

**NORTH ROSEBERY PROJECT
(NORTH ROSEBERY GROUP)
TASMANIA
EL54/2004**

**ANNUAL PROGRESS REPORT
10TH AUGUST 2007 TO 9TH AUGUST 2008**

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Bass Metals Ltd
Clancy Exploration

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Note: All figures and grids are according to the GDA94, Zone 55 datum.

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ABSTRACT

Bass Metals Ltd (BSM) commenced management of the North Rosebery exploration licence (EL54/2004) on 10 August 2005. Work conducted on the licence for the year ended 9/08/2008 has included:

- Access visit
- Planning and submittal of a diamond drill-hole program
- Mobile Metal Ion (MMI) Survey

Expenditure – Reporting period \$56,400.36

Total to date \$172,966.27

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1. INTRODUCTION

This report is a summary of the exploration activities conducted on the North Rosebery exploration licence, EL54/2004 (Figure 1), for the period 10 August 2007 to 9 August 2008. The North Rosebery licence is subject to an exploration joint venture agreement between Bass Metals Ltd (BSM) and Clancy Exploration Ltd. BSM is currently managing exploration of the licence from a base at the Hellyer Mine site.

The tenement is located in western Tasmania and is dominated geologically by the Cambrian Mt Read Volcanics (MRV) with minor Cambro-Ordovician Owen Group sediments.

The MRV belt is host to a number of large volcanic-hosted massive sulphide deposits (VHMS) in Tasmania, including the Rosebery, Hercules, Hellyer and Que River deposits. The North Rosebery licence is located approximately 5km along strike from Zinifex Ltd's operating Rosebery Mine.

Exploration at North Rosebery will target Cambrian (VHMS) deposits.

1.1 Location and Access

The North Rosebery tenement covers a total area of 56 km². The townships of Rosebery and Tullah are just outside the tenement area. The licence is shown on the Sophia 1:100,000 scale LTIS map sheets.

The exploration licence area can be accessed via the Murchison Highway and the Pieman Road and encompasses parts of Lake Rosebery, includes the Bastyan Dam and the Farrell Tramway. A network of largely unsealed Hydro Electric Commission roads run off the Pieman Road providing further access throughout the area.

Topographically the area is largely rugged containing river gorges and steep rainforest covered mountain slopes (including Mt Black).

