

**GRASS RIDGE PROJECT
TASMANIA
EL38/2005**

**ANNUAL PROGRESS REPORT
14TH JUNE 2006 TO 13TH JUNE 2007**

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Distribution:

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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 Grass Ridge exploration licence (EL38/2005) on 14 June 2005. Work conducted on the licence for the year ended 13/06/2007 has included:

- 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 Grass Ridge exploration licence, EL38/2005 (Figure 1), for the period of 14 June 2006 to 13 June 2007. The licence covers a total area of 13 km². The Grass Ridge 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 along the interpreted northeastern continuation of the Hellyer-Que River stratigraphy. The licence was originally claimed because of this positioning in the Hellyer-Que River stratigraphy.

The Western Volcano-Sedimentary Sequence (WVS) of the Mt Read Volcanics outcrops in the eastern portion of the tenement.

1.1 Location:

The Grass Ridge licence is located 42km southwest of Burnie (80km by road), and less than 16km northeast of the Hellyer exploration base, in the west coast region of Tasmania (Figure 1). The 13km² tenement adjoins the northwest boundary of the Leven River tenement also held by Bass Metal Ltd. Access from the Hellyer exploration base is via private roads running off the Murchison Hwy or Cradle Mountain Link Road. The licence area can be found on the Inglis 1:100,000 topographic map sheet.

Topographically the area is of moderate relief with the majority of the licence area divided between silviculture (timber plantations), Buttongrass moorland and dry Eucalypt forest and woodland. Discreet regions of rainforest and wet Eucalypt forest also occur. Vehicular access is good due to an abundance of private and forestry tracks. The licence area does not encroach on any conservation areas however three small populations of Threatened Non-Forest Vegetation have been mapped.

