

**LAKE MARGARET PROJECT
TASMANIA
EL29/2008**

**ANNUAL PROGRESS REPORT
10th July 2011 – 9th July 2012**

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Clancy Exploration
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Disclaimer

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 Lake Margaret exploration licence (EL29/2008) on 9th July 2010. This tenement is in joint venture with Clancy Exploration Limited where Bass Metals is the Holder / Manager. For this 2nd year of tenure ended 9th July 2012 work conducted on the licence has included -

- A 471 sample partial digest soil geochemical survey

This licence has been exempted from exploration expenditure commitments by Mineral Resources Tasmania for the period 1st February 2012 to 31st January 2013.

Expenditure –	Reporting period	\$7,557
	Total to date	\$514,355

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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 10th July 2011 to 9th July 2012.

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 Quaternary glacial deposits.

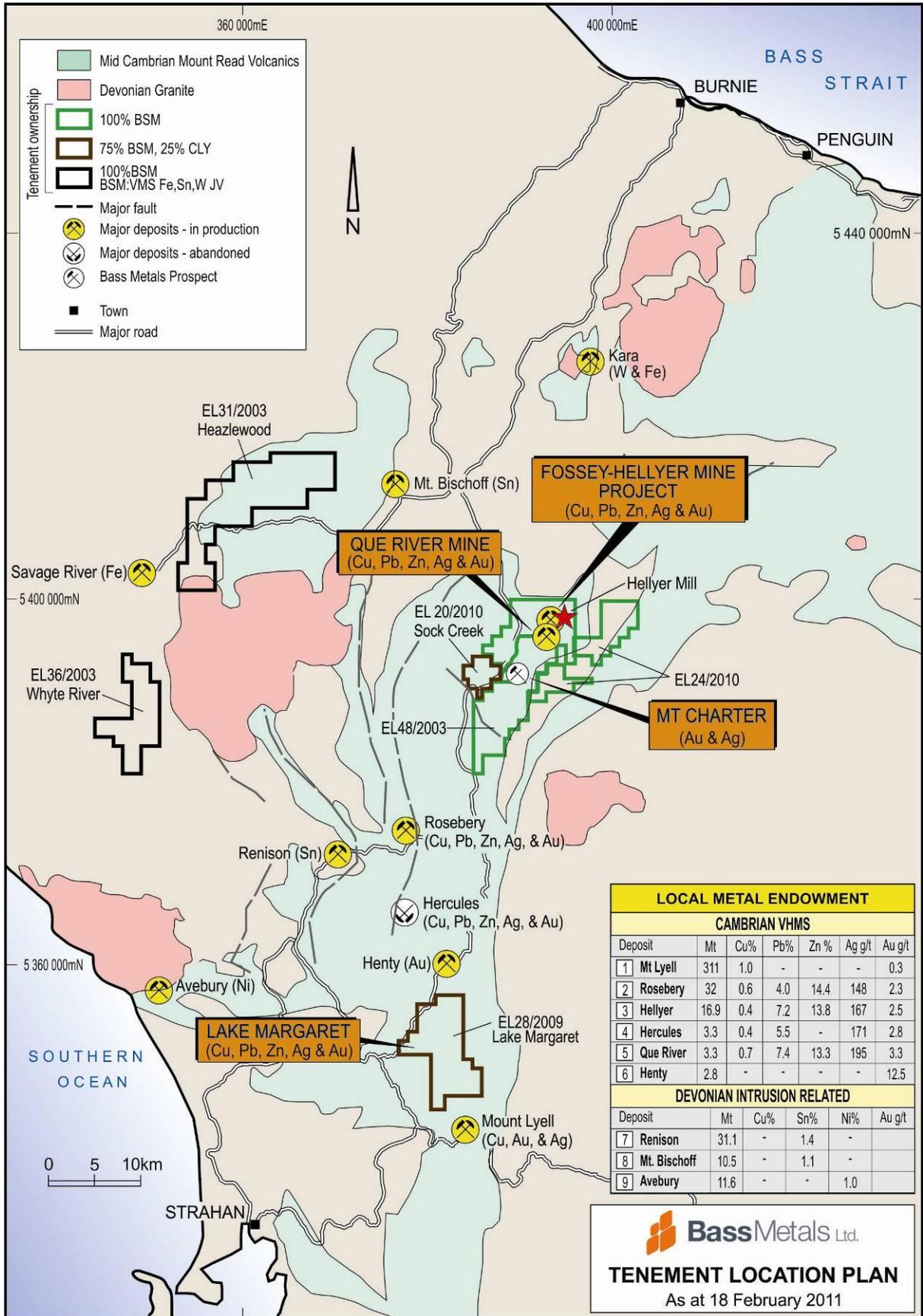


Figure 1. Location Map

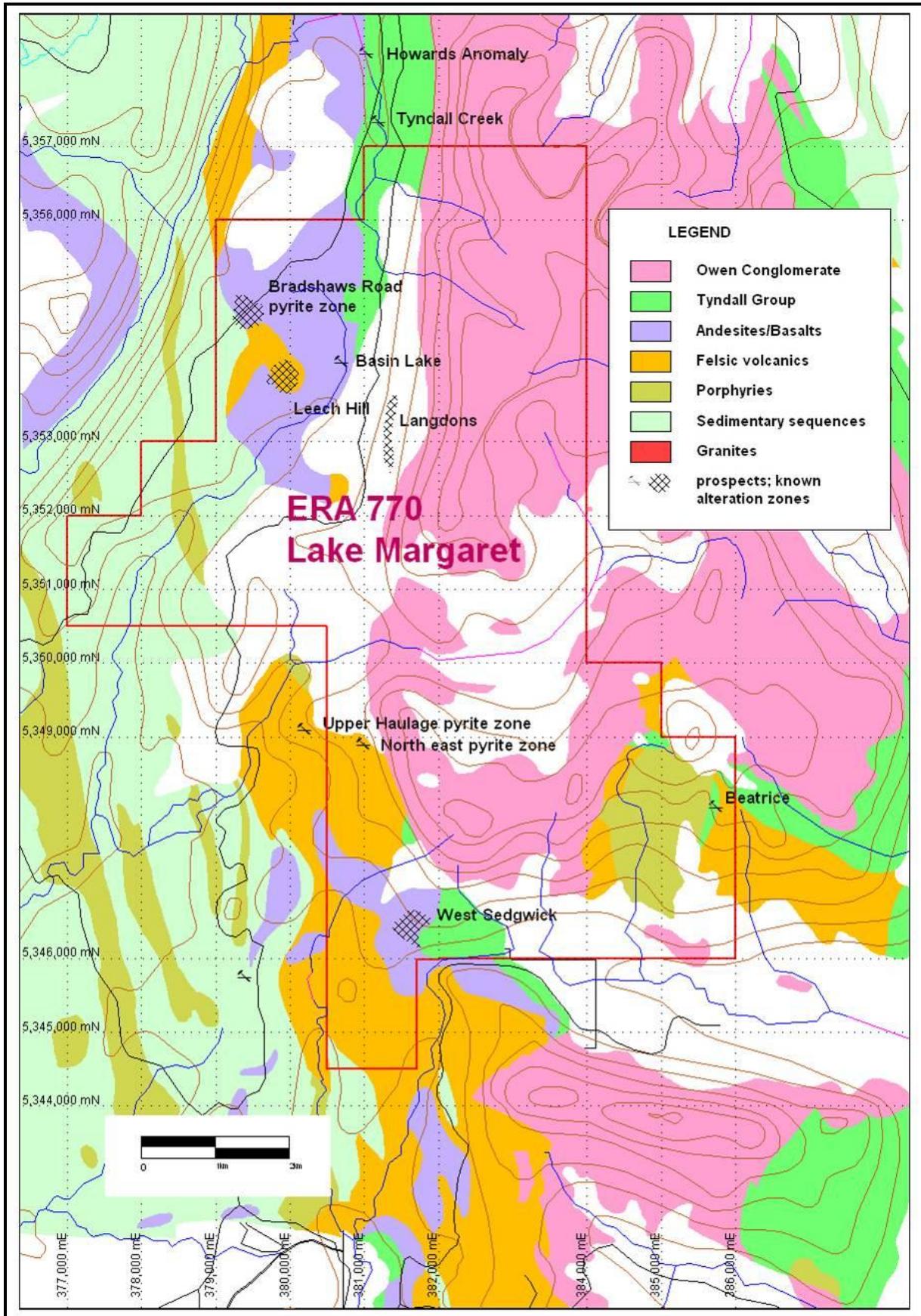


Figure 2. Regional Geology Map (AMG66, Zone 55)

2.0 EXPLORATION HISTORY

Previous exploration on the licence area is summarised in the 2011 annual report (Bates 2011).