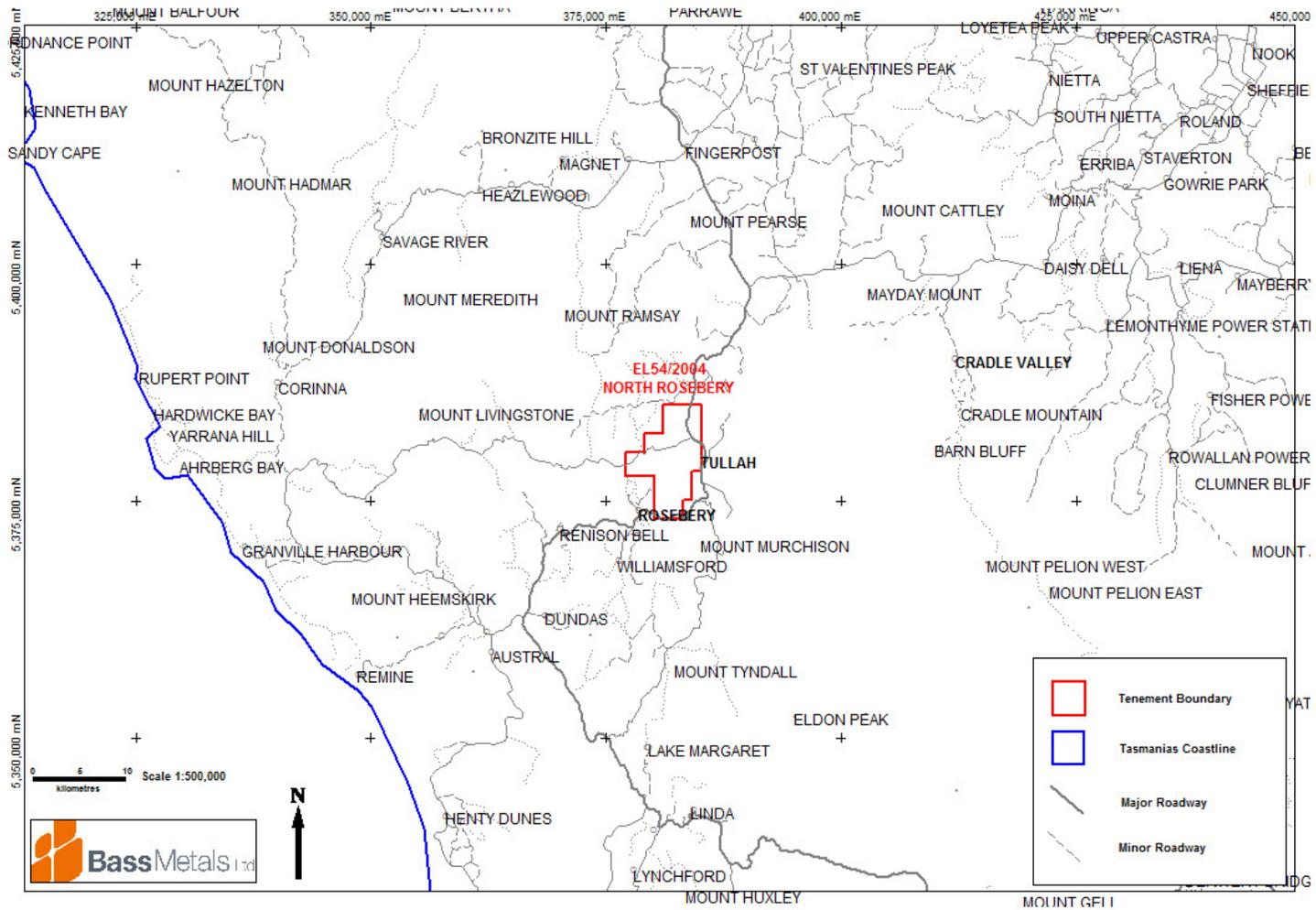


Figure 1. North Rosebery Exploration Licence (EL54/2004) is located in western Tasmania.

1.2 Geology Overview

Geologically the licence covers a portion of the central Cambrian (MRV) belt between the Henty Fault to the east and the Rosebery Fault to the west. A small portion of the tenement contains sediments of the Cambro-Ordovician Owen Group. Refer to the Regional Geology Map in Figure 2.

1.2.1 The Mount Read Volcanics

The MRV 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 (ie. Rosebery, Hercules, Hellyer & Que River). The North Rosebery licence occurs along strike to the north from the Rosebery deposit and is mapped as containing the northern continuation of the Rosebery stratigraphy. The Central Volcanic Complex (CVC) is host to the Rosebery and Hercules mineral deposits and in the mine areas is subdivided into four units: the footwall pyroclastics, the host rocks, the hangingwall epiclastics and the upper lava-rich sequence (Mt Black Volcanics). Major N-S trending fault zones including the Rosebery Fault, Mt Black Fault and Henty Fault, cut the MRV in the licence area.

Central Volcanic Complex

The CVC is dominated by proximal volcanic rocks (rhyolite and dacite flows, domes and cryptodomes and massive pumice breccias) and andesite and rare basalt (lavas, hyaloclastites and intrusive rocks) deposited in a marine environment (Seymour et al., 2006).

The Footwall Pyroclastics

The Footwall Pyroclastics consist of a uniform sequence of feldspar porphyritic, vitric-crystal lapilli tuffs which lie below the ore horizon at both the Rosebery and Hercules deposits (Smith & Huston, 1992).

The Host Rocks

The Host Rocks unit at Rosebery and Hercules consists predominantly of sericitic siltstone with minor crystal tuffs, bedded carbonates and up to 30m of pyritic black shale. The Host Rocks and black shale represent a period of quiet sedimentation (Smith & Huston, 1992).

The Hangingwall Epiclastics

This unit disconformably overlies base metal mineralisation and the black shale of the host rocks unit. It contains some inclusions of black shale.

The Mt Black Volcanics (lava-rich sequence)

The overlying Mt Black Volcanics predominantly consist of massive lavas of dacitic to andesitic composition with volcanoclastic units throughout.

Western Volcano-Sedimentary Sequence (Dundas Group)

This unit is coeval with the CVC 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 The Owen Group

The Owen Group is Cambrian to Ordovician in age and sits unconformably on the MRV. 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.

1.3 Exploration Rationale

EL54/2004 is along strike from the Rosebery Mine; previous and recent exploration on the licence has identified base metal soil anomalism and encouraging base metal drill intercepts.

The tenement lies approximately 5km northeast of the Rosebery deposit and contains the interpreted northern continuation of the Rosebery Mine Sequence. Major faults cutting the tenement include the Rosebery Fault and Mt Black Fault.