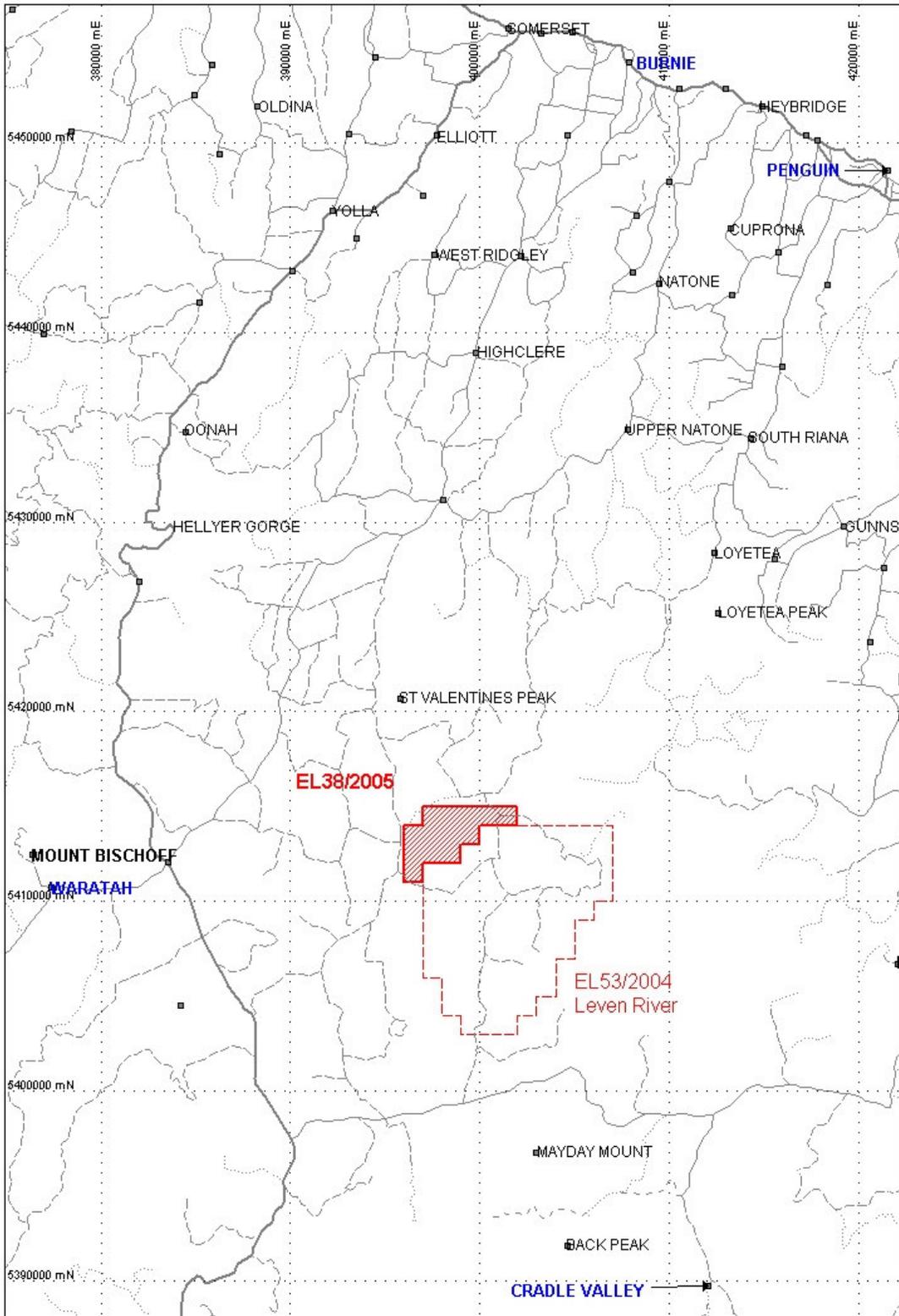


Figure 1. Grass Ridge Exploration Licence (EL38/2005) is located in north-western Tasmania.

1.2 Geology Overview:

The majority of the tenement is covered in a considerable veneer of Tertiary basalt with two discreet inliers of Owen Group and Western Volcanic Sequence lithologies. Beneath the basalt veneer the Owen Group is interpreted to young to the northwest and is followed by the Ordovician Gordon Group which in turn is overlain by the Silurian-Devonian Eldon Group. To the southeast, the Western Volcanic Sequence is interpreted to represent the possible extension of the Hellyer-Que River stratigraphy in an anticlinal position. A northwest trending fault cross-cuts the Hellyer-Que River stratigraphy on a diagonal through the centre of the licence and passes into the prospective Gordon Group. Refer to the Regional Geology Map in Figure 2.

1.2.1 Western Volcano-Sedimentary Sequence (Mt Read Volcanics)

At a regional scale, the Mt Read Volcanics are a belt of volcanic, volcanoclastic 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 Grass Ridge licence occurs along strike to the northeast from the Que River and Hellyer deposits and is mapped as containing the northern continuation of the Que-Hellyer stratigraphy.

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).

1.2.2 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 Gordon Group

The Ordovician 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).

1.2.4 Eldon Group

The Silurian-Devonian 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).

1.2.5 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.

