

**BULGOBAC RIVER
(LAKE MACKINTOSH GROUP)
TASMANIA
EL24/2004**

**ANNUAL PROGRESS REPORT
30TH JULY 2011 TO 29TH JULY 2012**

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Distribution:

Mineral Resources Tasmania
Bass Metals Ltd

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

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.

EXECUTIVE SUMMARY

Bass Metals Ltd (BSM) commenced management of the Bulgobac River exploration licence EL24/2004 on 30 July 2005. Due to the financial difficulties currently experienced by Bass Metals, EL 24/2004 is exempt from exploration expenditure commitments from 1-2-2012 to 31-1-2013. Only minor work has been conducted on the licence during the 8th year of tenure ended 29th June 2012.

Expenditure –	Reporting period	\$33,272
	Total to date	\$392,207

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1. INTRODUCTION

This report is a summary of the exploration activities conducted on the Bulgobac River exploration licence EL24/2004, for the period of 30th July 2011 to 29th July 2012.

1.1 Tenure

The licence is located in Tasmania's northwest and was acquired as part of a package of tenements in the Hellyer-Que River area from Intec Ltd during March 2005. This tenement has an area of 32km² and has had two 12 month extensions approved.

The licence area excludes Mining Lease CML 103M/1987 held by Bass Metals Ltd. The Bulgobac River licence comprises:

- CAR Reserve System Informal Reserve
- Land vested to the Hydro Electric Corporation
- Reynolds Falls Nature Recreation Area
- Private Property
- State/Multiple Use Forest

1.2 Location & Access

The tenement is located 13 to 23 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 or the Cradle Mountain Development road and tracks which access 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 can be found on the Charter (#3839) 1:25,000 map sheet and the Sophia (#8014) 1:100,000 map sheet.