Target generation by Geoinformatics has highlighted VHMS style targets within the licence that have not been adequately tested.

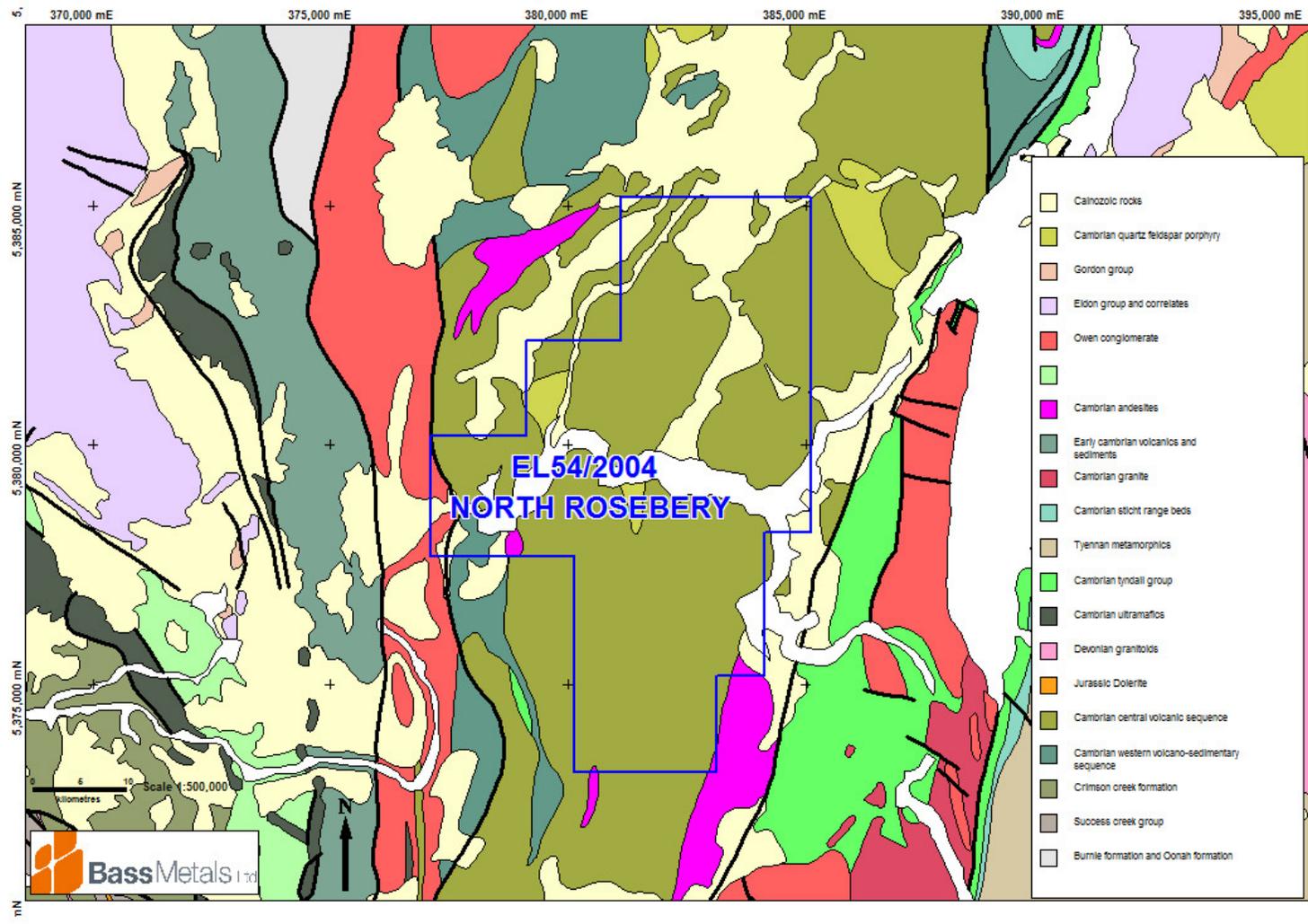


Figure 2. Regional geology showing licence area boundary

2. REVIEW OF PREVIOUS WORK - Prior to current tenement;

2.1 Historical Mining

Only small scale historic mine workings are recorded within EL54/2004 North Rosebery but the licence area lies 5km to the northeast of the Rosebery Mine and less than 5km south of the historic Chester Pyrite Mine. Historic workings on the tenement include Langdons Mine, Hawkesbury Mine, Cutty Sark and Cutty Sark Consols.

