Bass Metals Ltd.
ABN 31 109 933 995

MT BLOCK PROJECT
(LAKE MACKINTOSH GROUP)
TASMANIA
EL48/2003

ANNUAL PROGRESS REPORT
11th June 2009 – 10th June 2010

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Distribution:
Mineral Resources Tasmania
Bass Metals Ltd

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The conclusions and recommendations expressed in this report / table represent the opinions of the Authors based upon the data available and provided to them. The opinions and recommendations provided from this information are in response to a request from the client and no liability is accepted for commercial decisions or actions resulting from them.

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

EXECUTIVE SUMMARY

Bass Metals Ltd (BSM) commenced management of the Mt Block exploration licence (EL48/2003) on 11 June 2006. For the 6th year of tenure ended 10/06/2010 work conducted on the licence has included -

- Target generation from SWIR/lithogeochemical footwall sampling program defining first order prospects at Amoeba Zone, Barite Creek and North Charter as well as other areas of interest around MAC 28 and MC9 & 10.
- Soil sampling program – Amoeba Zone, Barite Creek, North Charter (part EL48/2003). Results from Amoeba Zone discrete but support drilling.
- Geophysical compilation/appraisal recognises a number of anomalies requiring further follow-up.
- 215.5 line kilometre VTEM survey does not define any anomalies due to conductive massive sulphides but does define two anomalies considered due to culture in an area without any logical explanation (anomalies #22 and #23).
- Ground follow-up VTEM anomaly #22

Expenditure – Reporting period $152,847

Total to date $986,564

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1 INTRODUCTION

This report is a summary of the exploration activities conducted on the Mt Block licence EL48/2003, for the period of 11th June 2009 to 10th June 2010.

1.1 Tenure

EL 48/2003 was granted for five years to Saracen Metals Pty Ltd (Saracen) on 11th June 2004 and transferred to Bass Metals Limited (Bass) on 19th October 2006. On 13th March 2009 the licence area was reduced from 65 to 51 square kilometres. On 3rd August 2009 the licence was extended for another year.

The licence area excludes two mining leases held by Bass Metals Ltd, CML 103M/1987 Hellyer and ML 68M Que River (see figure 1).
The Mt Block exploration Licence comprises:

- MDC Informal Reserves
- State/Multiple Use Forest
- HEC Land
- Part of Reynolds Falls Nature Recreation Area
- Part of Mackintosh Forest Reserve

1.2 Location and Access

The tenement is located 3 to 18 km's north-northeast of the township of Tullah, on the west coast of Tasmania (Figure 1). Access to the area is via the Murchison Highway which skirts the licences western boundary and tracks which access via 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 lies on the Sophia (#8014) 1:100,000 map sheet and Charter (#3839) and Block (#3838) 1:25,000 topographic map sheets.

1.3 Geology Overview

The rocks which outcrop over the area of EL 48/2003 "Mt Block" are almost all the Middle Cambrian Mt Read Volcanics, a belt of calc-alkaline volcanics which extend from Elliott Bay on Tasmania's west coast around to Deloraine in the central north (see figure 1). The only exceptions to this are some areas with Quaternary alluvial or glacial sediment cover.

The Mt Read Volcanics host a number of volcanic hosted massive sulphide and precious metal deposits including the world class Rosebery, Mt Lyell and Hellyer deposits (figure 1). The Mt Block area is prospective for similar deposits and it is this style of mineralisation which has been the target for exploration within the area.

The base and precious metal deposits of the Hellyer-Mt Charter area are hosted by the Que-Hellyer Volcanics, a package of dominantly mafic to intermediate volcanic, near the top of the Middle Cambrian Mt Read Volcanics (see figures 2, 3, 5 and 6). Further details regarding the geology of the Hellyer-Mt Charter are discussed in section 3.2.1.

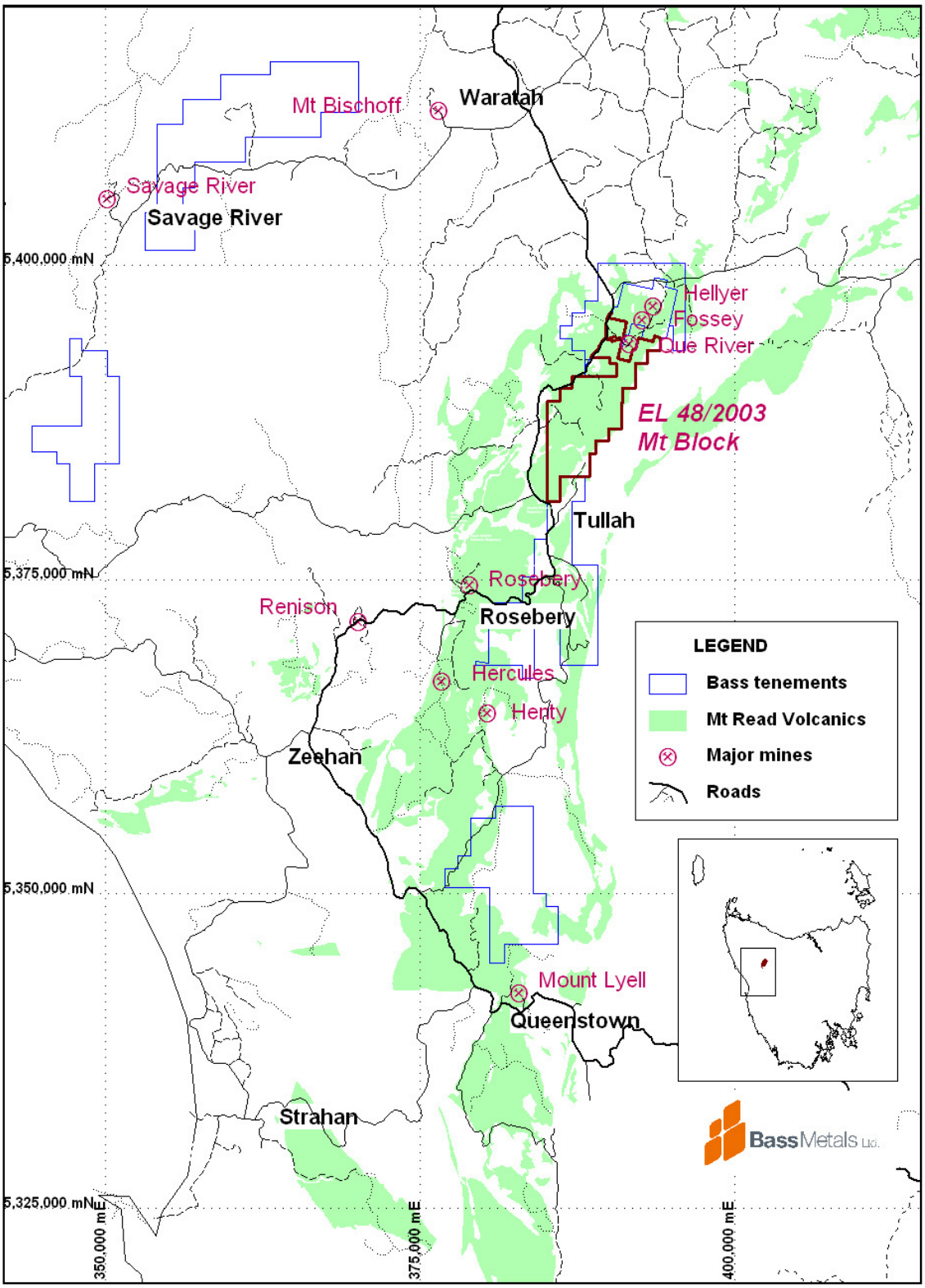

Figure 1. Location Map

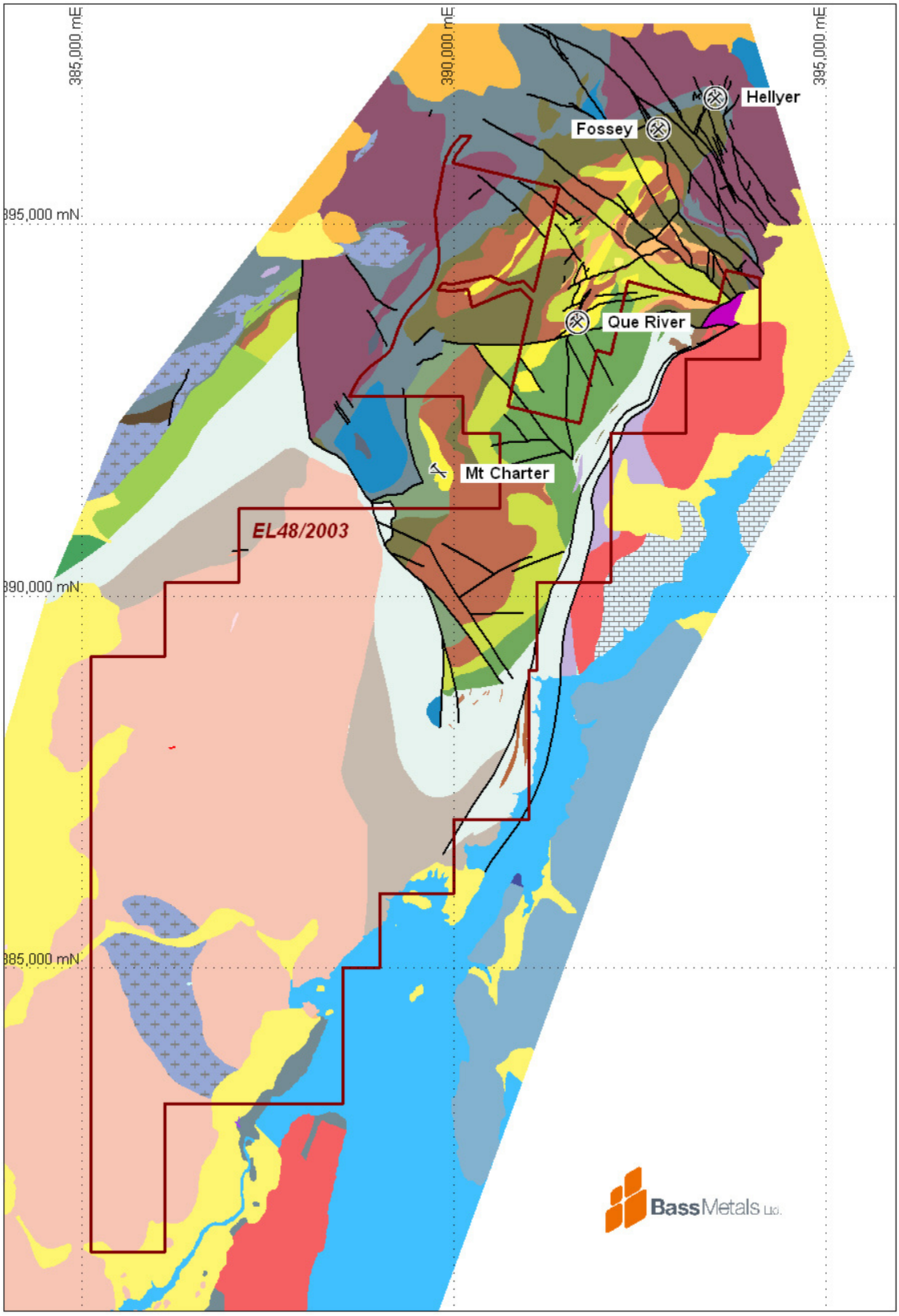

Figure 2. Regional Geology Map (legend is in figure 3 on following page)

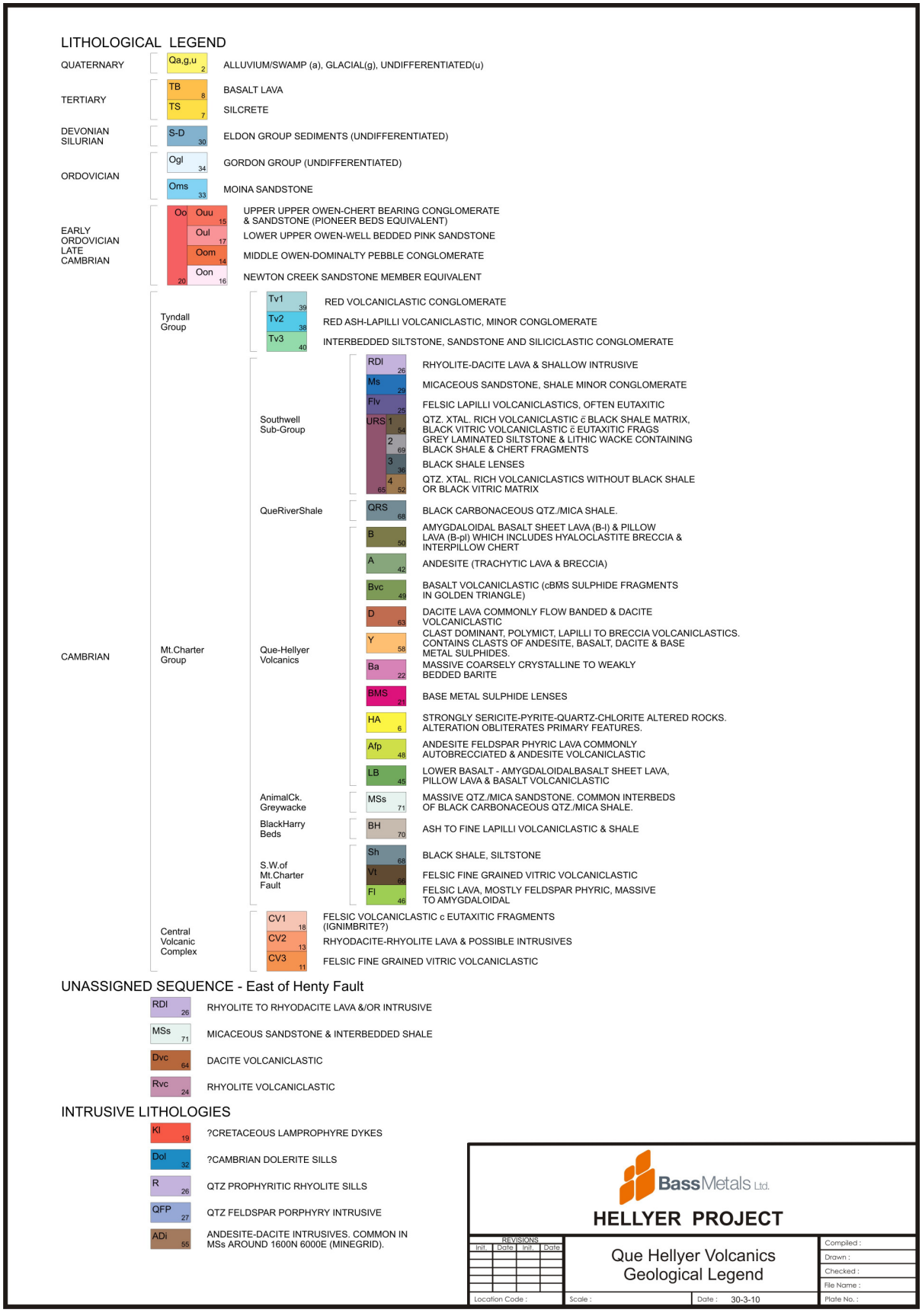

Figure 3. Geological legend (for all figures in which geology is shown)

