ABN 31 109 933 995

LAKE MARGARET PROJECT
TASMANIA
EL29/2008

ANNUAL PROGRESS REPORT
9th June 2010 – 9th June 2011

Tenement Holder/Manager
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Distribution:
Mineral Resources Tasmania
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Bass Metals Ltd

Disclaimer

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 Lake Margaret exploration licence (EL29/2008) on 9 July 2010. This tenement is in joint venture with Geoinformatics Exploration Tasmania where Bass Metals is the Holder/Manager. For this 1st year of tenure ended 9 July 2011 work conducted on the licence has included -

- ICP trace element/SWIR data collection, 8777 spectral measurements from 56 holes and 1467 lithogeochemical samples were collected.
- A 3 hole diamond drilling program targeting the source of a high grade glacial erratic totalling 448.6m:
    - LMD2 aim was to test the North Lyell position adjacent to the Great Lyell Fault. This hole did not fully test the position and is considered to have test below the position, follow up drilling is planned.
    - LMD3 & LMD4 were holes to test if the high grade mineralised erratic is possibly insitu. These holes ruled out that the erratic is insitu as both holes intercepted unmineralised Anthony Road Andesite below glacial cover.

Expenditure – Reporting period $494,097.65

Total to date $506,798.00

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1 INTRODUCTION

This report is a summary of the exploration activities conducted on the Lake Margaret licence EL28/2009, for the period 9th July 2010 to 9th July 2011.

1.1 Tenure

EL 29/2008 was granted for five years to Bass Metals Ltd (BSM) on 9th July 2010.

1.2 Location and Access

The tenement arises from the relinquishment of EL35/2004 by Copper Strike and is located immediately along strike from the Mt Lyell mine at Queenstown in western Tasmania. Access to the area is off the Murchison Highway onto the Anthony Road which runs alongside and in parts dissecting the tenement.

The licence area lies on the Franklin (#8013) 1:100,000 map sheet and West Coast (#3634) 1:25,000 topographic map sheets.

1.3 Geology Overview

Geologically the Lake Margaret tenement contains some of the most prospective ground in the Mt Read Volcanics outside of current mine leases. The stratigraphic zone around the contact between the Tyndall Group and the CVC is the host to mineralisation at Henty and Mount Lyell south of the Henty Fault and Hellyer, Que River, Rosebery and Hercules north of the Henty Fault. The tenement also contains the horizon on which massive sulphide clasts outcrop in the spillway to the Newton Creek dam immediately to the north of the Lake Margaret tenement.

The tenement also contains a glacial erratic with ore grade copper in a high sulphidation epithermal assemblage. The source of this erratic is unknown though there are indicators that it may be quite locally sourced. Exploration is hampered in the tenement as much of the area is covered by glacial deposits.