Pre-mining resources of base metal deposits in the vicinity of EL54/2004 include Rosebery (32.7Mt @ 14.5% Zn, 4.4% Pb, 0.58% Cu, 145g/t Ag & 2.2g/t Au), Hercules (3.33Mt @ 17.3% Zn, 5.5% Pb, 0.4% Cu, 171g/t Ag & 2.8g/t Au) and South Hercules (0.56Mt @ 3.7% Zn, 1.9% Pb, 0.1% Cu, 157g/t Ag & 3g/t Au; Seymour et al., 2006).

2.2 Previous Exploration

The Rosebery Zn-Pb-Ag-Au deposit was discovered in 1893 by prospector Tom McDonald and the area surrounding it has been explored since that time. Modern exploration of the North Rosebery EL54/2004 licence area commenced in the 1970's.

Although numerous historical exploration licences have covered the current area of EL54/2004 the majority of historic exploration has focused on Hercules, Rosebery, and Chester. A summarised version of the exploration history on the licence is given below and for a more detailed summary the reader is referred to Kirsner (1992), McNeill & Wallace (1988) & Parfrey & McNeill (2000):

Date: 1972-1975

Company: Electrolytic Zinc Company of Australasia Ltd

Exploration Philosophy: Targeting VHMS deposits and exploring Rosebery & Hercules mine trends.

Work Completed: Licence along strike both north and south from the Rosebery mine. Geochemistry, geophysics, geological mapping & diamond drilling.

Results and Conclusions: Concluded that the mine stratigraphy continues several kilometres north and south of Rosebery.

Report: Reinhardt, 1972. Williams, 1975.

Date: 1986

Company: Billiton Australia

Exploration Philosophy: Targeting base metal deposits.

Work Completed: Geological mapping, ground geophysics, rock chip sampling & auger soil geochemistry. Work at Langdons and Cutty Sark and Mt Black.

Results and Conclusions: Auger Pb-Zn anomalies defined at Langdons.

Report: Randell, J.P., Purvis, J.G. & Hungerford, N., 1986.

Date: 1988

Company: Aberfoyle Resources Ltd

Exploration Philosophy: Targeting VHMS deposits

Work Completed: Diamond drilling of hole M02 to test a deep CSAMT and UTEM conductor.

Results and Conclusions: No significant results.

Report: McNeill & Wallace, 1988.

Date: 1988- 1989

Company: Climax Mining Ltd

Exploration Philosophy: Targeting base metal deposits.

Work Completed: Auger soil sampling, minor ground magnetics & four diamond drill holes (MBD1-MBD4) to test Billiton UTEM anomalies.

Results and Conclusions: No significant mineralisation intersected but continued exploration around Cutty Sark recommended.

Report: Hine & Scott, 1989.

Date: 1987- 2000

Company: Pasminco Exploration

Exploration Philosophy: Targeting base metal deposits.

Work Completed: Auger soil sampling, geological mapping, downhole geophysics, surface geophysics & diamond drilling.

Results and Conclusions: Low grade Zn intersected at Chester and alteration zone interpreted to extend SW from Chester Mine. Results from Pinnacles, Burns Peak and Farrell included. Lots of data presented and numerous anomalies defined.

Report: Lorrigan, 1990. Kirsner, 1992. Fitzgerald, 1993. Parfrey & McNeill, 2000.

3. DURING CURRENT TENEMENT;

3.1 2005 – 2006 (BSM)

This section reports on exploration conducted between 10 August 2005 and the 9 August 2006 by BSM and Geoinformatics. Initial work undertaken has consisted of collating previous exploration information in the area as well as acquiring datasets that may be of assistance in targeting VHMS and intrusion-related mineral deposits. The MRT topographic, geophysical and 1:100,000 scale digital geological map series were used as base maps for presenting other historical company datasets. Previous exploration company reports in PDF format were downloaded from the Mineral Resources Tasmania website.

Notwithstanding the significant GIS database that had been compiled at this time, BSM decided to investigate the use of remote sensing in mapping alteration at the licence. BSM 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.

Initial site visits were conducted throughout the tenement area during which time 13 rock chip samples were collected from road cuttings.

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, BSM 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). BSM had this ASTER data forwarded to Bob Agars at Australian Geological & Remote Sensing Services. A report describing the interpretation methodology utilized was included as Appendix 1 in the report for the period (10/8/05-9/8/06).