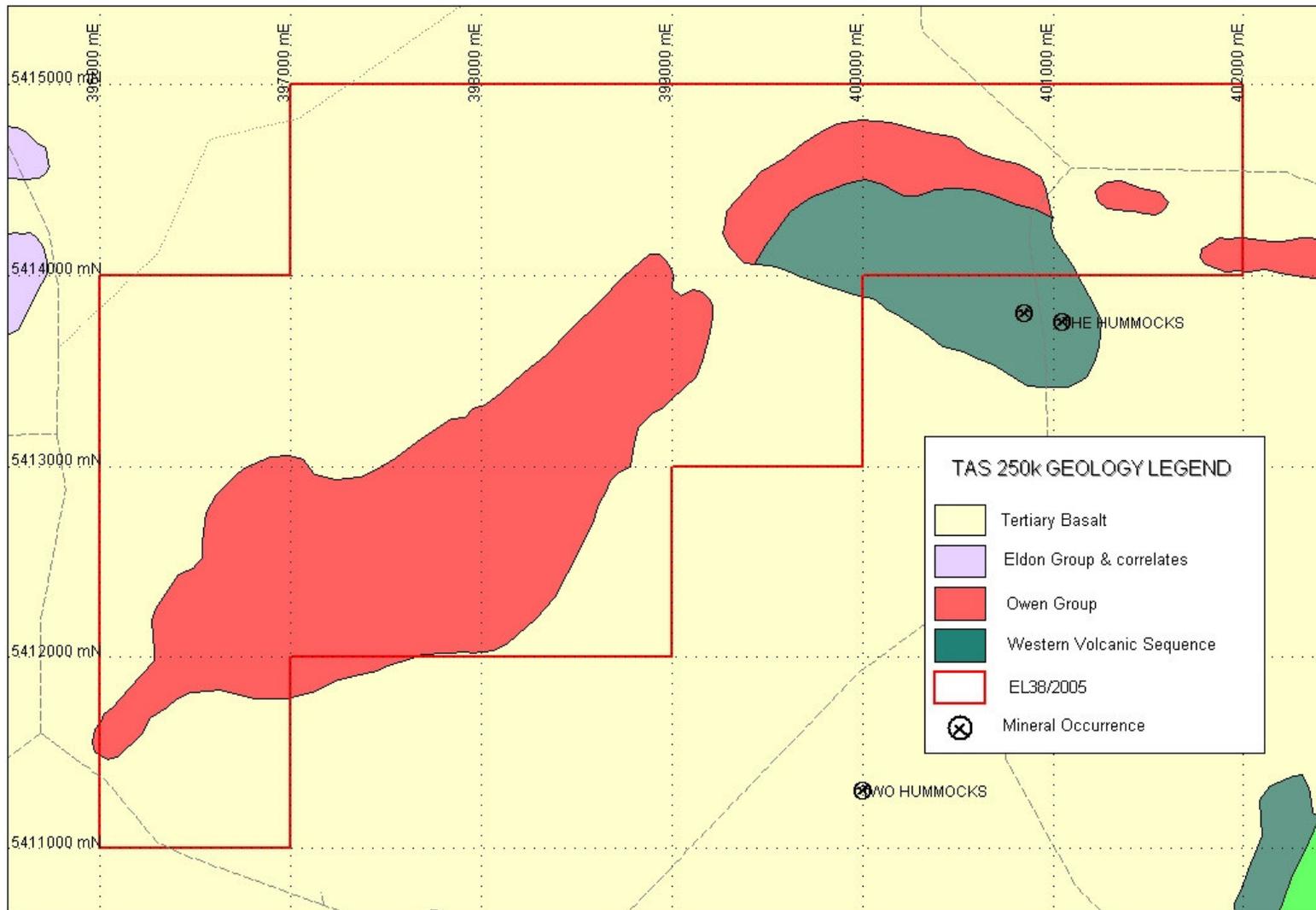


Figure 2. Regional Geology showing Licence Area boundaries and mineral occurrences.

1.3 Exploration Rationale:

A northwest trending fault cross-cuts the Hellyer-Que River stratigraphy on a diagonal through the centre of the licence and passes into the prospective Gordon Group. This relationship is considered prospective for carbonate-replacement mineralisation.

There are no known mineral occurrences within the tenement and only limited field work due to the veneer of Tertiary basalt covering the majority of the tenement.

2. WORK COMPLETED

2.1 Historical Mining:

No records exist in the public domain for work done on the Grass Ridge licence prior to 1977.

2.2 Exploration Prior to Current Licence Area:

Modern exploration efforts in the Grass Ridge region have primarily concentrated on the exposed MRV southeast of the current licence area. However, some work has been completed over the WVS inlier in the eastern part of the licence (Figure 3). A summary of this work is taken from the open file data available and is presented below.

Date: 1976-1977

Company: Geopeko Limited (JV EZ) EL2/76

Exploration Philosophy: Exploring MRV inliers for Rosebery-style VHMS deposits.

Work Completed: Soil geochemistry and geological mapping.

Results and Conclusions: Mt Read Volcanic inlier is weakly anomalous for Cu, Pb and Zn. Peak values are 100ppm Cu, 650ppm Pb and 820ppm Zn. No further work done [77_1239].

Date: 1979-1989(?)

Company: CRA Exploration (JV Shell) EL36/79

Exploration Philosophy: Exploring MRV for VHMS deposits.

Work Completed: UTEM survey, diamond drilling and geological mapping.

Results and Conclusions: CRA Exploration drilled two holes PD85TH1 and PD85TH2 into the WVS inlier just south of the licence area. The drillholes were planned based on an earlier UTEM survey and were located within the southern half of the Geopeko soil grid (Figure 3). Neither hole intersected mineralisation and further downhole SIROTEM produced no significant conductors. The holes intercepted altered tuffs, minor black shale and weakly altered rhyolite. No further work recommended [87_2652].