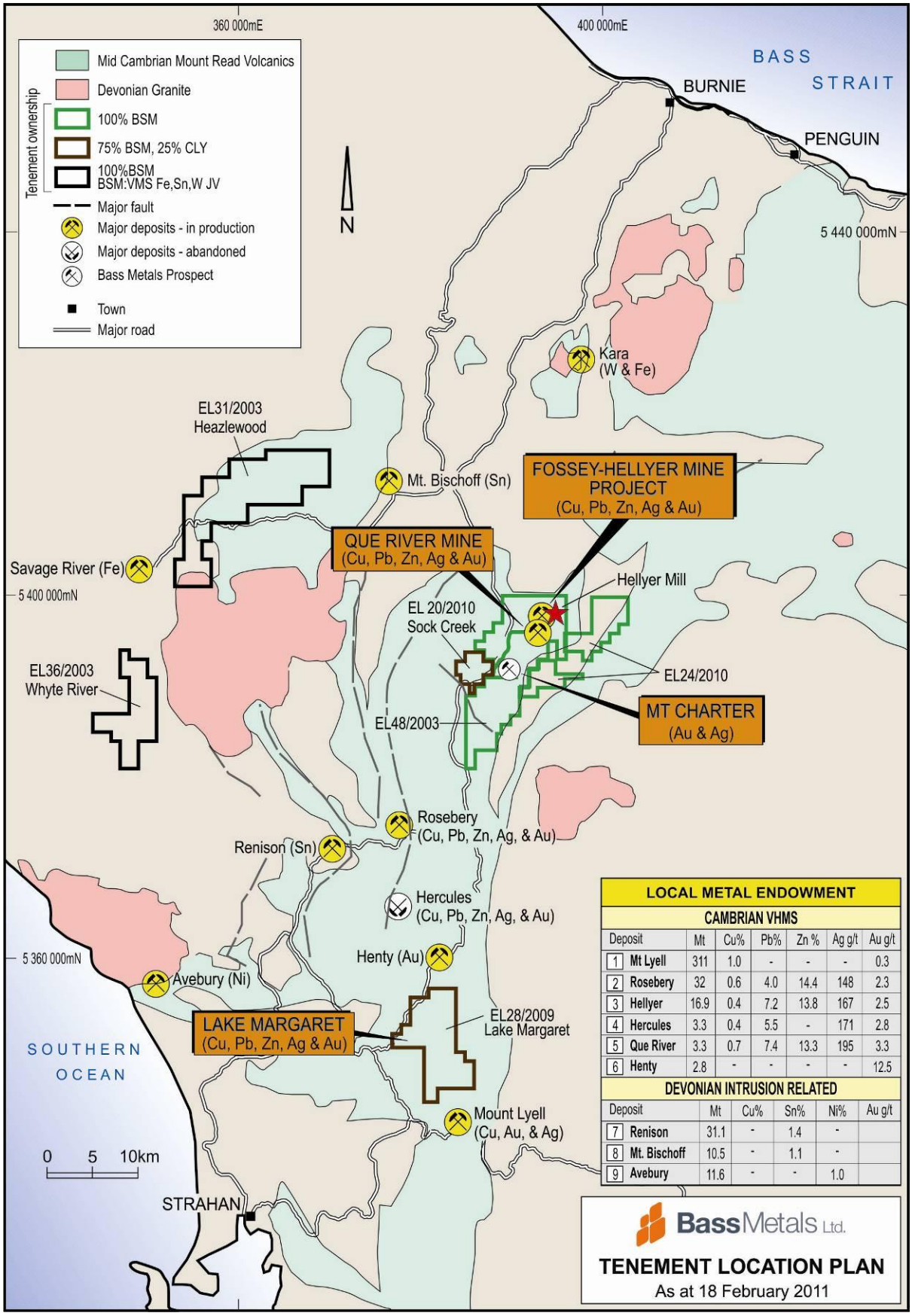


Figure 1. Location Map

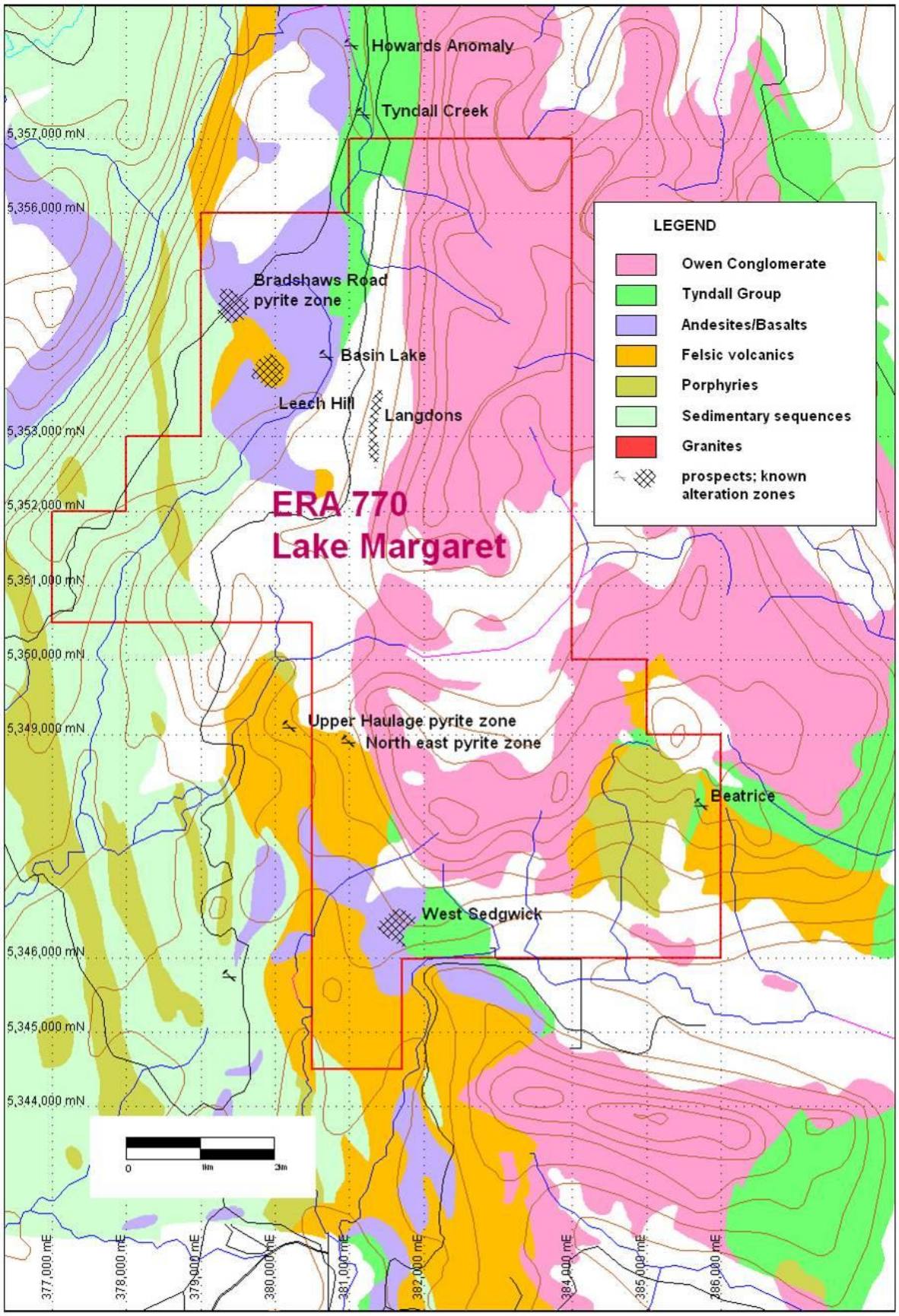


Figure 2. Regional Geology Map (AMG66, Zone 55)

2.0 EXPLORATION HISTORY

2.1 Prospecting and Exploration pre-EL 28/2009

Previous exploration in the tenement area has been largely geophysically driven with holes commonly targeting IP, CSAMT or EM anomalies within the overall volcanic package. In more recent exploration the focus has shifted somewhat to targeting favourable geological settings/horizons broadly associated with favourable pyrite + sericite alteration. Below is a table briefly outlining the past exploration since 1958.

Table 1. Previous Exploration EL 28/2009

Year	Prospect	Company	Exploration Completed
1958	West Sedgwick	Rio Tinto	Completed an EM survey which picked up a 600m long weak anomaly at 46900mN, 81800mE which identified Zig Zag Hill anomaly.
1962	West Sedgwick	RTAE	Completed a three electrode array IP survey along 6 grid lines, no IP response was associated with the Zig Zag Hill anomaly.
1965	West Sedgwick	Pickand Mather & Co International (PMI)	Pegged the ground in 1965 and completed geochemistry sampling, reconnaissance geology. Efforts were concentrated on Basin Lake.
1971 - 1973	West Sedgwick	Mt Lyell Mining & Railway Company (MLMRC)	A large grid was cut where mapping took place identifying the presence of the Tyndall Group (Dora Conglomerate). An IP survey was conducted defining 38 anomalies.
			A 10 foot wide zone of pyrite was discovered (Lake Margaret Tram Pyrite Lens); grading at 1 g/t Au, Ag to 1 g/t Cu to 1020 ppm and very low Zn, Pb.
			3 DDH's were drilled into the Lake Margaret Tram Pyrite Lens to no avail.
1980-81	Comstock Valley	MLMRC	An extensive grid was cut and an IP survey conducted over Comstock Valley. No anomalies identified.
1975	Beatrice Prospect	MLMRC	Geochemical sampling from Itat Creek assayed 1110 ppm Pb & 1130 ppm Zn & 906 ppm Pb and 780 ppm Zn.
1976	Beatrice Prospect	MLMRC	43.5km of grids were cut for mapping, soil sampling and an IP survey was conducted over 38 line km's of the grid
1977	Beatrice Prospect	MLMRC	The cutting of an extra 4km of lines for the collection of -80# soil samples. An anomaly was detected over this area corresponding to a SW trending black shale unit and altered tuff. Values included 510 ppm Cu, 1.1% Pb, 1900 ppm Zn, 6 ppm Ag and Mn values up to 15.5%.
1978	Beatrice Prospect	MLMRC	The anomaly found during 1977 gave follow up to and access track for the collection of rock chip samples over a 80m x 80m grid. 109 samples gave the best interval of 5m at 0.57% Zn, 0.63% Pb, 90ppm Cu and 9 ppm Ag. 3 DDH's were completed here with the best intersection of 7m at 0.4% Pb, 0.58% Zn, and 4.5 ppm Ag from 111.6 - 118.6m. From here a number of surveys were conducted such as; EIP gradient array, Downhole three-array, Schlumberger Array, Dipole-dipole and pole-dipole.
1979	Beatrice Prospect	MLMRC	2 additional drill holes were completed along with another 1065 soil samples.
1983	Beatrice	MLMRC	15 rock chip samples 3 assaying at >1000 ppm Zn and > 400 ppm Pb.