2.0 EXPLORATION HISTORY

2.1 Prospecting and Exploration pre-EL 48/2003

In contrast to the rest of Tasmania's west coast, this licence area has remarkably little evidence of early (late 19th and earliest 20th centuries) prospecting or mining activity. Conversely the area has seen considerable modern exploration since the late 1950's, however, it is not the intent of this report to summarise this exploration history prior to the granting of EL 48/2003.

As noted earlier the licence was originally granted to Saracen who carried out exploration until 2006 when the licence was transferred to Bass.

2.2 Previous Exploration EL 48/2003

2004 – 2005 Saracen
Saracen interpreted the Mineral Resources Tasmania's Hummingbird airborne EM data and defined a number of anomalies worthy of follow-up, however, Saracen's primary focus was testing the Mt Farrell field to the south and so the licence saw no fieldwork.

2005 – 2006 Saracen
Saracen compiled existing data into a database. Further data appraisal was carried out with the East Que magnetic anomalies (discussed later) considered to warrant follow-up.

2006 – 2007 Bass
Bass acquired the Mt Block tenement EL 48/2003 along with two other tenements in late 2006. In early 2006 Zinifex and Bass had formed an exploration alliance with Bass managing the work and the tenement fell under this JV arrangement. Bass' focus was on following up targets defined by Geoinformatics MOCA targeting methodology and a number of taget zones were located within EL 48/2003.

In 2006/2007 Bass drilled two of these targets with 3 drillholes (HED8, 9 and 10). HED 8 and 9 tested coincident favourable stratigraphy and structure next to the Charter fault to the south of the Mt Charter Au+Ag deposit whilst HED10 targeted an MMI anomaly on the Henty Fault. Locations of these drillholes are shown on figures 7, 8 and 9.

2007 – 2008 Bass
A single drillhole, HED14, was drilled to test favourable stratigraphy down-plunge of favourable alteration at the Amoeba Zone. DHEM surveys were carried out by Outer-Rim Exploration Services in drill holes HED8, HED9 and HED14 with no anomalies relating to massive sulphide bodies detected.

A reconnaissance field visit was undertaken on the Hummingbird EM anomaly recognised by Saracen with inconclusive results.

2008 – 2009 Bass/Zinifex
In 2008/2009 Zinifex selected a number of areas to sole fund and manage exploration, aside from the JV, in the Hellyer-Mt Charter area. One of these areas, Amoeba South, is within EL 48/2003 Mt Block. Zinifex drilled two holes in the area, one of which, MS2 (1156 metres), lies within EL48/2003 (location of MS2 is on figures 7, 8 and 9).

3.0 WORK DONE/RESULTS during the reporting period - (11th June 2009 – 10th June 2010)

3.1 Introduction

EL 48/2003 Mt Block is one licence of a series of contiguous exploration licences and mining leases containing Bass's Que River/Hellyer/Fossey active mining operations. Exploration over this landholding is largely carried out in conjunction with work on the whole project which is referred to as the Lake Mackintosh Group.

In 2009/2010 Bass carried out a number of systematic programmes over the tenements in the area under the banner of the HMCC (Hellyer-Mt Charter) project.

In particular this work consisted of:

1. Trace element lithogeochemical and Short Wavelength Infra-Red spectral analysis of existing diamond drillcore from rocks from the "footwall" part of the host sequence to the known VMS deposits in the area. Existing soil data was also interpreted on the basis of the results from the drill core.

   Initial follow-up work on two of the prospects defined by this work which lie within EL 48/2003 i.e. Amoeba Zone and Barite Creek, and a third, North Charter, which lies partly within EL48/2003, has consisted of soil sampling using ICPMS/OES analysis.

2. Compilation and appraisal of existing geophysical (Ground EM, magnetic, gravity) datasets with further processing (inversion) of existing IP data.

3. 215.5 line kilometre helicopter-borne VTEM survey, processing and interpretation with ground follow-up at anomaly #22.

3.2 Trace element lithogeochemistry/SWIR

3.2.1 Methodologies

The Mt Block exploration licence is included in the Hellyer-Mt Charter Corridor (HMCC) project which also covers EL24/2004 Bulgobac River, RL11//1997 Mt Charter, EL24/2007 Southwell River, CML103M/1987 Hellyer Mining Lease and ML68M/1984 Que River Mining Lease.

Recent developments in understanding hydrothermally generated ore deposits and in particular the hydrothermal alteration spatially associated with these deposits has shown that there is considerably greater variation, and in particular spatial distribution (zonation), of alteration mineralogies than that recognisable by even the well trained geological eye.

One feature which allows the differentiation of these variations is the short wavelength infra-red spectra generated by bombarding particular bonds in the alteration minerals. These spectra are diagnostic for a range of important common alteration minerals, and particular the phyllosilicates.

The ASD (A Spectral Device) used in the SWIR spectral sampling measures reflected light in the short wavelength infrared region of the light spectrum between 350 and 2500 nanometres. In this range, a number of chemical bonds in minerals absorb energy corresponding to particular wavelengths of light, giving rise to reflectance profiles with sharp dips at those particular wavelengths. In the SWIR range, the absorption features are due to water, hydroxyl bonds, carbonates and sulphates. Sericite has an Al-OH absorption feature at about 2200nm, a broad asymmetric H20/OH feature at 1900nm, and an OH feature at

1400nm (Figure 1). Chlorite has a Fe-OH absorption feature at about 2250nm, an Mg-OH absorption feature at about 2350nm, a broad asymmetric H20/OH feature at 2000nm, and an OH feature at 1400nm.

These variations in the Fe, Mg and Al content of alteration minerals such as sericite and chlorite (and other elements in other alteration minerals) reflect subtle differences in the physiochemical conditions (factors such as pH and fO2) at the time and place of formation of the mineral which may define spatial patterns in hydrothermal alteration zones.

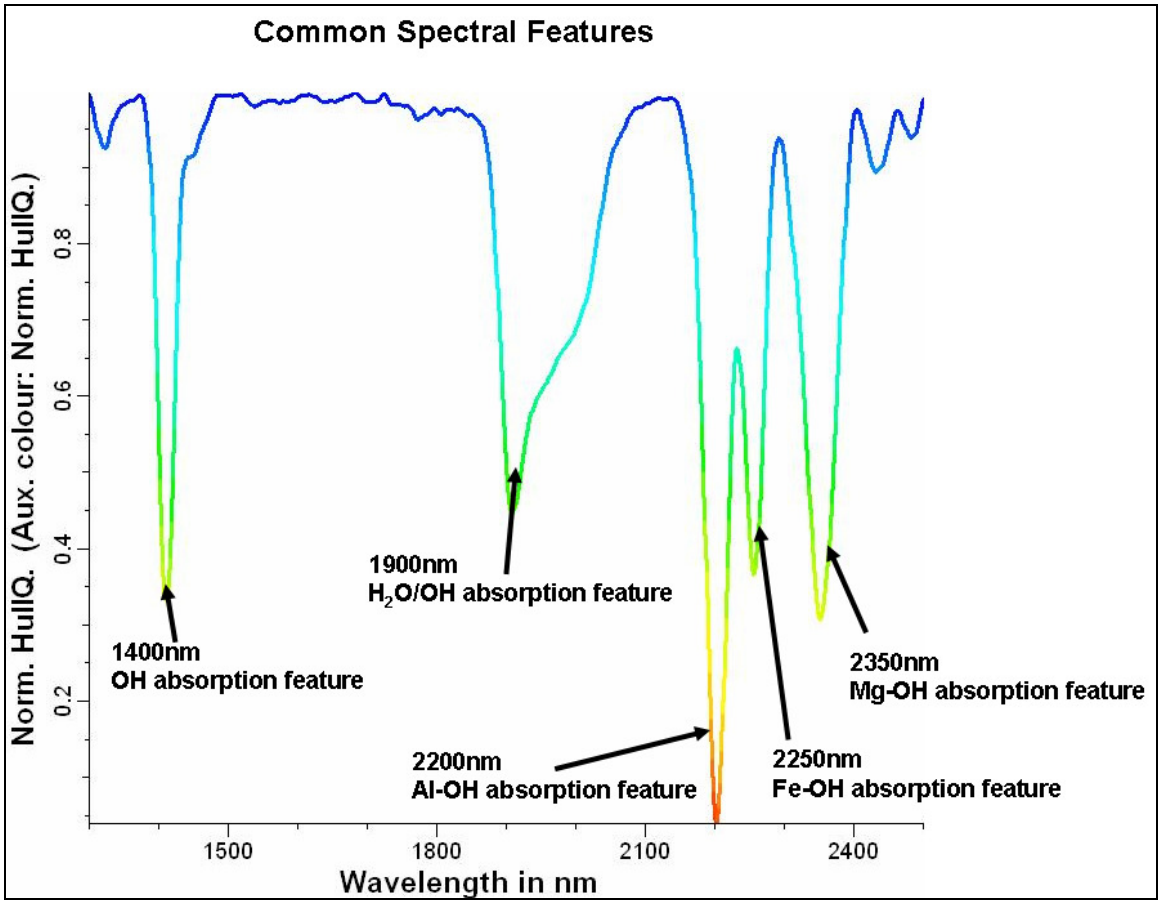

Figure 4. Example of a short wavelength infra-red spectra with the diagnostic peaks illustrated

Another feature which may be diagnostic is the levels of certain trace elements contained within alteration minerals/assemblages. The determination of trace elements requires low level detection analysis which has been made affordable by developments in ICPMS and ICPOES methodologies.

Whilst there are generally commonly recognisable themes in terms of alteration mineralogies and their spatial distribution between ore deposits, particularly those of a certain style, there are also commonly differences. For this reason Bass chose an empirical approach by initially applying the chosen methodologies to the rocks spatially associated with the known ore deposits of Que River, Hellyer and Fossey as well as the currently marginally sub-economic mineralisation at Mt Charter. The results from this work allowed Bass to "fingerprint" the alteration associated with these four deposits before applying the same methodologies elsewhere. The northern half of EL 48/2003 was a significant focus of this latter work.

The ore deposits listed above are all considered to be of VMS style with Mt Charter mineralisation considered to be spatially and genetically associated with VMS style mineralisation. Such deposits form on or beneath the seafloor (shallowly i.e. generally some 10's of metres though arguably up to some 100's of metres) by ascending hydrothermally fluids. For this reason hydrothermal alteration most commonly occurs in the rocks below or around the ore deposit (referred to as the "footwall") and more commonly not in the overlying (younger) rocks (referred to as the "hangingwall"). The exceptions to this are in those deposits where the hydrothermal fluid activity continued after the deposition of the ore.

Both the definitions of the hangingwall and footwall, and the presence and/or significance of alteration in the hangingwall rocks in parts of the HMCC, are somewhat problematic for the application of trace element and SWIR sampling away from the known ore deposits.

Firstly, the known ore deposits do not all occur on the same easily recognisable stratigraphic horizon (see summaries in figures 5 and 6). The Hellyer orebody is commonly described as immediately underlying a thin unit of polymict volcaniclastic rocks (Hellyer Volcaniclastic Sequence) which itself underlies the Hellyer (also referred to as Upper) Basalt in the Hellyer area. The polymict clastic and Hellyer orebodies overlie rocks commonly referred to as Feldspar Phyric Andesite. However, during the "fingerprinting" phase of the sampling it became clear that the hangingwall basalt unit also includes rocks best described as andesites and the Feldspar Phyric Andesite unit in the footwall also contains basalts. The Fossey deposit is considered to occupy the same stratigraphic position as Hellyer.

In contrast the Que River ore deposit is overlain by a relatively thick (some 100's of metres) of polymict volcaniclastics and coherent and clastic dacites referred to as the Mixed Sequence which is overlain by the Hellyer (Upper) Basalt.

