



16 February 2007

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

Dear Sir

## **HELLYER HIGH GRADE TARGETS**

Bass Metals Ltd is pleased to provide an introduction to new high-grade copper and zinc targets identified from historic drilling around the Hellyer deposit.

### **EXECUTIVE SUMMARY**

- The Hellyer deposit is a world class, high grade zinc-lead-silver-copper-gold deposit mined from 1986 until closure in 2000, 100% owned by Bass Metals.
- Bass Metals has outlined new targets and mineral resource potential in the immediate vicinity of the deposit and underground workings.
- **High-grade copper target “Southern Feeder Zone”** indicated by historic diamond drill hole intercepts such as:
  - ✓ 3.9m at 4.9% Cu & 40 g/t Ag
  - ✓ 4.0m at 12.9% Cu & 70 g/t Ag
- **Copper-lead-zinc-silver target “Central Feeder Zone”** indicated by historic diamond drill hole intercepts such as:
  - ✓ 44.3m at 1.7% Cu, 5.4% Pb, 3.3% Zn and 101 g/t Ag (HL237)
  - ✓ 39.2m at 1.8% Pb, 3.2% Zn & 23g/t Ag
  - ✓ 5.0m at 3.5% Cu, 4.1%Pb 4.9% Zn & 280 g/t Ag
  - ✓ 5.0m at 6.1% Cu, 1.5% Pb, 2.6% Zn & 56 g/t Ag
  - ✓ 3.0m at 1.4% Cu, 4.3% Pb, 6.7% Zn & 100 g/t Ag
- **Zinc-gold-barite target “Southern Barite Lens”** indicated by historic diamond drill hole intercepts such as:
  - ✓ 4.7m at 0.4% Cu, 6.3% Pb, 9.3% Zn, 420 g/t Ag & 5.4 g/t Au
  - ✓ 6.2m at 1.1% Cu, 10.7% Pb, 24% Zn, 156 g/t Ag & 2 g/t Au
- Remnant resource potential estimated at approximately 0.6 to 0.7Mt at 8% Zn, 5% Pb, 108 g/t Ag and 2 g/t Ag based on historic resource block model.
- The Company is revising its business plan to ensure that there is sufficient capacity to build up the base-metal resource inventory as well as fulfilling its core objective of making a major discovery.

## **The Hellyer Mine Project**

### ***History***

The Hellyer Mine Project (HMP) is a new initiative by the Company to identify “near-term” mining opportunities in and around the historic Hellyer Mine. With the commencement of trial mining at Que River, 4km south of the Hellyer deposit earlier this week, the Directors consider it is important to rapidly build-up the Mineral Resource inventory by following up on targets remaining from the Western Metals/Aberfoyle Hellyer mine operation which closed in 2000. .

Hellyer is a world class scale deposit with a published pre-mining Mineral Resource of 16.9Mt grading 13.8% zinc, 7.2% lead, 0.4% copper, 167g/t silver and 2.5g/t gold. The deposit was mined between 1986 and 2000 as a large scale underground mine with production peaking at around 1.5Mtpa with ore treated at the Hellyer flotation concentrator plant now owned by Intec Ltd and being utilised to re-process the Hellyer tailings. The large scale of the Hellyer mine operation, the style of mineralisation and the major improvement in metal prices creates significant opportunities for Bass Metals to increase its resource inventory and possibly its production profile in the near to medium term.

### ***The Opportunity***

The USD, cash price for zinc and copper for the major portion of the historic Hellyer mine operations was US\$1,184/t (US\$0.54/lb) and US\$1,097/t (US\$0.50/lb) respectively. Today, the zinc and copper USD cash prices are US\$3,270 (US\$1.48/lb) and US\$5,705 (US\$2.59/lb) – creating opportunities to follow-up on resources and intercepts not considered attractive when the mine was in operation. These opportunities include (refer Figures 1 & 2):

#### ***1. Southern Feeder Zone (SFZ)***

This target area refers to a large area of stockwork style sulphide veins containing high grade copper mineralisation, representing a feeder zone beneath the main Hellyer massive sulphide deposit and mine workings. The Company plans to follow-up better intercepts from historic drilling which include:

- 4.0m at 12.9% Cu & 70 g/t Ag
- 3.9m at 4.9% Cu & 40 g/t Ag (

#### ***2. Central Feeder Zone (CFZ)***

The CFZ is an extensive target comprising both copper rich and zinc rich sulphide veins in a stockwork beneath the central portion of the Hellyer deposit and mine workings. Better intercepts warranting follow-up include:

- 44.3m at 1.7% Cu, 5.4% Pb, 3.3% Zn and 101 g/t Ag
- 39.2m at 1.8% Pb, 3.2% Zn & 23g/t Ag
- 5.0m at 3.5% Cu, 4.1% Pb, 4.9% Zn & 280g/t Ag
- 5.0m at 6.1% Cu, 1.5% Pb, 2.6% Zn & 56g/t Ag
- 3.0m at 1.4% Cu, 4.3% Pb, 6.7% Zn & 100 g/t Ag

#### ***3. Southern Barite lens***

The Southern Barite lens lies immediately to the south of Hellyer deposit, offset by a fault. It represents a large mineralised target; 400m x 150m wide and extending over a vertical depth of 100m to 250m from surface. It is dominantly barite, potentially similar to the Company's Mt Charter deposit, and the barite component represents additional potential value. The lens has sparse drilling – but positive indications of resource potential such as better intercepts from historic drill holes of:

- 4.7m at 0.4% Cu, 6.3% Pb, 9.3% Zn, 420g/t Ag & 5.4 g/t Au
- 6.2m at 1.1% Cu, 10.7% Pb, 24% Zn, 156g/t g & 2.6 g/t Au

#### ***4. Remnant Mineralisation***

The Company has estimated a potential remnant Mineral Resource of between 0.6 to 0.7Mt at grades of around 8% zinc, 5% lead, 100g/t silver and 2 g/t gold occurring in the immediate vicinity of the Hellyer mine workings. This estimate range is based on the historic “end of mine” resource block model and assumed mined voids. This resource potential will be reviewed with more detailed survey data and updated resource models prior to undertaking preliminary mine scoping studies. The Company has identified several areas with mineral resource potential which are also summarised in figure 1.

### ***Commentary***

The HMP represents a substantial undertaking in terms of people and funding, which the Company has to date largely deferred in favour of the higher priority development of the more accessible Que River mining operation. Bass Metal's geologists have identified several exciting new targets

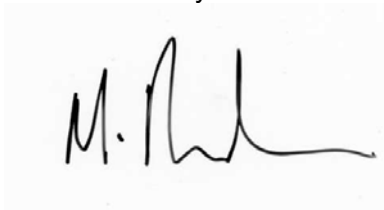
and potential resources within the HMP which could significantly boost the Company's base metal resource inventory and ultimately its production profile.

The Company is keen to implement an aggressive programme to evaluate not just the HMP and Que River but also its resources and advanced high grade base metal targets at Magnet, Farrell and Oonah; all potentially within trucking distance of the Hellyer Mill.

An accelerated base metal strategy is an exciting initiative with obvious potential – however it is important to place that work in context with the Company's core business objective of finding new large mineral deposits, “*an elephant*” in the richly mineralised NW region of Tasmania, “*real elephant country*”. To this end, as well as commencing the Que River trial mining programme the Company continues to have 2 rigs drilling new prospective targets; one as part of the regional Hellyer exploration alliance with Zinifex Limited and the second will shortly finish at Que River and commence drill testing a lead-zinc in soil anomaly at the Bonds Range EL, a joint venture with Adamus Resources Ltd.

To meet the additional requirements of the HMP and maintain the current highly active work programme Bass Metals is recruiting additional geologists and field staff and assessing its funding requirements on top of the current Que River mine and exploration working capital commitments. I look forward to presenting further details on the HMP and the Que River Mine development to ASX and in the near term at the RIU Explorer's Conference in Fremantle next week.