	Prospect		
1985	RTAE Anomaly	MLMRC	1 DDH was conducted failing to intersect any significant mineralisation related to the RTAE anomaly.
1989	Beatrice Prospect	BHP	The Beatrice prospect remained unexplored until 1898 when BHP remapped the area and conducted a UTEM survey.
1991-1992	West Sedgwick	RGC	Mapped at 1:5000 scale and collected 139 rock chip samples, along with soil samples.
1992-1993	West Sedgwick	RGC	1 DDH was conducted to test the volcanics near the intersection of the West Sedgwick and Great Lyell Faults.
1993-1994	West Sedgwick	RGC	A series of 400m spaced holes were drilled to test the CVC- Tyndall Group contact. No off-hole conductors were identified.
1994-1995	West Sedgwick	RGC	1 hole was drilled to test an alteration zone, but failed. West Sedgwick was abandoned.
1994	Beatrice Prospect	BHP / RGC Joint Venture	1 drill hole was completed to test the stratigraphic position hosting the mineralisation.
1996	Beatrice Prospect	BHP / RGC Joint Venture	Minor mapping and 1 DDH was completed to test the black shale horizon which was interpreted as a syn-volcanic shear. No significant mineralisation was intersected.
1997-1998	Lake Margaret	Aberfoyle	3 short diamond drill holes for a total of 170.5m were drilled to test a single anomalous Cu wacker sample (0.34% Cu).
1998-1999	Anthony	Goldfields Exploration	Geochemistry study of rock chips and historic drill holes
1999-2001	Anthony	Goldfields Exploration	1:5000 mapping, geochemistry study, Dipole-Dipole IP Survey (24.7 line km)
2005	Lake Margaret	Copper Strike Ltd.	Review of geophysics
2006-2009	Lake Margaret	Copper Strike Ltd.	IP Survey conducted, 1 drill hole completed. Tenement relinquished due to not finding a JV partner.

3.0 WORK COMPLETED during the reporting period - (9th July 2010 – 9th July 2011)

ICP trace element/SWIR data collection

Bass Metals conducted an alteration study of the whole Lake Margaret tenement similar to that that conducted over the Que-Hellyer Volcanics with both spectral data and trace element lithogeochemical samples collected from all available drillcore and significant outcrop.

Historically almost 20,000 metres of drilling has been completed in the Lake Margaret area with 13000m, 4128m and 2435m in the Basin Lake, Beatrice and West Sedgwick areas respectively. Bass collected 8777 spectral measurements from 56 holes and 1467 lithogeochemical samples. (Refer to appendix 1 for results) This study was undertaken to recognise and define alteration "hotspots" which have not been recognisable to the naked eye and have been overlooked in the past.

Initial results supported the presence of high-sulphidation epithermal type alteration minerals in historical drillcore, consistent with the high-sulphidation copper sulphide minerals described from the boulder of high grade copper ore and supports the interpretation that the source of the boulder is proximal.

Favourable hydrothermal alteration was noted in drillholes from the West Sedgwick prospect elevating this area in prioritisation for follow-up work.

Spectra were collected at nominal 2 metre spacing tightened up to 1 metre in the highly altered zones and as wide as 10 metres in unaltered andesite. Detailed analysis of the data by Dr Scott Halley was undertaken with his report presented as appendix 2

Nick Williams (2000 = Honours/Econ. Geol. Paper) details a zonation of alteration at Basin Lake typical of high-sulphidation epithermal Cu+Au systems with a central core of advanced argillic alteration, pyrophyllite and dickite here at Lake Margaret, surrounded by a recognisably zoned series of alteration assemblages. These alteration facies are described below and shown schematically in **Figure 6**.

- Advanced argillic – pyrophyllite + quartz + sericite also paragonite, illite, and kaolinite. Kaolinite can also form via weathering and has not been included in this category but examples of dickite have been included.

- Argillic – characterised by illite and/or paragonite with quartz and a further carbonate present or not distinction which have been ignored.

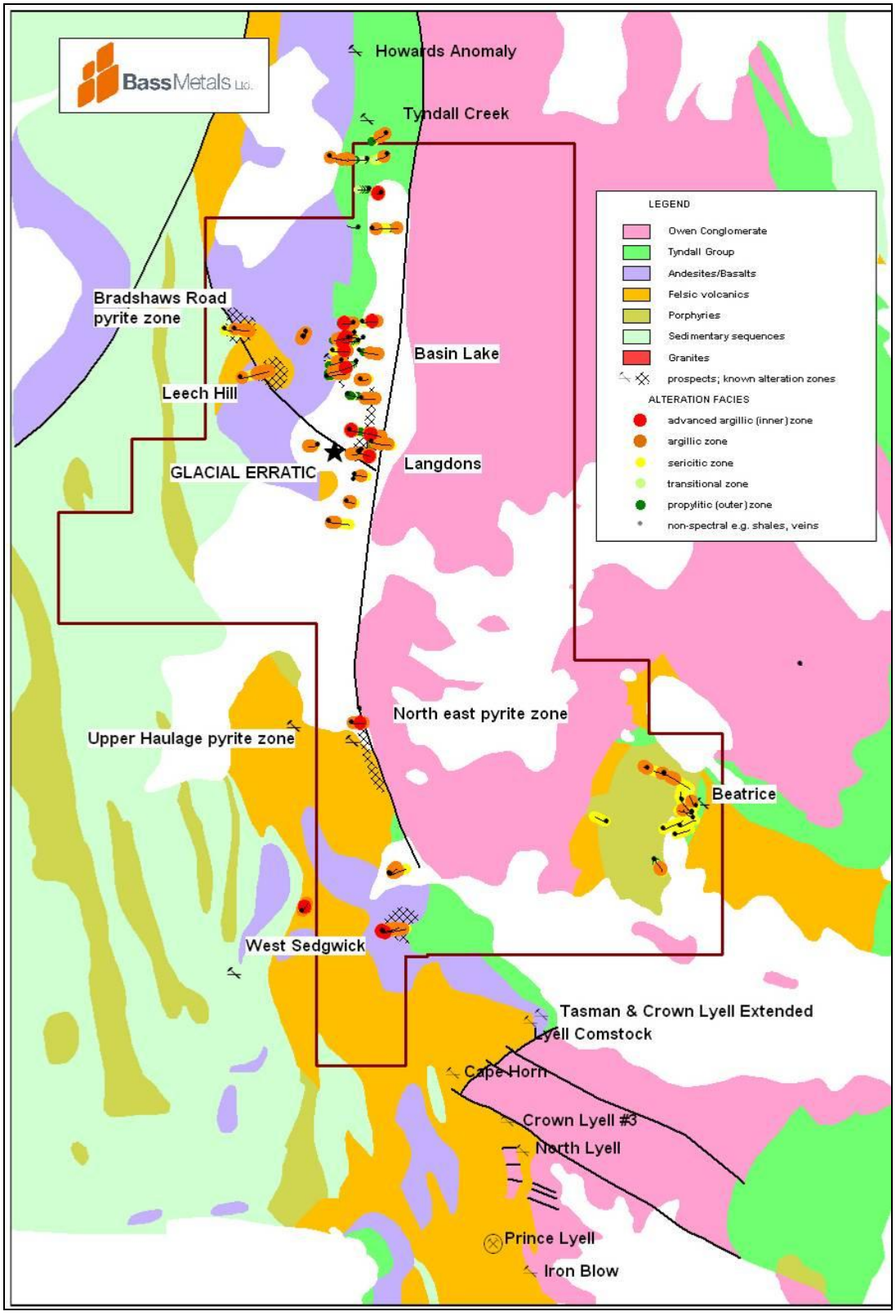
- Sericitic – characterised by sericite with quartz and many others

- Trans. – transitional, perhaps better named as carbonate + chlorite + sericite (phengite)

- Prop. – propylitic characterised by epidote, chlorite and carbonate.

