

**HEAZLEWOOD PROJECT
TASMANIA
EL31/2003**

**ANNUAL PROGRESS REPORT
FOR PERIOD ENDED 25TH MARCH 2007**

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Distribution:
Mineral Resources Tasmania
Bass Metals Ltd
Pioneer Nickel Ltd

Note: All coordinates are according to the AGD66 Datum and AMG66 Grid System.

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ABSTRACT

Bass Metals Ltd commenced management of the Heazlewood exploration licence (EL31/2003) on 26 March 2005. Work conducted on the licence for the year ended 25/03/2007 has included:

- Compilation of historical exploration reports and data
- Target generation and ranking of exploration targets
- Field visits
- Grid line cutting and soil sampling
- Botanical flora survey

.A large soil program over the ultramafic units within the Heazlewood licence has been only partially completed during the reported year due to DPIWE requirements in regards to threatened flora species in the region of the soil program. A Permit to Take was finally issued on the 26th April 2007 a day after this reporting period.

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1. INTRODUCTION

This report is a summary of the exploration activities conducted on the Heazlewood exploration licence EL31/2003, for the period of 26 March 2006 to 25 March 2007. The licence covers a total area of 136 km². The Heazlewood licence is subject to an exploration joint venture agreement between Bass Metals Ltd and Pioneer Nickel 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 was acquired through a joint venture with Pioneer Nickel Ltd. The tenement was originally claimed because it encompasses a large ultramafic complex considered prospective for nickel mineralisation. This area is considered prospective by Bass for carbonate-replacement and nickel-skarn mineralisation.

1.1 Location:

The tenement is located approximately 10 km west of the township of Waratah, on the west coast of Tasmania (Figure 1). Access to the area is via the sealed Corinna Road. Access within the tenement is via a limited number of 4wd tracks, which require river crossings. Access to the majority of the tenement is on foot, and requires cleared gridlines in order to conduct the most basic field work.

The northern edge of the tenement impinges on the Savage River National Park and is not available for exploration.

Topographically the area is of severe relief with limited vehicular access; however increasing pedestrian access is available in the form of cut soil lines. The most widespread vegetation community in the area is *Eucalyptus nitida* over *Leptospermum spp.* No listed Threatened Native Vegetation Communities are known to occur within the study area; however a 'Permit to Take' has been required for the area of soil sampling due to the presence of two Threatened Flora species *Epacris glabella* and *Micrantheum serpentium*.

The licence area can be found at the junction of the Savage River, Luina, Waratah and Donaldson 1:25,000 topographic map sheets or the Arthur River 1:100,000 LTIS map sheet.