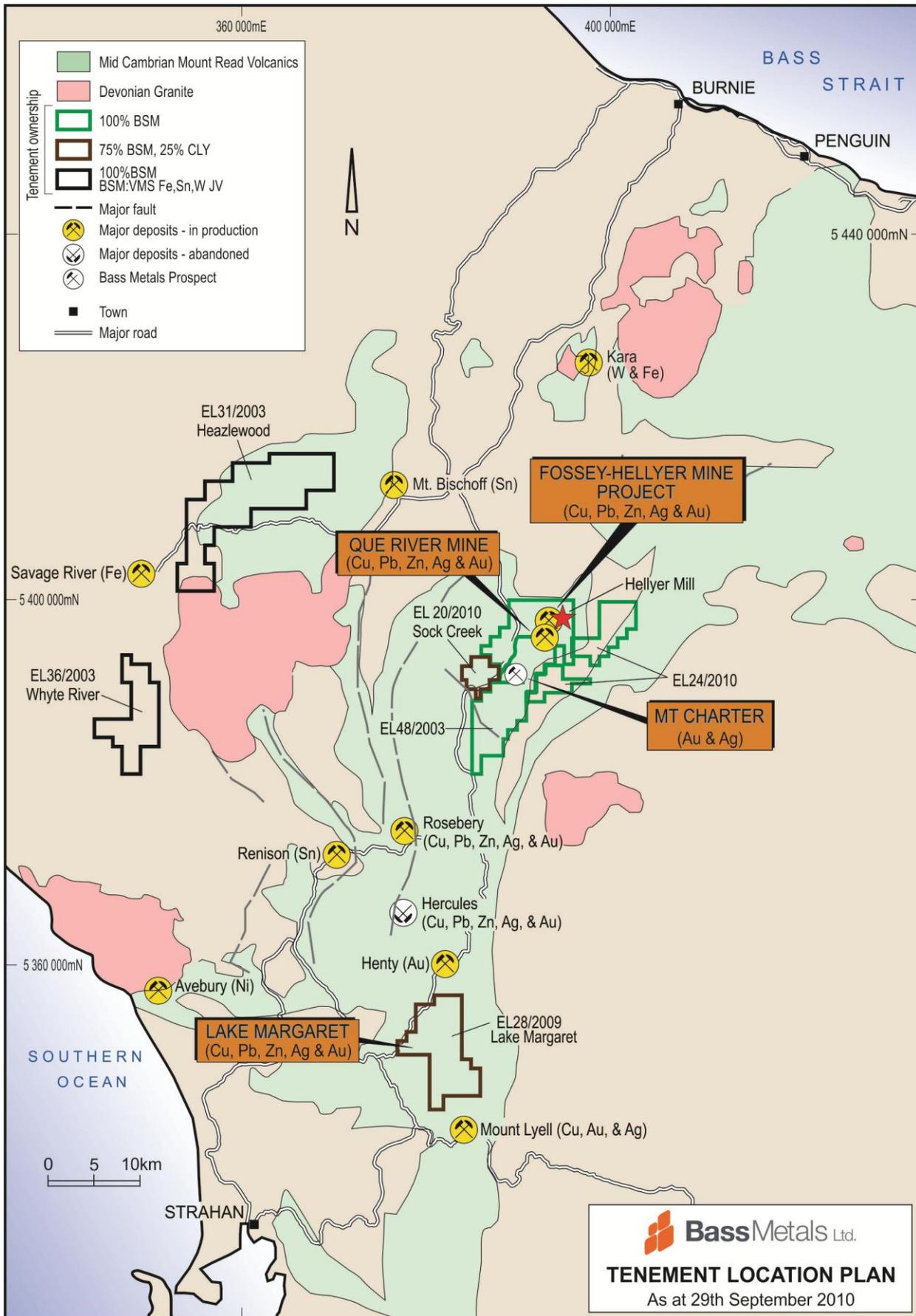


Figure 1. Bulgobac River Exploration Licence (EL24/2004) location map

1.3 Geology Overview

The prospective rocks on EL 24/2004 are 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 and 3).

The Mt Read Volcanics are a belt of calc-alkaline volcanics which extend from Elliott Bay on Tasmania's west coast around to Deloraine in the central north and host a number of Volcanic Hosted Massive Sulphide (VHMS) and precious metal deposits including the Rosebery, Mt Lyell and Hellyer deposits (Figure 1).

The Bulgobac River area is prospective for similar deposits and it is this style of mineralisation which has been the target for exploration within the area.

In the northern and westernmost parts of the licence the Mt Read Volcanics are unconformably overlain by a relatively thin veneer of Tertiary basalt and gravels. There are also some minor areas overlain by Quaternary alluvium. The other (approximately) half of the licence covers outcropping Mt Read Volcanics from units (predominantly Southwell Sub-Group and Que River Shale) stratigraphically higher than the prospective Que-Hellyer Volcanics.

The exception to this is ~1km² area on the western side of the Mt Charter Fault where a relatively thinned sequence of Que-Hellyer Volcanic correlates is present.

