

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

**ANNUAL PROGRESS REPORT
11th June 2010 – 10th June 2011**

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Mineral Resources Tasmania
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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 7th year of tenure ended 10/06/2011 work conducted on the licence has included -

- Soil sampling program – Results were received from the Barite Creek and North Charter area. A total of 717 samples were collected

Expenditure – Reporting period \$20,413

Total to date \$1,006,977

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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 2010 to 10th June 2011.

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 10th August 2010 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 sulphides 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.

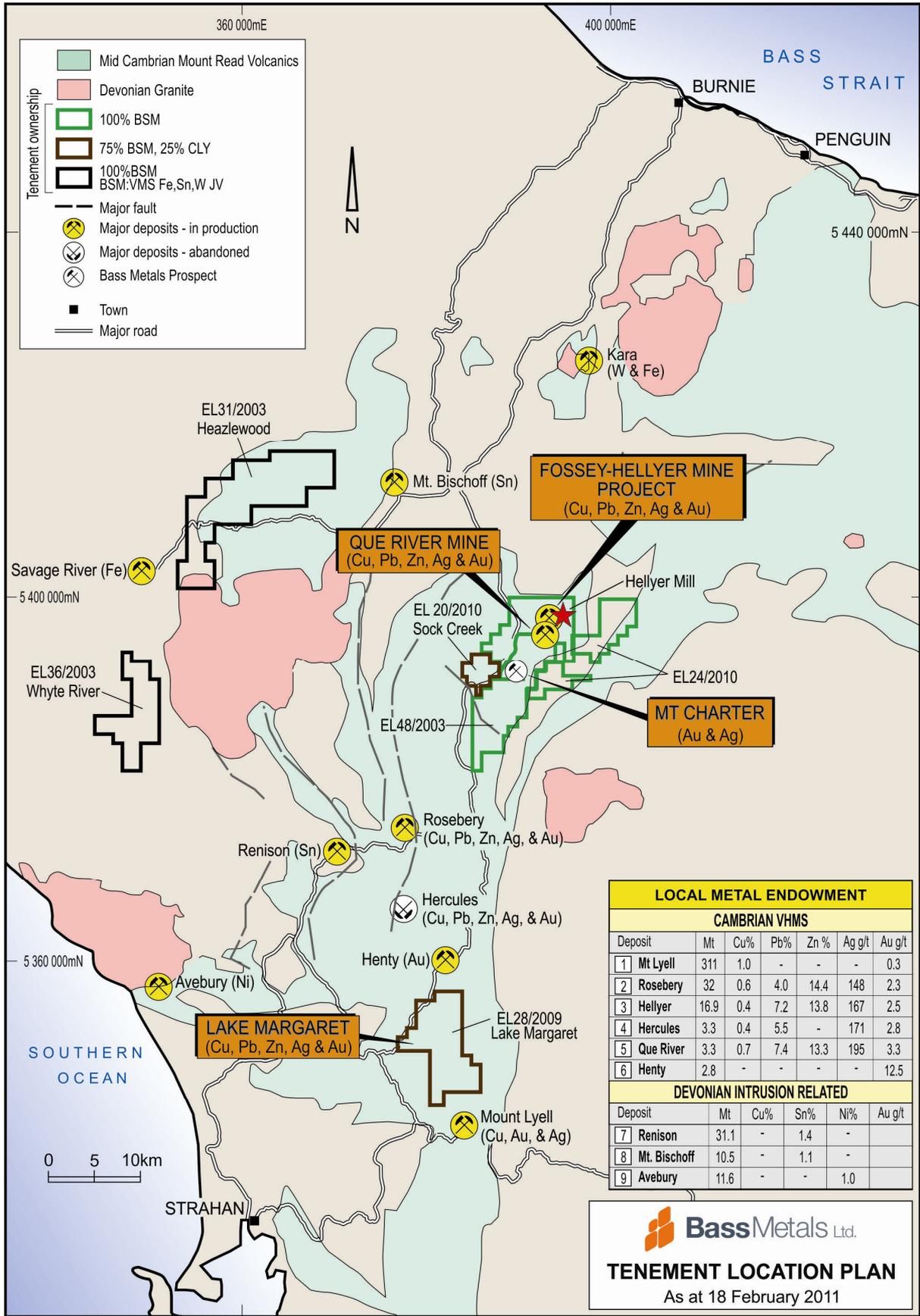


Figure 1. Location Map

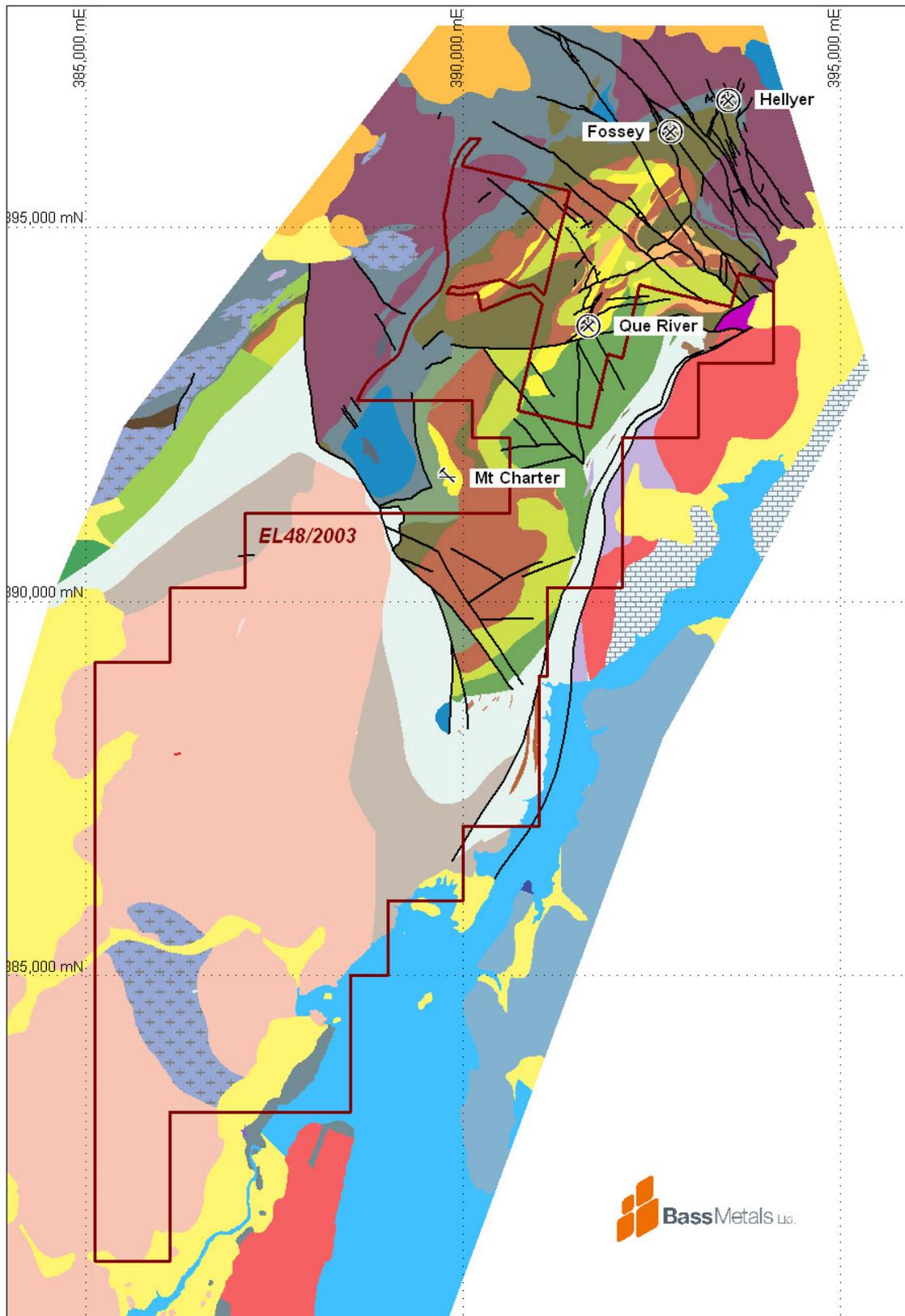


Figure 2. Regional Geology Map (legend is in figure 3 on following page)

