



18 October 2006

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

Dear Sir

Re: POSITIVE DRILL RESULTS FROM NICO LENS, QUE RIVER

Bass Metals Ltd is pleased to provide the following update on its drilling programme at Que River.

Key Points

- **Results for 7 diamond drill holes into shallow portions of the Nico Lens at Que River have yielded encouraging results and highlighted the presence of a second parallel lens position at Nico referred to as Nico West. Better results include:**
 - ✓ **5.4 metres at 10.8% zinc, 3.2% lead, 109g/t silver and 1.5g/t gold from 57.5 metres downhole;**
 - ✓ **5.2 metres at 6.1% zinc, 4.0% lead, 60g/t silver and 1.5g/t gold from 47.8 metres downhole and 5.9 metres at 8.4% zinc, 5.2% lead and 103g/t silver from 66.2 metres;**
 - ✓ **3.3 metres at 6.5% zinc, 3.8% lead and 58g/t silver from 37.7 metres downhole;**
 - ✓ **4.1 metres at 5.2% zinc, 5.8% lead and 95g/t silver from 52 metres downhole;**
and
 - ✓ **2.9 metres at 11.3% zinc, 6.7% lead, 146g/t silver and 1.7g/t gold from 82.9 metres downhole.**
- **These drill results provide new positive information within the Inferred Mineral Resource envelope at Nico Lens, which was based on historic drilling data.**

Que River Drill Results

Bass Metals Ltd in collaboration with mining group Mancala Pty Ltd is in the final stages of an extensive programme of shallow diamond core drilling and trenching to test potential ore positions at S-Lens, PQ Lens and Nico Lens, which may be included in the Que River Mine Plan.

Nine diamond core drill holes of a thirteen hole programme have been completed, with assay results received recently for seven drill holes. The programme is designed to infill the upper portion of the Inferred Mineral Resource at Nico Lens and to test for potential northern extensions (*see report to ASX dated 6 April 2006*). The assay results are summarised in Table 1 below.

The Nico Lens occurs at the northern end of the current known Que River polymetallic massive sulphide lenses (*refer Figure 1*). It was not mined during the time of the Que River mining operations (1980's) and Bass Metals regards it as an additional, shallow resource potentially mineable by open pit methods.

Drill holes QRD 1263, 1264 and possibly QRD1266 unexpectedly intersected two massive sulphide zones, which have been interpreted as distinct lenses referred to as *Nico East* and *Nico West*. This is presented schematically in Figure 2; a long section of the Nico Lens zone, showing historic and Bass Metals' drill holes. Details for each of the Nico drill holes are also provided in Table 2.

Table 1 Que River Drilling Results.

From (m)	To (m)	Drilled Interval (m)	True Width (m)	Cu (%)	Pb (%)	Zn (%)	Ag (g/t)	Au (g/t)
Nico Lens (intercepts are for Nico Lens position unless indicated otherwise)								
QRD1260 (5% Pb+Zn COG)								
37.70	41.00	3.3	2.8	0.3	3.8	6.5	58	0.4
44.00	45.00	1.00	0.8	0.2	6.6	4.9	77	0.2
QRD1261 (5% Pb+Zn COG)								
<i>No definitive Nico massive sulphide lens, but several significant zones of stringer type mineralisation</i>								
40.00	41.00	1.00	-	0.2	2.1	4.9	33	0.3
45.00	48.00	3.00	-	0.1	1.8	6.8	35	0.8
51.00	57.00	6.00	-	0.1	1.1	4.2	20	0.3
QRD1262 (5% Pb+Zn COG)								
52.00	56.10	4.10	2.5	0.3	5.8	5.2	95	0.8
QRD1263 (5% Pb+Zn COG)								
<i>Nico East Lens</i>								
38.15	39.20	1.05	0.8	0.3	4.6	6.9	76	1.8
<i>Nico West Lens</i>								
57.50	62.90	5.40	4.5	0.2	3.2	10.8	109	1.5
<i>As well as intervening stringer zones</i>								
50.00	51.00	1.00	0.8	0.2	3.7	5.3	69	1.5
QRD1264 (5% Pb+Zn COG)								
<i>Nico East Lens</i>								
47.80	53.00	5.20	3.4	0.2	4.0	6.1	60	1.5
<i>Nico West Lens</i>								
66.20	72.10	5.90	3.8	0.3	5.2	8.4	103	0.3
<i>As well as intervening stringer zones</i>								
57.80	58.30	0.5	-	0.1	3.5	6.1	26	1.6
60.70	62.30	1.60	-	0.1	2.1	3.8	39	0.9
QRD1265 (5% Pb+Zn COG)								
<i>Nico West Lens</i>								
82.90	85.80	2.90	1.4	0.3	6.7	11.3	146	1.7
<i>As well as stringer mineralisation</i>								
78.60	79.60	1.00	-	0.1	3.0	6.0	64	0.3
QRD1266 (2% Pb+Zn COG) <i>poor core recovery & uncertain identification of the Nico Lens position</i>								
10.50	13.00	2.50	2.1	0.1	3.5	6.4	42	1.0
<i>As well as associated stringer zones including;</i>								
19.10	20.40	1.30	1.0	0.3	6.1	8.6	00	1.9