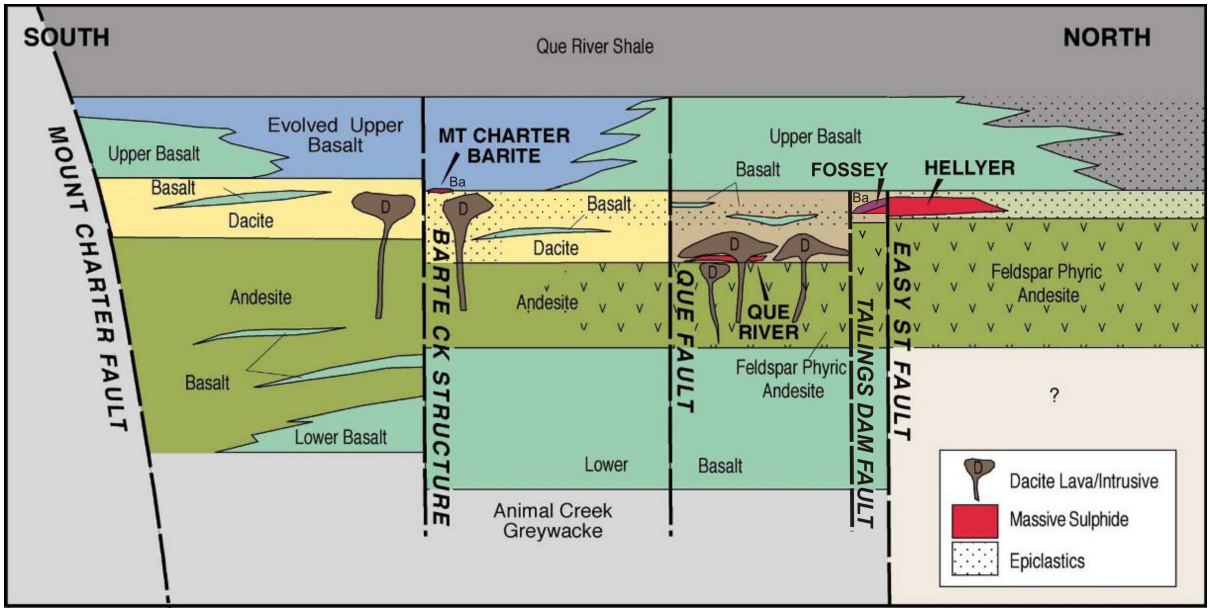

Figure 5. Schematic south-north long section showing relative stratigraphic settings of Mt Charter, Que River, Fossey and Hellyer

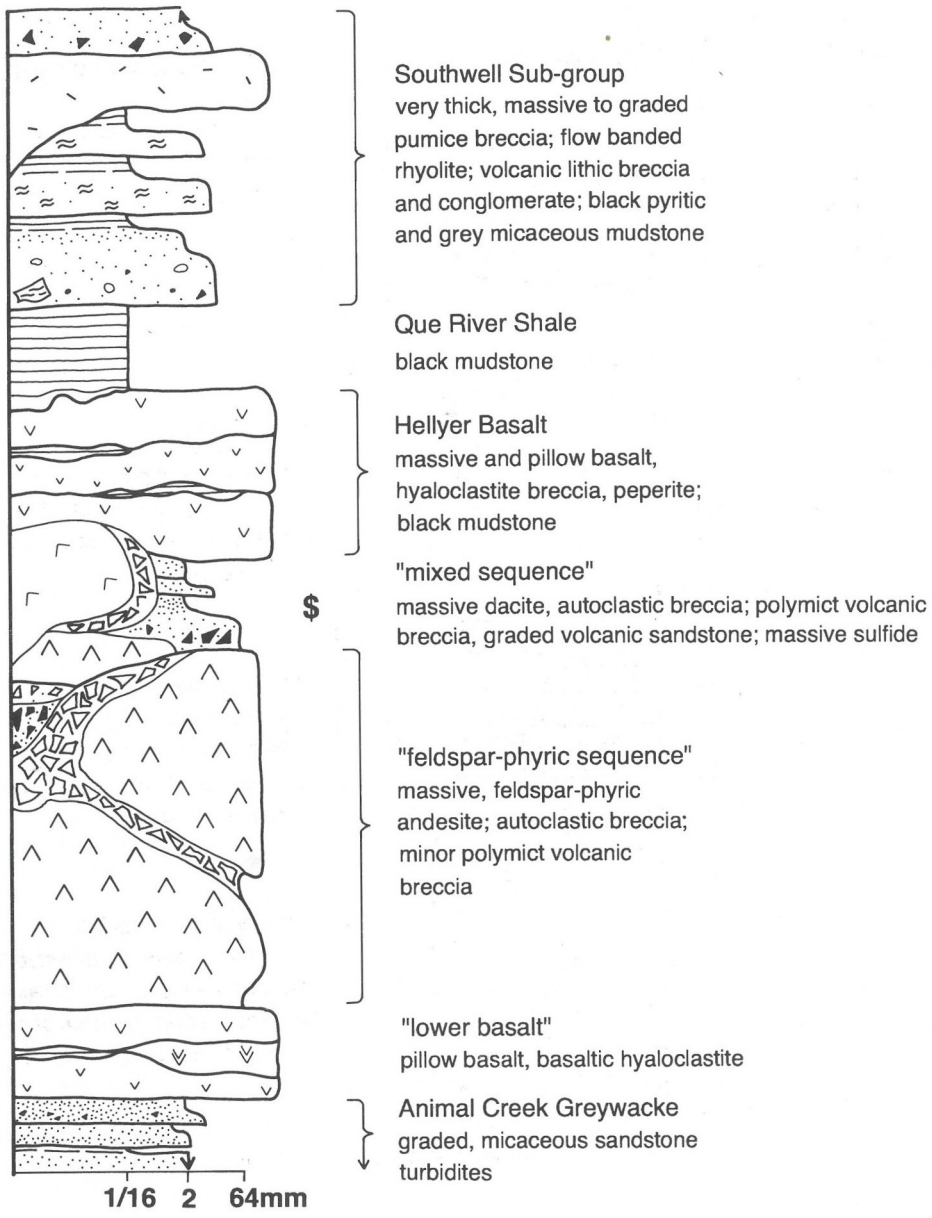

Figure 6. Stratigraphic column in Hellyer-Mt Charter area. Note that in the Que River and Mt Charter areas the 'mixed sequence" is markedly thicker than at Hellyer (after McPhie *et. al.1993*).

Mt Charter mineralisation is in the form of barite+sulphide stringer style veins cross-cutting outcropping altered Mixed Sequence rocks with the hangingwall Basalt unit removed by erosion.

The sampling protocol chosen was to sample all drillcore which intersected rocks from the footwall and/or Mixed Sequence and to extend sampling ~50m (uphole distance) into the hangingwall Hellyer Basalt unit. Data from this sampling was grouped into the three categories, Hangingwall, Mixed Sequence and Footwall though really the only clear distinction was between Hangingwall and the other two categories.

Trace element lithogeochemical sample were collected on nominal 15 to 20 metre spacings though in recognisably altered sections sample spacing were closed up to nominal 10 metres spacings. SWIR spectral data was collected every 1 metre with the trace element lithogeochemical samples also analysed by SWIR.

All samples were analysed by AMDEL's laboratory in Adelaide using ICPMS and ICPOES for a suite of 46 elements (listed in table 1). A number of elements were analysed using both methodologies but only that methodology with the better detection limit was reported.

Table 1 Trace elements analysed, analytical method and detection limits

Method	Element	Lower d.l. (ppm)	Upper d.l. (ppm)
ICPMS	Ag	0.1	20
(AMDEL's IC3M)	Cd	0.1	1000
	Cs	0.1	1000
	In	0.5	1000
	Ta	0.5	
	U	0.1	1000
	Zr	0.5	1000
	La	0.5	1000
	Se	0.5	1000
	Te	0.2	1000
	Y	0.1	1000
	Be	0.5	
	Ce	0.5	1000
	Ga	0.1	1000
	Mo	0.1	2000
	Rb	0.1	1000
	Th	0.1	1000
	W	0.5	100
	Bi	0.1	500
	Co	0.2	2000
	Hf	1	10000
	Nb	0.5	1000
	Sb	0.5	2000
	Sn	0.1	99999
	Tl	0.1	1000
ICPOES	Fe	100	
(AMDEL's IC3E)	Mn	5	
	Ni	2	10000
	V	2	10000
	Al	10	100000
	K	10	20000
	P	10	20000
	Sc	2	100000
	As	3	10000
	Ca	10	
	Cr	2	
	Li	2	10000
	Na	10	100000
	Pb	5	5000
	Sr	2	10000
	Zn	2	10000
	Ba	10	10000
	Cu	2	20000
	Mg	10	100000
	S	50	
	Ti	10	10000

3.2.2 Results

Firstly, the "fingerprinting" study of alteration beneath and around Hellyer, Que River, Fossey and Mt Charter (all outside of EL48/2003) showed coherent patterns in a number of trace elements. In particular proximal alteration is characterised by

- elevated As, Sb and Tl (with As defining a broader halo, Sb and Tl tighter),
- sodium depleted sericite +/- chlorite alteration,
- K feldspar's presence in alteration assemblages
- elevated sulphur (pyrite).

Therefore the aim of subsequent sampling away from these deposits (and including EL48/2003) was to locate other areas with these indicators in footwall or host sequence rocks.

The full data set is from the SWIR spectral and trace element lithogeochemical sampling work is included as a spreadsheet in appendix A as hardcopy with the actual spectra included digitally in appendix E1 (along with a digital version of the spreadsheet). Many of the column headings in the spreadsheet are self-explanatory, however, a number require explanation as to their meaning or derivation.

- Columns 1 to 4 record the *"Sample_ID*", "*Hole_ID*" and downhole "*From*" and "*To*" depths.
- Columns 5 to 9 i.e. *"From_East", "From_North", "From_RL", "From_AGD66_East"* and *"From_AGD66_North"* refer to the desurveyed x y z coordinates of the "From" point of the sample interval in the drillhole, considered sufficiently accurate to represent the x y z position of the sample.
- Column 10, i..e. "*Sequence"* is divided into Hangingwall, Host and Lower Sequences and is the broad division discussed earlier.
- Columns 11 and 12, i.e. *"Lith_Group"* and *"Alteration"* are categories derived by Dr Scott Halley from the trace element lithogeochemical data.

  The elements V, Ti, Zr, Cr, P and Th were used to classify the samples into "Dacite", "Rhyolite", "Andesite", "High Cr Low Ti/Zr Basalt", "Suite 3 High Cr", "Suite 3 Med Cr" and "Suite 3 Low Cr". These are recorded in column 11, "*Lith_Group*".

  Plotting K/Al against Na/Al allowed the recognition and classification of alteration assemblages into "strong sericite", "K-feldspar", "moderate-sericite", "sericite-chlorite", "sericite-albite", "albite", "background". These are recorded in column 12, "*Alteration*".
- Columns 13 to 17, i.e. *"Stratinterp"*, *"Rock Type"*, *"RockType1Text"*, *"RockType2Text"*, and *"AlterationComp"* respectively, are the lithologies and alteration as determined from Aberfoyle's and Bass's logging of drillcore. In *"Stratinterp"* FPS = feldspar phyric sequence, MXS = mixed sequence, LBS = lower basalt sequence, PLS = pillow lava sequence, HVS = hangingwall volcaniclastic sequence, TA = trachyandesite and FAZ = footwall alteration zone. *"RockType1Text"* and *"RockType2Text"* are dominant and secondary rock types uncoded from *"RockType"* codes. In *"AlterationComp"* HA = highly altered.
- Columns 18 to 62 are the lithogeochemical assays. All assays are in ppm.
- Column 63 is the batch number
- Columns 64 to 82 are the SWIR spectral data. Columns 70 to 72 (*"w2200"*, *"hqd2200"*, *"width2200"*) record the wavelength (at minimum point), depth (on a hull quotient spectrum as shown in example in figure 4) and width (at half the hull

quotient) for the ~2200nm feature (sericite Al-OH), columns 73 and 74 (*"w2250"*, *"hqd2250"*) the wavelength and hull quotient depth of the 2250nm feature (chlorite Fe-OH), columns 75 to 77 (*"w2350"*, *"hqd2350"*, *"width2350"*) the wavelength, hull quotient depth and half hull quotient width of the 2350nm (chlorite Mg-OH) and column 78 (*"hqd1900"*) the hull quotient depth of the 1900nm feature (sericite H2O/OH). Columns 79 to 82 *"Sericite_Composition"*, *"Sericite_Abundance"*, *"Chlorite_Composition"* and *"Chlorite_Abundance"* essentially repeat the *"w2200"*, *"hqd2200"*, *"w2350"*, *"hqd2350"* columns.

The Spectral Geologist software converts this data into a one or two phase mineral classification and weighting in columns 65 to 68 *"TSA_S_Mineral1"*, *"TSA_S_Weight1"*, *"TSA_S_Mineral2"* and *"TSA_S_Weight2".* If the *"TSA_S_Error"* in column 69 s greater than ~1000 the spectra does not contain the necessary spectra peaks to allow classificiation.

Finally, column 64 *"Classification"* records Scott Halleys tidying up of the 1 or 2 phase mineral classifications into a set of categories which consist of "sericite", "chlorite", "sericite-chlorite", "montmorillonite", "kaolinite", "calcite" and "carbonate" in this data set.

