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

**ANNUAL PROGRESS REPORT
30TH JULY 2012 TO 29TH JULY 2013**

Tenement Holder/Manager
Bass Metals Ltd.
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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

EXECUTIVE SUMMARY

Bass Metals Ltd (BSM) commenced management of the Bulgobac River exploration licence EL24/2004 on 30 July 2005. For the 9th year of tenure ended 22/07/2013 little work was completed on the tenements as Bass, due to financial difficulties, had a moratorium on exploration expenditure until 31st January 2013.

| | | |
|----------------------|------------------|-----------|
| Expenditure – | Reporting period | \$20,400 |
| | Total to date | \$861,293 |

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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 2012 to 29th July 2013.

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 four 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.

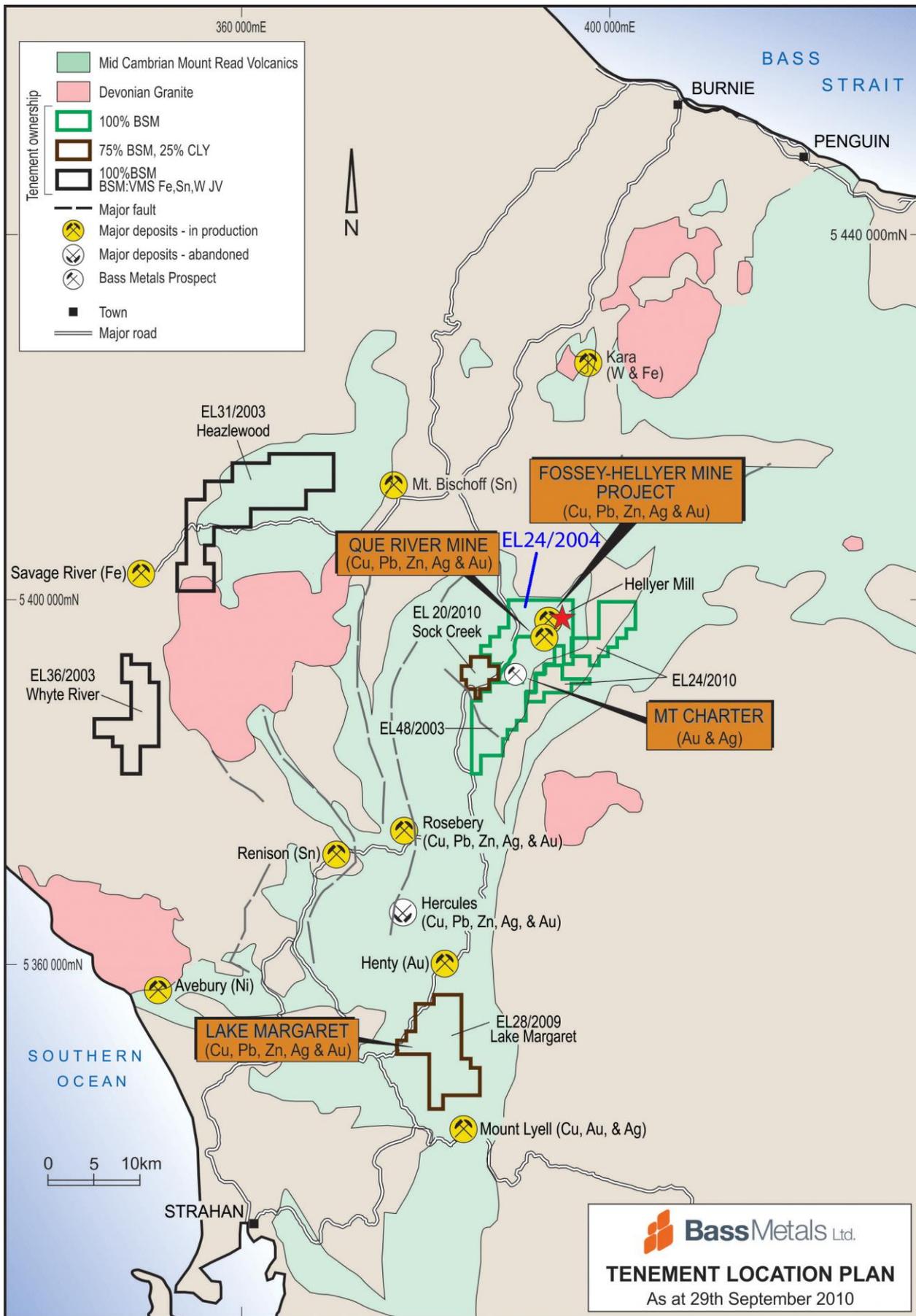


Figure 1. Bulgobac River Exploration Licence (EL24/2004) location map

1.3 Geology Overview

The prospective rocks on EL 24/2004 are the Que-Hellyer Volcanics, a package of dominantly mafic to intermediate volcanics, 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.