BSM realized that because of the lower resolution of the ASTER data and the issue of vegetation shielding radiation reflected from the ground surface that the data would be more useful for targeting 'active zones' rather than providing the bulls-eye targets that had originally been hoped for from the HyMap data.

ASTER data failed to indicate any areas that are considered to be anomalous within the North Rosebery licence (EL54/2004).

Geoinformatics Geological Modelling & Targeting -

BSM utilized Joint Venture partners, Geoinformatics to compile a 3-dimensional spatial database (GIS).

The Geoinformatics process involves the efficient capture of historical data in proprietary Geoinformatics database and software systems (eg IFS & FracSIS). Proprietary software and methods are then used to generate 3-dimensional geological models and targets (Monte Carlo Ranking). The North Rosebery work is part of a larger 'Intervention Project' called the MRVIP (Mount Read Volcanics Intervention Project – Stage 1b). The Stage –1b Project focuses on all of BSM 13 regional licences.

The Stage 1b Project attempts to incorporate Geoinformatics understanding of the three dimensional controls on world class VHMS mineralization to rapidly provide BSM with high-quality targets in the North Rosebery tenement for rapid drill testing and other areas for follow-up field work including soil type geochemistry. Models were also developed for the targeting of intrusive related tin systems (e.g. Renison and Mt Bischoff) and intrusive related nickel skarn systems (e.g. Avebury). Targets were identified and ranked according to probabilistic Monte Carlo analysis of best-available 2D and 3D geoscientific data and allowed an assessment of exploration risk and uncertainty.

Much of the data for the project was obtained from open file reports. A data audit of 1,300 reports was completed by Dan Core, Graeme Cameron, Neville Panizza and Helen Ly. Work on the Stage 1b Project commenced in early February 2006 and was largely complete by July 2006. A target workshop with alliance personnel was held at Hellyer in July 2006 and final targets were delivered in August 2006. A summary Geoinformatics report was included in the report for the period (10/8/05-9/8/06)

At North Rosebery, Geoinformatics targeting has generated three Rosebery-Hellyer VHMS style targets on the licence (Figure 5). Review of open file data has also identified several historic IP conductors that have not been tested.

Geological Site Visit & Rock Chip Sampling -

An initial site visit to the North Rosebery licence by BSM and Geoinformatics staff occurred in July 2006 with a follow-up visit by BSM staff in August 2006.

During the site visits a cross section through the stratigraphy was traversed from Owen Group sediments in the west, through Rosebery Shale and into variably altered volcanoclastics. The contact between the Rosebery Shale and altered volcanoclastics exposed in road cuttings along the Pieman Road, is considered the equivalent stratigraphic horizon to that of base metal mineralisation at the Rosebery Mine located 5km to the south (the Host Rocks unit).

During these site visits thirteen selective rock chip samples were collected (NR001 – NR013), and sent to the Burnie Assay Laboratory for multi-element assay (Cu, Pb, Zn, Ag, As, Sb, Tl, Fe% & Au).

Two samples returned anomalous results. Sample NR1 of pyritic altered volcanoclastic assayed 1.3% Pb, 0.3% Zn, 136g/t Ag & 0.14g/t Au while sample NR2 of a quartz vein within volcanoclastic assayed 4.2% Zn & 10g/t Ag.

3.2 2006 – 2007 (BSM)

This section reports on exploration conducted between 10 August 2006 and the 9 August 2007 by BSM and Geoinformatics.

Drill program planning -

Work in this area was focussed upon establishing the stratigraphy of the area and designing a drill program to confirm stratigraphic position and test the Rosebery ore position if interpreted within the project area. Two holes may be required, with the first being an orientation hole to establish the stratigraphic position and test the IP anomalies, and the second to hone in on the Rosebery ore-position based on data derived from the 1st hole.

Long Projection preparation -

A long projection was prepared along Rosebery Mine Grid, to show where Zinifex's current deep drilling / new Y Lens are located, with respect to the North Rosebery tenement boundary; determining possible extension of mineralisation within the North Rosebery tenement.

Soil sample program planning -

Following from initial positive rock chip sample results taken in July 2006 and further field checking of the North Rosebery project the following program of work is recommended.