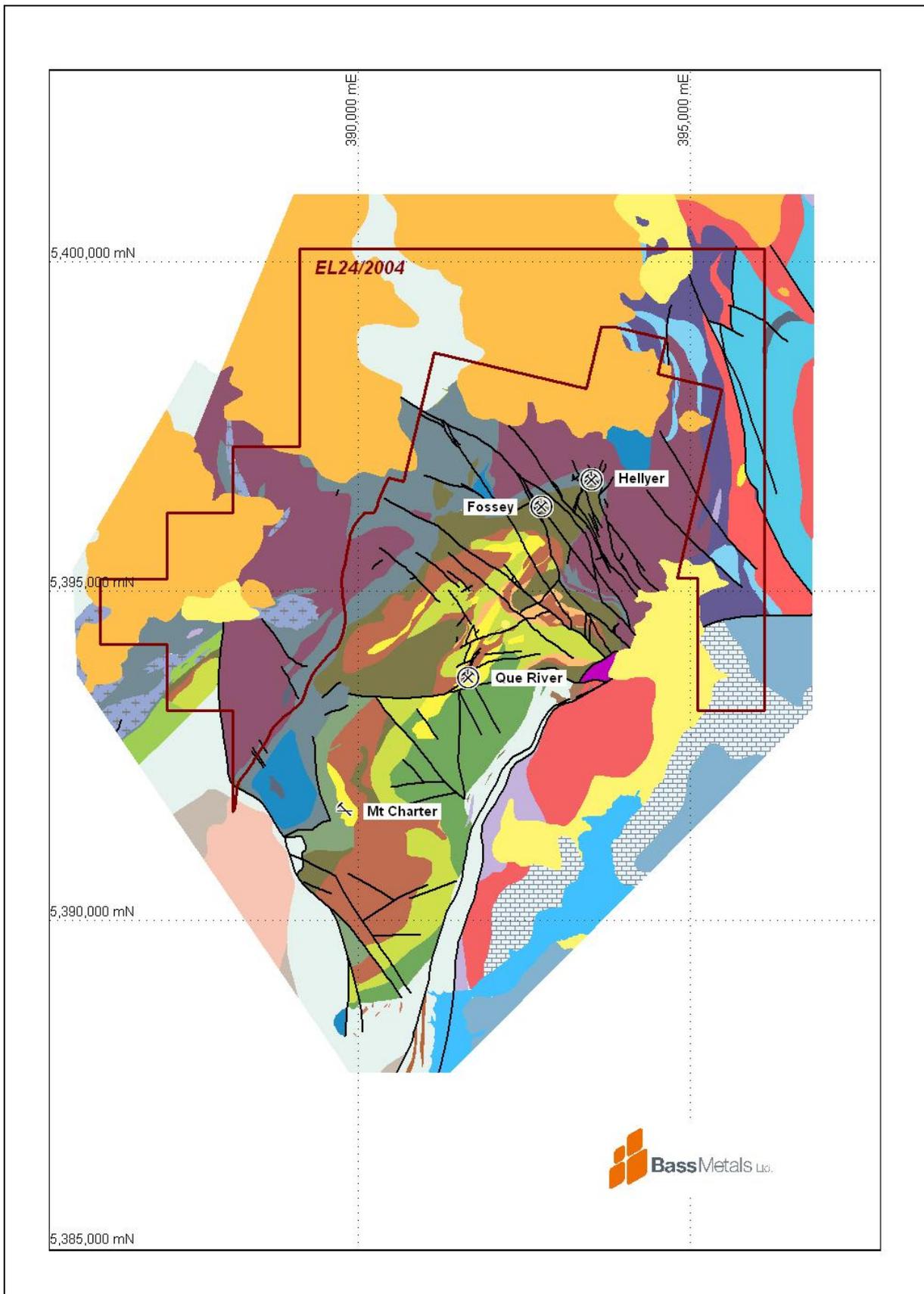


Figure 2: Regional Geology Map (Legend is in Figure 3 on following page)

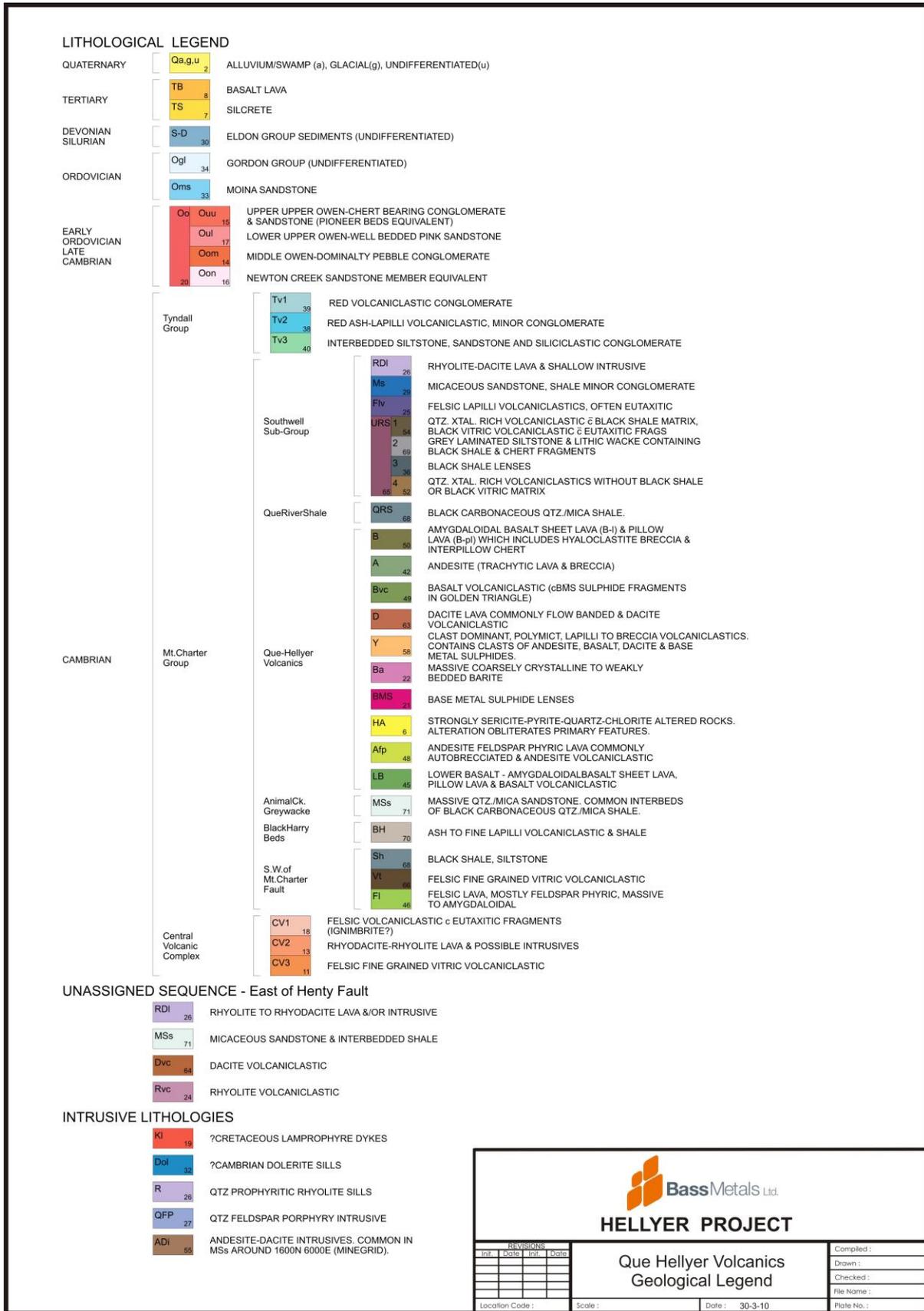


Figure 3: Geological legend for Figure 2

1.4 Exploration Philosophy

Bass Metals Ltd is targeting polymetallic VHMS or hybrid associated precious metal deposits in the Que-Hellyer Volcanics.