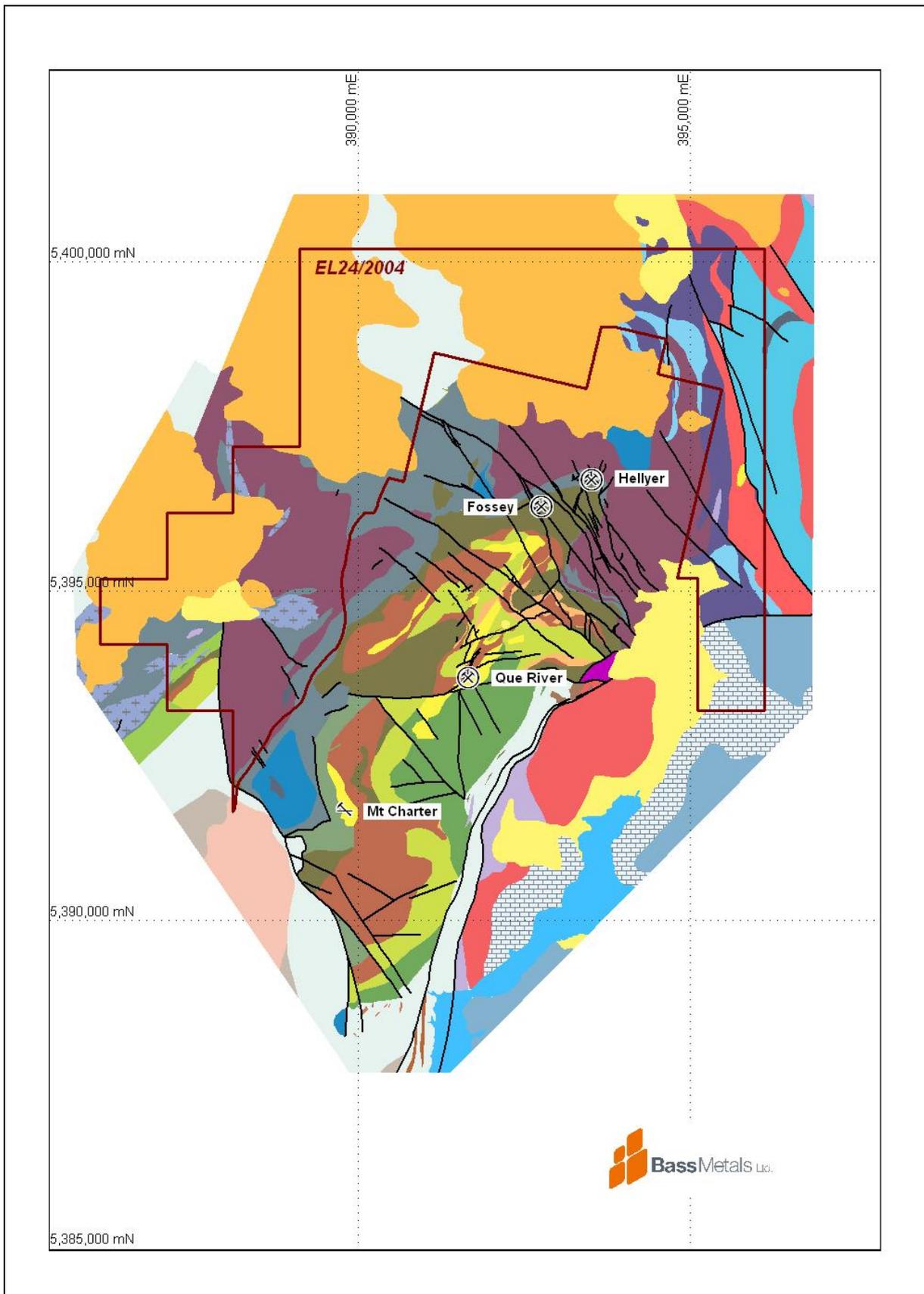


Figure 2: Regional Geology Map (Legend is in Figure 3 on following page)