3.0 WORK COMPLETED DURING THE CURRENT REPORTING PERIOD

3.1 Partial Digest Soil Geochemistry Program

Prospective stratigraphy to the west of the Great Lyell fault is largely covered by Quaternary glacials up to several tens of metres thick. Partial digest soil geochemistry was seen as a potential method to explore the volcanics beneath this transported overburden. A sampling program was designed to cover the area around existing drill holes displaying zones of hydrothermal alteration and the previously reported copper mineralised erratic (Figure 3)

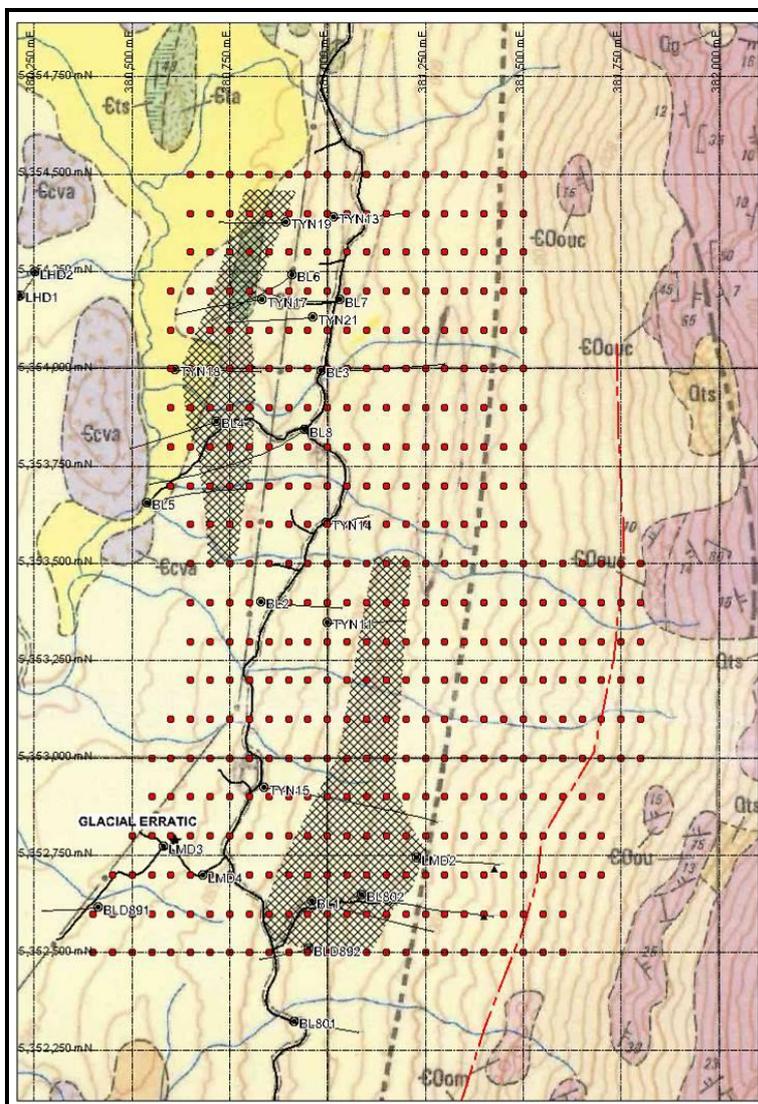


Figure 3: Plan showing proposed location of Partial Digest soil geochemistry survey, with regional geology, drill holes, interpreted Great Lyell Fault position (red), alteration zone (hash) and glacial erratic location. (AMG66, Zone 55)

Approximately 460 samples on 50m centres, along twenty two 100m spaced lines, between 5352500N and 5354500N (AMG66, Zone 55) were planned. The start and finish of each line was strongly influenced by topography and vegetation. Samples were collected from the base of the A horizon between June and November 2011. Samples were analysed by AMDEL laboratories in Adelaide using a method optimized for western Tasmanian conditions in conjunction with Pasmenco during the 1990's. This method utilizes a (0.1M) tetra-sodium pyrophosphate leach.