The results are below in **Figures 3-7**.

Figure 3: Drillhole lithogeochemical/SWIR sampling – Whole licence drillhole alteration facies (AMG66, Zone 55)



The sampling recognised the presence of advanced argillic alteration in two apparently discrete zones at Basin Lake and Langdons. The northern of these at the Basin Lake prospect is over 650 metres long and open to both the north and the south. The southern

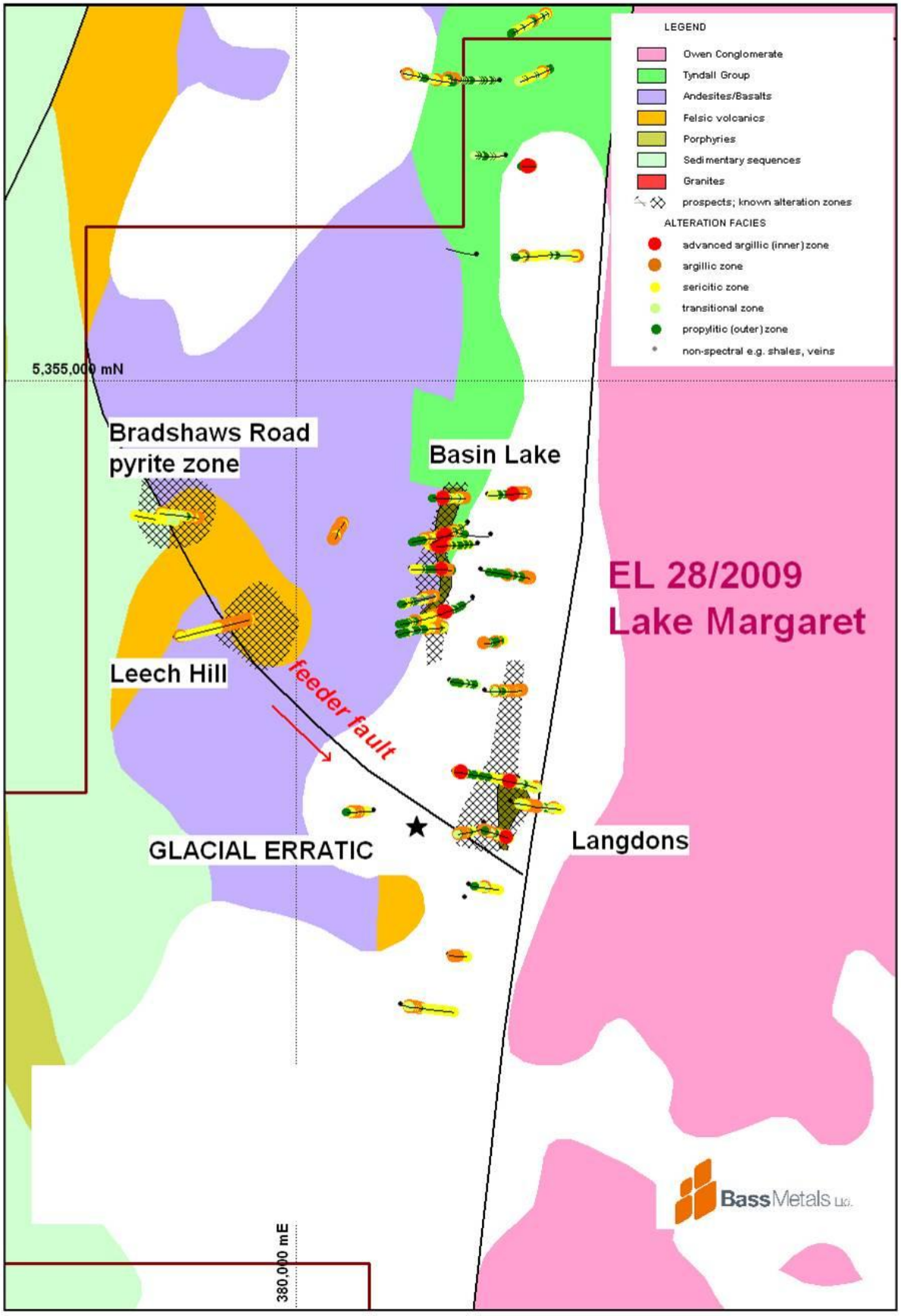
zone, at Langdons, extends over 300 metres. This zone is offset to the east and it too remains open to the north and south.

Highly significant is the occurrence of advanced argillic alteration in both BL1 and BLD89-3 at Langdons as this zone essentially underlies the area over which the students mapped the ore grade glacial erratics. The figures show a northwest striking fault intersecting the north-south (Great Lyell Fault) at about 45 degrees. Whilst the structural picture needs some detailed refinement it is this fault which appears to pass though the Bradshaw's Road and Leech Hill alteration zones and has been interpreted as a syn-mineralisation, potentially feeder structure for hydrothermal fluids.

The SWIR spectra sampling has also revealed the presence of favourable advanced argillic and argillic alteration at West Sedgwick in drillholes W5A, W6, W7 and W8 and at the North east pyrite zone alteration drilled by LMD1.These areas, particularly the latter, lends themselves to low level ICPMS&OES soil sampling to map alteration.

There is also an enigmatic occurrence in TYN6 towards the north of the licence.

Figure 4: Drillhole lithogeochemical/SWIR sampling – Basin Lake/Langdons area drillhole alteration facies (AMG66, Zone 55)



The pathfinder elements show a similar picture. (Figure 5-7).