- Soil sampling along 200m spaced East – West oriented lines with 50m spacing between the Bastyan Dam and historic 200m spaced Pasminco sampling. Pasminco soil sampling identified only patch Zn anomalism North of the Pieman Road. The proposed soil sampling will cover the area of pyrite altered volcanics (anomalous rock chip sample) and the region of IP anomalism. Historic stream sediment sampling does not appear to have been successful in this area. Parts of this area may not be accessible due to Hydro infrastructure and Emu Bay Railway infrastructure. Sampling on 6 lines for a total of 115 samples is proposed.
- 6.5 line km of clearing (inclusive of north – south base line)
- 114 soil samples on 6 east - west lines
- Geological mapping along soil lines following completion of soil sampling.

Rock Chip Sampling -

This included continuous rock chip sampling along the Pieman Road from 377200mE through outcropping Rosebery Shale and across the contact with volcanics (area of anomalous rock chip samples NR001 & NR002) and along the road to 377800mE. This provided coverage across the contact between shale and volcanics and through the area of IP anomalism and pyritic volcanics. Outcrop was not continuous along the road which gave sections of no sampling. A total of 77 samples were collected (NR014 – NR080).

4. CURRENT WORK - Exploration completed during the report period (10th Aug 2007 – 9th Aug 2008)

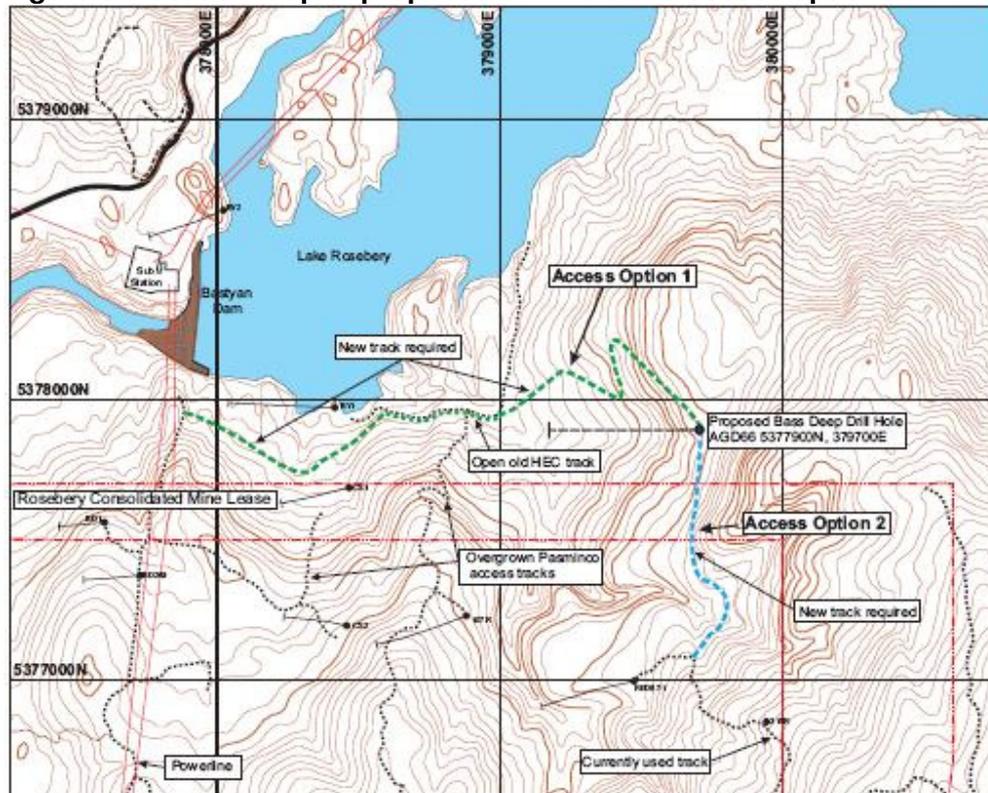
Access visit –

A field visit was made to check potential access to a possible deep-hole drill site. The drill site is in a difficult to reach area on the southern side of Lake Rosebery and would be for a deep hole aimed to test the Rosebery Host Sequence about 1km along strike from the (publicly announced) northern limit of the orebody (Y Lens). The only available access would be via a 4WD track passing through the Rosebery Mine Lease.