These results are illustrated graphically in figures 7 ("*Alteration*"), 8 ("*Sericite_Composition*") and 9 ("*As*"). These figures show that favourable indicators were obtained in drillholes HAT3 (Amoeba Zone), MAC37 (Barite Creek) and HAT7 (North Charter) as well as holes MAC28, MC9 and MC19 (the latter to a lower overall tenor). Other drillholes are characterised by more distal alteration signatures.

The favourable indicators in drillholes HAT3, MAC37 and HAT7 were combined with favourable soil geochemical signatures (see discussion below) to help define the three areas, Amoeba Zone, Barite Creek and North Hellyer (see figure 10) as areas warranting first round follow-up. Favourable indicators in MAC28, MC9 and MC10 will be addressed in subsequent work.

Initially this work focused on drillcore, however, as much of the historical soil data set (Aberfoyle's work) contained analyses for As (one of the pathfinder elements) it was recognised that the soil data over areas of outcropping footwall and host sequence may also help in recognising alteration zonation. Whilst detection limits for this soil data were higher than the ICPMS/OES derived analyses the results define a number of coherent zones of anomalous As. These As anomalous zones were the major factors defining the Amoeba Zone, Barite Creek and North Charter prospects (see figure 10).

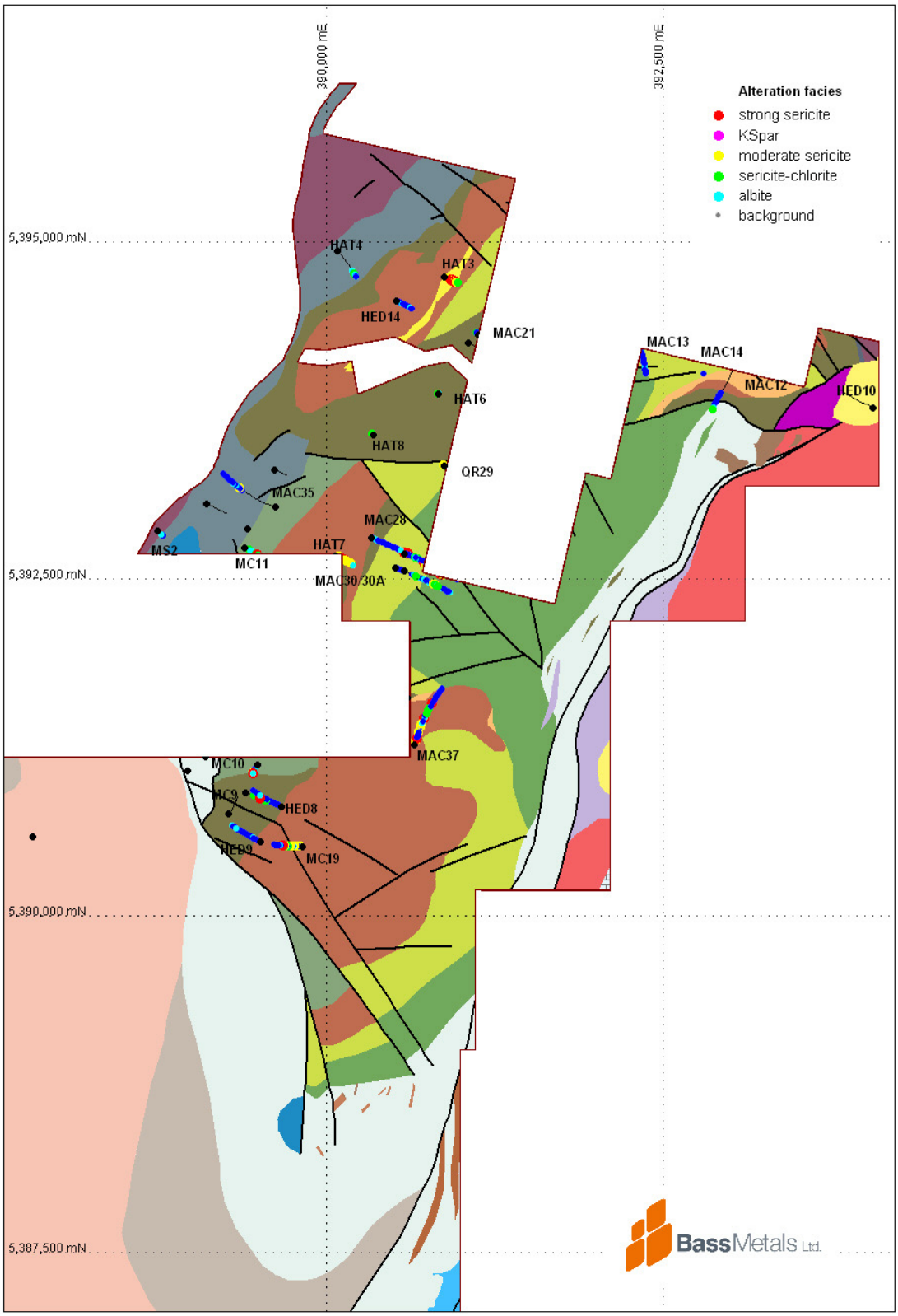

Figure 7. Alteration facies for drillcore samples (= "*Alteration*" column in appendix A)

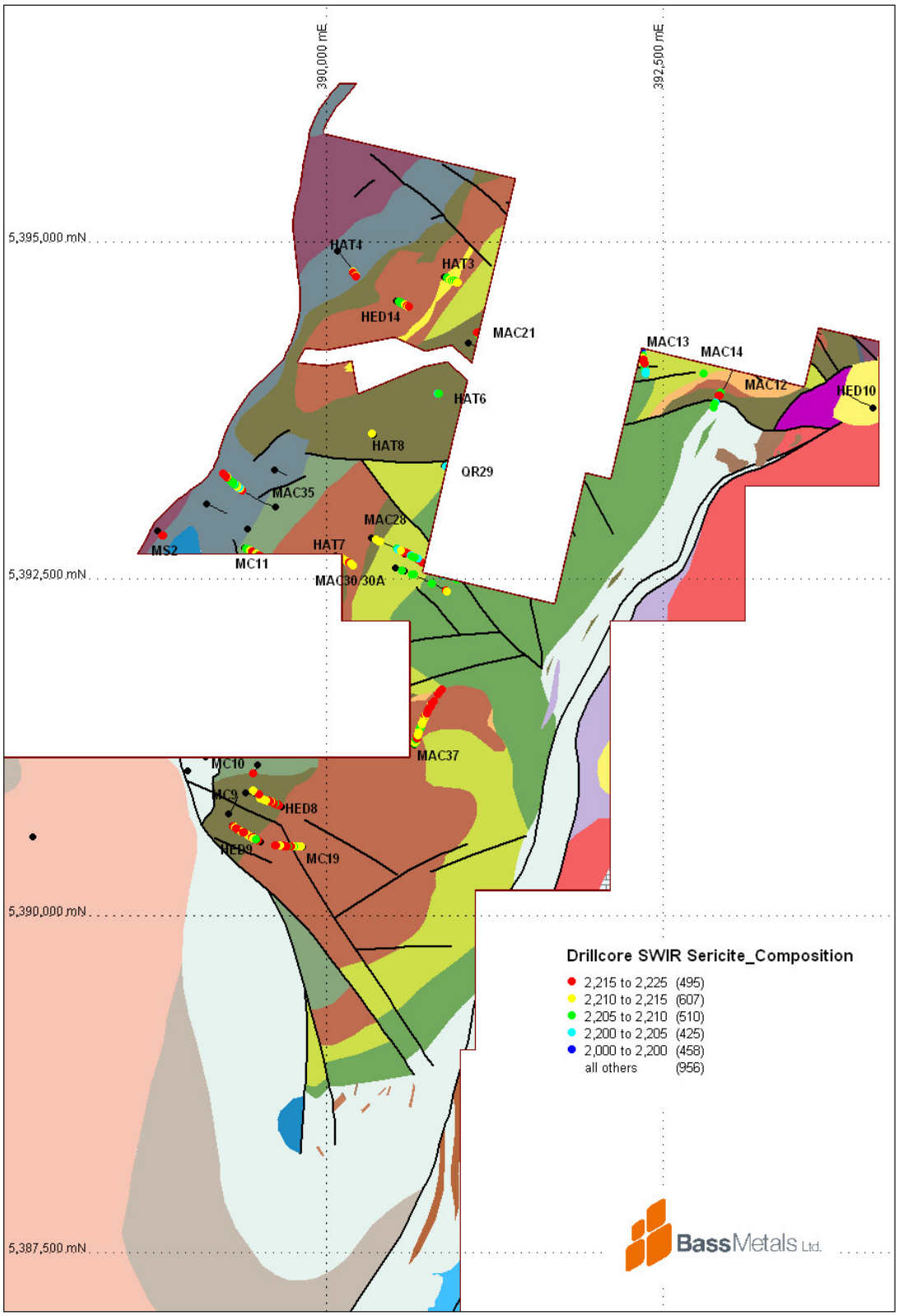

Figure 8. Sericite composition for drillcore samples (= "*Sericite_Composition*" column in appendix A) as defined by the wavelength of the 2200nm feature

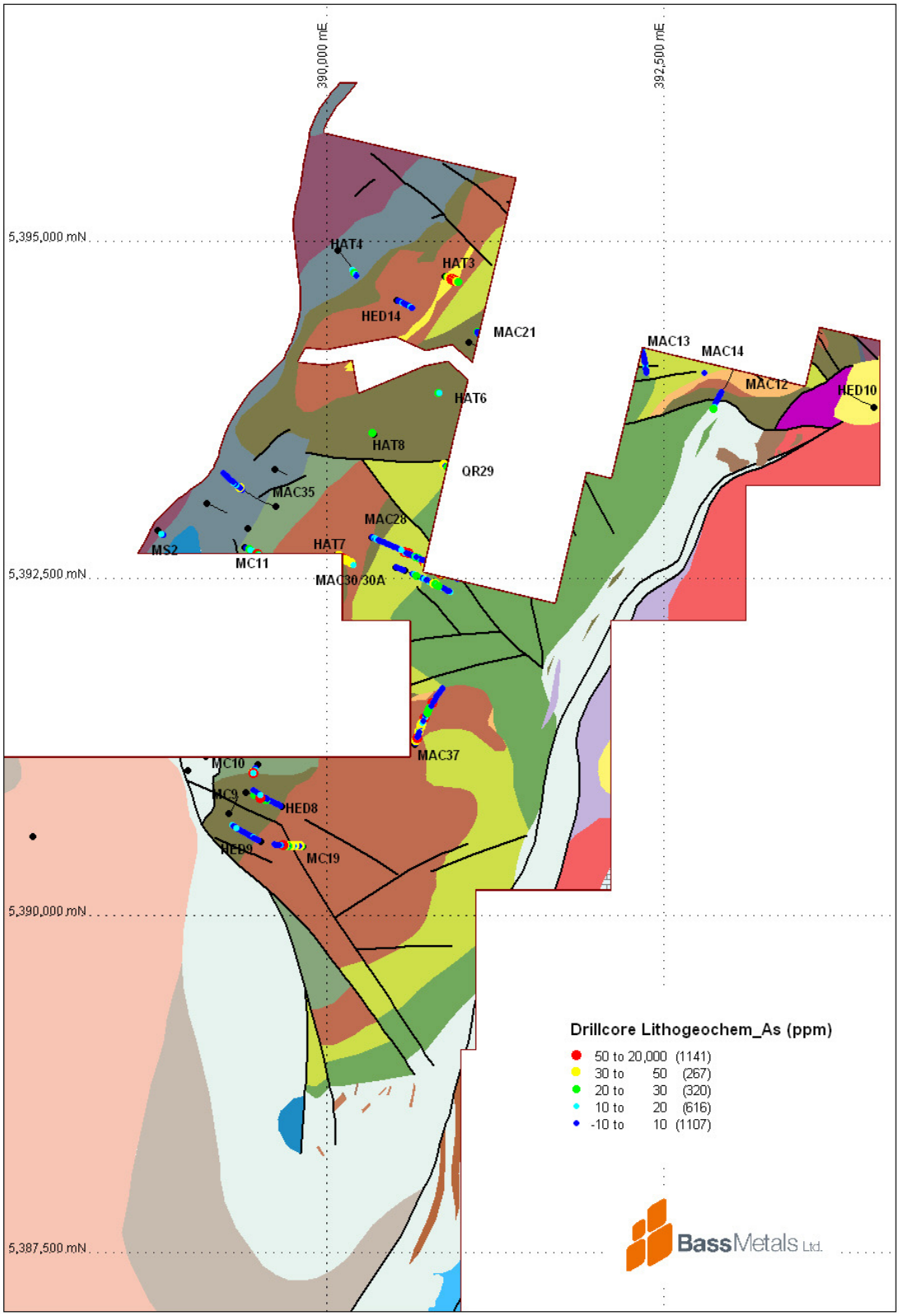

Figure 9. Arsenic analyses for drillcore samples (= "*As*" column in appendix A)