Figure 5: Drillhole lithogeochemical/SWIR sampling – Licence area Drillhole As (AMG66, Zone 55)

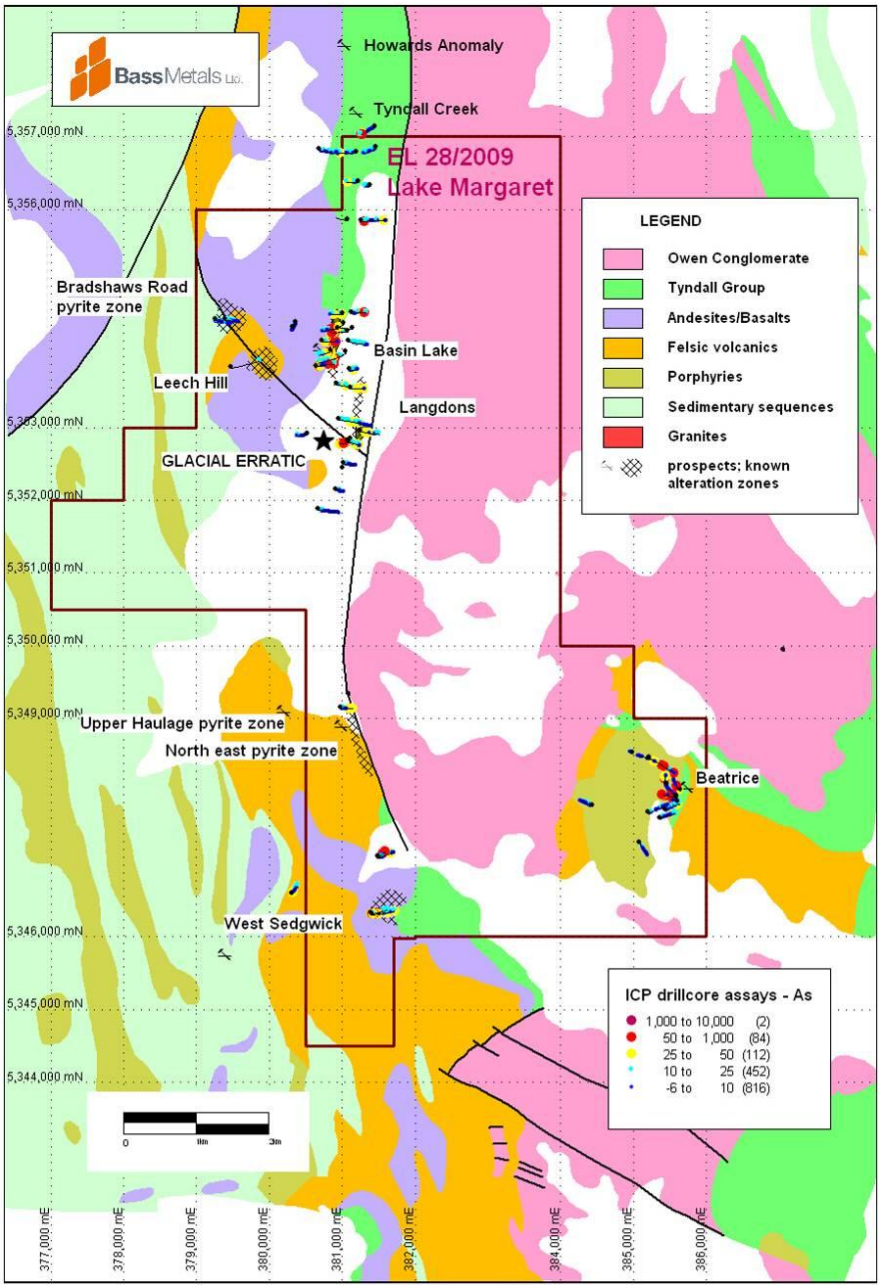


Figure 6: Drillhole lithogeochemical/SWIR sampling – Basin Lake/Langdons area As (AMG66, Zone 55)

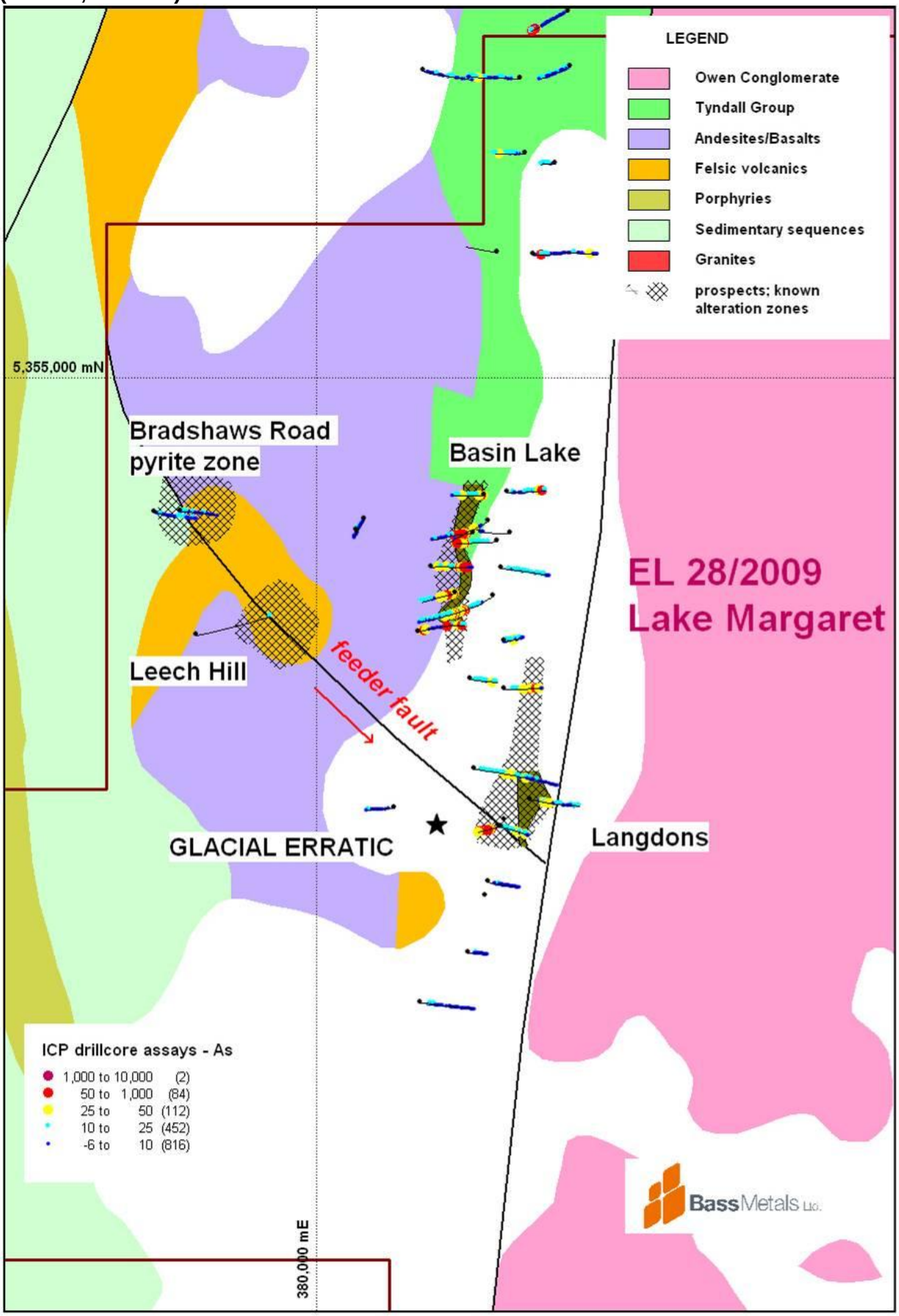
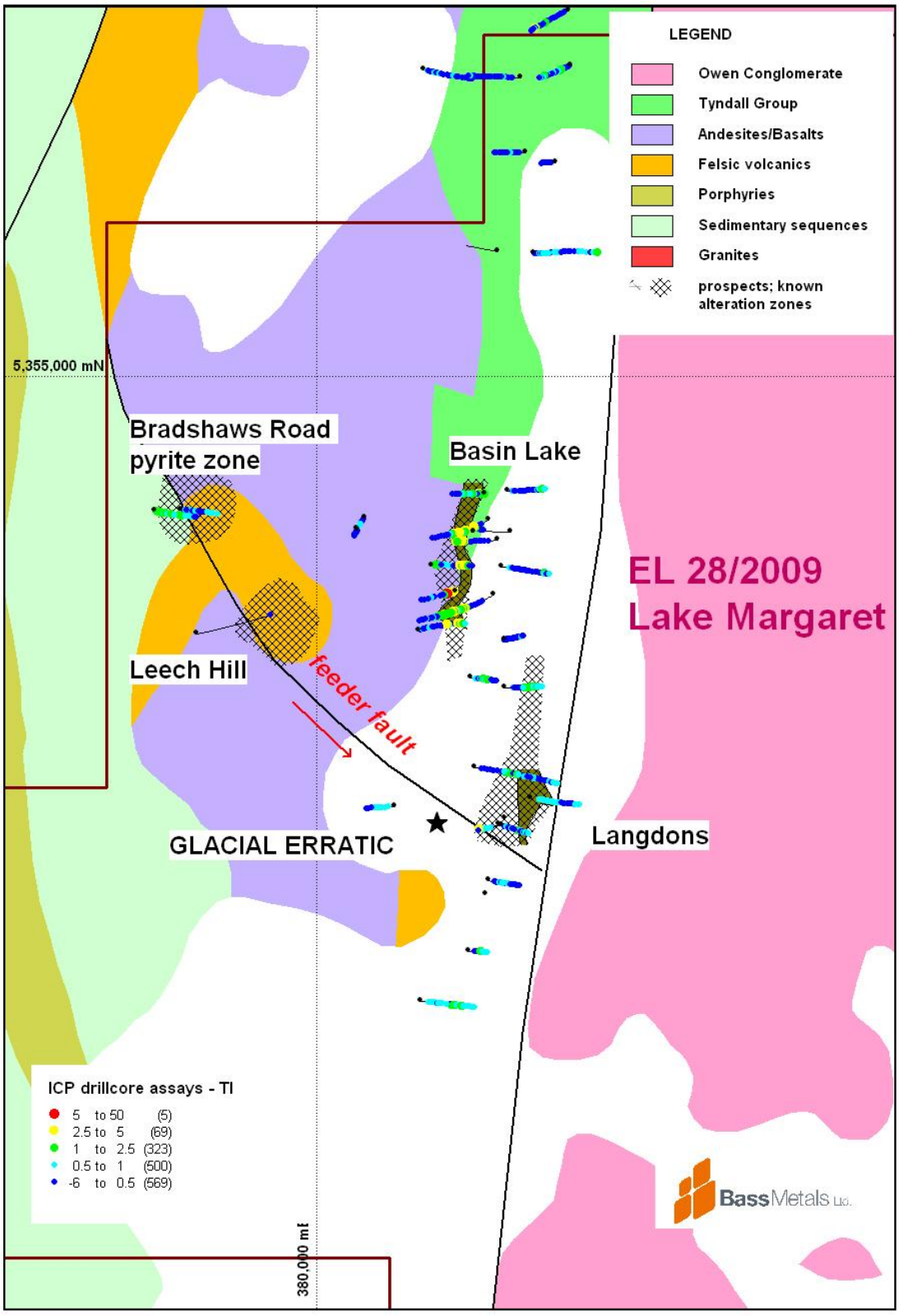