Planning and submittal of a diamond drill-hole program –

Work continued on compiling available data and preparing plans and sections to enable planning and the best possible estimate of potential depth for the proposed drill hole of 1400m. This drillhole is proposed to test the Rosebery Orebody, about 200m north of the Rosebery Consolidated Mine Lease. (See figure 3 below)

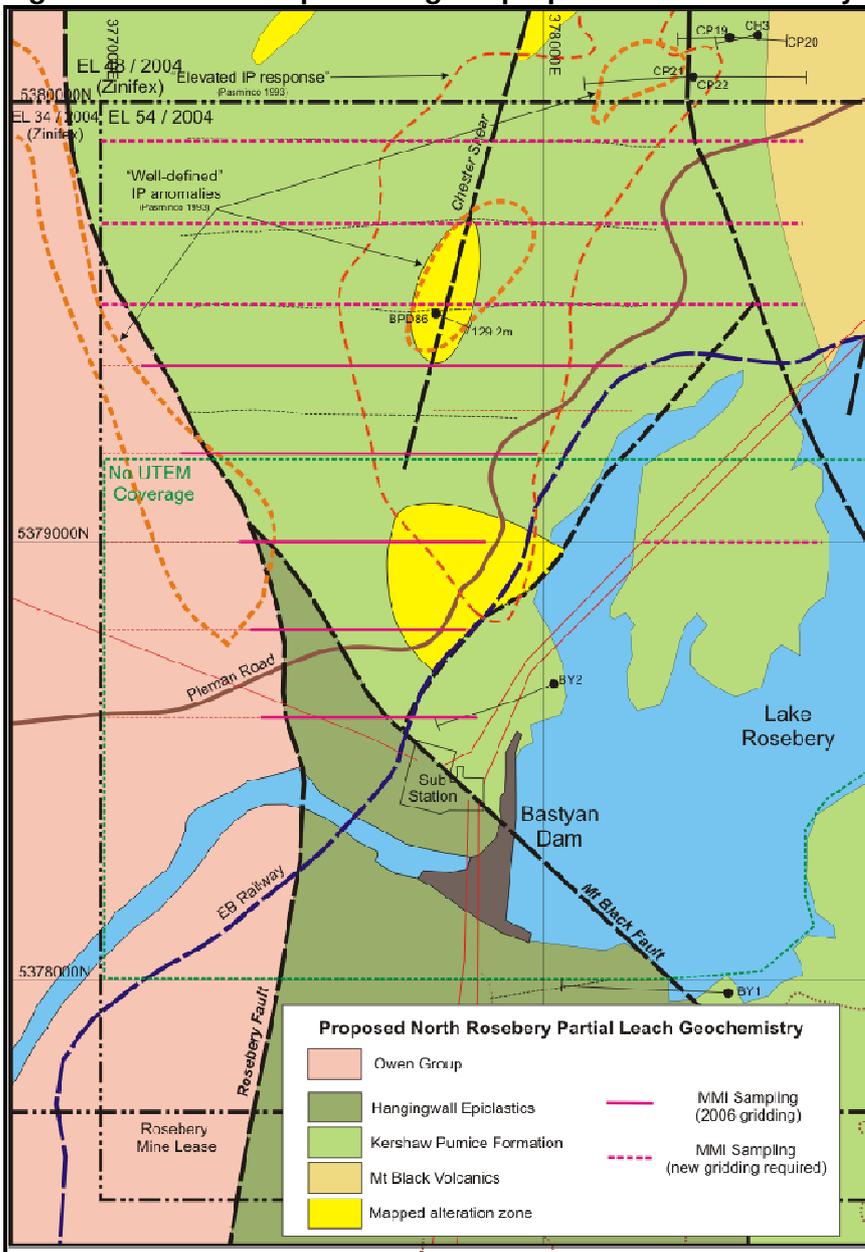
Figure 3. Location map of proposed drill-hole and access options



Mobile Metal Ion (MMI) Survey –

4.35km of gridding was required for the collection of 375 shallow B horizon samples for partial digest. Initially standards were collected over prospective rocks along strike from the Rosebery Mine up to the northern EL boundary. The survey in part was carried out over an existing grid, which was cut and sampled with total-digest during late 2006. Assay results are still awaited. Refer to figure 4 for sample location map.

Figure 4. Location map showing the proposed North Rosebery MMI soil survey



5. PROPOSED EXPLORATION

Proposed exploration over the next year on the EL54/2004 North Rosebery exploration licence includes:

- Interpret MMI results and plan drill-holes as follow-up if warranted.
- Monitor OZ Minerals public data to better refine the optimum position of any proposed hole to test the extension of the Rosebery deposit into this EL

6. ENVIRONMENT

The company has environmental policies in place that minimize the impact that exploration activities have on the environment. The policies include guidelines on how to reduce the risk of spreading plant diseases and weeds as a result of day-to-day exploration tasks.