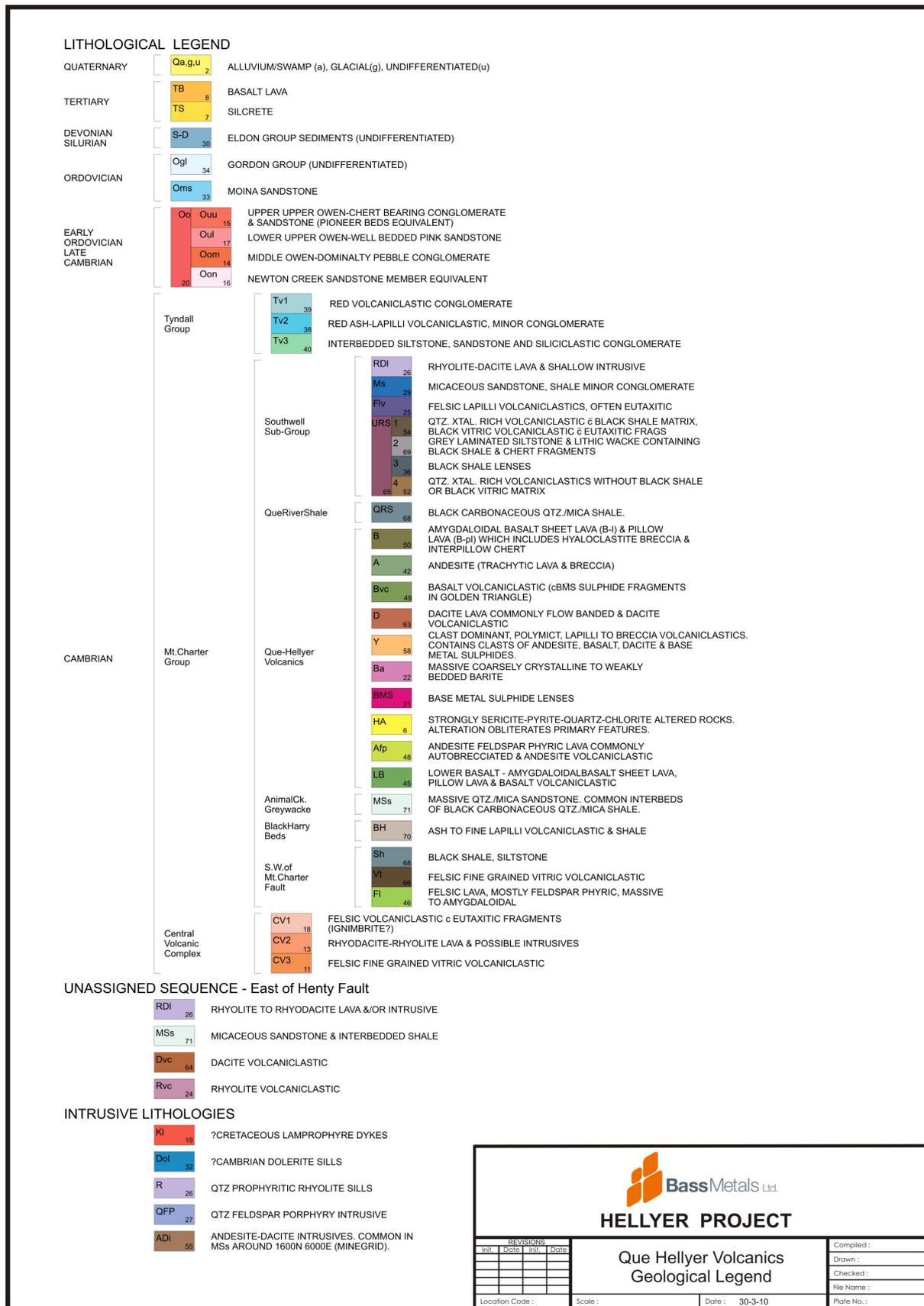


Figure 3. Geological legend (for all figures in which geology is shown)

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 target zones were located within EL 48/2003.

In 2006/2007 Bass drilled two of these targets with 3 drill holes (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 drill holes are shown on figures 7, 8 and 9.

2007 – 2008 Bass

A single drill hole, 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).

2009-2010 Bass

Trace element litho geochemical and Short Wavelength Infra-Red spectral analysis of existing diamond drill core 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 EL48/2003 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.

215 line kilometres of helicopter-borne VTEM survey, processing and interpretation with ground follow-up at anomaly #22 was also undertaken along with compilation and appraisal of existing geophysical datasets.

3.0 WORK COMPLETED/RESULTS during the reporting period - (11th June 2010 – 10th June 2011)

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 Hellyer – Mt Charter corridor..

In particular this work consisted of:

1. ICP Soil sampling – Amoeba Zone, Barite Creek & North Charter

3.2 –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/litho geochemical 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 diamond drill hole HAT3.

Initial follow-up has been a reconnaissance ICPMS/OES soil sampling survey on a 200m x 25m (uncut) grid. Samples were 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 1 with the As, Sb and Tl results presented in figures 4,5 and 6 respectively.

3.3 – Barite Creek

This program was designed to test the Barite Creek As anomaly. Soil samples were collected on a reconnaissance (uncut) north-south grid. Results were received and preliminary observations of the data suggest that anomalous Sb and Tl is coincident with the as anomaly defined in the Aberfoyle soil dataset. Further work is required to establish a fact geological map in the area and ascertain whether the drill hole MAC37, which passes beneath the anomaly area at significant depth, has adequately tested the area. Assay results are included in appendix 1.

3.4 ICP Soil Sampling – North Charter

The North Charter prospect lies partly within EL 48/2003. Soil samples were collected on a reconnaissance (uncut) grid. Results are also included in appendix 1 and will be reviewed in the year to come.

