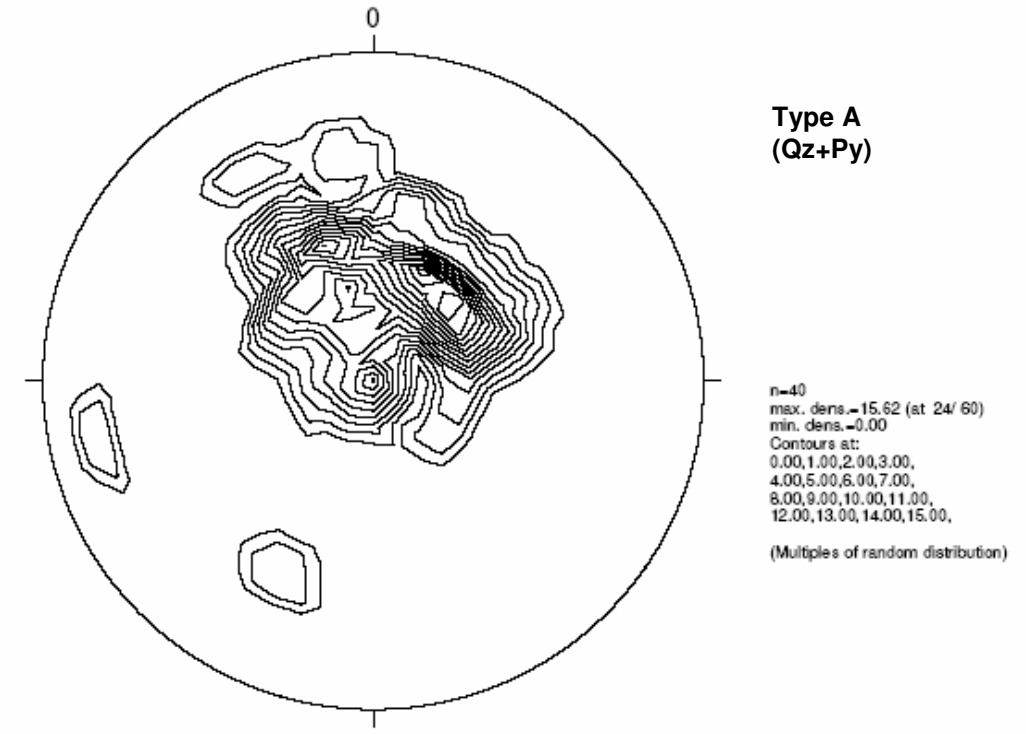
<table>
<tr><td> 
</td><td> 
</td></tr>
<tr><td>Early pyrite veining</td><td>Barite-Quartz-Sphalerite vein</td></tr>
<tr><td>  </td><td>  </td></tr>
<tr><td>Late vughy Quartz vein</td><td>Galena occurring at the intersection of a barite and early pyrite stringer vein. Buff coloured sphalerite also occurs in the barite vein.</td></tr>
</table>