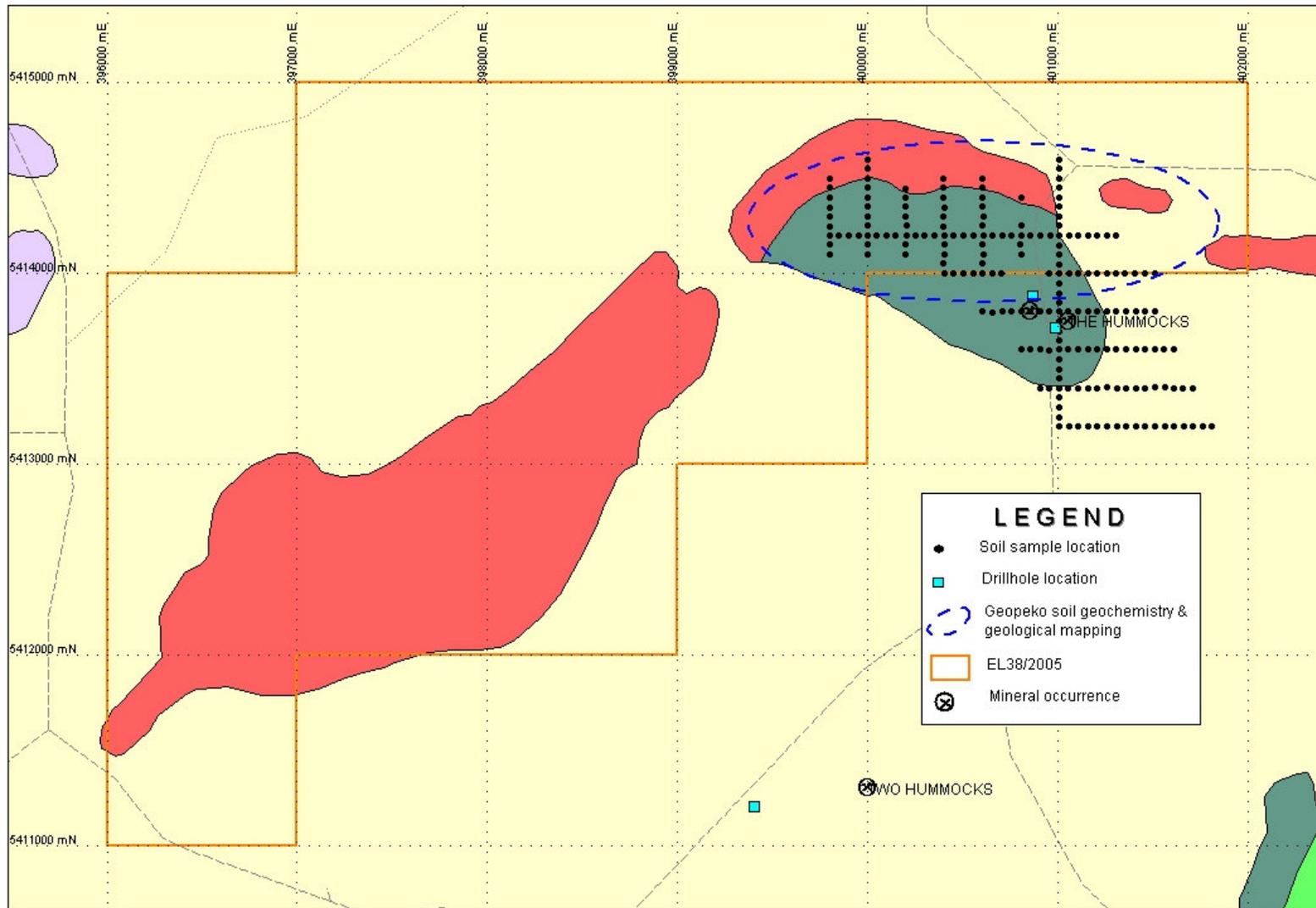


Figure 3. Historical Exploration Activity Map showing old workings and prospects.

3. EXPLORATION COMPLETED 14 JUNE 06 TO 13 JUNE 07

The section below reports on exploration activities between 14th June 2006 and the 13th June 2007. Following execution of the Joint Venture Agreement with Geoinformatics Ltd, Bass actively sought any datasets of potential value for targeting VHMS and carbonate-replacement deposits in the Grass Ridge 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 1 contains a summary of the Geoinformatics MOCA process.

3.1 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). Grass Ridge 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 Grass Ridge, Geoinformatics generated a single intrusive-related, carbonate-replacement target (Figure 5). The target is located on a regional scale fault believed to cross-cut both the interpreted Hellyer host horizon and the Gordon Group.