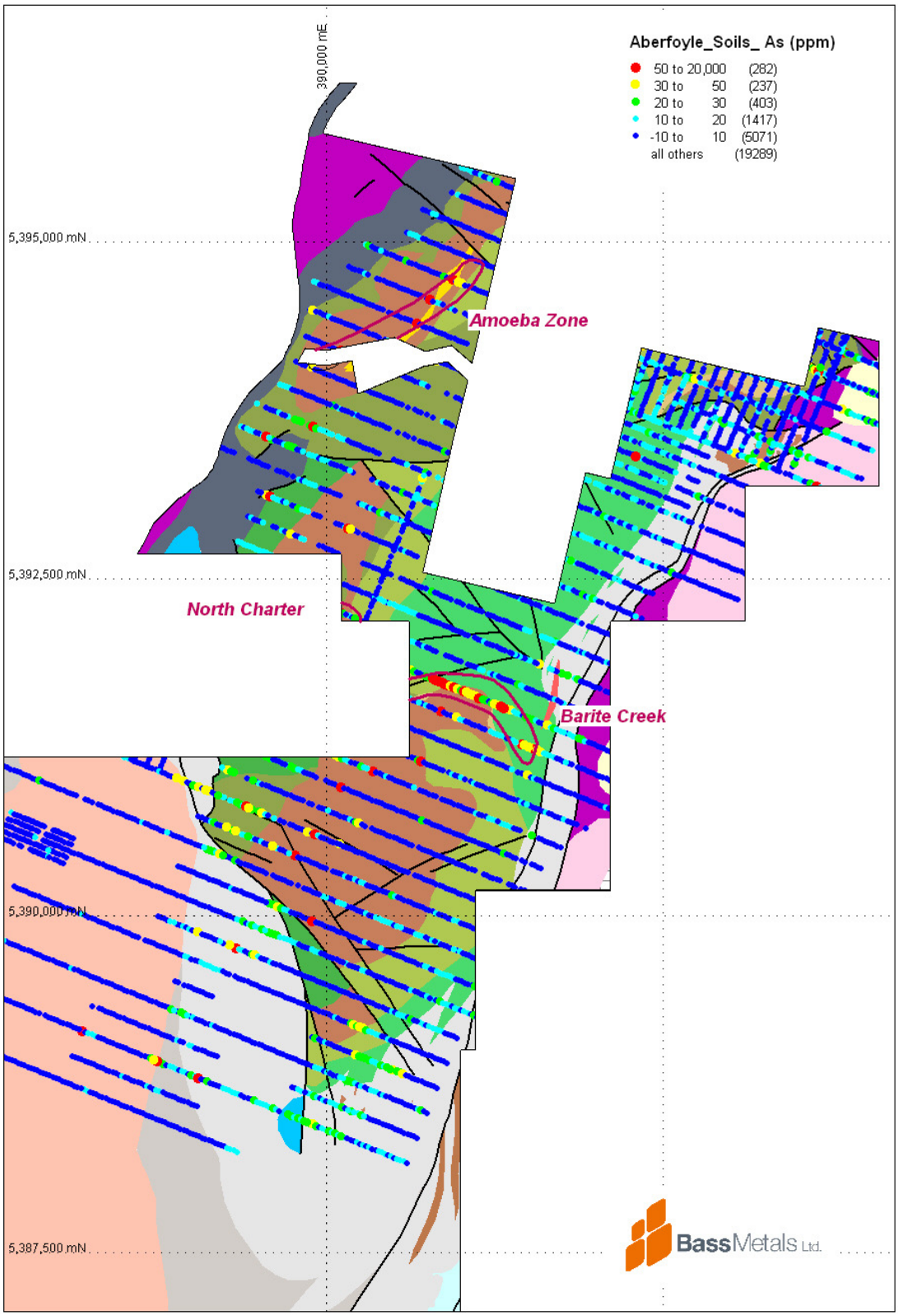

Figure 10. Arsenic in soils (from Aberfoyle's historic data set) and first order prospects

3.3 ICP Soil Sampling – Amoeba Zone

The Amoeba Zone is a prospect originally defined by outcropping sericite+pyrite alteration particularly along the Que River access road. It was defined as one of the nine first-order prospect zones from the SWIR/lithogeochemical program on the basis of anomalous As in Aberfoyle's historic soil sampling associated with this outcropping alteration, with some support from favourable alteration indicators in HAT3.

Initial follow-up has been a reconnaissance ICPMS/OES soil sampling survey on a 200m x 25m (uncut) grid with a total of 266 geochemical samples collected. Samples are currently being analysed by ICPMS/OES for the full set of 45 elements including the pathfinder trace elements as well as the standard base metal suite. The full set of results including sample locations is included in appendix B with the As, Sb and Tl results presented in figures 11, 12 and 13 respectively.

3.4 ICP Soil Sampling – Barite Creek

This program was designed to test the Barite Creek As anomaly. A total of 198 soils were collected on a reconnaissance (uncut) north-south grid. Results are awaited.

3.5 ICP Soil Sampling – North Charter

The North Charter prospect lies partly within EL 48/2003. 14 soil samples were collected on a reconnaissance (uncut) grid. Results are awaited.

