

18 March 2008

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

Dear Sir

**Que River Operations Update**

***Que River Mine Operations***

- 1. Lost Time Injuries & Environmental Incidents** – nil since project inception
- 2. Ore production** is on track, with an overall positive reconciliation of mined tonnes compared to predicted tonnes in mine plan.  
Actual Mined Ore: 24,104t at 9.6 % Zn, 4.8 % Pb, 0.4% Cu, 96 g/t Ag & 1.5 g/t Au  
Predicted Ore: 22,737t at 9.0 % Zn, 2.3 % Pb, 0.5% Cu, 56 g/t Ag & 0.9 g/t Au
- 3. Ore Sold** to the end of February 2008:  
15,938dmt at 11 % Zn, 6 % Pb, 103 g/t Ag, 2.0 g/t Au & 0.4 % Cu
- 4. Ore Stocks** as at the end of February:  
8,144t at 10.4 % Zn, 5.3 % Pb, 0.4% Cu, 95 g/t Ag & 1.5 g/t Au
- 5. Revenue** to date estimate as at the end of February 2008:  
\$4.26M or \$267/t ore.
- 6. Operating Costs:** (up to 29 February 2008):  
Total operating cost\*\$80/t ore sold  
Total operating cost \$53/t ore mined  
*\*after adjustments for depreciation, amortisation and capitalisation*  
Cash operating costs \$317/t ore sold  
Cash operating costs \$207/t ore mined

- 7. Financing:** Bass Metals Ltd (ASX:BSM) and Investec Australia have mutually agreed to terminate the financing mandate for the proposed \$5 million facility. From BSM's perspective, changed circumstances – including the positive advancement of the project - have reduced the need for the facility to support the working capital position of the Company.

**Commentary**

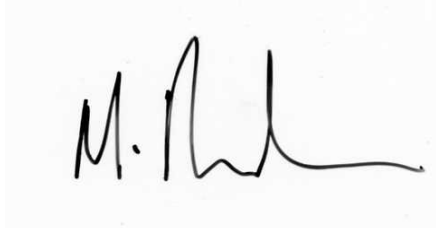
The rationale for the finance facility was to accelerate ore payments from the Ore Sales agreement and provide a working capital buffer which would enable fast-tracking of the Hellyer Mine Project (HMP) mining study. Any future need for a finance facility will be reviewed on an ongoing basis in light of project performance.

Drilling will continue at Fossey Zone (part of the HMP) with the current rig, and the deployment of second drill rig will need to be reviewed in the wake of updated cash flow forecasts.

The Company remains in a strong position with an estimated closing cash position at the end of February of \$4.5 million and a net working capital position of \$7.2 million which includes an estimate for Receivables of \$2.94 million largely related to Que River ore sales to the end of February. The Que River mine is performing well technically in terms of both ore production and costs.

I look forward to providing further updates on the Company's mining, development and exploration activities.

Yours Sincerely



Mike Rosenstreich  
*Managing Director*