The partial digest assay results for a selection of elements are summarized below, in plan view, in Figures 4-10.

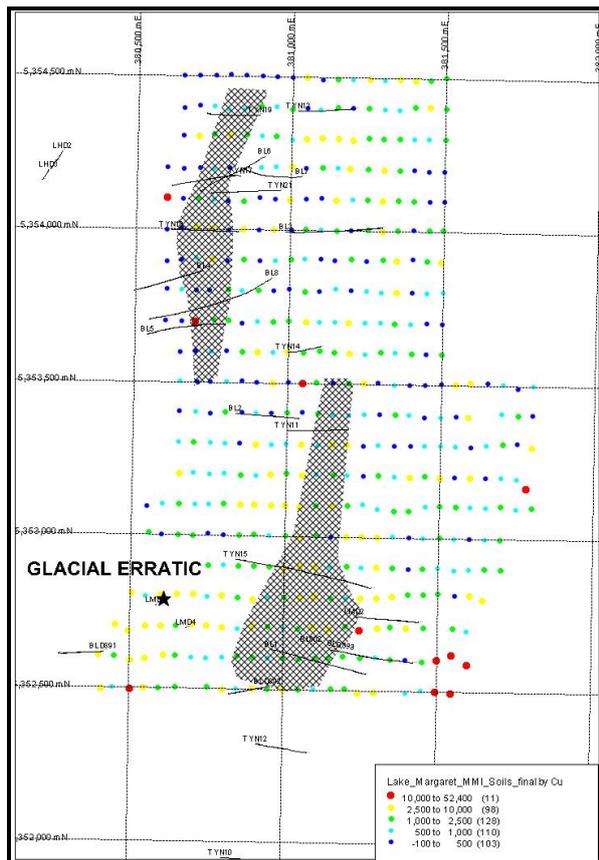


Figure 4: Plan of Soil Geochemistry Results – Copper (ppb) (AMG66, Zone 55)

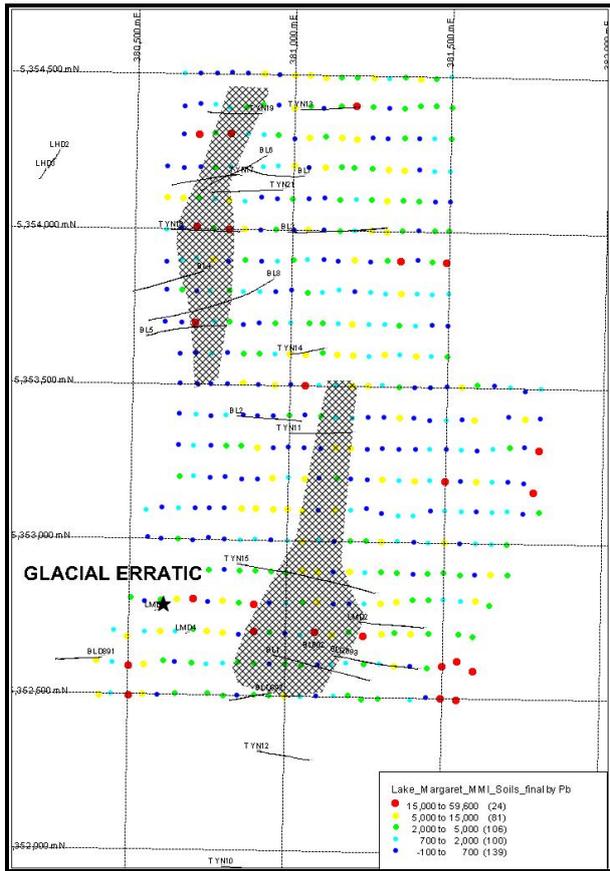


Figure 5: Plan of Soil Geochemistry Results - Lead (ppb) (AMG66, Zone 55)