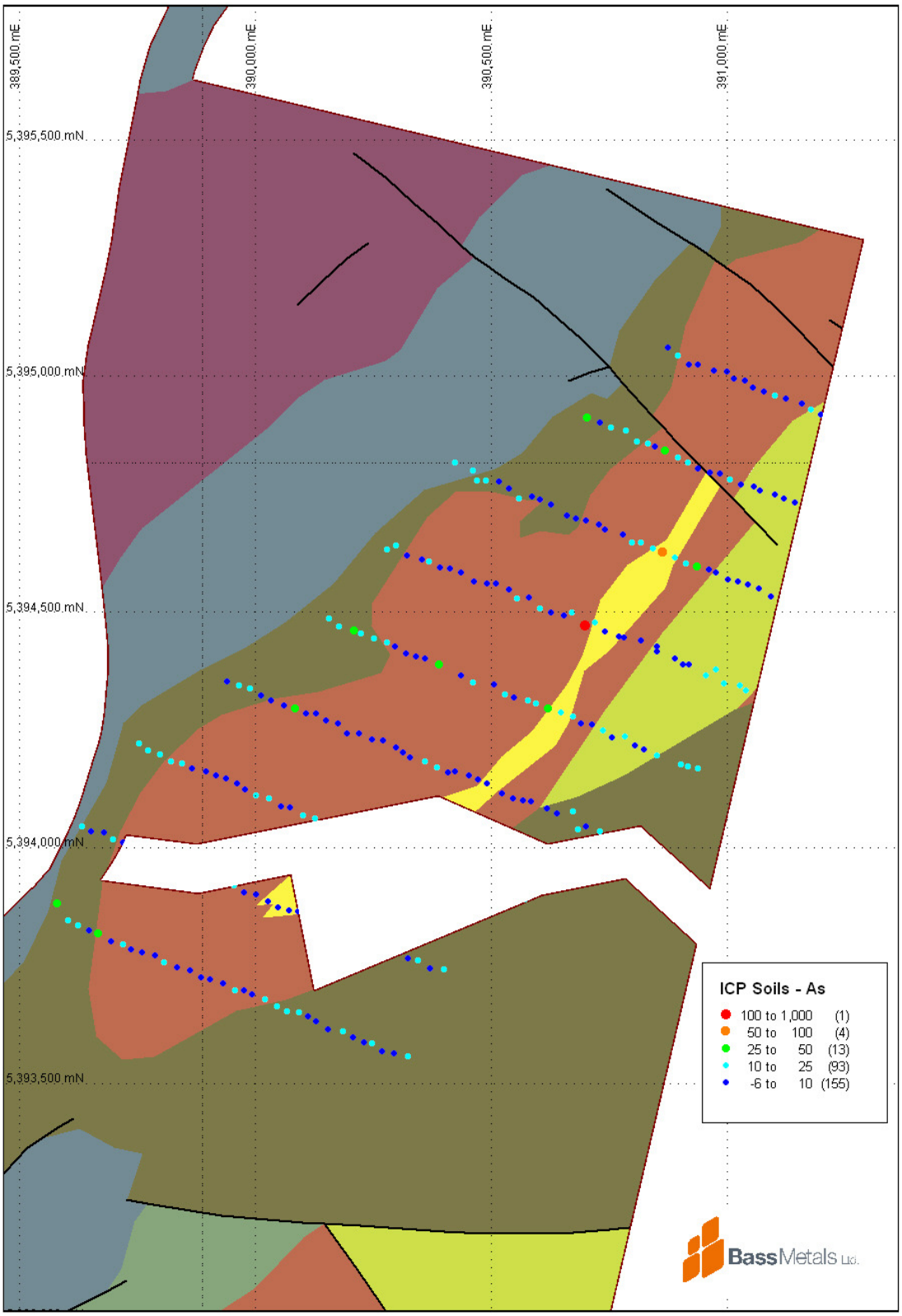

Figure 11. Arsenic analyses for ICP soil sampling, Amoeba Zone

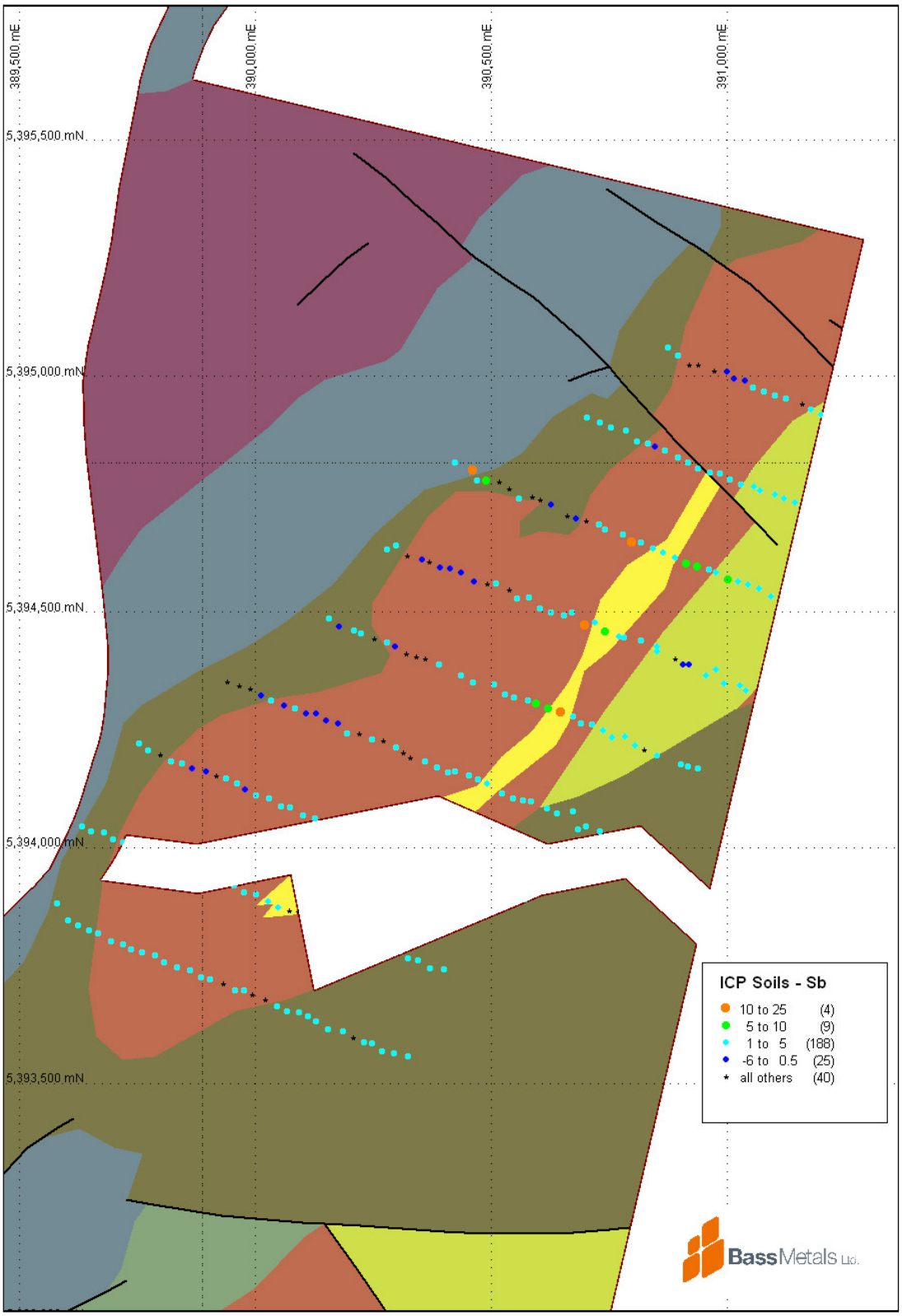

Figure 12. Antimony analyses for ICP soil sampling, Amoeba Zone

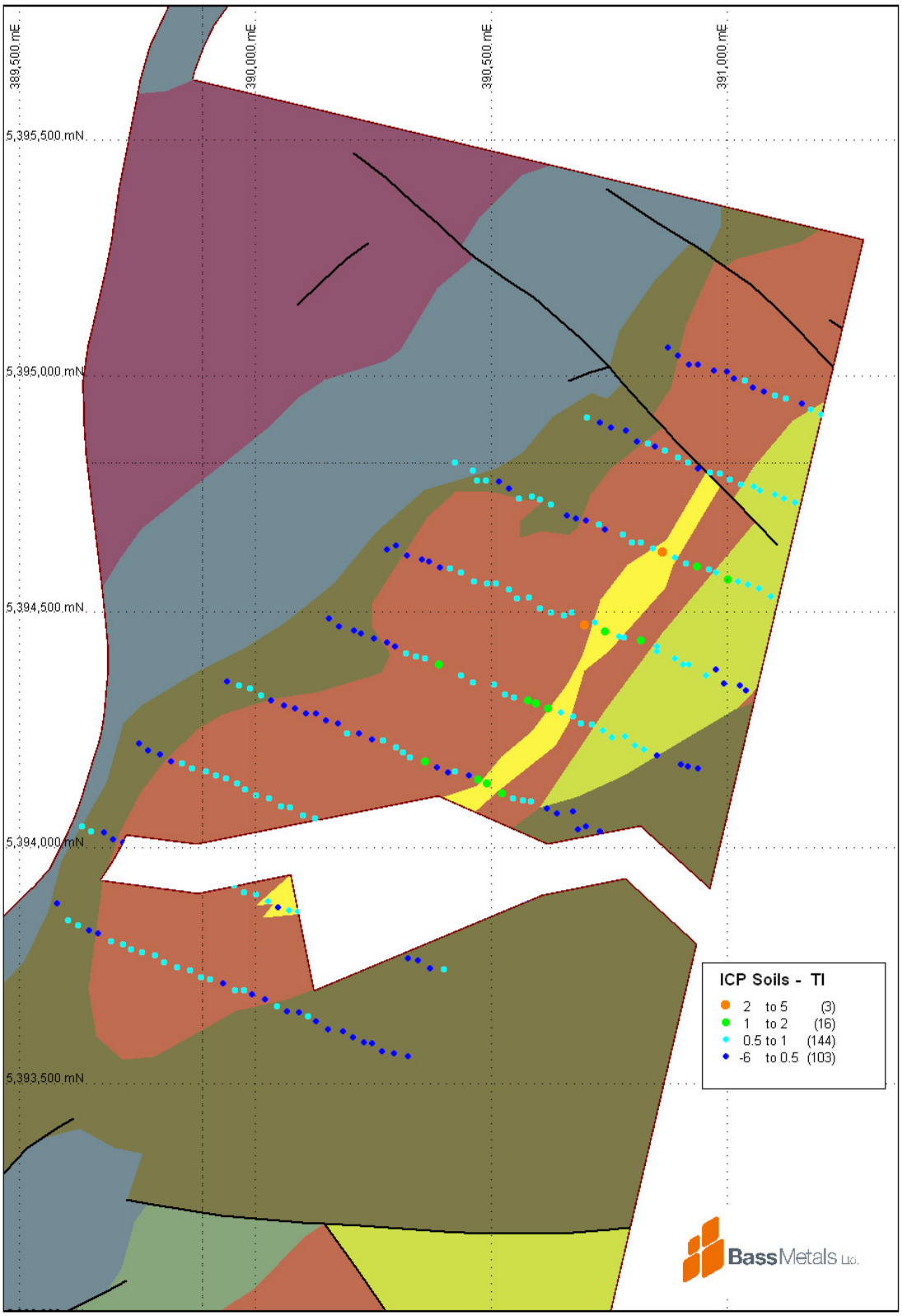

Figure 13. Thallium analyses for ICP soil sampling, Amoeba Zone

3.6 Geophysical Review

Dan Core, of Fathom Geophysics, was asked to compile and give a preliminary appraisal of the large historical geophysical dataset of EM, gravity and magnetic data over the Hellyer-Mt Charter area. He was also asked to digitise, invert and model the historical IP data.

Dan completed a series of reports as well as generating a large amount of digital data including .tif images. The reports are appended as appendices B1 to B5. Dan compiled a summary figure showing significant coincident geophysical anomalies. That figure is shown herein as figure 14.

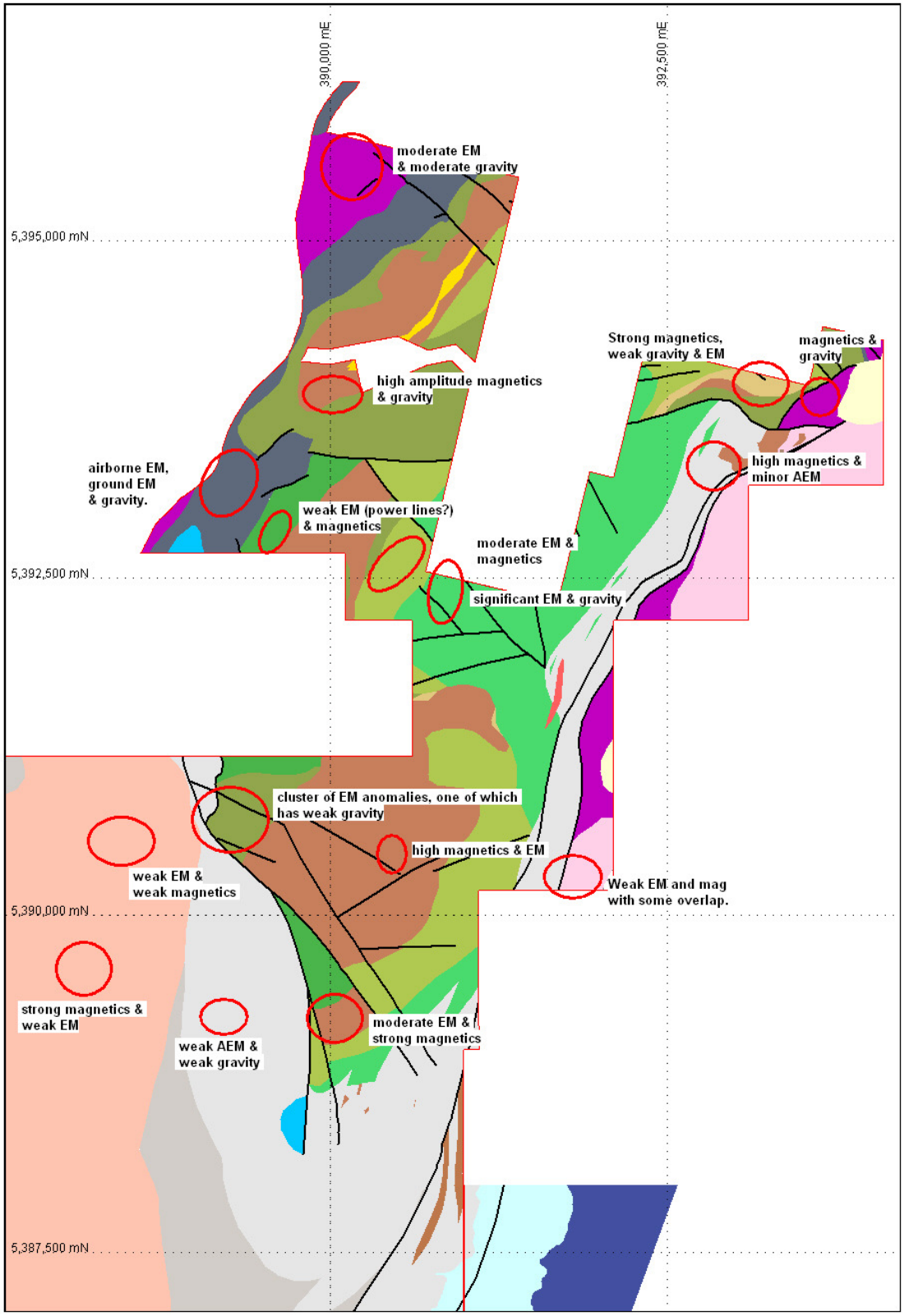

Figure 14. Summary geophysical anomalies recognised from review of existing geophysical data by Dan Core, Fathom Geophysics.

3.7 Airborne EM Survey

In late March/early April the area of prospective Que-Hellyer Volcanics in the Hellyer-Mt Charter area was covered with a helicopter borne electromagnetic survey by Geotech Airborne Limited (of St Michael, Barbados). Approximately 595 line kilometres were flown with 215.5 kilometres of this within EL 48/2003.

Airborne EM data was collected using the VTEM electromagnetic and magnetic system, with a base operating frequency of 25 Hz. Real times differential GPS was used for navigation and the data was collected at nominal 100 meter line spacing by a 26m diameter loop at a nominal 40m ground clearance.

The VTEM survey did not identify any responses in EL 48/2003 that could be reconciled with the EM effects from a bedrock VMS style conductor source.

Two culture style anomalies (#22 and #23) which appear to be in an area not known to contain culture were recommended for a ground check.

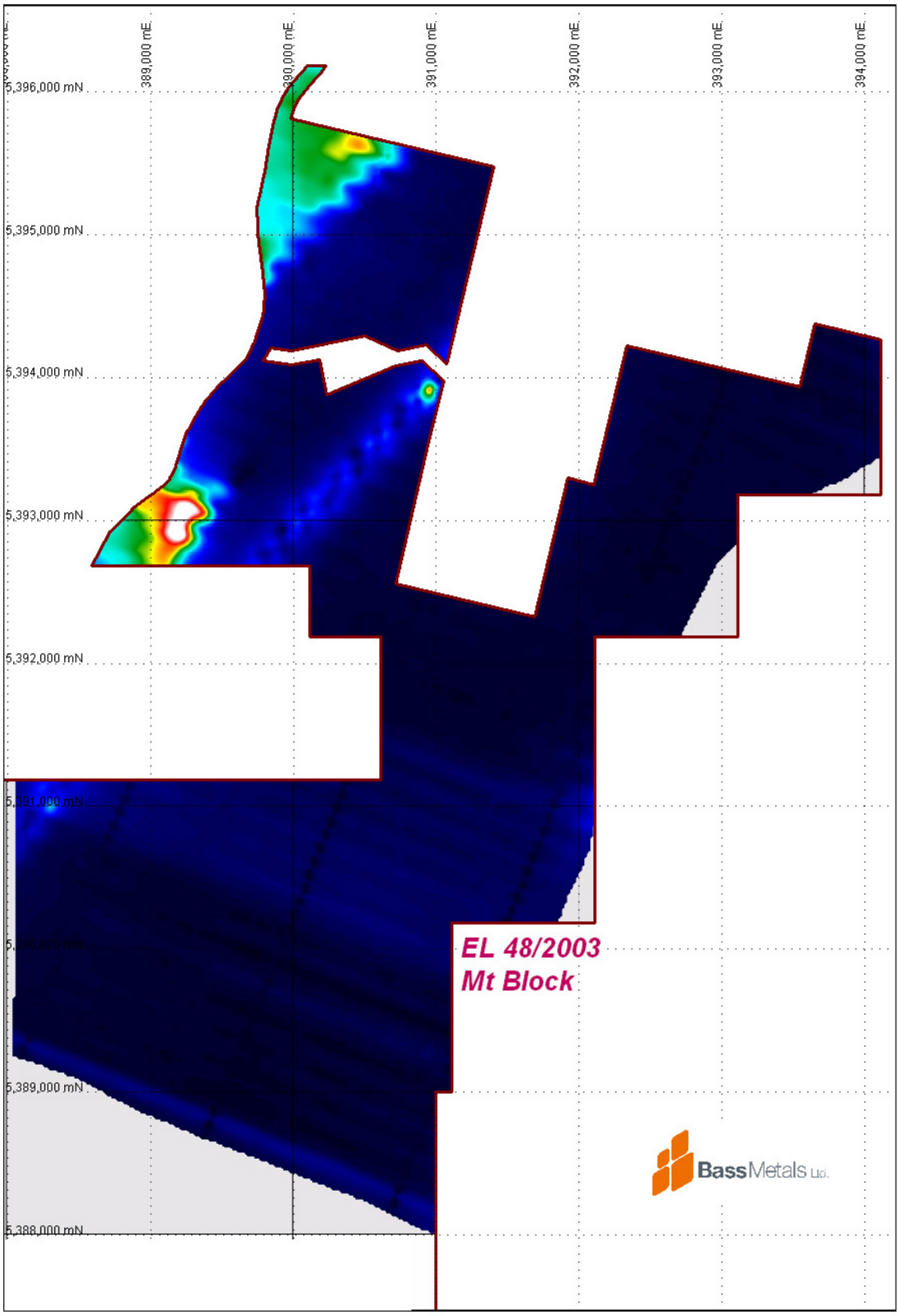

Figure 15. VTEM Survey – Z Channel 15 (0.10 milliseconds)