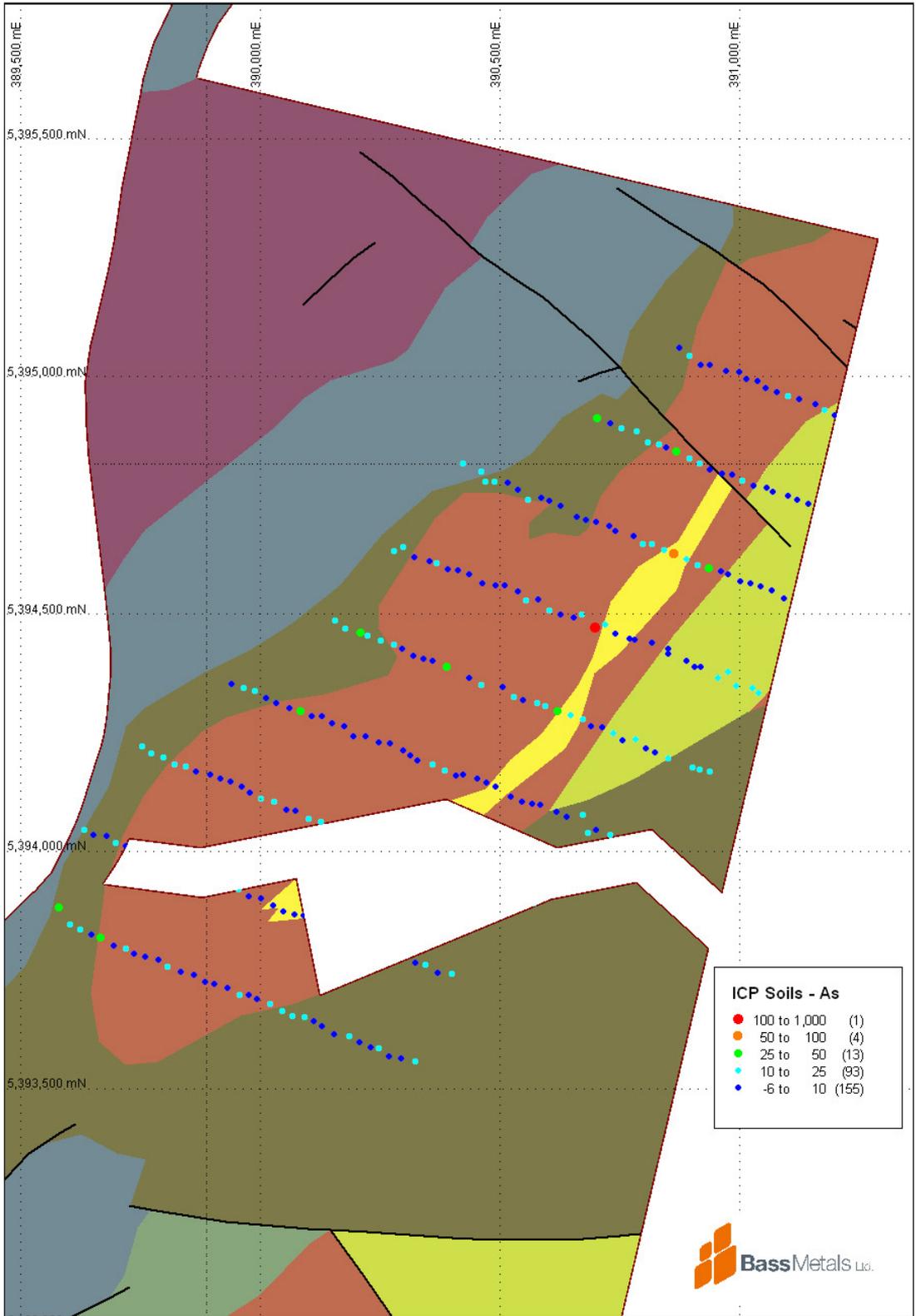


Figure 4. Arsenic analyses for ICP soil sampling, Amoeba Zone

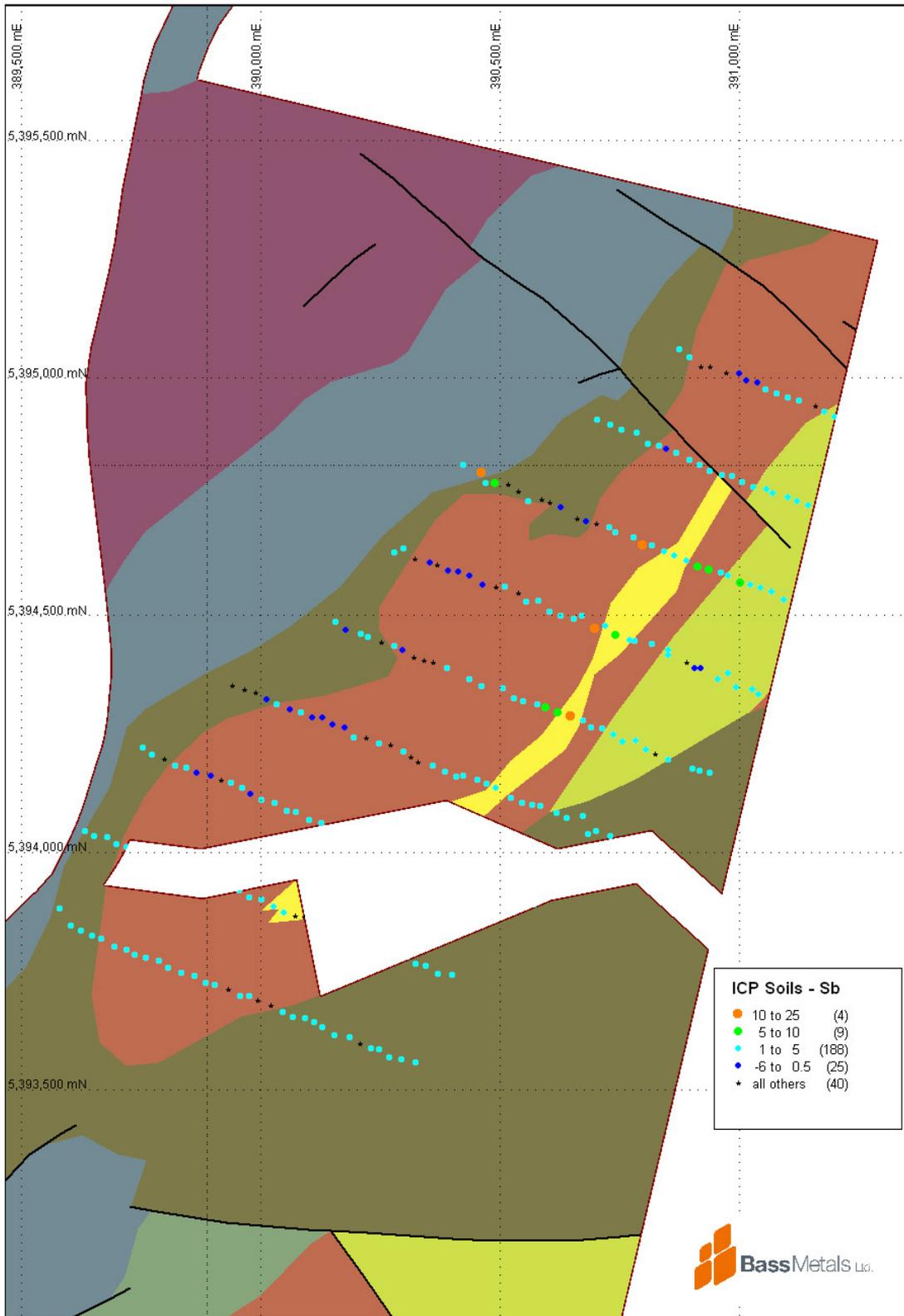


Figure 5. Antimony analyses for ICP soil sampling, Amoeba Zone