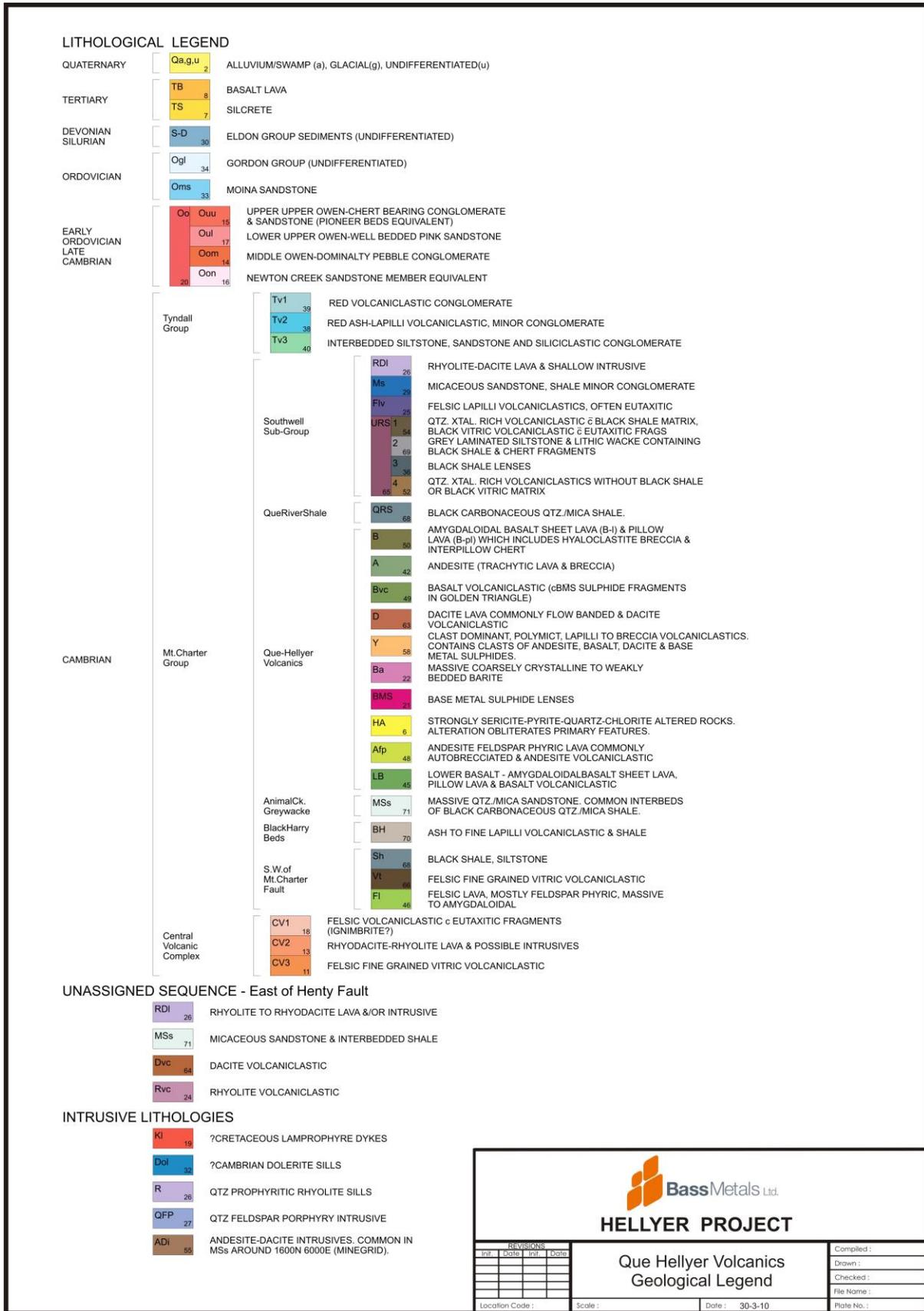


Figure 3: Geological legend for Figure 2

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. Bass Metals exploration over this landholding was largely carried out in conjunction with work on the whole project, referred to as the Lake Mackintosh Group.

In 2009/2010 Bass carried out a number of systematic programs over the tenements in the area.