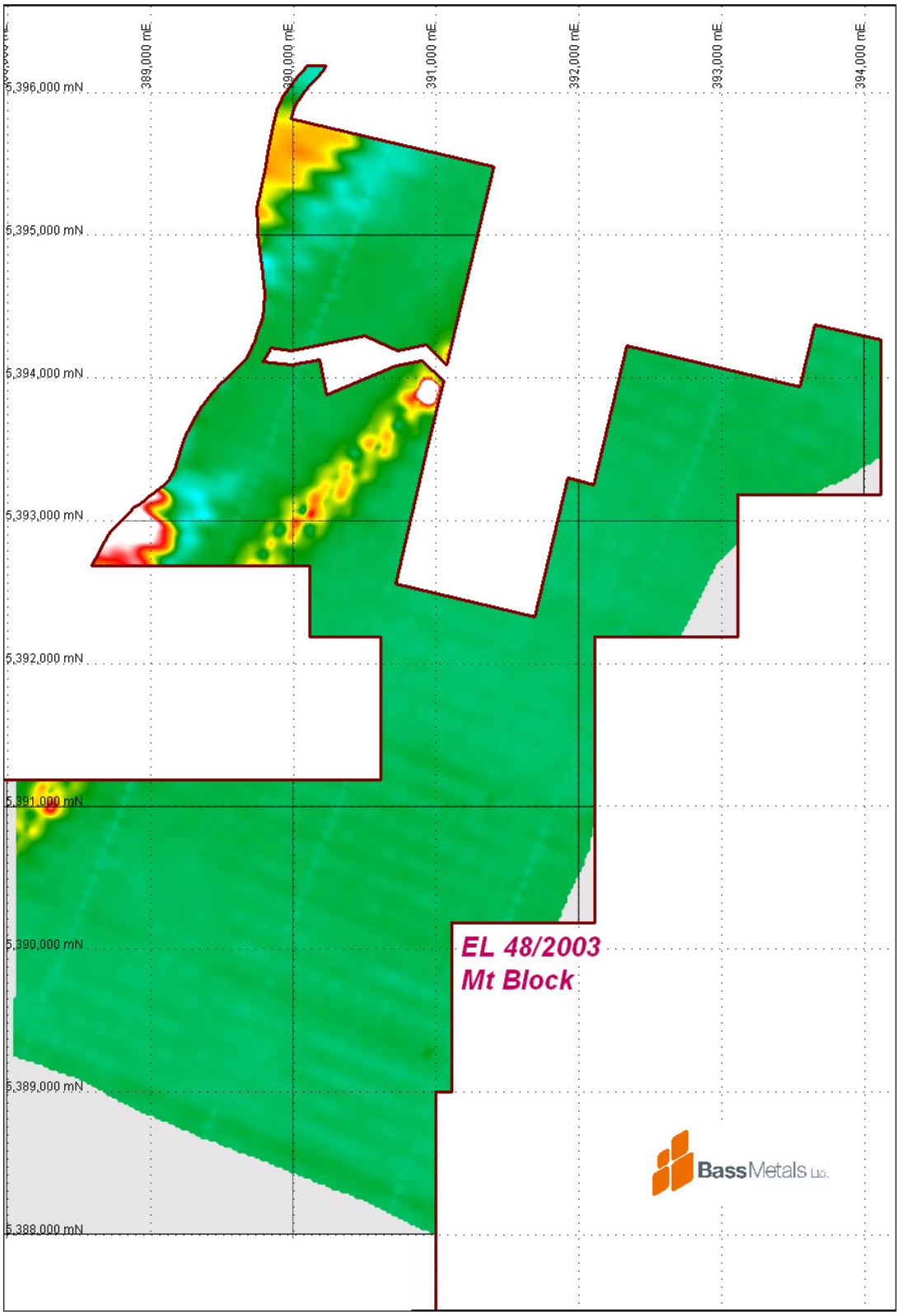

Figure 16. VTEM Survey – Z Channel 30 (0.88 milliseconds)

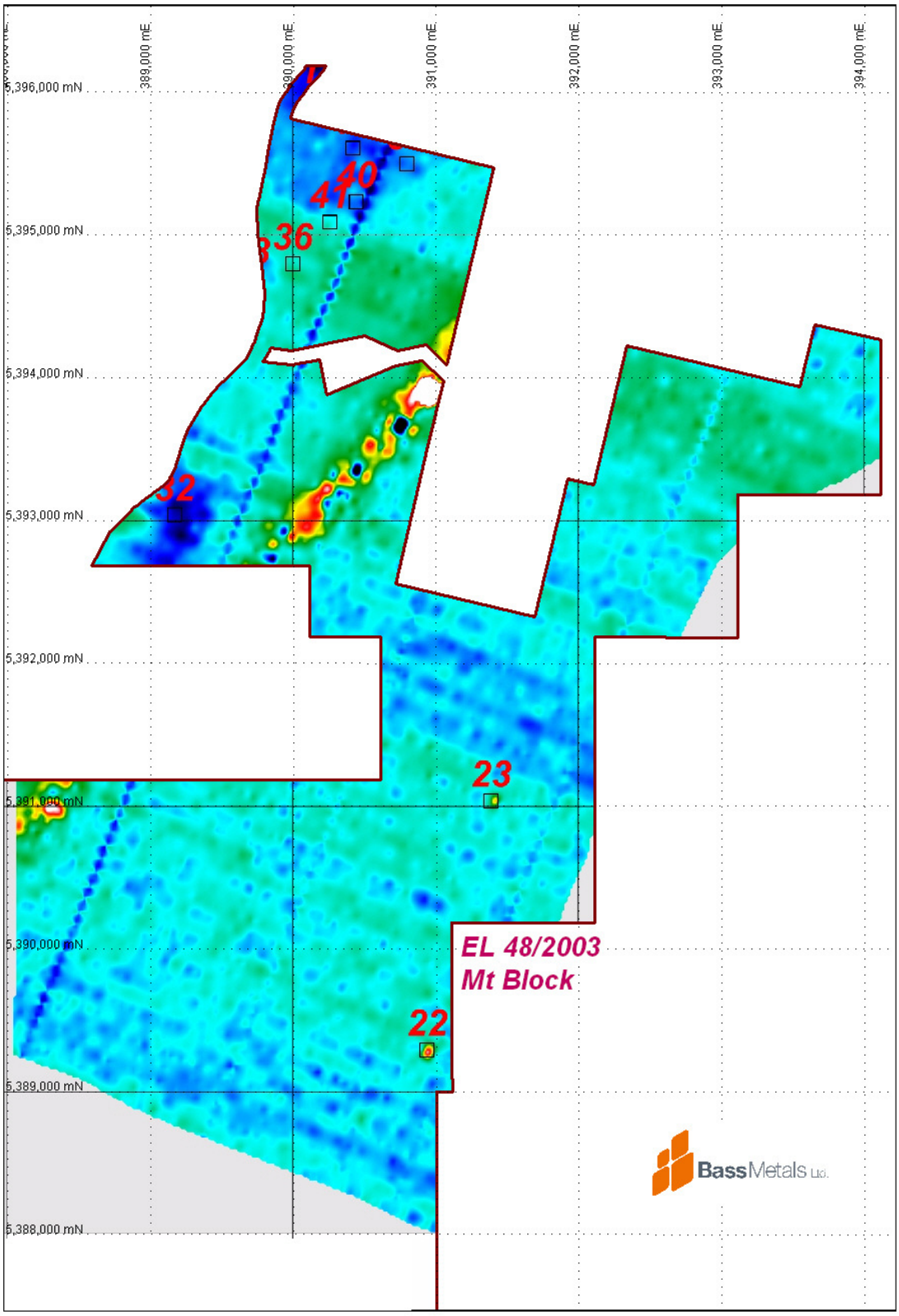

Figure 17. VTEM Survey – Z Channel 42 (4.64 milliseconds) with areas studied in detail

3.8 Ground follow-up VTEM anomaly #22

A VTEM anomaly (#22) was detected by Dr Jovan Silic at the eastern margin of the tenement approximately 2.5km southeast from Mt Charter. The anomaly has a small footprint (approx. 100m x 80m) down to the depth of detection by the VTEM system and is located on the mica-sandstone / lower basalt contact (Figure 10), interpreted as dipping moderately to the northwest. Stream sediment and soil sampling in the area (locations shown on Figure 10) do not exhibit anomalous geochemistry.

The anomaly was interpreted as a response consistent with a cultural feature (e.g. building, bridge, historical mine equipment/structures etc) by Dr Silic. Note that the anomaly (profile illustrated on Figure 11) does not have an associated magnetic response. Most of the cultural features detected by the VTEM in the Hellyer - Que River area had an associated magnetic response. A review of the GIS data available for the area indicate that the nearest 4WD track is ~2km from the anomaly, the anomaly is ~350m up a creek from Lake Mackintosh, and satellite imagery of the area appeared as virgin rainforest.

A field visit to the area confirmed that no cultural features are present. There were no historical workings or associated infrastructure to account for the conductive response. The area is in a very steep valley which is difficult to access by foot. The rocks were as predicted by the existing geological interpretation of the area and comprised mica sandstone and lower basalt (some rocks may be volcaniclastic) with weak sericite alteration.

Comparison of the anomaly with idealised modelled conductors may suggest that this anomaly has a gentle dip and may lie at ~100-200m depth. This is consistent with the lack of response in surface geochemistry and generally unaltered rocks in outcrop. Consideration is being given to drill testing this anomaly.

Another similar single line ‘spot’ anomaly occurs just south of the Barite Creek track. This anomaly (#23) occurs at the contact between the Lower Basalt and overlying Footwall Andesite. Anomaly 23 is of lower intensity and has a smaller footprint (~90 x 60m) than #22 and is only marginally more accessible. No field investigation has yet been made of this anomaly.

Further geophysical modeling/investigation is required as the nature of these anomalies does not conform to expected decay rates of bedrock conductors.

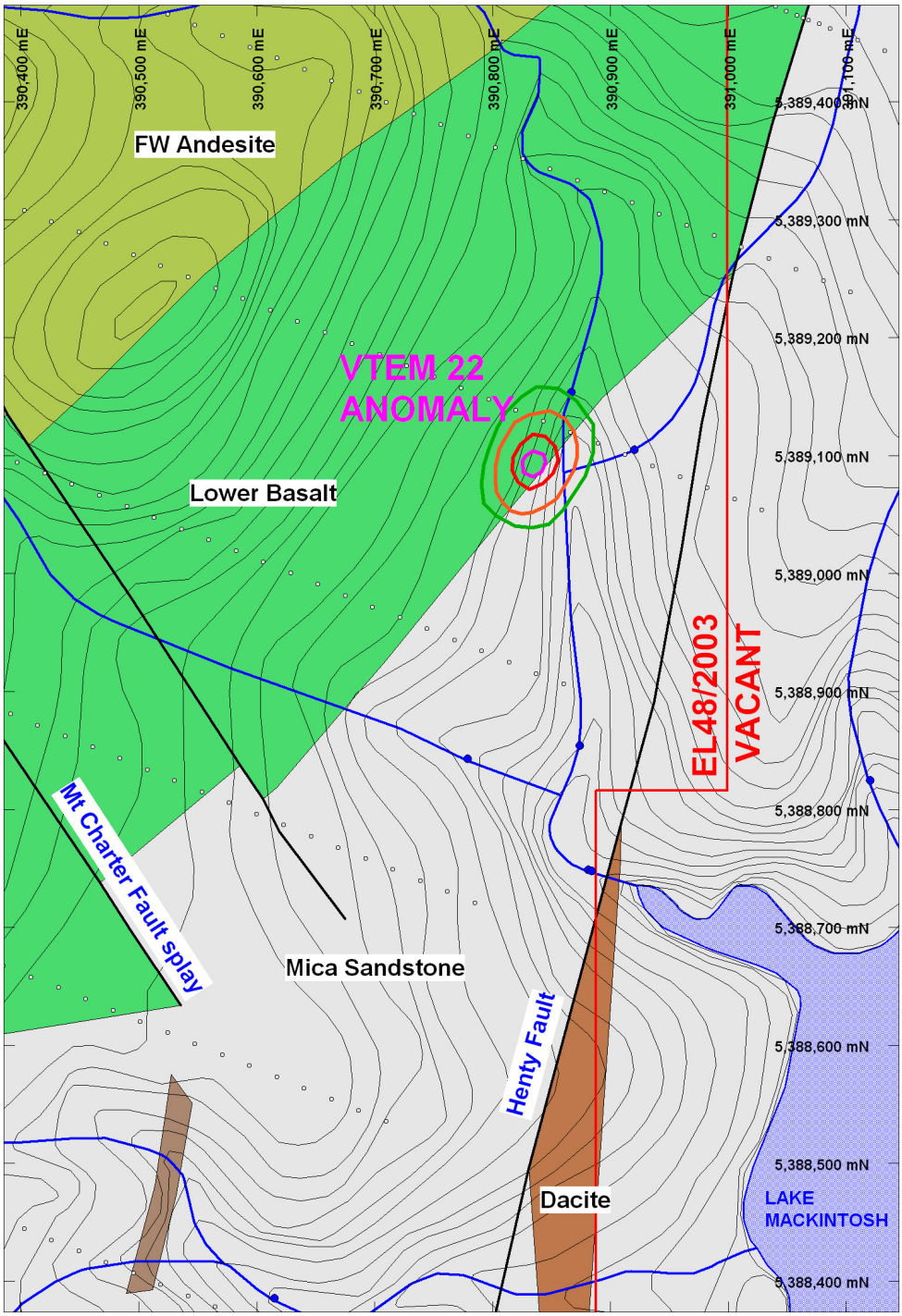

Figure 18. Geological map of the Lake Mackintosh – Anomaly 22 area. Soil lines (small grey filled spots) and stream sediment sample (blue spots) are also illustrated.

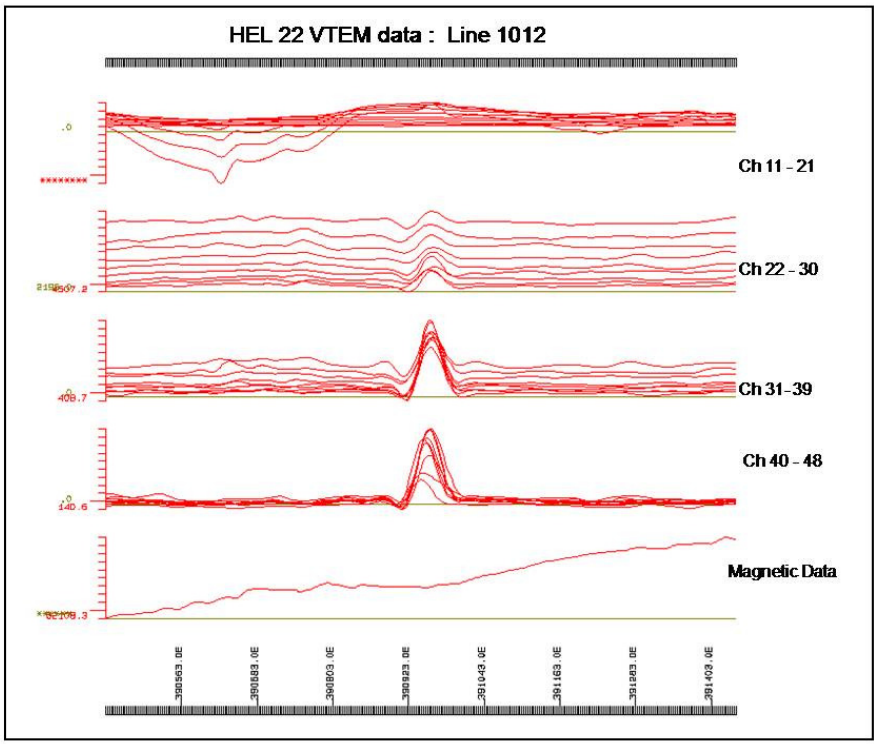

Figure 19(a) Profiles of VTEM data for the Lake Mackintosh (#22) anomaly.

