

15 May 2008

The Manager Companies  
Australian Stock Exchange  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir

### **Exploration & Development Update**

Bass Metals Ltd (ASX:BSM) is pleased to provide the following update on its recent regional exploration and project development activities in northwest Tasmania.

#### **Highlights**

- Geophysical targets were generated from a recent aerial survey on 4 exploration licences.
- Targets include a conductive anomaly at the Heazlewood Nickel prospect coincident with a 3,000ppm nickel in soil anomaly.
- Feasibility study timetable established for Fossey & Upper Hellyer Resource of 18 months to reach a decision to mine stage.
- Feasibility study includes the concept of early Fossey development with a 60,000 to 100,000 tonne trial sample to expedite development and generate early cash flow, possibly within 12 months.

#### ***Exploration***

Interpretation of data collected by the aerial VTEM time domain system geophysical survey flown for Bass Metals by Geotech Airbourne Pty Ltd during March has generated conductive electromagnetic (EM) targets on each of the project areas flown including (*refer Figure 1*):

- *Heazlewood Nickel prospect* - broad EM response coincident with the Wilson nickel in soil anomaly; as well as a new target generated outside of the soil grid area.
- *Waratah near Mt Bischoff Tin Mine* - possible extensions to the north-east of the Mt Bischoff tin mineralisation.
- *Wilmot (base metal target)* - a cluster of three unexplained discrete late-time anomalies potentially indicating massive sulphide mineralisation.
- *Loyetea (base metal targets)* – several EM responses, in particular two considered to represent potential conductive bodies related to granite skarn style mineralisation.

These are preliminary results and further geophysical data and processing has been requested. Overall the survey generated “clean” reliable data and has clearly highlighted several areas on the tenements which may represent bodies of mineralisation which warrant further work.

The results at Heazlewood, were particularly pleasing as one of the targets there is coincident with the prospective ultra-mafic rock unit and a high-tenor nickel in soil anomaly. Preliminary results of the VTEM work indicate that the Heazlewood Ultramafic complex (Figure 2 & 3) comprises latent conductivity as observed in Figure 4. Follow up work at Heazlewood is likely to comprise further ground geophysical work prior to drill testing.

### Development

The Hellyer Mine project is a major undertaking underpinned with a significant resource base and the highly prospective Fossey Zone. It has the potential to contribute significantly to the Company's market value if it successfully achieves its objective of defining a mining operation with annual ore production of approximately 250,000 tonne per year.

To evaluate and then expedite meeting this goal the Hellyer Mine Project has been broken down into a simplified evaluation process to expedite the project development.

1. Fossey Mineral Resource: expected by end of September 2008. Currently two drill rigs on this prospect.
2. Feasibility Study: Stage 1 (Target of 250,000tpa production profile)
  - Fossey & Upper Hellyer Resource - on an 18 month time line to enable a Decision to Mine.
  - Includes consideration of:
    - ✓ Early 60-100kt ore trial from Fossey
    - ✓ Conceptually in 9 to 12 months
    - ✓ Possibly processed at Hellyer or Rosebery
    - ✓ Potential Benefits
      - Early access to ore zone, continuity and expansion of existing (Que River) mine operations
      - Early cash flow
3. Stage 2; Hellyer Deeps resources and extensions.
4. Stage 3 bulk tonnage barite-gold-base metals zone.

### Conclusion

Clearly the Company is meeting the challenge of maintaining a high level of activity on 3 fronts; mining operations, advanced project development and early stage exploration. Whilst a challenge, it offers our Shareholders exposure to both positive operational cash flow and systematic growth as well the excitement of exploration success in this highly endowed province.

Further information on the exploration and development activities is provided in a presentation made today by the Company to the Tasmanian Minerals Council Exploration Forum, which also provides an updated summary of the Company's Que River mine operations. I look forward to providing further updates on the Hellyer Mine Project, the Que River mine operations and the Company's regional exploration activities.