Figure 7: Drillhole lithogeochemical/SWIR sampling – Basin lake/Langdons Tl (AMG66, Zone 55)

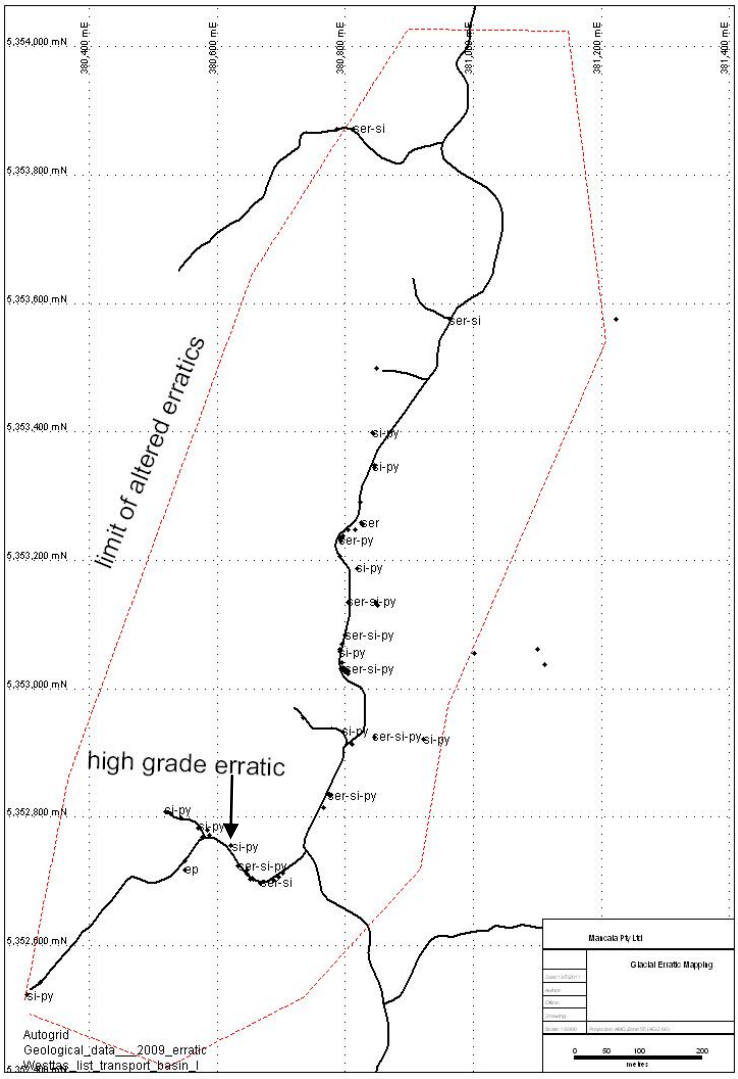


Follow up of the glacial erratic:

A significant occurrence which attests to the potential of the region for high grade copper of North Lyell high sulphidation style is the enigmatic ore grade glacial erratic. Samples collected from this erratic average 5.6% Cu, 0.6 g/t Au and 29 g/t Ag. The mineralogy of this erratic – an intensely silicified rock with pyrite, enargite and tennantite and trace covellite, stannoidite and mawsonite is very similar to the mineralogy at North Lyell and the high copper grade part of the Iron Blow. A slight difference is that at North Lyell the main copper phase is bornite however bornite and enargite both form under oxidised conditions. Enargite and tetrahedrite has been identified at the Iron Blow. The type locality for mawsonite is North Lyell and it is only found in a handful of places around the world. The fact that this mineralisation occurs in glacial float suggests that the original source may be outcropping but covered by glacial deposits.