The prospective Que-Hellyer Volcanics underlie younger cover rocks to varying depths over the whole of the licence area. In areas where the cover rocks are Que River Shale the depth to prospective stratigraphy is a few hundred metres at most. In areas where the Southwell Sub-Group is the outcropping cover rocks this depth can exceed 1km.

Exploration on the tenement to date has been driven by EM or conceptual deep drilling at combined structural and/or geophysical (gravity/magnetic) targets.

Bass Metals Ltd has recently completed a systematic lithogeochemical and Short Wavelength Infra-Red study of the “footwall” part of the Que-Hellyer Volcanics stratigraphy in order to determine whether drilling to date has been proximal, medial or distal to VHMS and/or hybrid forming hydrothermal systems.

Subsequent exploration will require deep diamond drilling and will probably also incorporate the use of structural and/or geophysical concepts.

2. EXPLORATION HISTORY

Historic exploration over EL 24/2004 has been summarised by Bates, 2009.

EL 24/2004 Bulgobac River is one licence of a series of contiguous exploration licences and mining leases containing Bass’s Que River / Hellyer / Fossey mining operations. Bass Metals exploration over this landholding was 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 programs 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. Existing soil data (not in EL24/2004) was also interpreted on the basis of the results from the drill core.
2. Compilation and appraisal of existing geophysical (Ground EM, magnetic, gravity) datasets with further processing (inversion) of existing IP data.
3. 88.3 line kilometre helicopter-borne VTEM survey, processing and interpretation.

This work program was described in Bates, 2011. As a result of this work no new targets were generated on EL24/2004.

3. WORK COMPLETED DURING THE CURRENT REPORTING PERIOD

As no new high priority drill targets were generated on the Bulgobac River licence from exploration completed during the last reporting period, focus turned to targets generated elsewhere on the adjacent exploration licences and mining leases. All of these targets have now been drilled to some extent, so a second pass appraisal of the results is currently underway.

Only minor work has occurred on the Bulgobac River EL itself during the current reporting period as part of sampling for a PhD study being conducted through CODES at the University of Tasmania. The aim of this research is to characterise the composition, structure and alteration facies of the four deposits discovered to date (Mt Charter, Fossey, Que River and Hellyer) and understand how they formed, which could then be used in a predictive sense for discovery of additional mineralisation.

4. PROPOSED EXPLORATION

Due to the financial difficulties currently experienced by Bass Metals, EL 24/2004 is exempt from exploration expenditure commitments from 1-2-2012 to 31-1-2013.

When exploration resumes it is planned to extend the trace element lithogeochemistry and SWIR spectrometry program, previously only undertaken only on footwall rocks. It is planned to sample hangingwall basalt and the base of the Que River Shale in historic holes which intersect deep Que Hellyer Volcanics in the SW corner of the licence. This program will seek to detect signs of a hangingwall plume around any existing hydrothermal system.

5. ENVIRONMENT

No work has been carried out on the tenement which has had any environmental impact.

6. EXPENDITURE

The Bulgobac River tenement is part of the Lake Mackintosh Group of tenements. Expenditure on EL24/2004 up to the 31st May 2012 is summarised below in Table 1.

Expenditure –	Reporting period	\$33,272
	Total to date	\$392,207

July 2011 - July 2012		
Geoscientific Costs	Geology	23,564
	Geochemistry	7,632
	Geophysics	
	Remote Sensing	
Drilling & Gridding Costs	Gridding	
	Drilling	
	Land Access Costs	
	Rehabilitation Costs	
	Feasibility Study Costs	
	Other Costs	2076
	Admin Costs	
	Total - eligible	\$33,272

Table 1. Expenditure 30th July 2011 to 29th July 2012

**Expenditure reported is up to and including 31st May 2012*

7. REFERENCES:

Bates, S., 2009. Bulgobac River, Tasmania, EL24/2004. Annual Progress Report, 30th July 2008 – 29th July 2009. Unpublished Report to Mineral Resources Tasmania.

Bates, S., 2011. Bulgobac River, Tasmania, EL24/2004. Annual Progress Report, 30th July 2010 – 29th July 2011. Unpublished Report to Mineral Resources Tasmania.