Refer to Appendix 1 for a summary report on the Geoinformatics process methodology.

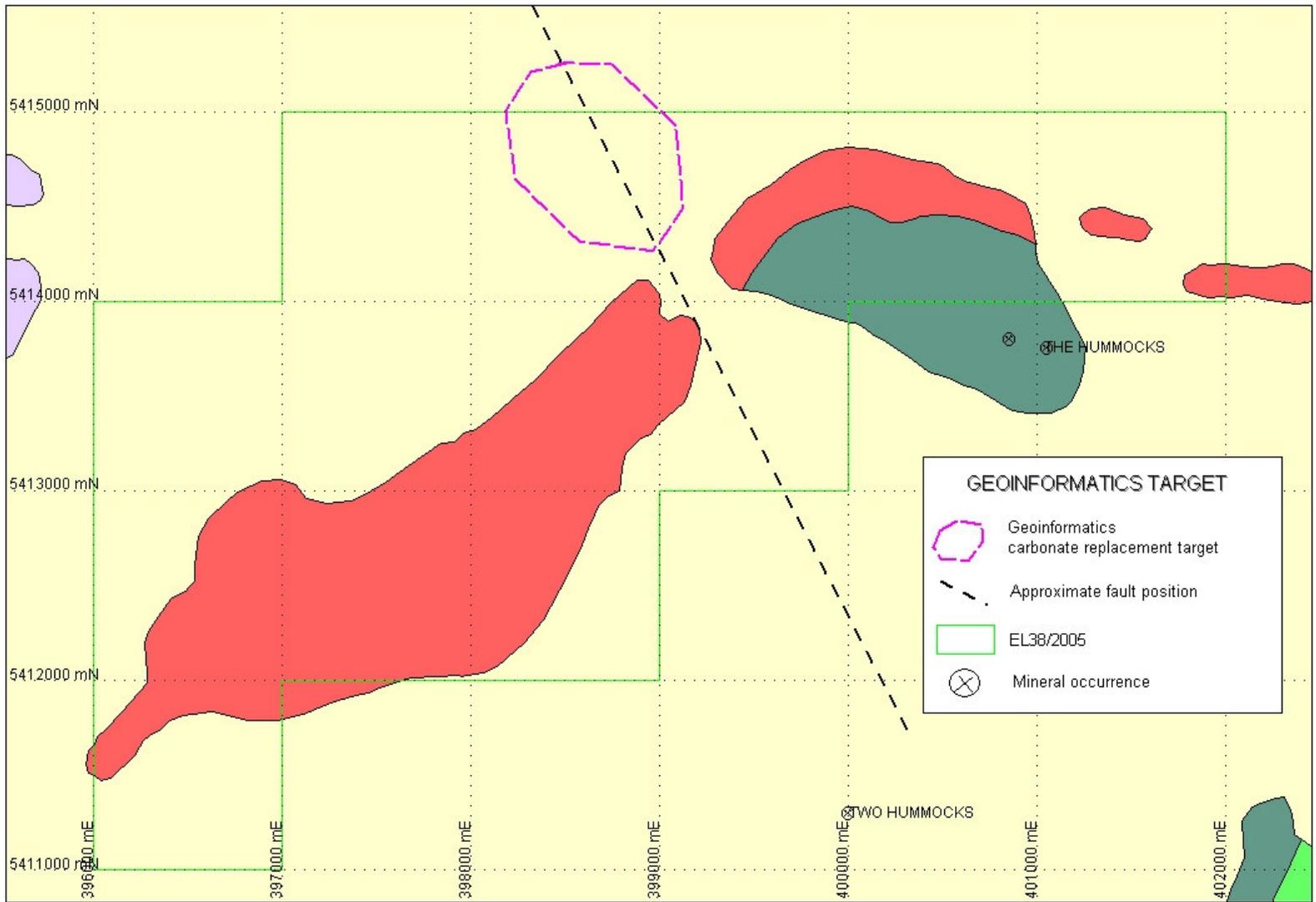


Figure 4. Geoinformatics Target on the Grass Ridge Licence.

4. PROPOSED EXPLORATION

Proposed exploration over the next year is dominated by a tenement-scale soil grid. Success seeing through the Tertiary cover in other areas has prompted the planning of an 8km soil grid on 400x50m spacing to broadly cover the interpreted fault position.