Figure 8. Photographs of representative vein types at Mt Charter



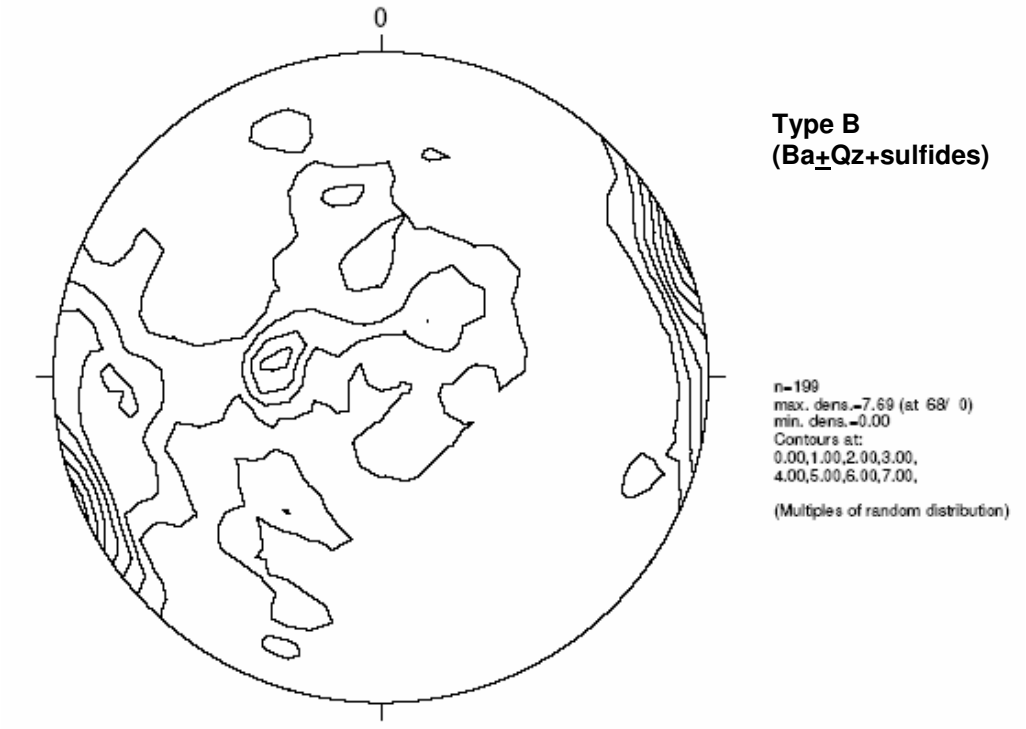
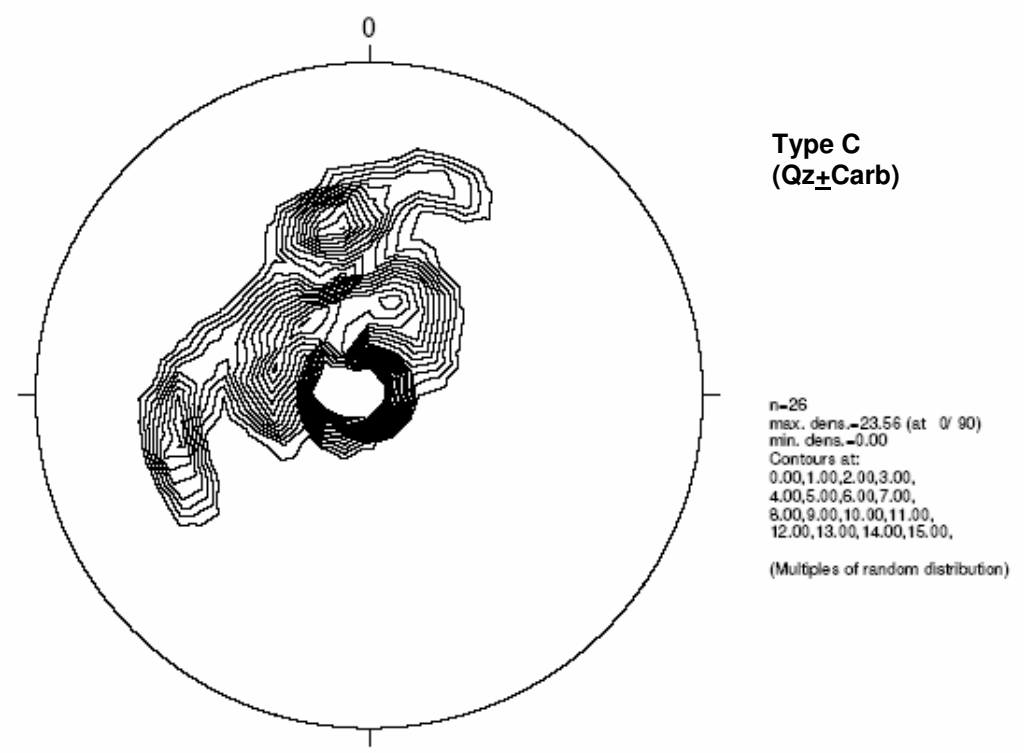