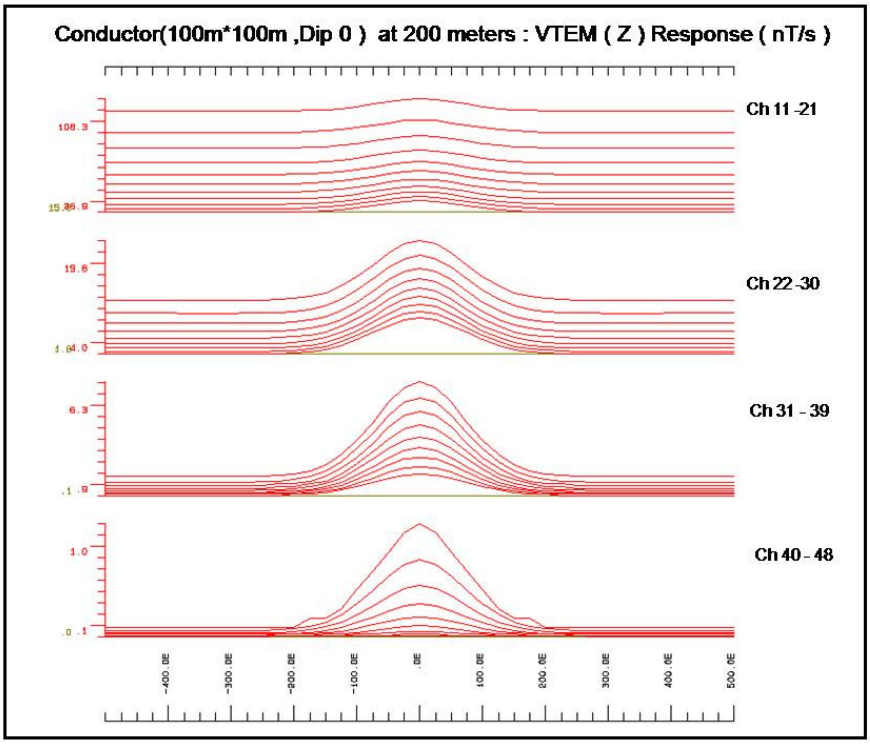

Figure 19(b) Modelled response from a conductor with surface area 100x100m and at 200m depth below surface.

4.0 PROPOSED EXPLORATION

The SWIR/trace element lithogeochemical sampling and geophysical review work in the 2009/2010 reporting year has been geared towards defining prospects in the Hellyer-Mt Charter area of Que-Hellyer Volcanics which warrant further investigation.

That work has defined a number of first round high priority targets in EL 48/2003, i.e. Amoeba Zone, D Zone and North Charter. The work has also defined a number of areas requiring further work. These are summarised on figure 20.

In the 2010/2011 reporting exploration on EL 48/2003 will include:

- Amoeba Zone - drilling coincident alteration, ICP soils IP and UTEM.
- Barite Creek - interpreting ICP soil results in light of geology/geophysics then drilling if warranted.
- North Charter - interpreting ICP soil results in light of geology/geophysics then drilling if warranted.
- Amoeba South - working up Amoeba South target then drilling if warranted.
- MAC28 – Favourable alteration associated with an UTEM anomaly may not have been successfully followed-up due to structural/stratigraphic complexity. This area needs further geological work.
- MC9 and MC10 both show favourable alteration in an area with a number of EM anomalies. This area requires further assessment.
- VTEM anomalies #22 and #23 require further work. Anomaly #23 requires field checking. Both possibly warrant ICP soil sampling..
- Que South magnetic anomalies - ICP soils, mapping and drilling
- Western flank Hellyer Ore Position – the Hellyer Ore Position runs down the western side of the tenement.. This horizon requires further appraisal with probable drilling
- South and southeast of Mt Charter to the Mt Charter fault has seen relatively little exploration. The geophysical review has identified a number of anomalies which require further assessment..
- The area of felsic CVC rocks south of the Mt Charter Fault has also seen relatively little exploration. The geophysical review has identified a number of anomalies in this area also. This area will be assessed in the coming year also.

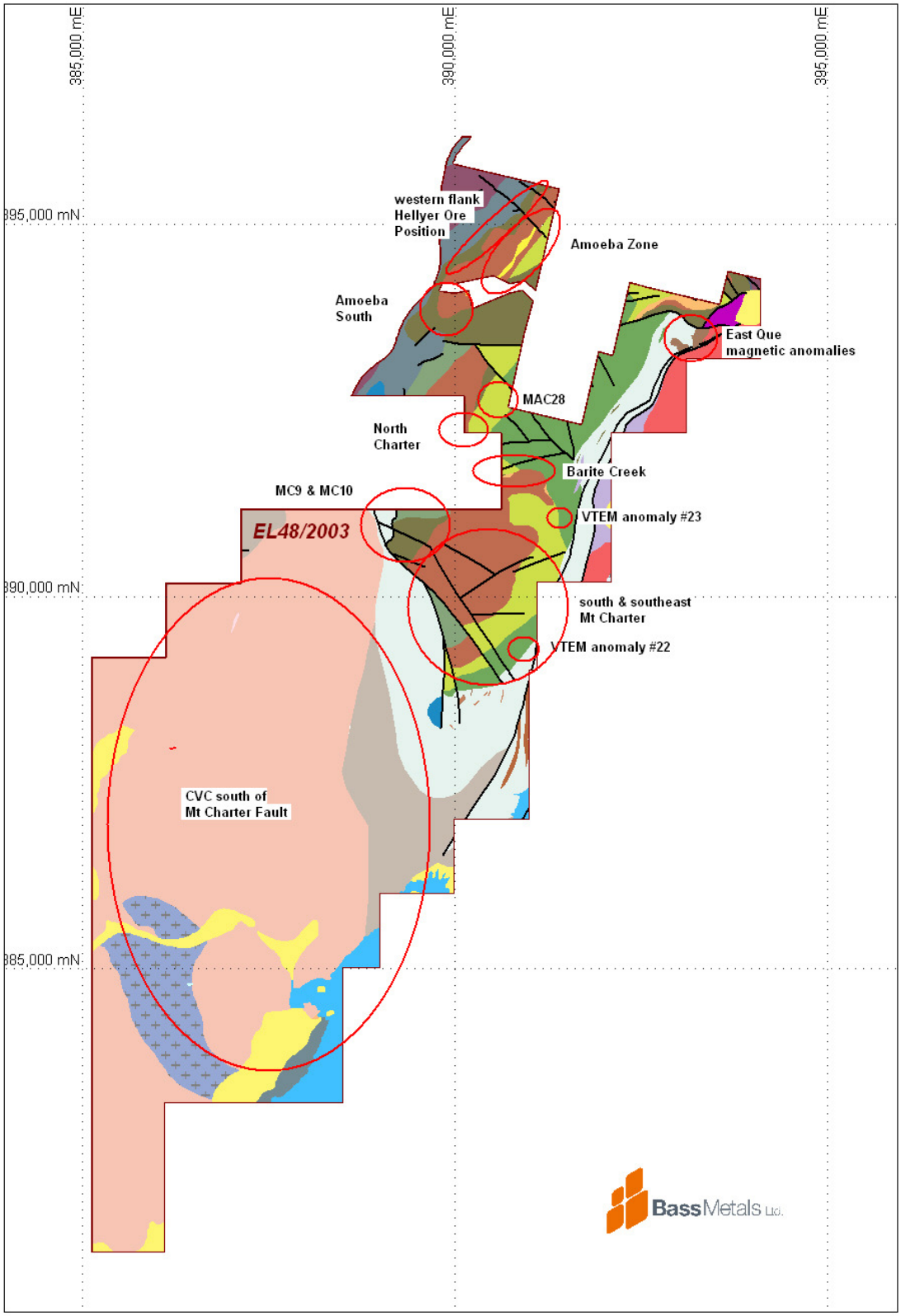

Figure 20. Areas for further work in 2010/2011 year.

5.0 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.

Diamond drill hole sites HED8, HED9, HED10 & HED14 were rehabilitated during this reporting period. See below map for site locations.

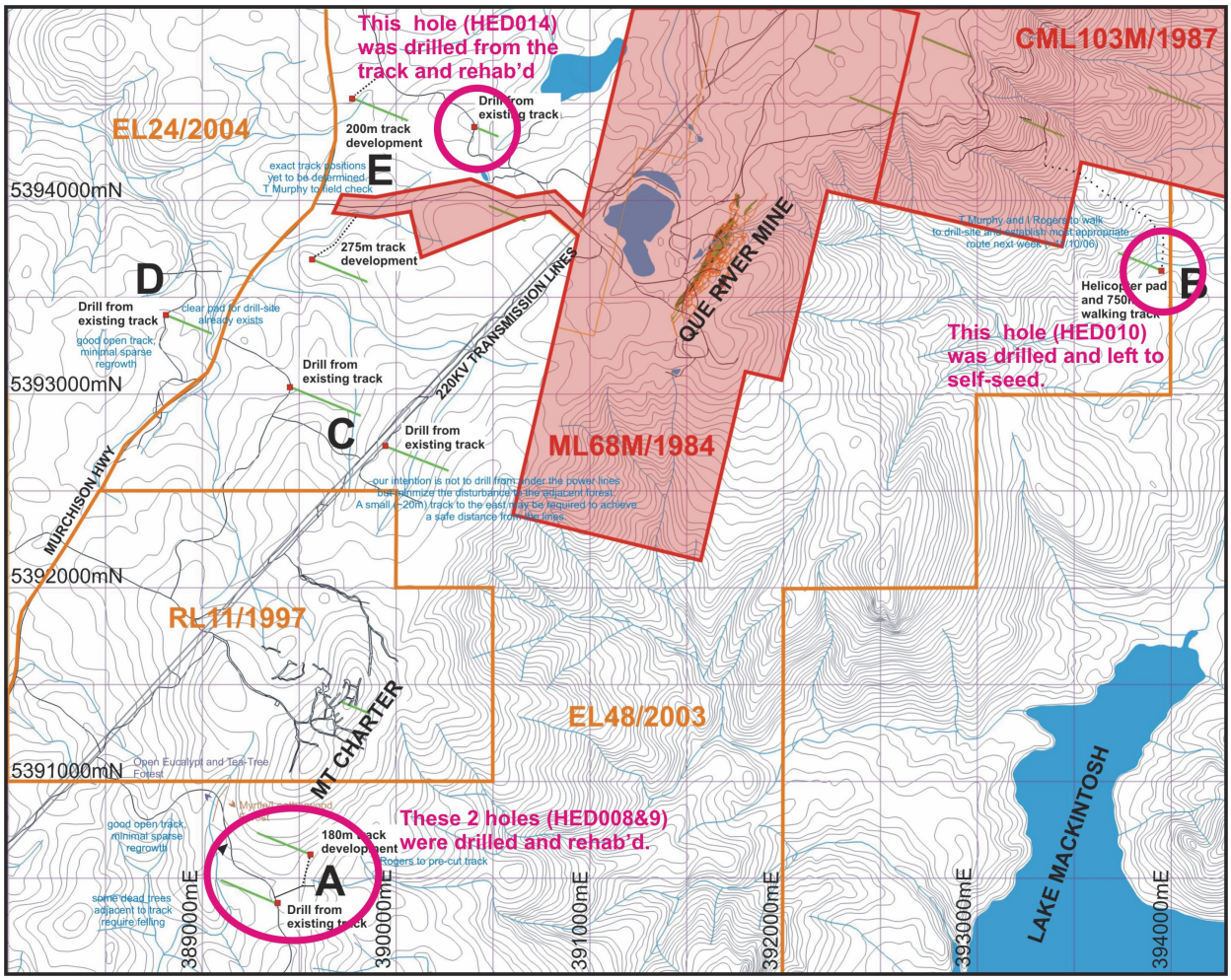

Figure 21 Rehabilitation activities (note: the remainder of the proposed holes on this figure were not drilled)

6.0 EXPENDITURE

Table 2 Expenditure 11th June 2009 to 10th June 2010
******Expenditure reported is up to and including 31st March 2010*

June 2009 - June 2010		
Geoscientific Costs	**Geology**	62,364.73
	Geochemistry	42,450.23
	Geophysics	45,701.17
	Remote Sensing	
Drilling & Gridding Costs	**Gridding**	331.27
	Drilling	
	Land Access Costs	
	Rehabilitation Costs	
	Feasibility Study Costs	
	Other Costs	2,000.00
	Admin Costs	
	Total - eligible	**$152,847.33**

The Mt Block tenement is part of the Lake Mackintosh Group; the total expenditure up to the 31st March 2009 for this group is $2,946,771 against a required group expenditure of $1,428,200

7.0 REFERENCES

McPhie J., Doyle M. and Allen R. (1993) Volcanic textures : a guide to the interpretation of textures in volcanic rocks. CODES, Uni. Of Tas.