Table 2: Nico Lens drill hole details


HOLE	Lens	Drill Hole Co-ordinates and Trace					Drill Hole Status
		Grid North	Grid East	Azimuth	Dip	EOH(m)	
QRD1260	Nico	7738	5159	270	-30	67.1	Complete/Results In
QRD1261	Nico	7725	5156	270	-45	65.05	Complete/Results In
QRD1262	Nico	7751	5154	270	-51	64.6	Complete/Results In
QRD1263	Nico	7775	5172	270	-30	74.9	Complete/Results In
QRD1264	Nico	7775	5173	270	-49	89.7	Complete/Results In
QRD1265	Nico	7775	5173	270	-63	95.9	Complete/Results In
QRD1266	Nico	7750	5134	270	-30	50.1	Complete/Results In
QRD1267	Nico	7700	5152	270	-39	80.7	Complete/Results Pending
QRD1268	Nico	7700	5152	270	-54	101.8	Complete/Results Pending

The geometry of the Nico Lens mineralisation is complex, with alternating single and double lenses developed as well as strongly mineralised stringer vein zones such as in QRD1261, 1263, 1264 and 1266. However the results are encouraging, yielding potentially mineable widths of attractive zinc-lead-silver and sometimes gold mineralisation. Further drilling is planned to assist in the interpretation of lens continuity and to test for extensions to the north and at depth.

Commentary

These recent drill results are regarded as positive and supportive of the proposed shallow open pit mining operation. The Que River Mine Alliance (QRMA) between Bass Metals Ltd (80%) and Mancala Pty Ltd (20%) is working to complete the Que River mine plan. The outstanding issues to be addressed are a processing agreement to treat the Que River ore and receipt of approvals from State and local government. I look forward to reporting on further progress and results on the Company's Que River mining initiative.

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 a member of The Australasian Institute of Mining and Metallurgy. Mr Rosenstreich has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity 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: Que River Project location plan

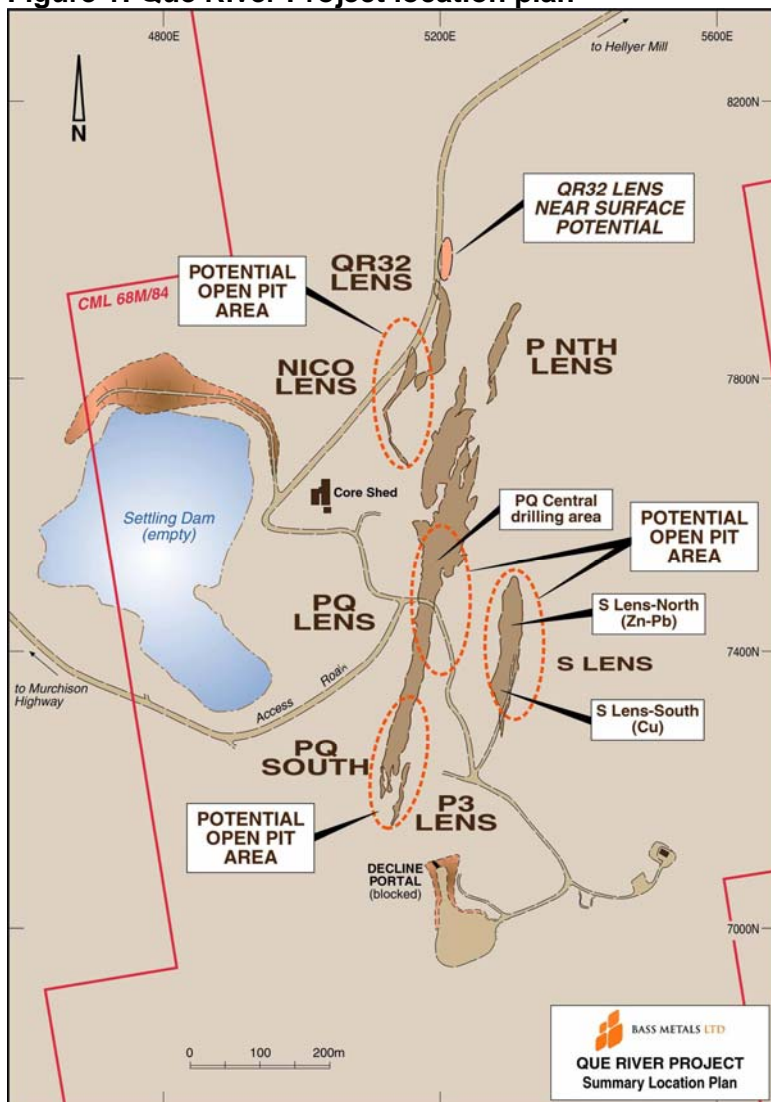


Figure 2: Nico Lens Long Section looking east highlighting BSM and historic drill results at a 5% Pb+ Zn COG.