Figure 9. Stereographic projections of core orientation data for the main vein types and foliation. (All plots are of contoured poles, equal area projection, and lower hemisphere)



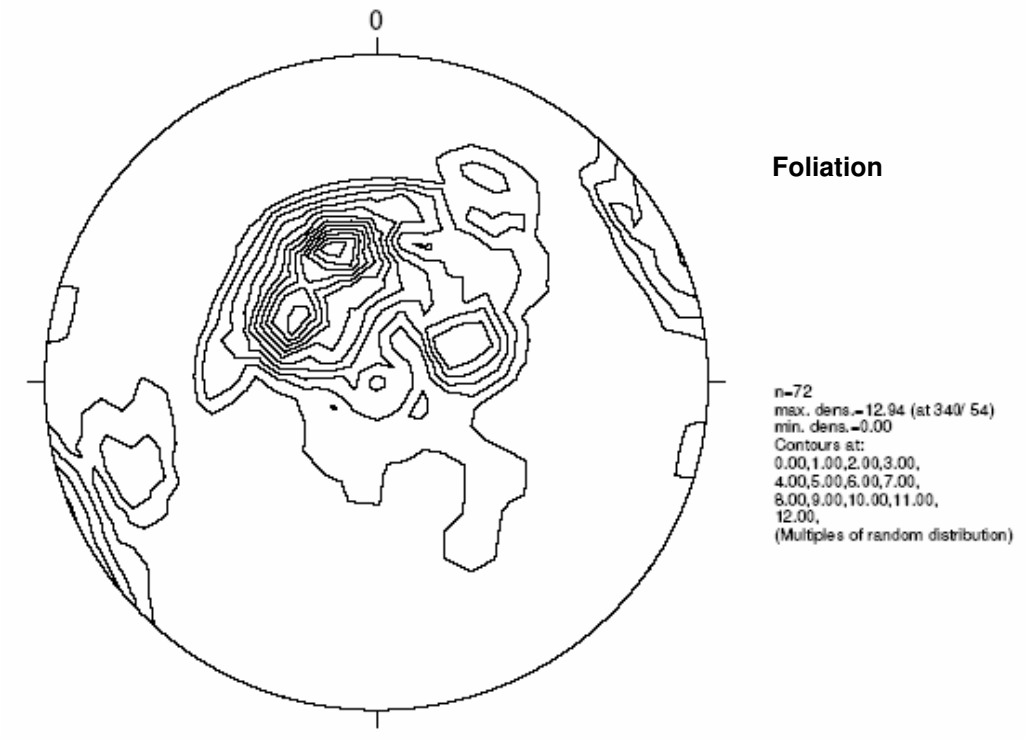


Figure 9. continued.

Intensely barite veined core from the main body of mineralization.

Cleaved, more highly strained dacite at the eastern margin of the deposit

Figure 10. Core photos of the Mt Charter ore zone and bounding higher-strain zone