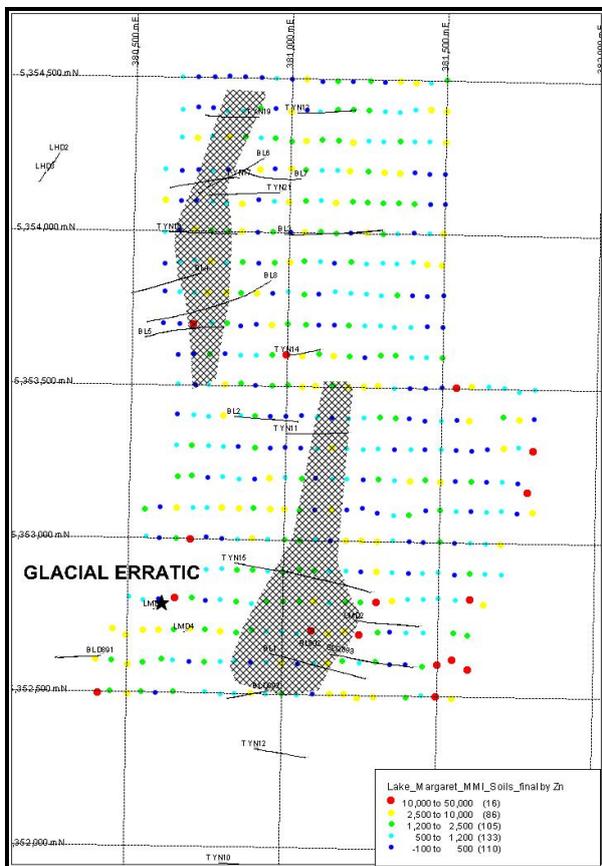


Figure 6: Plan of Soil Geochemistry Results - Zinc (ppb) (AMG66, Zone 55)

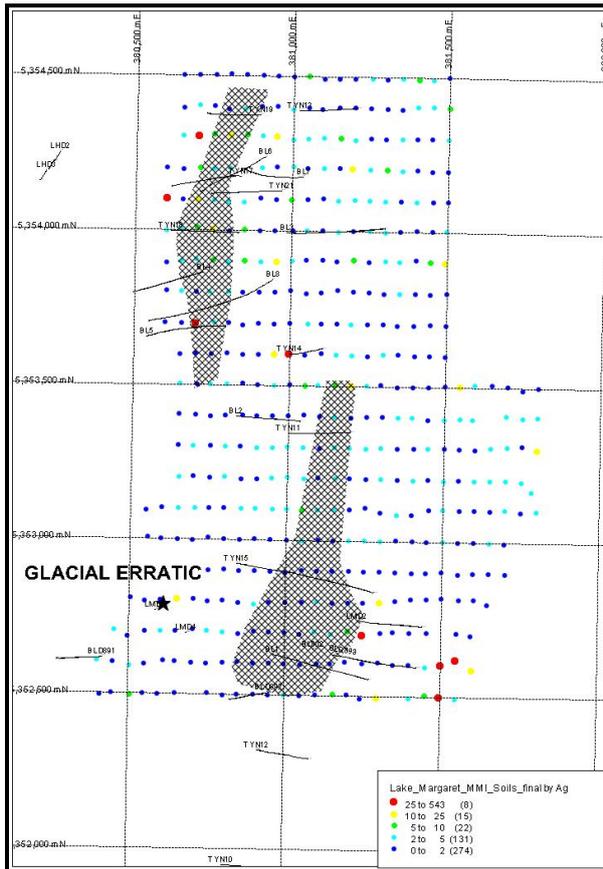


Figure 7: Plan of Soil Geochemistry Results - Silver (ppb) (AMG66, Zone 55)