Cost estimate for the work includes;

| | |
|--|-----------------|
| Gridding/line cutting/sampling (8km) | \$22,000 |
| Multi-element low-level assays (170 samples) | \$6,000 |
| Geologist and field technician | \$2,000 |
| Total | \$30,000 |

Should the soil results indicate significant anomalism, a suitable geophysical technique may be engaged to produce an 'in-ground' drill target.

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 attached Environmental Activity Map in Figure 6 shows the location of the licence relative to conservation areas. Three small populations of Threatened Non-Forest Vegetation encroach on the Grass Ridge licence. These populations shall be strictly avoided where possible.

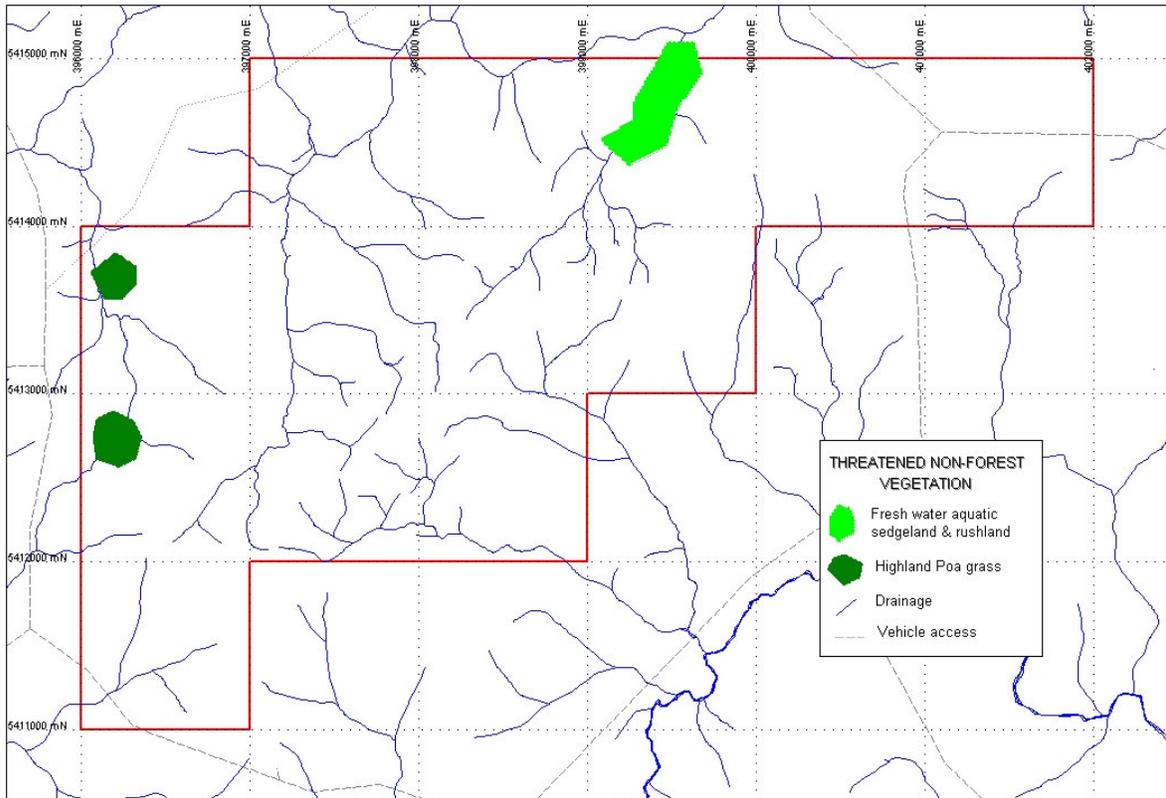


Figure 5. Environmental Activity Map

6. EXPENDITURE

| | Jun-06 to Jun-07 |
|--|-------------------------|
| Administration | |
| Geology-Personnel& Overheads. | \$2,532.17 |
| Gridding | |
| Geochemistry | |
| Geophysics | |
| Drilling | |
| Feasibility Studies | |
| Rehabilitation | |
| Safety | \$90.35 |
| Other - Geoinformatics | \$10,923.90 |
| Total - Eligible | \$13,546.42 |

Table 1. Expenditure 14 June 2006 to 13 June 2007.

Expenditure for the twelve months between 14 June 2006 and 13 June 2007, has primarily been taken up with collation and processing of existing open file data.

7. REFERENCES

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