Yours Sincerely



Mike Rosenstreich  
*Managing Director*

**Figure 1: BSM Tenement Interests and location of VTEM Survey**

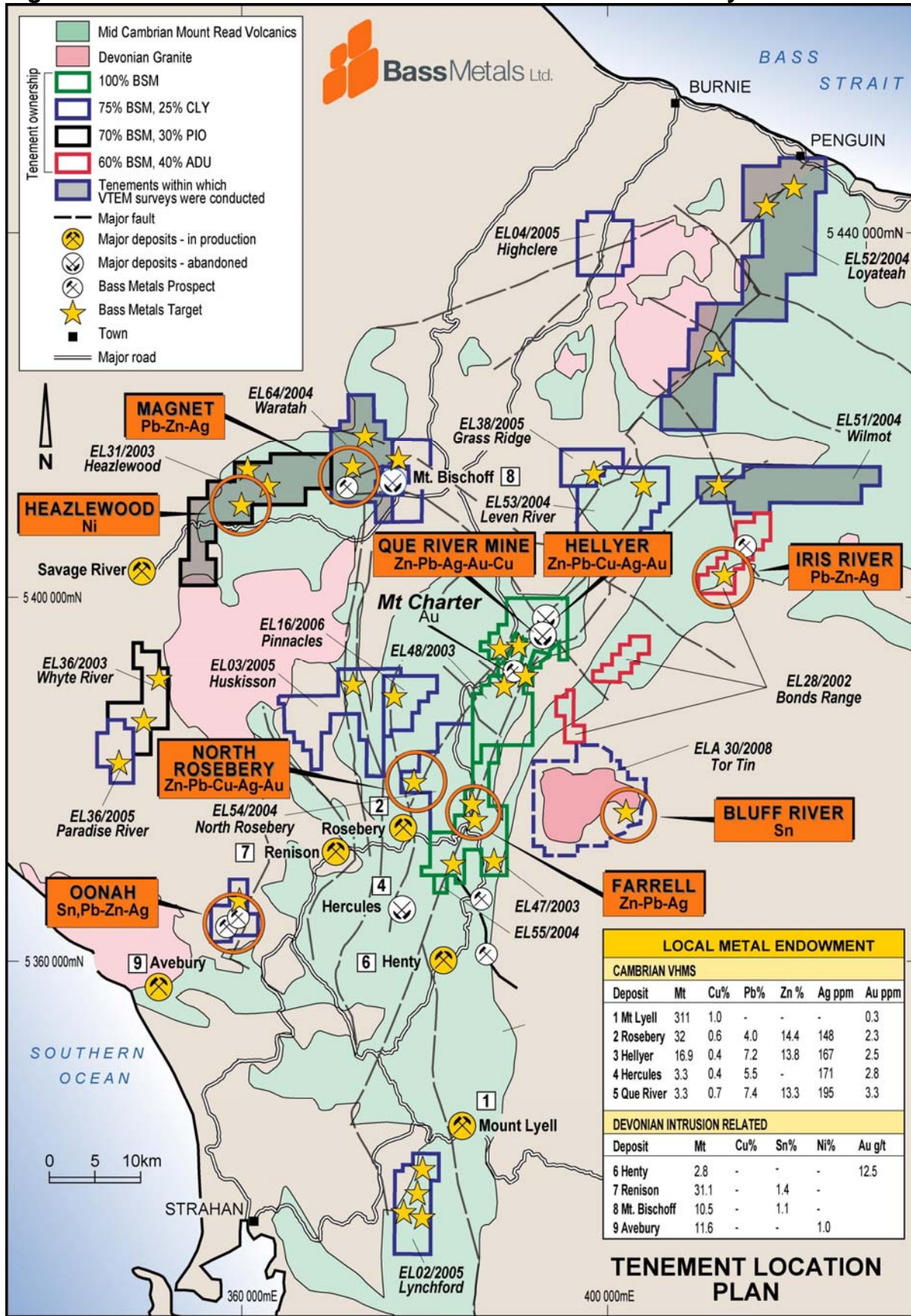


Figure 2: Geology – Nth Heazlewood. Prospective Ultramafic complex – Targeting Ni