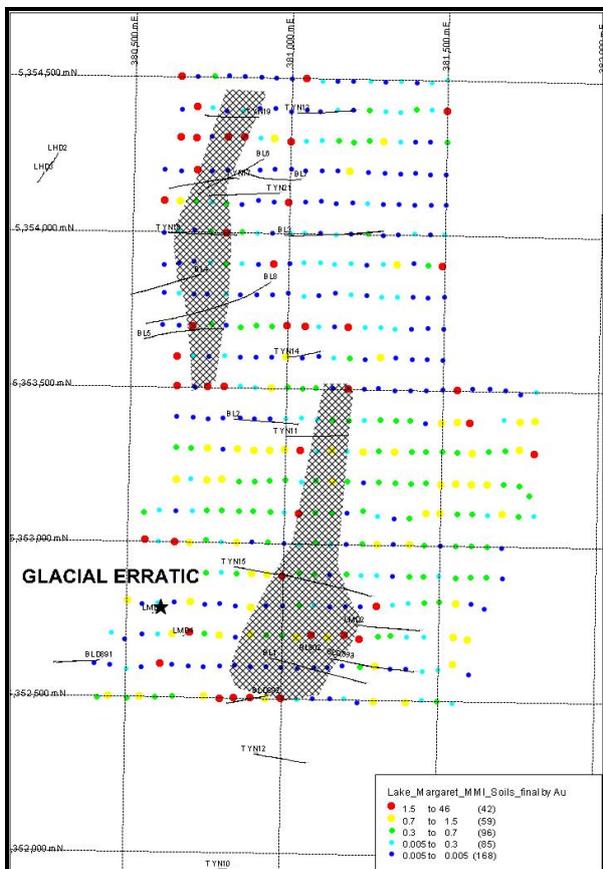


Figure 8: Plan of Soil Geochemistry Results - Gold (ppb) (AMG66, Zone 55)

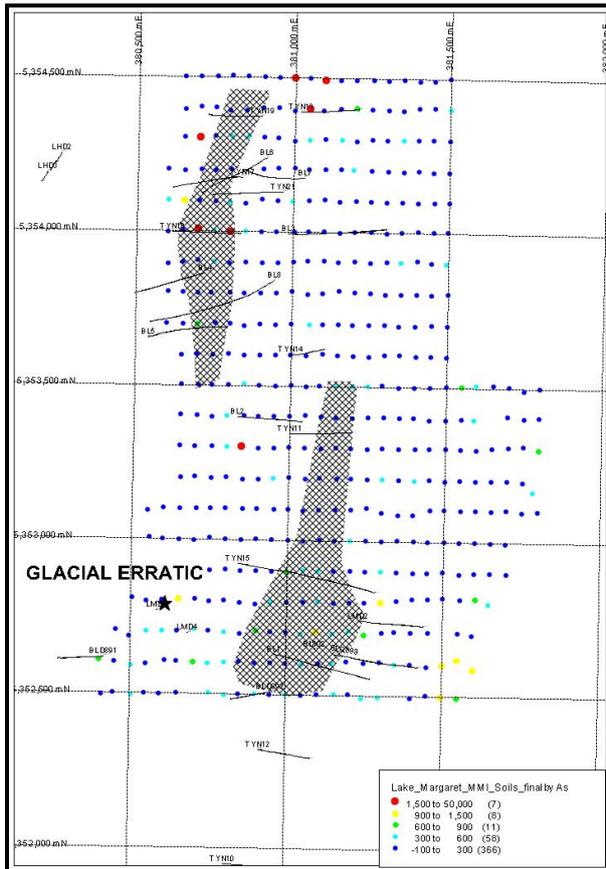


Figure 9: Plan of Soil Geochemistry Results - Arsenic (ppb) (AMG66, Zone 55)