The attached Environmental Activity Map (Figure 9) shows the location of the Exploration Licence relative to conservation areas. It is a condition of the Licence that the Company observe the request by the Tarkine National Coalition Inc. to adopt strict entry protocols to prevent the spread of *Phytophthora Cinamomi* and/or Myrtle Wilt. BSM have appropriate hygiene measures in place to comply with these requests as outlined in the Mineral Exploration Code of Practice.

Land Tenure -

The Rosebery tenement comprises:

- State/Multiple use forest
- MDC Informal Reserves
- HEC Land
- Crown Land – DPIWE Approval Required
- Part of Boco Creek Forest Reserve
- Part of Mackintosh Forest Reserve
- Part of Mount Kershaw Forest Reserve

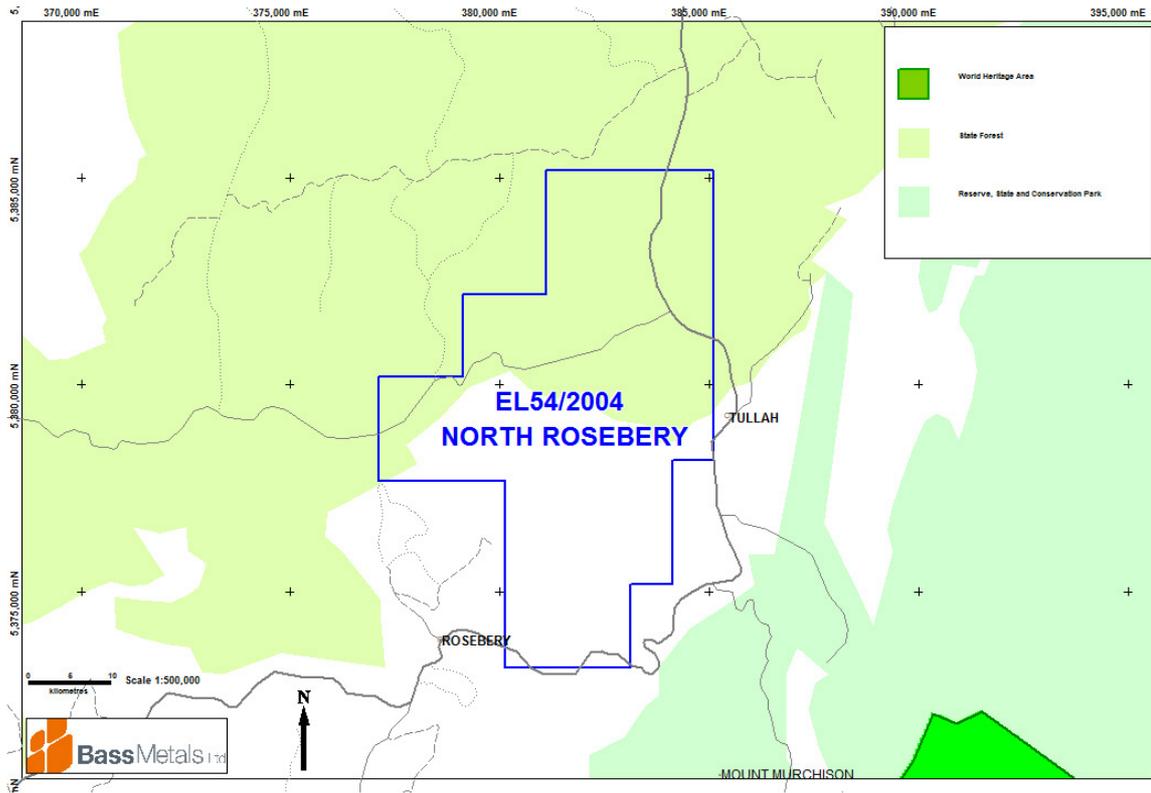


Figure 5. Environmental Activity Map

7. EXPENDITURE

August 2007 - August 2008		
Geoscientific Costs	Geology	40,448.71
	Geochemistry	518.12
	Geophysics	
	Remote Sensing	
Drilling & Gridding Costs	Gridding	11,092.50
	Drilling	2,751.68
	Land Access Costs	
	Rehabilitation Costs	
	Feasibility Study Costs	
	Other Costs	1,340.04
	Admin Costs	249.31
	Total - eligible	\$56,400.36

Table 1. Expenditure 10 August 2007 to 9 August 2008

Expenditure, for the twelve months 10 August 2007 to 9 August 2008, has primarily been taken up with an access visit, planning and submittal of a diamond drill-hole program and a mobile metal ion (MMI) survey.

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