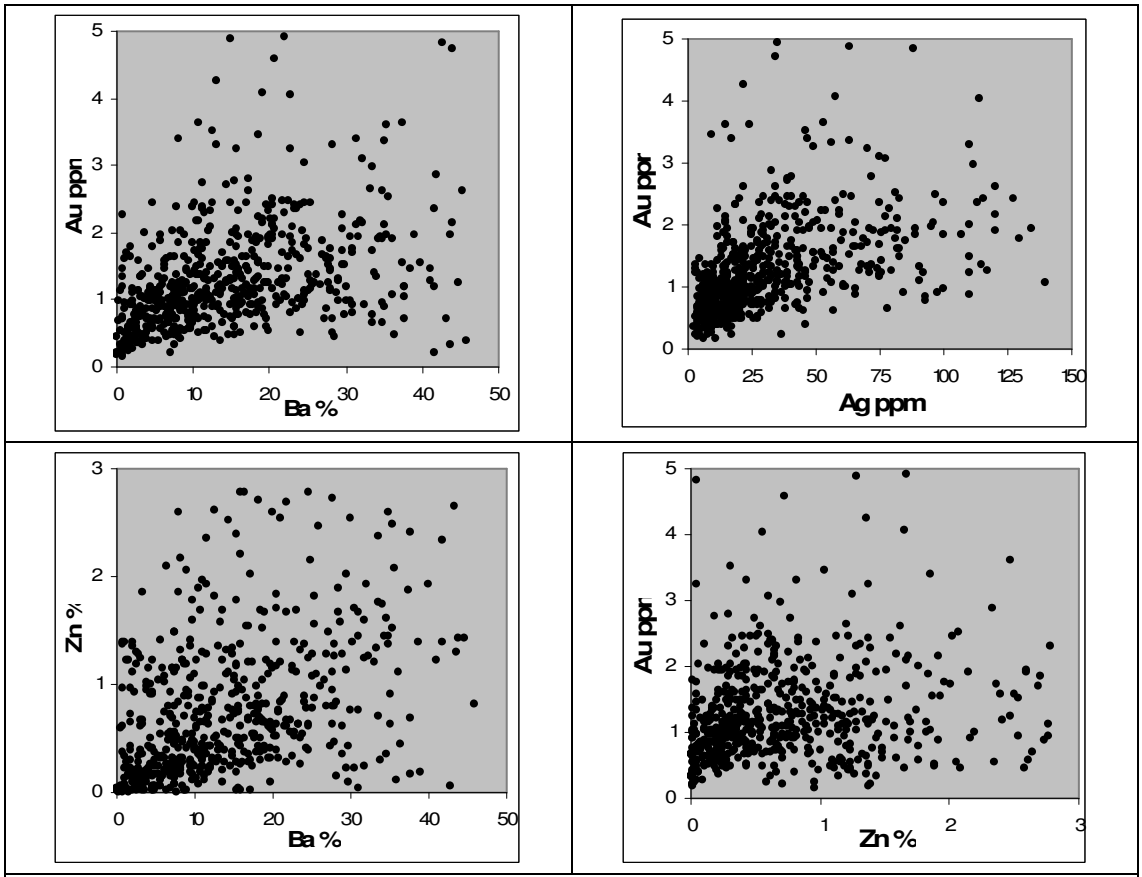


Figure 11. Scatterplots of assay data illustrating inter-relationship of Au, Ag, Zn, and Ba

Positive correlation between each of Au, Ag, Zn, and Ba (Figure 11) supports the interpretation that the one vein-set is host to each of the metals of interest in this body of mineralization as opposed to overprinting mineralizing episodes. The same can be said for Cu and Pb though these occur at lesser concentrations.

The eastern boundary of the deposit is recognized by a higher strain zone (Figure 10) observed as more strongly foliated core. This zone is interpreted to be a manifestation of the regional NNE trending structure immediately to the east of the Mt Charter. Upon entry into this higher strain zone, vein density (Figure 10) and therefore Au-Ag-(Zn) mineralization decreases markedly. MCD034 was drilled through this zone and passed into similar sericite-pyrite altered dacite but without the presence of barite veins.

The simplified cross-sections on Figure 5 indicate the interpreted steeply west-dipping enveloping surface to the Au-Ag-(Zn) mineralization and a general reduction in grade with depth. This observation implies that the upper contact of the dacite has some genetic controls on the localization of mineralization. However, recent drilling suggests that the main body of mineralization is more closely associated with the intersection of regional faults identified from airborne geophysical data. The drill-density and level of

exposure at Mt Charter do not allow us to confirm this, however, the southern boundary to the mineralization is approximately east west and sub-vertical.