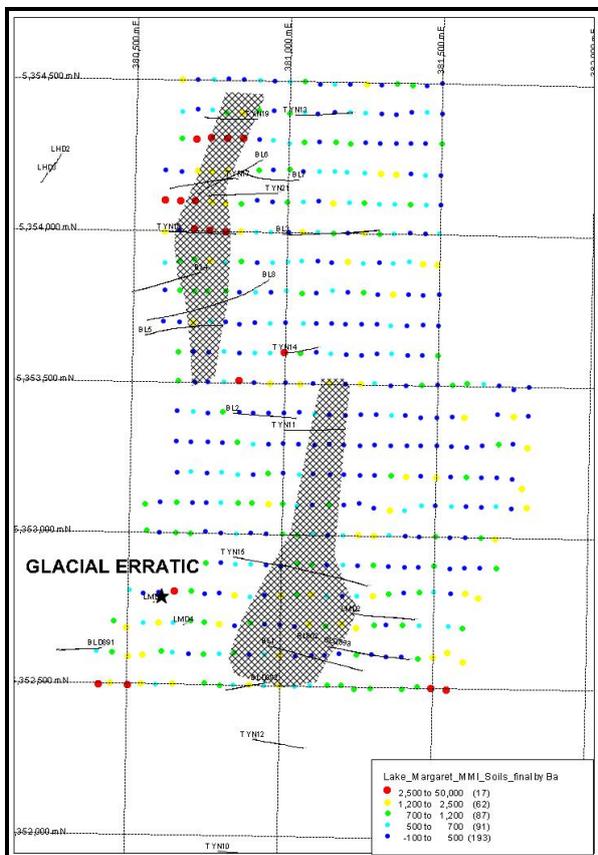


Figure 10: Plan of Soil Geochemistry Results - Barium (ppb) (AMG66, Zone 55)

Data from the survey was interpreted using “Response Ratios”. Response Ratio was calculated as the assay value / background value where the background is set as the mean of the lowest quartile of the population. Response ratios from several relevant elements can then be added together to highlight areas with multi-element anomalism. When this was done three areas of interest were indicated (Figure 11).

These are:

- #1 – In the north-west of the survey area with three high values. This corresponds with hydrothermal alteration previously identified and partially tested with historic drilling.
- #2 – A central zone with an isolated single point anomaly; near the TYN14 collar, unsure if this is a valid or contaminated sample.
- #3 – An area in the south-east corner of the grid with four high values.

The most significant of the anomalous areas is considered to be the multi-element response in the SE corner of the grid. This is up-slope from the mineralised glacial erratic and aligns well with the amended position of the Great Lyell Fault, as indicated by the drilling of Bass Metals hole LMD2 (see the 2011 annual report). It is thought that these anomalous values could be the result of secondary dispersion from the source of the mineralised erratic (Figure 11). The location is consistent with a “North Lyell” style target at the contact between the volcanics and Owen Conglomerate. The anomaly is open along strike to the south and clearly the survey will need to be extended in this direction to fully define the strike length of the target.