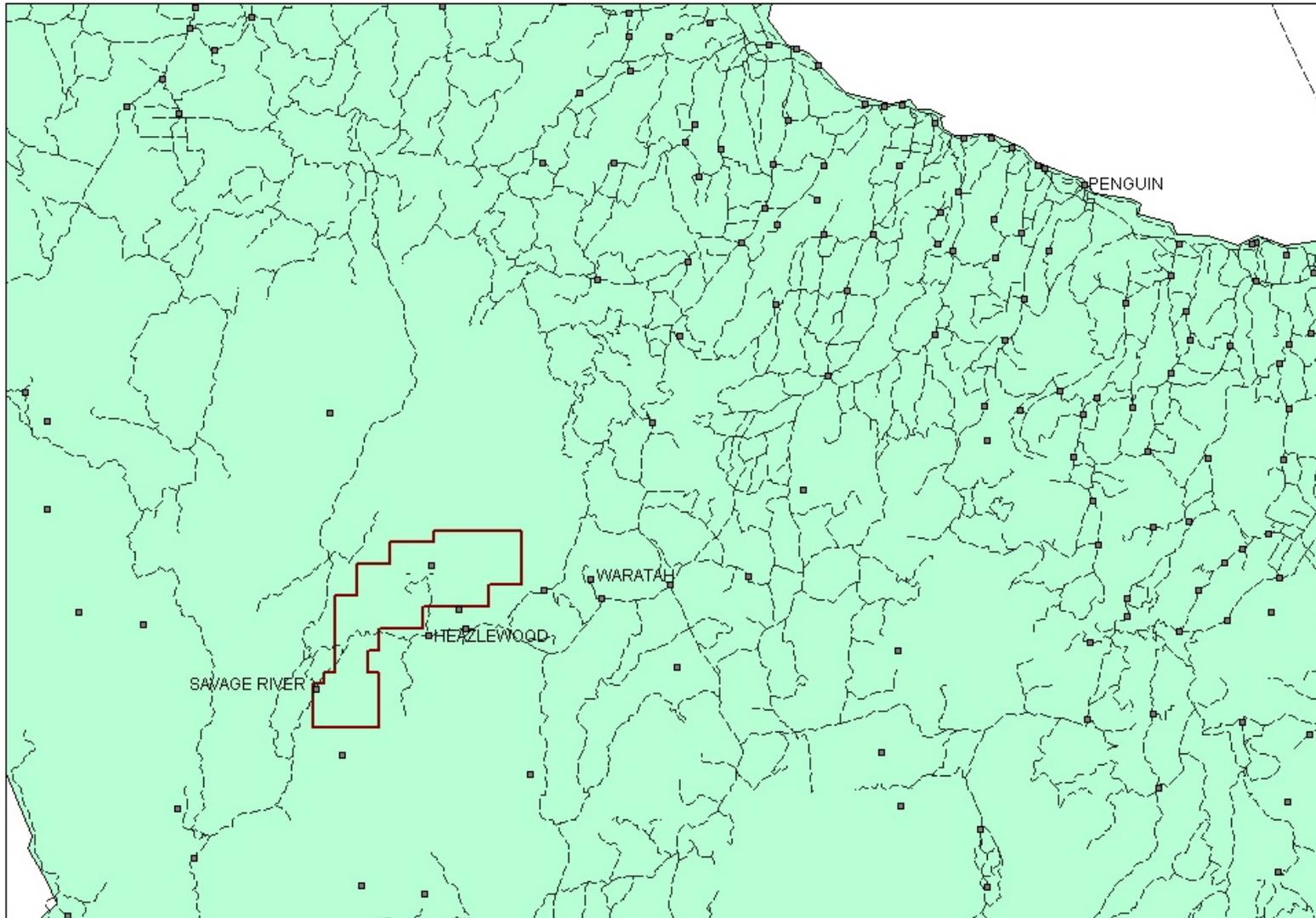


Figure 1. Heazlewood Exploration Licence (EL31/2003) is located in north-western Tasmania.

1.2 Geology Overview:

The vast majority of the tenement contains sub- and outcropping lithologies. Of greatest interest is the Heazlewood Ultramafic Complex in the central portion of the tenement, most prominent in locations like Brassey Hill. The complex has a basal dunite layer that has been variably serpentinised and an upper part made up of pyroxenite and harzburgite.

To the east of the ultramafic complex the Burnie and Oonah Formation predominates, and to the west the Crimson Creek Formation mafic volcanic and volcanoclastics predominate. Refer to the Regional Geology Map in Figure 2.

1.2.1 Early Cambrian Ultramafics

In the early phases of the Tyennan Orogeny, the east-facing Tasmania passive margin collided with an oceanic arc, resulting in the obduction of mafic-ultramafic complexes across much of Tasmania. The original shallow-dipping geometry of the allochthonous sheets has been substantially disrupted by later Cambrian and Devonian deformation, so that the present surface occurrences are typically steeply dipping and fault bounded. Three ultramafic-mafic rock associations are commonly in fault juxtaposition within the complexes: Layered Pyroxenite-Dunite, Layered Dunite-Harzburgite and Layered Pyroxenite-Peridotite and associated Gabbro (Seymour *et al*, 2006).

1.2.2 Crimson Creek Formation

The Crimson Creek Formation represents a correlate of the Upper Neoproterozoic-Lower Cambrian Togari Group sedimentary and mafic volcanic succession. The group can be subdivided into four main phases of sedimentation; a lower dolomitic succession with basal siliceous conglomerate-sandstone, a phase of mafic rift volcanism and associated volcanoclastic sedimentation, renewal of shallow-marine carbonate sedimentation, and at the top, a Cambrian phase of deep-water siliciclastic sedimentation (Seymour *et al*, 2006).

1.2.3 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).