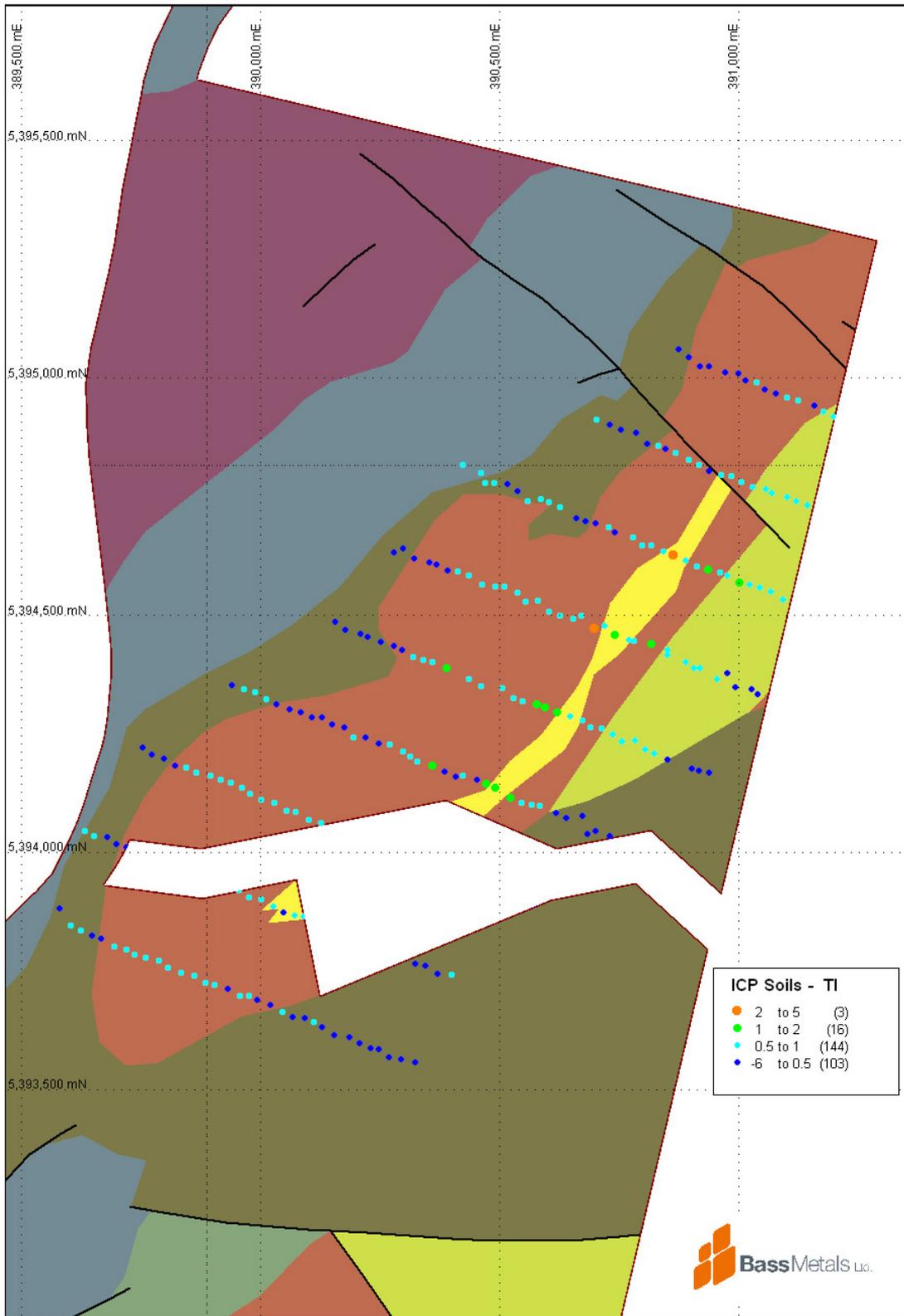


Figure 6. Thallium analyses for ICP soil sampling, Amoeba Zone

4.0 PROPOSED EXPLORATION

The work undertaken over the last 2 years has defined a number of areas requiring ongoing work. These are summarised on figure 7.

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.
- 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.