Higher than average grade intercepts and broader zones of mineralization in MCD20, 21, 34 on section 4640mN (Figures 4,5) may be located within an area of influence of the broadly east-west trending structure. Note that the andesite/dacite contact is interpreted to dip gently to the SW and mineralization is shown not to follow this contact at depth (MCD025 and 036 - no significant intercept at the andesite/dacite contact).

In summary, the dominant controls on the localization of the Mt Charter Au-Ag-(Zn) deposit are:

- proximity to the NNE trending regional structure
- proximity to an intersection of the above with WNW and/or ENE regional faults
- location within pre-existing silica-sericite-pyrite altered dacite (interpreted).

Controls on the tenor of mineralization are:

- frequency/intensity of barite+sulfide veining
- overprint of the above on pre-existing pyritic stringers effecting deposition of some of the sphalerite and galena (interpreted)

The relationship between Au, Ag, Zn, and Ba confirms observations from the drill-core which indicate that the one vein-type hosts each of these elements, that is, the veins are comprised of barite±sphalerite (and galena). Au grade is intimately associated with the abundance of baritic veins in the core and diminishes rapidly in the absence of barite±veins.

The mineralization is hosted by the thick 'mixed sequence' of felsic volcanics and there is no apparent lithological control on mineralization beyond this scale. The key controls on the localization of mineralization relate more to the proximity to regional scale faults/structure and intersections of these structures. The barite vein package appears to parallel a regional fault network interpreted as being active during Cambrian VHMS mineralization.

3.4 Metallurgical Testwork

Metallurgical testwork has been undertaken to gain a preliminary understanding of the metallurgical characteristics of the Mt Charter mineralisation and its response to possible processing routes. Preliminary testwork included head assay, mineralogy, direct cyanidation and sulphide flotation followed by cyanidation then barite recovery by gravity and barite flotation.

A composite sample representing variable depths, gold, silver, zinc and copper contents was submitted for testwork. The Bond ball mill work index was determined to be 14.7kW/tonne. Summary results for cyanidation and flotation testwork are presented in Table 1 below.

	Elements				
Testwork	**Au**	**Ag**	**Cu**	**Zn**	**Ba**
Head Assay	1.6 ppm	34.2 ppm	594 ppm	1.50%	17.60%
	Recovery (%)				
Direct Cyanidation	48	10	12	0.2	-
Flotation	86	92	93	98	2
Cyanidation of Float Tails	60	34	13	4	-
Overall recovery for float followed by cyanidation	95	95	-	-	-
Barium Recovery by Flotation					84

Table 1. Summary of Metallurgical Testwork Results

The objective of the flotation testwork was to assess the flotation behaviour of Au, Cu, Ag Pb and Zn mineral species and to float a bulk sulphide concentrate. These preliminary, bench scale test results show encouraging recoveries using a flotation stage followed by a cyanidation process route. The low recovery of precious metals by direct cyanidation was consistent with historic results reported previously and appears to be attributable to approximately 50% of the gold being present within the sulphide mineral grains. Direct cyanide recovery was relatively insensitive to grind size over a 45 to 75 micron size range.

Metals recovery to a bulk flotation concentrate is summarised in Table 2. Overall the recoveries obtained were good considering the simplicity of the flotation circuit. The objective of the next phase of testwork is to determine the upgrade potential of these concentrate grades to commercial levels. A separate test was undertaken for barite to assess flotation as a possible process for upgrading barite into a potentially saleable product. The barite concentrate produced had a barium grade of 50.2 % which is equivalent to 85.3% barite which at first pass exceeds the 65% barite standard generally adopted in the drilling and chemical industries.

	Au g/t	**Ag** g/t	**As** %	**Cu** %	**Fe** %	**Pb** %	**S** %	**Zn** %
Rougher Conc. Grade	8	183	0.4	0.30	20.9	3.8	30.1	8.6
% Recovery to Conc.	86	92	70	93	80	87	54	98

Table 2. Flotation recovery and grade

As the metallurgical testwork continues the exploration team will evaluate other known occurrences of gold mineralisation such as around the Hellyer and Que River deposits and on the newly acquired Farrell tenements along the Henty fault, south of Que River. The aim is to understand the potential resource base which could support the various gold processing options as they emerge from the next phase metallurgical testwork. The metallurgical testwork, whilst very preliminary in its nature shows encouraging potential to provide an opportunity to extract value from this polymetallic deposit as well as others in the district.