1.2.4 The 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).

1.2.5 Tertiary Basalts

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

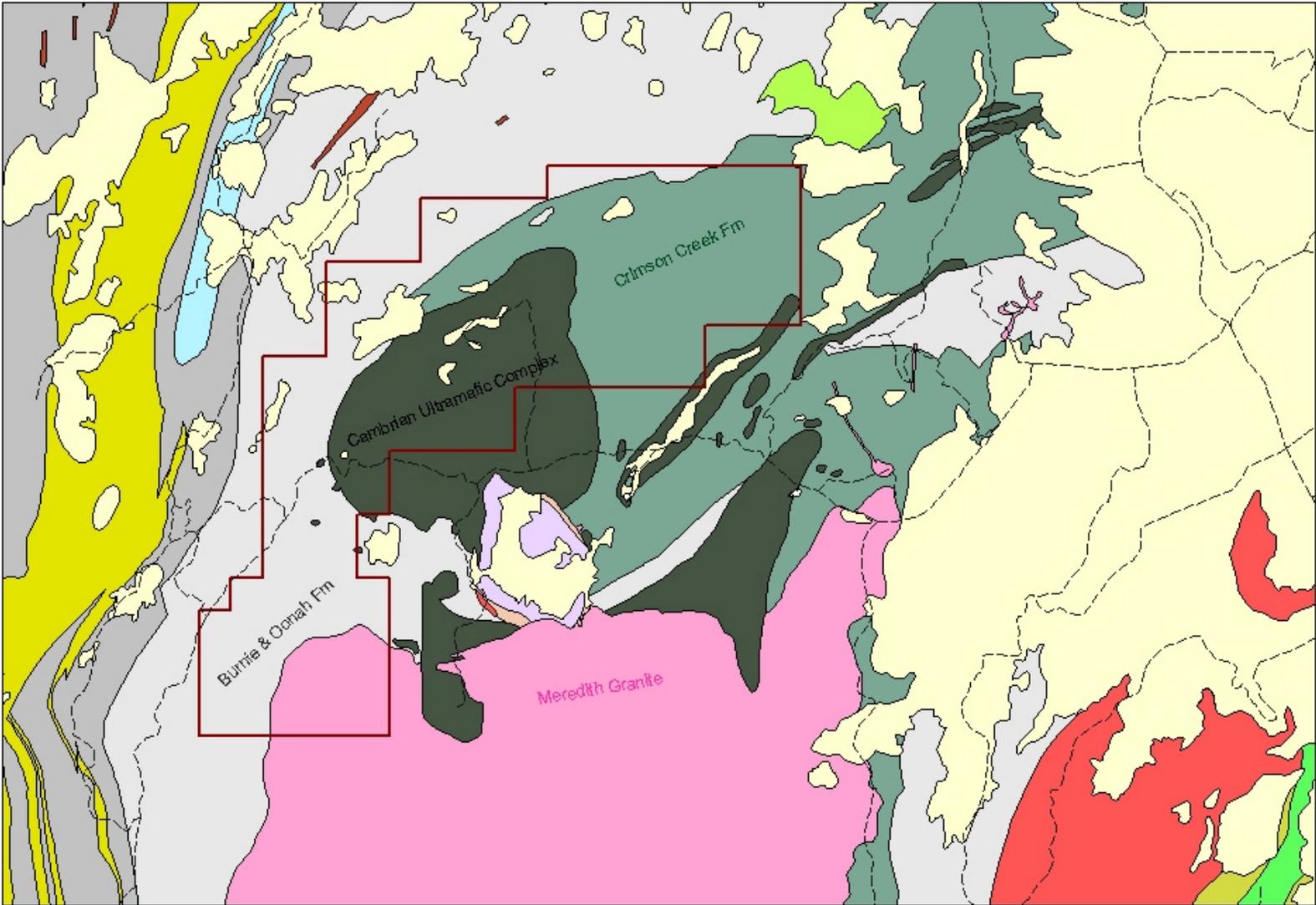


Figure 2. Regional Geology showing Licence Area boundary and roads.