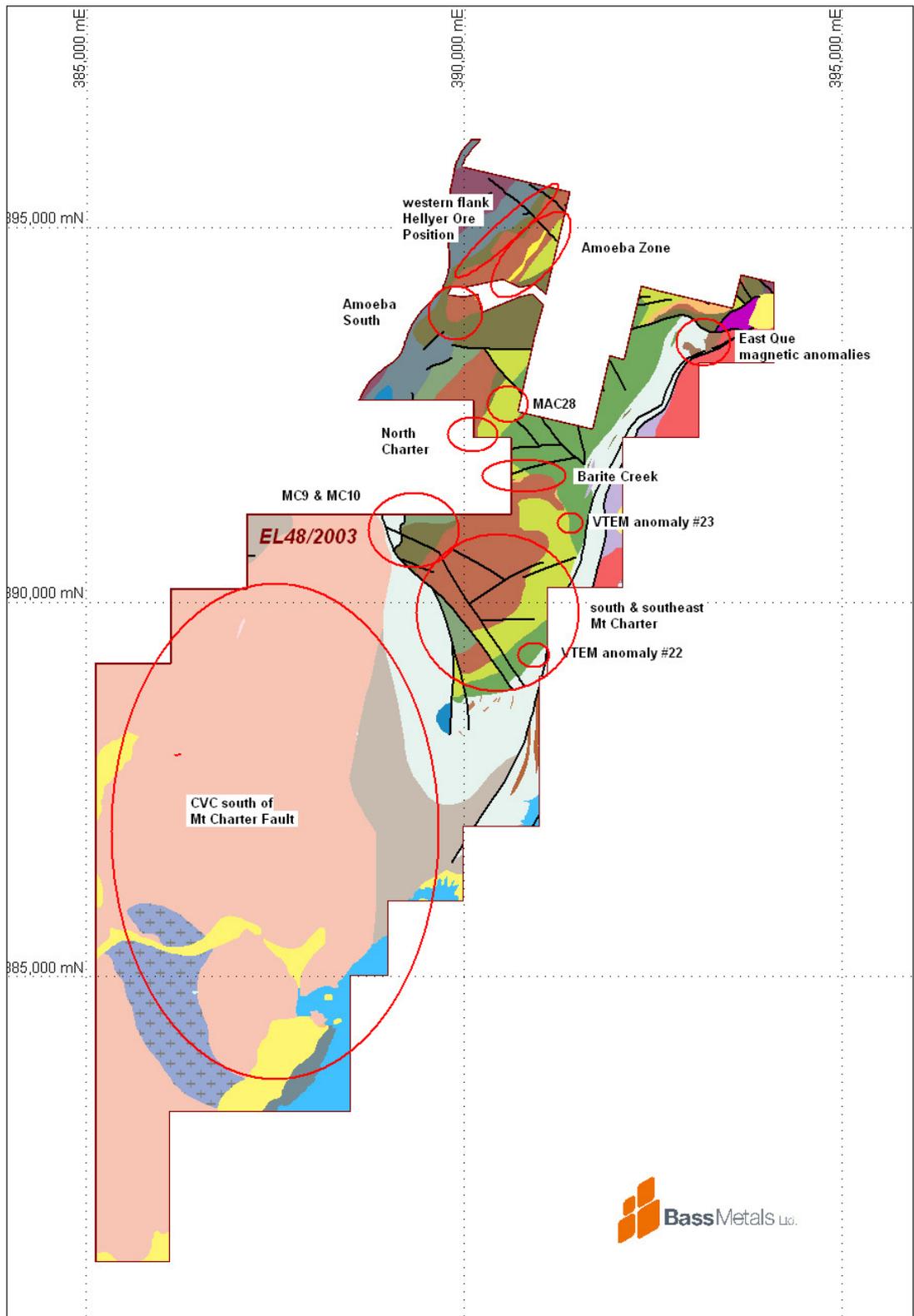


Figure 7. Areas for further work in 2010/2011 year.

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.

6.0 EXPENDITURE

Table 1 Expenditure 11th June 2010 to 10th June 2011

**Expenditure reported is up to and including 31st March 2011*

June 2010 - June 2011		
Geoscientific Costs	Geology	12,933.22
	Geochemistry	4,344.77
	Geophysics	
	Remote Sensing	
Drilling & Gridding Costs	Gridding	
	Drilling	457.80
	Land Access Costs	
	Rehabilitation Costs	
	Feasibility Study Costs	
	Other Costs	2677.73
	Admin Costs	
	Total - eligible	\$20,413.52

The Mt Block tenement is part of the Lake Mackintosh Group; the total expenditure up to the 31st March 2011 for this group is \$2,977,589 against a required group expenditure of \$1,502,200.

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.

ICP Soil Sampling Assay Results