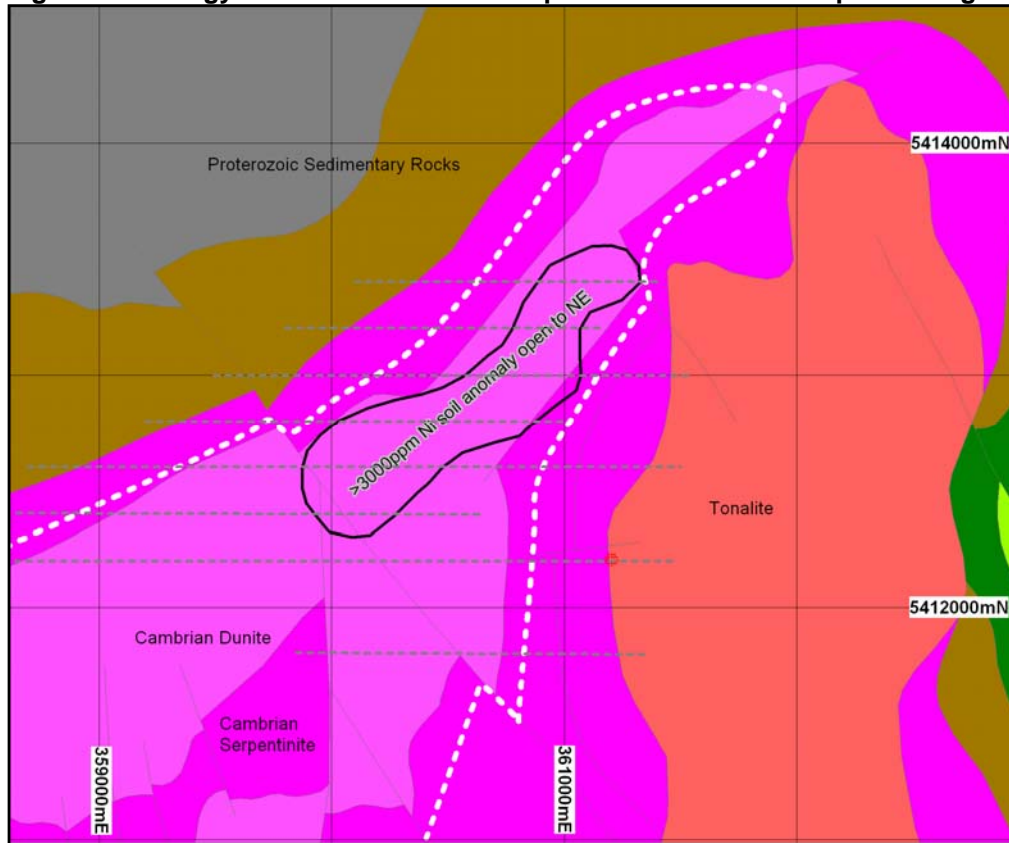
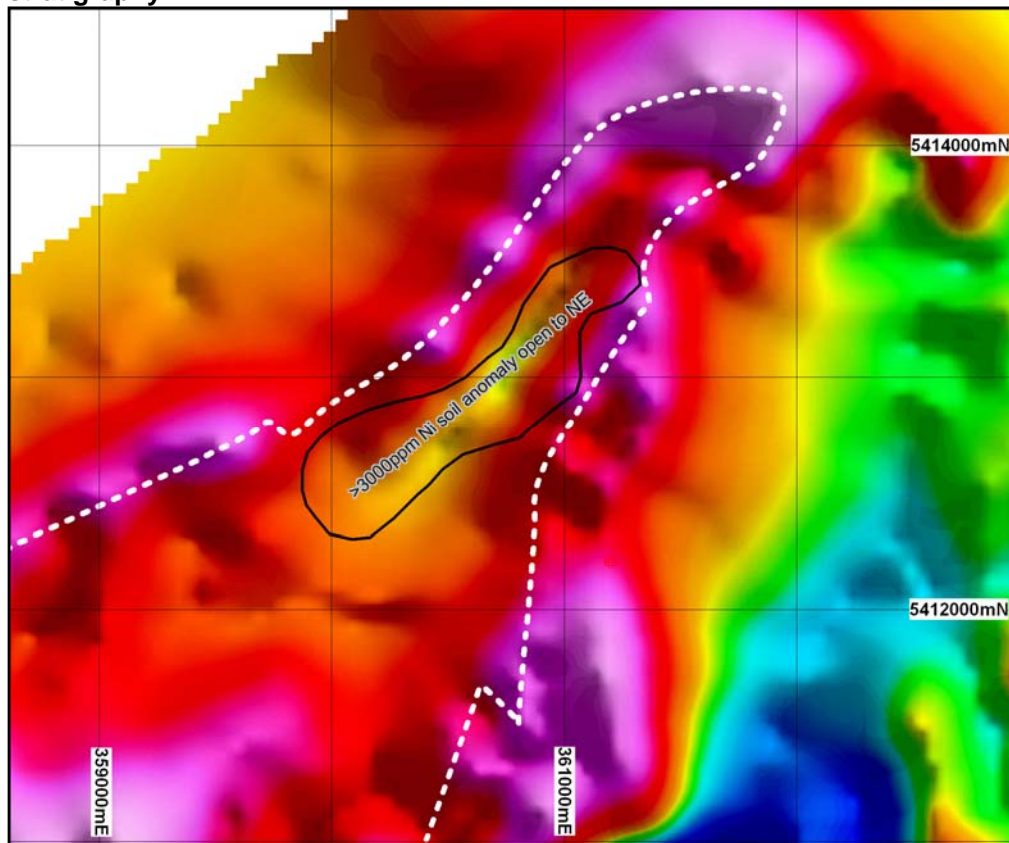
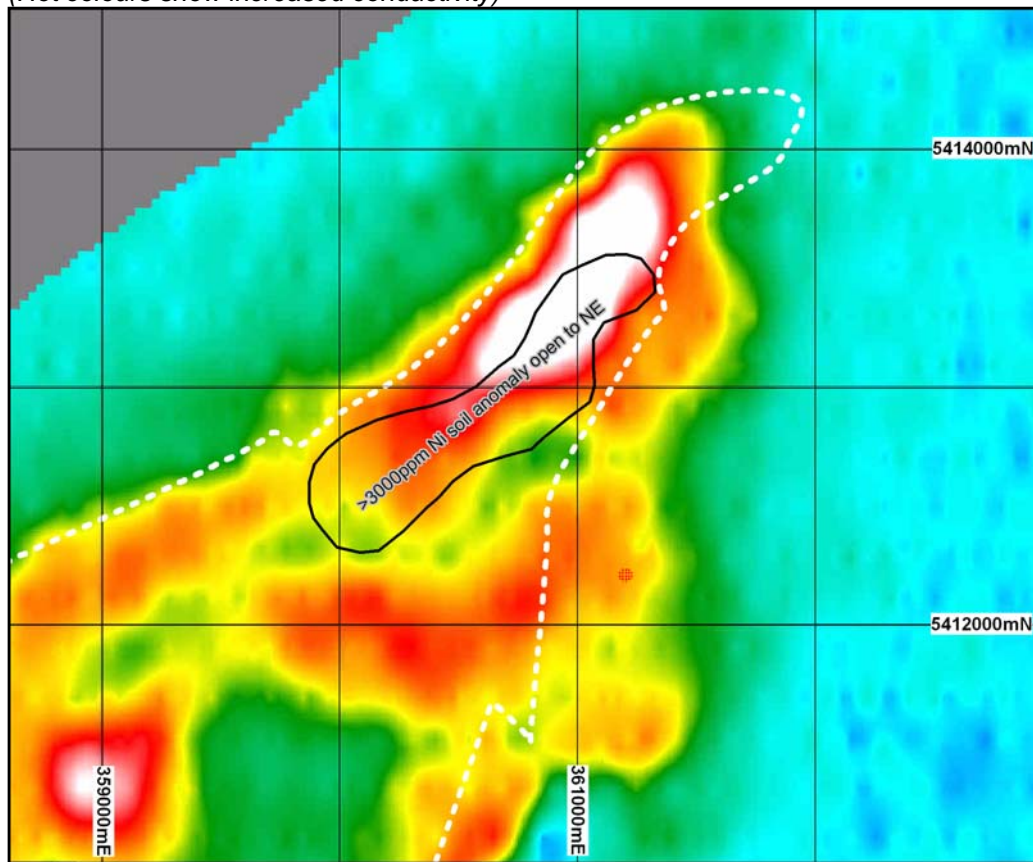


Figure 3: Magnetics: Nth Heazlewood. >0.3% Ni soil anomaly constrained by folded stratigraphy



**Figure 4: VTEM - Nth Heazlewood. Broad VTEM response persistent from early to late time.**  
(Hot colours show increased conductivity)



*The information within this report that relates to exploration results is based on information compiled by Mr Mike Rosenstreich who is a full time employee of the Company and is a Member of The Australasian Institute of Mining and Metallurgy. He has sufficient experience relevant to the styles of mineralisation and types of deposits under consideration and to the activities currently being undertaken to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves and consents to the inclusion of this information in the form and context in which it appears in this report.*