1.3 Exploration Rationale:

The Heazlewood licence was acquired through a joint venture arrangement because of the perceived nickel potential of the large ultramafic complex that makes up the central third of the tenement. Due to the close proximity of the Meredith Granite to the ultramafic complex the potential for Avebury-style nickel-skarn/remobilised mineralisation is considered high.

There are a number of known mineral occurrences within the tenement, most directly related to, but not limited to the ultramafic lithology and include Ni, Cr and Os, plus Pb, Zn, Au and Cu.

2. WORK COMPLETED

2.1 Historical Mining:

Mineralisation was first discovered in the area in the late 1800's with the discovery and working of the Lord Brassey Ni Mine, the Jasper Hill Cu/Au mineralisation and a number of minor Pb-Zn occurrences as well as the Osmiridium workings. The Heazlewood Complex was the world's largest supplier of osmiridium won from minor alluvial and bedrock workings. Total recorded production from the entire field was of the order of 15,526oz of osmiridium (naturally occurring alloy of osmium and iridium).

Small scale nickel mining comprising approximately 300m of underground development was undertaken at the Lord Brassey Mine within EL31/2003. Nickel mineralisation consists of Heazlewoodite and Pentlandite. The mineralisation is hosted in three shear zones striking northeast. Cu and Au were mined from the Jasper Hill and Duffs Hill Mines to the south of the tenement, where mineralisation is associated with a quartz and jasper gangue hosting stringer-style chalcopyrite veins. Gold and Ag tellurides occur as isolated inclusions within the chalcopyrite. The lodes are thought to represent Cambrian hydrothermal mineralisation that was remobilized during Devonian deformation and the intrusion of the Meredith Granite.

2.2 Exploration Prior to Current Licence Area:

The area has been the focus of a number of exploration companies since the 1960s, the most notable work being carried out by the following companies:

Comstaff – 1968 to 1983 (EL1/1968, EL5/1963)

Target: Osmiridium, Tin, VHMS and Gold.

- Conducted a large volume of work over the 20 year period, however very little hard data was reported and little factual information can be derived from the reports.
- Assessed all Os workings with gridding, mapping sampling and trenching.
- No new Os mineralisation was discovered.
- Completed regional drainage sampling over most of the area underlain by the Crimson Creek Formation.
- Followed up anomalous areas with gridded soil sampling, most notably in the Friday Creek area (anomalous Cu, Zn, Ni, Ag, and Sn).

- No geochemical anomalism was located on the follow up grids, or ridge and spur sampling.
- Completed an aerial DIGHEM survey, 13 potential targets defined. Data from the survey is unavailable. An interpretation of the DIGHEM was included in a report, without a grid by which to locate it.
- A number of the DIGHEM anomalies were followed up with soil geochemistry, ground EM.
- 2x EM conductors were drilled (both outside EL31/2003), with the target response being explained by the presence of black shales.
- No mineralisation of any form was located in the course of the work.
- The quality of the work is difficult to assess as the details were not reported; it is possible that further follow up might be worthwhile in the Friday Creek area.

Metals Exploration – 1985 to 1989 (EL21/1985)

Target: Pt and Ni Bedrock mineralisation within the Heazlewood Complex.

- Compiled previous work, noted problems with Comstaff data.
- Conducted significant mapping and sampling programs over known mineralisation and some EM and ground magnetics surveys.
- Best results at Fenton's from costean sampling were; 4m @ 1.03ppm Pt, 6m @ 6.7ppm Pt, 9m @ 4.0ppm Pt, 6m @ 5.8ppm Pt. They tended to repeat poorly and were ascribed to surface weathering related nugget effects.
- Best rock chips collected at Brassy Hill;
 - 2.5% Cu, 4.3g/t Au.
 - 8.0% Cu, 18.3 g/t Au
 - 15%Pb, 3.9% Zn
 - 4.7% Ni
- Made stratigraphic correlations for mineralisation.
- Os, Ir, Ru, Pt - associated with chromite rich dunites (Fentons).
- Pt, Ru, Rh – associated with inter-layered dunite/peridotite.
- NiS, Pt, Au, Pd – epigenetic mineralisation crosscut by recent structures (Lord Brassey).
- Drilling at Caudry's and Lord Brassey failed to locate economic mineralisation.
- Drilling of the NiS breccia at Fenton's failed to intersect mineralisation at depth.