3.5 Resource Estimation

As reported in full to ASX on 30 October 2006, the Company has completed a Mineral Resource estimate for the Mt Charter Au, Ag, Ba and Zn deposit as part of the Company's ongoing project evaluation.

The total resource estimated for the Mt Charter deposit is 6.1 Mt at 1.22 g/t Au, 35.5 g/t Ag, 9.7 % Ba and 0.5% Zn. The resource is reported above a 0.7 g/t Au cut-off within the mineralised envelope boundary and is classified as Indicated and Inferred Resources according to the JORC code (December 2004), as listed in Table 3 below.

JORC Code Category	**Tonnes**	**Au**	**Ag**	**Ba**	**Zn**	**Au**	**Ag**	**Au (eq)***
	Mt	g/t	g/t	%	%	koz	koz	koz
Indicated	1.9	1.21	36.3	9.1	0.7	74	2,218	118
Inferred	4.2	1.22	35.2	10.0	0.4	165	4,754	260
Total	**6.1**	**1.22**	**35.5**	**9.7**	**0.5**	**239**	**6,971**	**378**
** Au (Eq) is based on Au & Ag price only; US$590/oz and US$11.80/oz respectively to give a Ag to Au ratio of 50:1.*								

Table 3. Summary of Classified Mt Charter Mineral Resource (0.7g/t Au cut-off)

4. PROPOSED EXPLORATION

Proposed exploration over the next year will incorporate further diamond-drilling (approximately 600m) to test extensional exploration positions to the north and west of the existing resource.

Infill drilling (approximately 800m) of the resource will be conducted to better define the resource (upgrade resource classification from inferred status) and attain an improved understanding of the controls on the more Zn-rich mineralization which occurs as a discrete body within the resource. Infill-drilling may also allow for new interpretations on higher grade (Au and Ag) shoots within the resource which may indicate prospective sites in the near-mine environs for further exploration.

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 minimise the impact on the environment during track-development and how to reduce the risk of spreading plant diseases and weeds as a result of day-to-day exploration tasks.

The Mt Charter Project site was visited by John Pemberton (MRT) and David Gatehouse (MRT) during the phase 2 drilling program and advice was taken on how to better manage the environmental issues at this challenging drill-location.

6. EXPENDITURE

	Jun-06 to Jun-07
Administration	1,998.79
Geology-Personnel& Overheads.	108,528.47
Gridding	4,201.25
Geochemistry	58,863.87
Geophysics	10,943.33
Drilling	144,886.42
Feasibility Studies (Metallurgical)	40,906.87
Rehabilitation	-
Safety	671.96
Other (Resource Estimation)	34,595.02
Ineligible costs	4,430.48
Total - Eligible	**405,595.98**

Table 4. Expenditure: 6th June 2006 to 5th June 2007.

Expenditure for the twelve months between 6th June 2006 and 5th June 2007, has primarily been taken up with diamond-drilling and associated assay costs, metallurgical testwork, and resource estimation by a geological consultancy. Significant geological costs are attributable to drill-supervision and interpretation.

7. REFERENCES

Richardson, S. 1992. Diamond Drill Proposal - DDH MAC32, Mt Charter. Unpublished internal company report (Aberfoyle Resources Ltd).

Bass Metals Ltd Quarterly ASX report to shareholders October 2006 and January 2007.

APPENDIX 1

DIAMOND-DRILLING DATA

APPENDIX 2

DOWN-HOLE EM DATA

APPENDIX 3

SUMMARY OF THE MONTE CARLO ANALYSIS TARGETING PROCESS