Yours Sincerely



Mike Rosenstreich  
*Managing Director*

*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.*

**Figure 1: Hellyer Deposit Plan Projection highlighting targets and potential remnant resource areas.**

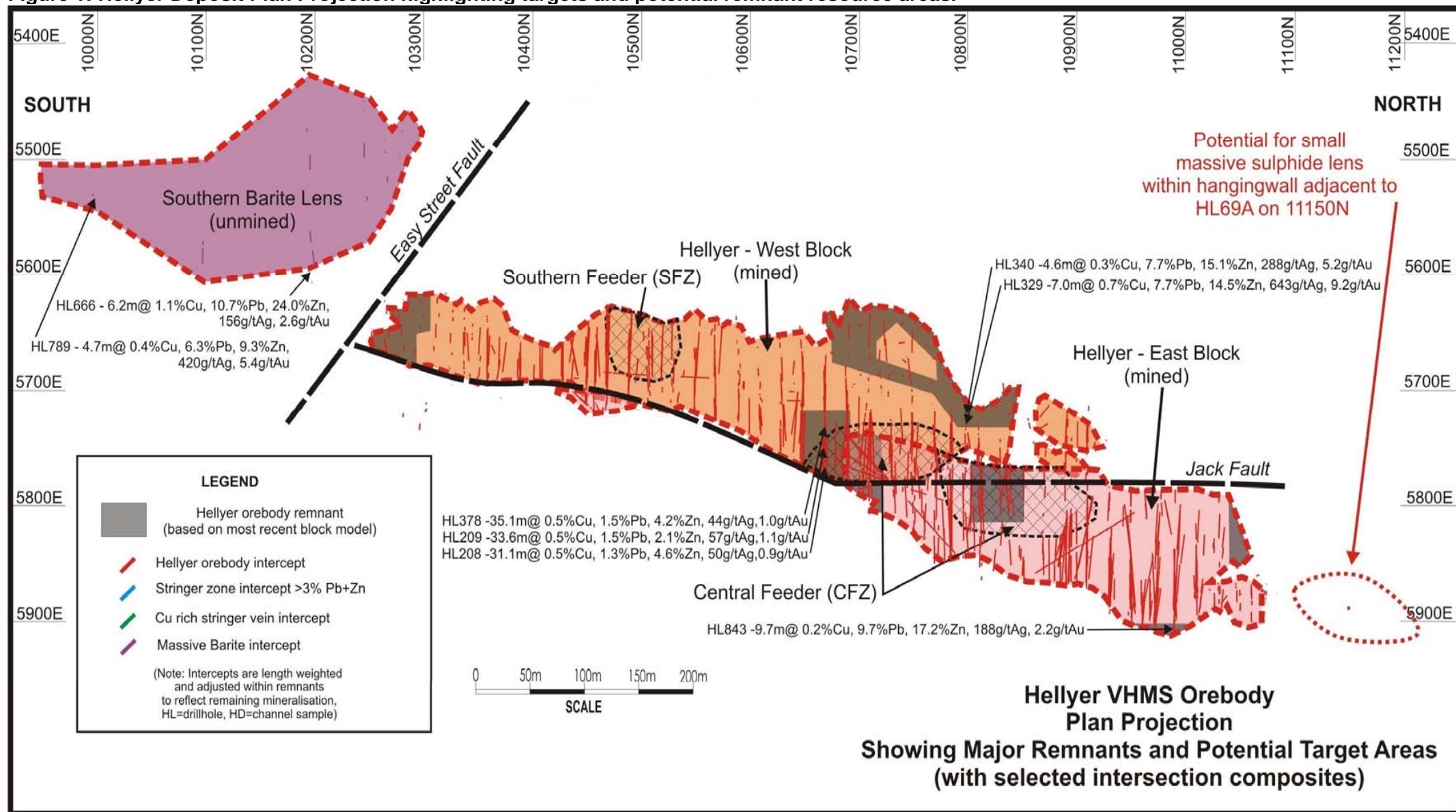


Figure 2: Hellyer Deposit Long Section Projection highlighting targets and potential remnant resource areas.