Billiton – 1987 (EL20/1985)

Target: Sulphide replacement Tin deposits and vein hosted tin/tungsten deposits.

- The Comstaff DIGHEM data was reviewed, and follow up work recommended at the Rachel Anomaly.
- Two lines of Ground magnetics and auger sampling were carried out.
- No significant anomalism was discovered.
- None of the remaining DIGHEM anomalies were considered to be related to a bedrock pyrrhotite source.
- No further work was carried out.

Geopeko – 1990 to 1993 (EL45/1989)

Target: VHMS Base Metals and Gold Mineralisation.

- Carried out a regional water sampling program utilizing new CSIRO techniques to define geochemically anomalous areas.
- Delineated some anomalous areas, in the Crimson Creek Formation but found the results difficult to repeat, the work may have been of limited value.
- Followed up some anomalous areas with ridge and spur auger sampling and rock chip sampling.
- The project was considered to be a low priority and the work was not pursued to completion.

CRA – 1992 to 1996 (EL36/1992)

Target: Bedrock Ni and Cu/Au mineralisation.

- Compiled previous work, noted problems with Comstaff data.
- Carried out a regional sediment sampling program.
- Followed up several anomalous areas with infill sediment sampling and rock chip sampling.
- Reviewed the Cu/Au mineralisation at Duffs Hill.
- Determined Ni mineralisation to be consistent with silicate Ni sources.
- Cu/Au mineralisation to be confined to remobilized, low tonnage deposits hosted in faults of Devonian Age.

Allegiance Mining NL – 2001 to 2002 (EL14/2001)

Target: Avebury Style Ni Sulphides

- Interpreted regional magnetics/gravity data, did not conduct any field work.
- Concluded that the Heazlewood complex underlies much of the EL at relatively shallow depths.
- The interpretation suggested that the Meredith granite was of the order of 6km deep under the Heazlewood Complex.
- Concluded that the southern portion of the EL better fitted their exploration model.
- Relinquished the northern portion of the EL containing the outcropping Heazlewood complex which was subsequently picked up by Pioneer. Allegiance's EL did not cover the area which now comprises the NE portion of EL31/2003 (Rachel and Friday Creek area), containing the Crimson Creek rocks.

Pioneer Nickel Ltd – 2003 to 2004 (EL31/2003)

Target: Bedrock Ni and Cu/Au mineralisation.

- In preparation for field work, all available digital data was collated in MapInfo format and reprocessed. The geophysical data was then used to complete new interpretations for target identification.

Bass Metals Ltd – 2005 to 2006 (EL31/2003)

Target: Bedrock Ni, PGEs, Au and nickel-skarn mineralisation.

- 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.

3. EXPLORATION COMPLETED 26 MARCH 06 TO 25 MARCH 07

The section below reports on exploration activities between 26th March 2006 and 25th March 2007. Using the captured data and targeting assembled by Geoinformatics during the previous year a significant soil geochemistry program was designed.

The program was proposed as a first pass multi-element soil program to test several Geoinformatics conceptual targets, and anomalous historical surface sample locations. The outcome of the program was to produce a reliable and systematic metal-in-soil dataset as it was found to be impractical to tie together the different and isolated historical data sets with equal weighting.

The total program consists of 11 lines at 400m spacing for a total of 20.1km. These will be sampled at 50m intervals for a total of 413 samples which are to be dispatched for multi-element analysis (Au, Pd and Pt by Fire Assay Lead Collection (FA5MS), and Ag, As, Co, Cr, Cu, Ni, Pb & Zn by method B/OES).

A postponement in commencing the southern part of the program due to a "Permit to Take" approval process with the DPIWE, means the northern 7 lines have been completed for 15.5km gridding and 346 soil samples (including standards and field duplicates; Figure 3; Appendix 1). All assays are outstanding.