A detailed mapping exercise was completed where altered clasts were searched for within the glacials. Numerous clasts of intersely silicified +\- pyrite where found over an area of >1km x 200 metres (Figure 8- appendix 5). Altered clasts were predominatly found on the roads where there was the best exposure of the glacials.Figure 8: Glacial erratic mapping.

Figure 8. Glacial Erratic Map



Diamond drillhole LMD2 was designed to test the region upslope from the mineralised erratic, identify the Great Lyell Fault (GLF), and intercept mineralisation and alteration that is adjacent to the structure in the North Lyell position. The hole intercepted the GLF at 346.9 m and terminated in Owen Conglomerate at 351 m. Due to not being able to get the rig higher up slope, the hole tested a region below the North Lyell position, Figure 9. The next phase of drilling will be further to the east, this will require helicopter support, Figure 8.

LMD2 core was sampled from 44.4-156, 194-199 and 342.5-351 metres. The hole was lined 40mm PVC. Note 21 metres of HQ casing was left down hole at 76-97 m.

The remaining two holes LMD3 and LMD4 were drilled as vertical holes near the high grade glacial erratic, see Figure10. These holes were designed to test whether the erratic was insitu or close to source. The two holes do suggest the erratic source is further up the hill. The holes intercepted varying depths of glacial cover overlying Anthony Road Andesite. Neither hole was sampled.

Boart Longyear supplied a track mounted LF70 drilling rig and crew. Drilling was on a single shift basis working Monday to Friday. The drilling rig arrived on site on 10th March. Drilling commenced on the 17th March. Drilling continued up until 12th May, with the rig offsite on the 18th May. With a total of 448.6 metres drilled, this included 32.3 m PQ, 184.3 m HQ and 232 m NQ core size.

Drilling personnel were supported at various stages by Bass Metals personnel Howard Armitage, Brad Schuuring, Tony Curle, and Anthony Boon, and by the contractor Ernie Triffett.

Three holes were drilled on site; LMD2 to LMD4; see Table 2.

Table 2. Collar Details LMD2 to LMD4

Hole ID	AMG Easting	AMG Northing	RL	Incl.	Mag Azi	EOH Depth	PVC ?
LMD2	381231	5352742	672	-55	083	351	**Yes**
LMD3	380584	5352771	557	-90	360	32.5	**No**
LMD4	380684	5352697	578	-90	360	65.1	**No**

Figure 9: Schematic 5352750N section showing LMD2 results (AMG66, Zone 55) and further planned drilling

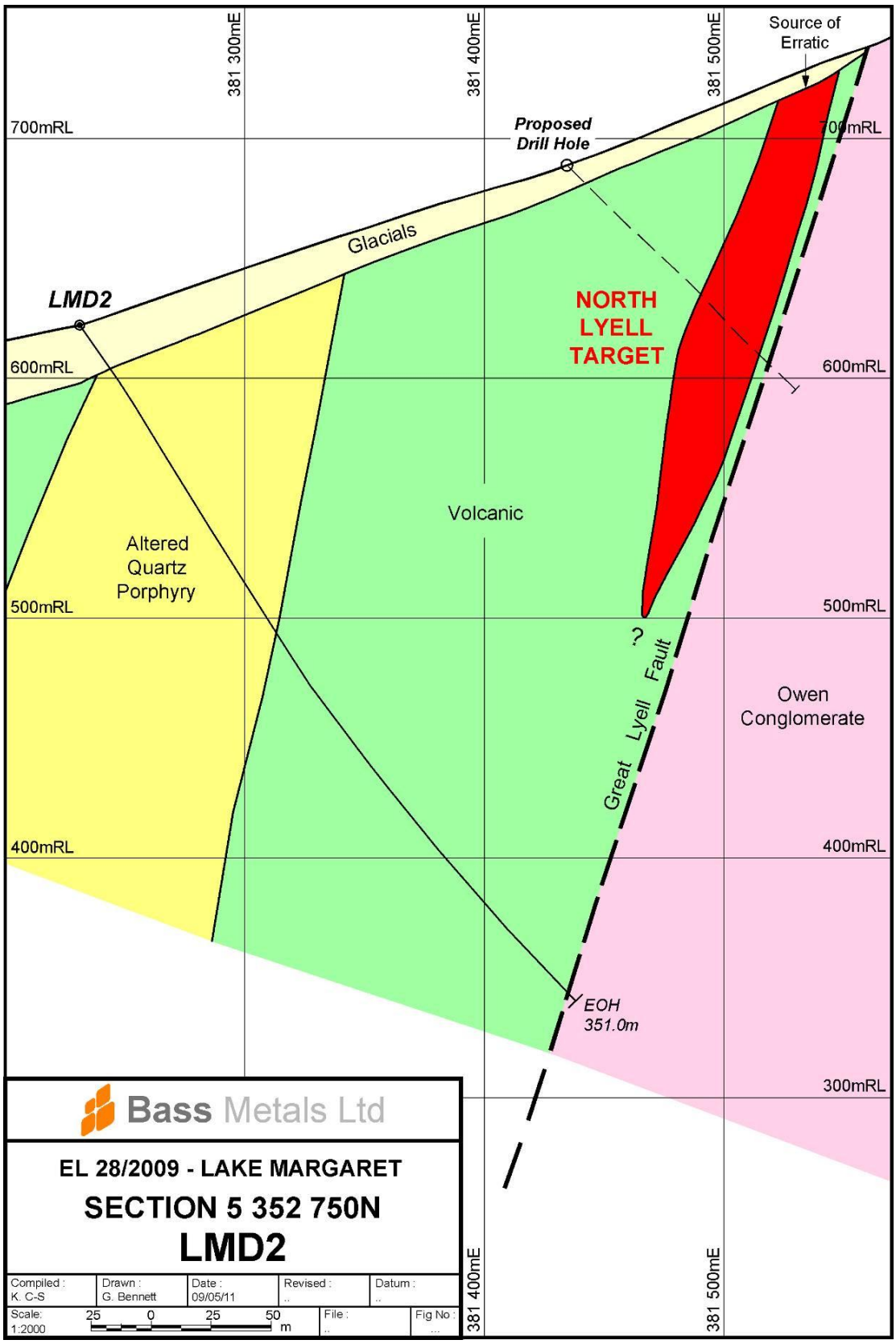
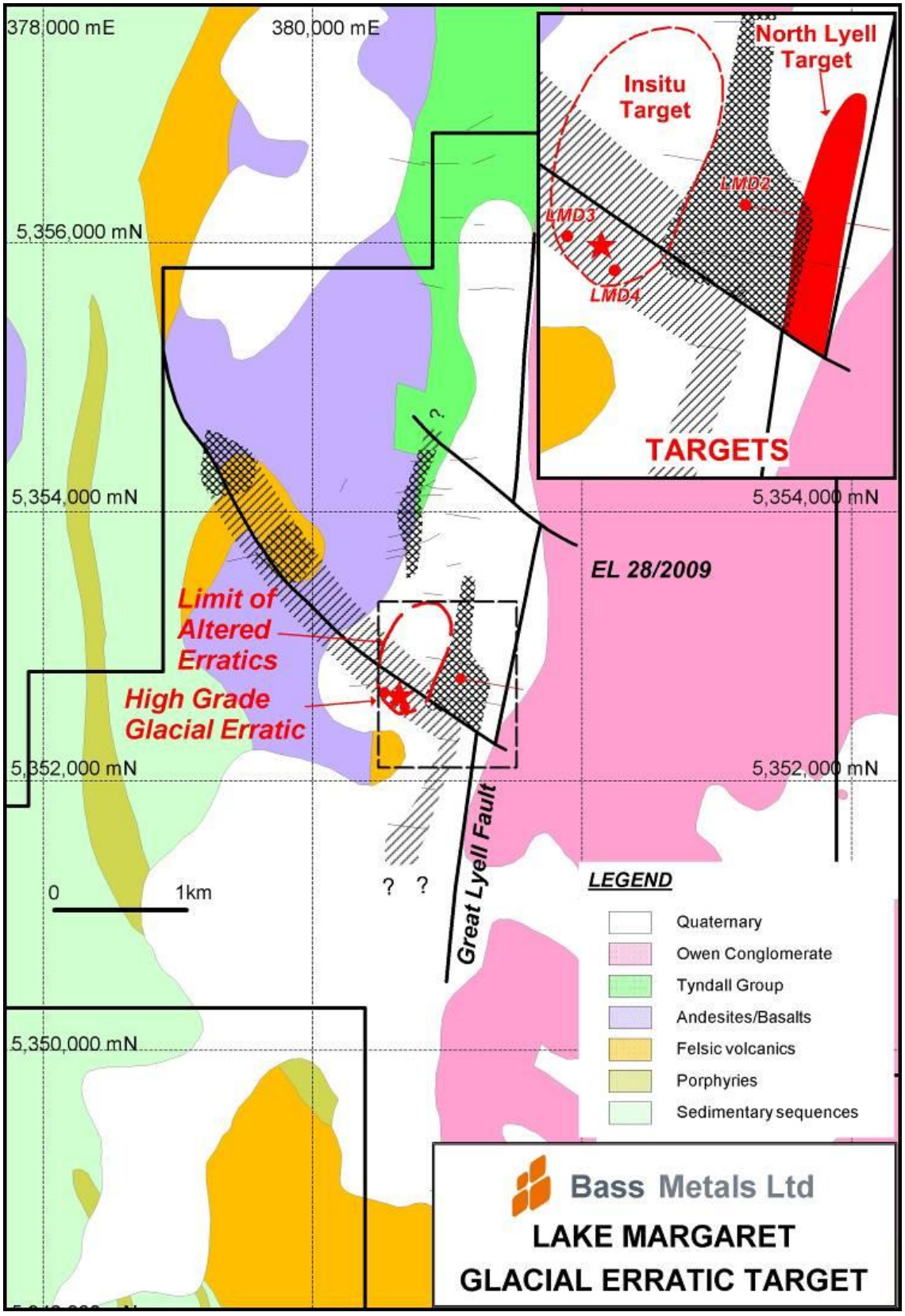