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 was also interpreted on the basis of results from 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

No major work was completed on EL24/2004 during the current reporting period.

From January 2012, as a result of adverse circumstances at its' Fossey Mine operation, expenditure by Bass on exploration was curtailed to help preserve cash flow. EL24/2004 was exempt from exploration expenditure commitment for twelve months up to 31st January 2013. In February 2013, Bass Metals sold its' wholly owned subsidiary Hellyer Mill Operations Pty Ltd to Ivy Resources Ltd.

In March 2013 exploration of the Hellyer - Que River - Mt Charter area resumed. EL24/2004 is part of a review, presently underway, of the current geological model and exploration strategy for the QHV. This review is being done by Bass Metals in conjunction with geological consultants Jigsaw Geoscience and Mineral Mapping Pty Ltd, in Western Australia. The process has commenced, with an initial review of the existing datasets and 3-D models, to assess the robustness of the current geological model and to identify alteration signatures that may be indicative of undiscovered VHMS and / or hybrid magmatic related mineralisation. The methodology that has been applied by Bass Metals to explore the northern QHV area in the past will also be reviewed with the aim to identify potentially new exploration techniques which may improve the likelihood of discovery. The existing 3D geological model will be updated, and integrated with alteration modelling from the multispectral and lithogeochemical datasets that have been collected by Bass Metals to date. The objective is to identify potential "near miss" alteration and / or favourable geological architecture for significant mineralisation.

Consultants from Jigsaw Geoscience spent two weeks at site during May, in addition to a data review in their Perth office. At the time of writing their report has not been received.

The trace element lithogeochemical and Short Wavelength Infra-Red spectral analysis carried out by Bass in 2009 was almost totally focused on footwall rocks. 1998 AMIRA project P439 (Studies of VHMS related alteration: geochemical and mineralogical vectors to ore) indicated that footwall pathfinders As, Sb and TI can also extend several hundred metres laterally from Hellyer at the ore horizon and into the hangingwall. It is therefore planned to build on the previous footwall lithochemical and ASD work and sample the ore horizon, hangingwall and even the base of the Que River Shale in existing exploration holes and outcrop, as a new method to explore deep prospective stratigraphy.

To validate this concept within the review process currently underway and prior to committing to a full sampling program regionally, the following was recently been completed on the adjacent Hellyer Mining lease:

- 73 new core samples were collected and submitted for assay in mid-June. The new samples are from two Hellyer orebody holes east of the Jack Fault, to combine with the 1998 Amira samples and improve coverage on that side of the orebody. Also included are basal Que River Shale samples from holes over the Hellyer orebody to test if there is a pathfinder element response at that horizon. Assay results are awaited.
- Two lines of Hellyer Basalt C horizon soil sampling were undertaken; one over Hellyer orebody (10500N) and one over Fossey orebody (10150N). Results from this survey were recently received and showed a significant Sb and As response directly over Fossey and elevated Sb, As and TI for the entire basalt on 10500N over the Hellyer orebody.

4. PROPOSED EXPLORATION

Bass Metals proposed exploration over the next year will involve completion of the review of the northern QHV as part of the entire QHV package. Upon completion of the review it is planned to extend the trace element lithogeochemistry and SWIR spectrometry program, previously only undertaken only on footwall rocks, to include the ore horizon and hangingwall units of historic holes drilled on EL24/2004.

Any targets identified by the review or hangingwall / Mixed Sequence sampling and SWIR spectrometry will be proposed for drill testing.

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 30th June 2013 is summarised below in Table 1.

| | | |
|----------------------|------------------|-----------|
| Expenditure – | Reporting period | \$20,400 |
| | Total to date | \$861,293 |

| July 2012 - July 2013 | | |
|--------------------------------------|--------------------------------|-----------------|
| Geoscientific Costs | Geology | 20,400 |
| | Geochemistry | |
| | Geophysics | |
| | Remote Sensing | |
| Drilling & Gridding Costs | Gridding | |
| | Drilling | |
| | Land Access Costs | |
| | Rehabilitation Costs | |
| | Feasibility Study Costs | |
| | Other Costs | |
| | Admin Costs | |
| | Total - eligible | \$20,400 |

Table 1. Expenditure 30th July 2012 to 29th July 2013

**Expenditure reported is up to and including 30th June 2013*

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.