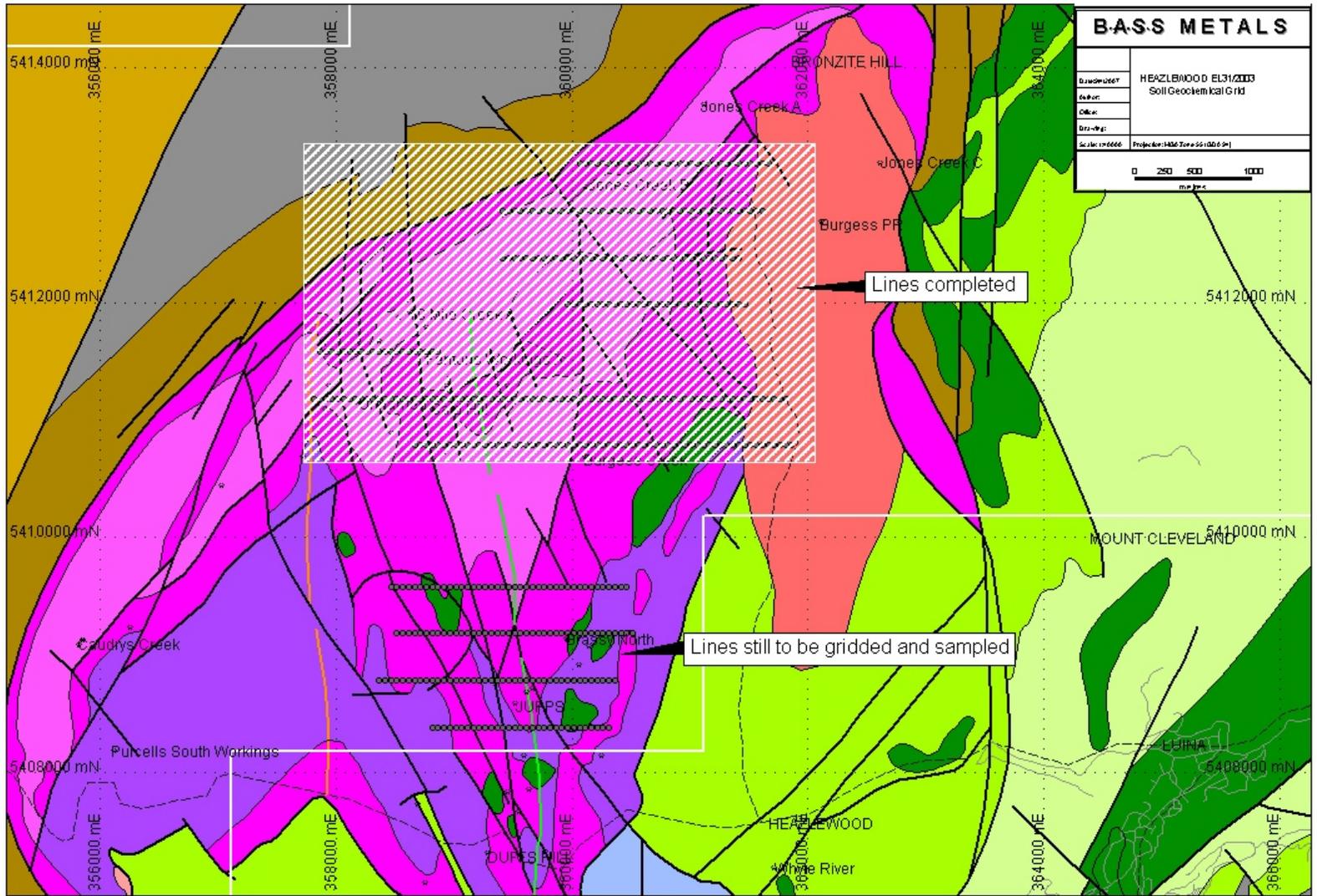


Figure 3. Soil Geochemistry Program

4. PROPOSED EXPLORATION

Proposed exploration over the next year includes; completion of the soil geochemistry program with appropriate follow-up.

If significant Ni, Cr and/or PGE anomalism can be verified by infill sampling and is considered adequately significant, a ground EM survey is proposed to enable meaningful drill target generation.

As yet completion of the soil program is reliant on approval from the DPIWE in relation to a Permit to Take.

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.

As part of the process to secure the required 'Permit to Take' from the DPIWE, a botanical survey was conducted over those areas in which the two Threatened Flora species *Epacris glabella* and *Micranthemum serpentium* are known to occur. The botanical survey is attached to this report as Appendix 2.