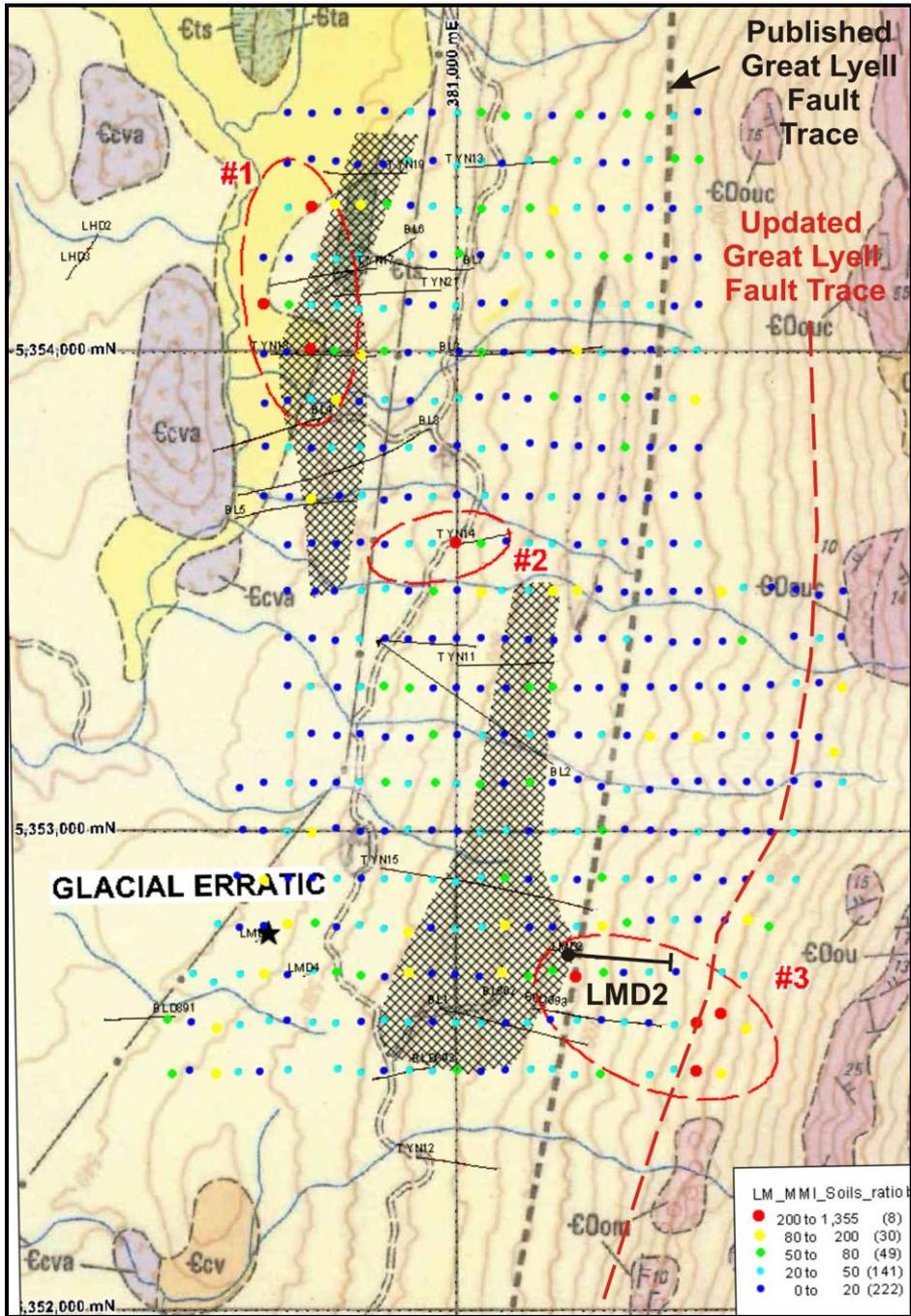


Figure 11: Partial Digest soil data showing location of anomalous areas. Results shown are a sum of the Response Ratios of Cu, Pb, Zn, Ba, As, Ag, Cd and Co. (AMG66, Zone 55)

4.0 PROPOSED EXPLORATION FOR 2012-13.

Due to the financial difficulties currently experienced by Bass Metals, EL 28/2009 is exempt from exploration expenditure commitments from 1-2-2012 to 31-1-2013. When exploration resumes it is planned to undertake the following programs:

- A helicopter borne VTEM survey is planned for the entire licence area.
- The current partial digest soil survey will be extended to the south, with further sampling to the east and west where possible. The limiting factors to sampling are vegetation, terrain and outcrop. This program is designed to test if the currently identified anomalies can be extended, and if there are further anomalous areas to the south.
- A helicopter supported drill program to follow and test the North Lyell target position in light of the now better defined Great Lyell Fault location.

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 soil sampling program was very low impact with only foot access and no grid lines being cut.

6.0 EXPENDITURE

Table 1: Expenditure 1st June 2011 to 9th June 2012
**Expenditure reported is up to and including 31st May 2012*

June 2011 - June 2012		
Geoscientific Costs	Geology	4549
	Geochemistry	1369
	Geophysics	
	Remote Sensing	
Drilling & Gridding Costs	Gridding	
	Drilling	400
	Land Access Costs	
	Rehabilitation Costs	
	Feasibility Study Costs	
	Other Costs	1239
	Admin Costs	
	Total - eligible	\$7557

Total expenditure up to the 31st May 2012 for the Lake Margaret tenement is \$514,355

7.0 REFERENCES

Bates, S., 2011. Lake Margaret Project, Tasmania, EL29/2008. Annual Progress Report, 10th July 2011 – 9th July 2012. Unpublished Report to Mineral Resources Tasmania

APPENDIX 1
Partial Digest Soil sample Assay Results