Figure 10. Regional Geology Map with location of LMD3 and LMD4 and High Grade Glacial Erratic



LMD2 summary log:

- 0-22: Glacial zone – Owen Conglomerate boulders with minor poorly consolidated matrix of sand and gravel fragments; note only 50% recovered.
- 22-133.5: Strongly foliated sericite-chlorite-silica altered quartz-feldspar porphyry hosting 1-3% disseminated and veined pyrite.
- 133.5-178.7: Chloritic altered basalt and volcaniclastics, locally strongly foliated, 2-5% disseminated pyrite.
- 178.7-345.2: Feldspar phyric dacitic volcaniclastic moderate silica-feldspar-chlorite altered with inter-fingered zones of amygdaloidal basalt.
- 345.2-346.9: Sheared and brecciated dacitic volcaniclastic, weakly oxidised; Great Lyell Fault at 346.9 m.
- 346.9-351: Owen Conglomerate with a weak chloritic matrix and trace blebs of chalcopyrite, weakly oxidised; EOH at 351 m.

LMD3 summary log:

- 0-5.4: Glacial zone – Owen Conglomerate boulders and minor andesite fragment, poorly consolidated; with 2.9m of core loss.
- 5.4-32.5: Hornblende and feldspar phyric andesite, moderate to strongly weathered. EOH at 32.5 m.

LMD4 summary log:

- 0-32.1: Glacial zone – Owen Conglomerate and Anthony Rd Andesite boulders, poorly cemented; with 15.4m of core loss.
- 32.1-35.5: No core.
- 35.5-37.0: Glacial/clay zone - white layered clay and polymict pebbles, weakly imbricated.
- 37-43.0: No core.
- 43.0-45.6: Glacial zone: Owen Conglomerate with minor clay; with 1 m of core loss.
- 45.6-65.1: Hornblende and feldspar phyric andesite, weak to strongly weathered. EOH at 65.1 m

Refer to appendix 4 for complete drill hole details.

Sampling:

79 samples of LMD2 were sent to the Burnie Research Laboratory. All results have been received with no significant values. ASD samples of LMD2 were taken every metre from 85 to 350 m, with 267 values recorded. Refer to appendix 2 for assay results.

4.0 PROPOSED EXPLORATION FOR 2011-12.

- MMI soil sample program of the area.
- VTEM survey is planned for the entire area later in the year.
- Helicopter supported drill program to follow and test the North Lyell position in the summer months.

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. The drilling program was very low impact with the rig walked over the button grass plains using railway sleepers.

6.0 EXPENDITURE

Table 3 Expenditure 11th June 2010 to 10th June 2011

Expenditure reported is up to and including 31st May 2011

June 2010 - June 2011		
Geoscientific Costs	**Geology**	218,077.66
	Geochemistry	6,115.87
	Geophysics	
	Remote Sensing	
Drilling & Gridding Costs	**Gridding**	
	Drilling	269,885.52
	Land Access Costs	
	Rehabilitation Costs	
	Feasibility Study Costs	
	Other Costs	
	Admin Costs	18.60
	Total - eligible	**$494,097.65**

Total expenditure up to the 31st May 2011 for the Lake Margaret tenement is $506,798.00

7.0 REFERENCES

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APPENDIX 1

ICP trace element/SWIR data collection results (Digital Copy Only)

APPENDIX 2

Dr Scott Halley – Report on SWIR and trace element lithogeochemical sampling

APPENDIX 3

Diamond drilling assay results LMD2

APPENDIX 4

Diamond drilling details LMD1 – LMD4