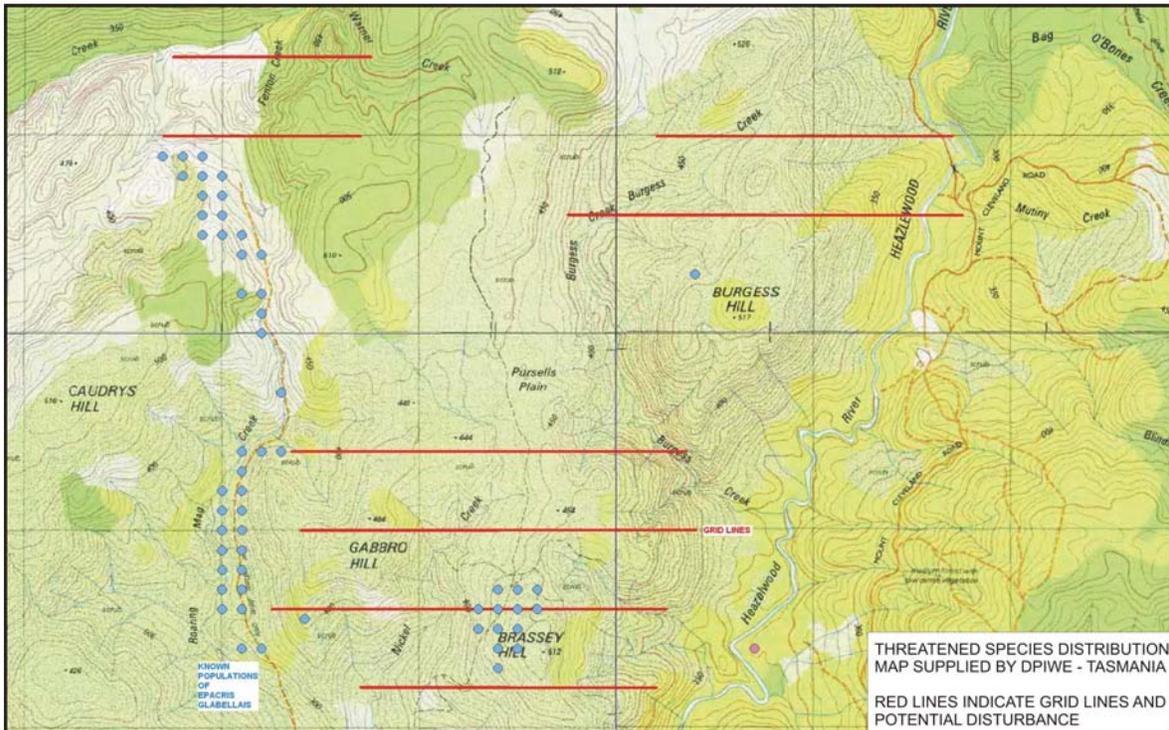


Figure 4. Threatened Flora species *Epacris glabella* distribution map from DPIWE

6. EXPENDITURE

	Mar-06 to Mar-07
Administration	\$356.61
Geology-Personnel& Overheads.	\$78,315.94
Gridding	\$56,043.64
Geochemistry	\$24,132.93
Geophysics	
Drilling	
Feasibility Studies	
Rehabilitation	
Safety	\$126.36
Other – Flora survey	\$981.82
Total - Eligible	\$159,957.30

Table 1. Expenditure 26 March 2006 to 25 March 2007.

Expenditure for the twelve months between 26 March 2006 and 25 March 2007, has primarily been taken up with grid line cutting, soil sampling, assay costs and a botanical survey.

7. REFERENCES

Kalla, J., 2006. Exploration Licence EL31/2003 – Heazlewood, Tasmania, Annual Report for the period ended 26th March 2006, Bass Metals Limited. Report to the Tasmanian Mines Department.

Seymour, D.B., Green, G.R., Calver, C.R., 2006. The Geology and Mineral Deposits of Tasmania: a summary. Bulletin 72 Tasmanian Geological Survey, Mineral Resources Tasmania.

Tasmap Lands, 1977. Arthur River LTIS Sheet 7915 Edition 1, Tasmania 1:100,000 Topographic Base

APPENDIX 1

APPENDIX 2