



30 October 2006

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

Dear Sir

Re: INITIAL MT CHARTER MINERAL RESOURCE ESTIMATE

Bass Metals Ltd is pleased to provide the following update on its 100% owned Mt Charter gold project.

Key Points

- **A combined Indicated and Inferred Mineral Resource of 240,000 oz. of gold and 6.9 million oz. of silver has been estimated.**
- **Results of contained metal are based on a combined estimated Mineral Resource of 6.1 Mt grading 1.2 g/t Au and 36 g/t Ag reported above a cut-off of 0.7 g/t Au.**
- **Metallurgical testwork indicates overall gold recovery of approximately 95% through flotation and cyanidation of float tails, with work on-going to evaluate processing options for the gold bearing concentrates.**
- **Also potential to recover a saleable barite product as well as zinc.**

MT CHARTER MINERAL RESOURCE ESTIMATE***Introduction***

Bass Metals appointed Snowden Mining Industry Consultants ("Snowden") to undertake a resource estimate for the Mt Charter Au, Ag, Ba and Zn deposit as part of the Company's ongoing project evaluation.

The resource estimate is based on a geological model jointly compiled by Bass Metals and Snowden. The Mt Charter mineralisation comprises a barite-rich vein package which has a NNE trending enveloping surface and sub-vertical/steep westerly dip. These veins sit within dacitic host rocks which are mineralised through volcanic hosted massive sulphide (VHMS)-style alteration.

The tonnage and grade estimation is based on a 'change of support' geostatistical technique that is targeted at modelling the deposit behaviour using anticipated open pit mining on five metre high benches and a mining selectivity of 5 m by 10 m by 5 m. The change of support process is based on multi-element conditional simulation.

The total resource estimated for the Mt Charter deposit is 6.1 Mt at 1.22 g/t Au, 35.5 g/t Ag, 9.7 % Ba and 0.5% Zn. The resource is reported above a 0.7 g/t Au cut-off within the mineralised envelope boundary and is classified as Indicated and Inferred Resources according to the JORC code (December 2004), as listed in Table 1 below.

Table 1: Mt Charter Mineral Resource Summary

Summary of Classified Mt Charter Mineral Resource								
<u>0.7g/t Au cut-off</u>								
JORC Code Category	Tonnes Mt	Au g/t	Ag g/t	Ba %	Zn %	Au koz	Ag koz	Au (eq)* koz
Indicated	1.9	1.21	36.3	9.1	0.7	74	2,218	118
Inferred	4.2	1.22	35.2	10.0	0.4	165	4,754	260
Total	6.1	1.22	35.5	9.7	0.5	239	6,971	378

** Au (Eq) is based on Au & Ag price only; US\$590/oz and US\$11.80/oz respectively to give a Ag to Au ratio of 50:1.*

Estimation Process

The Mt Charter mineralisation interpretation for this estimate was compiled by Travis Murphy; Bass Metal's Supervising Geologist, with assistance from Snowden. Paul Blackney of Snowden reviewed data collection procedures undertook database checks and inspected core on site. Shaun Hackett (Snowden) reviewed the geological interpretation and was responsible for compiling the grade estimates. Both P Blackney and S Hackett are Competent Persons being Members of the AusIMM with more than five years experience relevant to gold and multi-element mineral resource estimation.

The resource estimates were classified in accordance with the JORC Code (December 2004) after input from both Bass Metals and Snowden. The classification is a function of data integrity, drill hole spacing, knowledge of geological characteristics and expected grade continuity. A checklist has been attached (Attachment 1) which summarises both the classification according to JORC guidelines and Snowden's assessment and comment on the resource estimate.

METALLURGICAL TESTWORK

Introduction

The objective of the metallurgical testwork was to gain a preliminary understanding of the metallurgical characteristics of the Mt Charter mineralisation and its response to possible processing routes. Preliminary testwork included head assay, mineralogy, direct cyanidation and sulphide flotation followed by cyanidation then barite recovery by gravity and barite flotation.

Summary of results

A composite sample representing variable depths, gold, silver, zinc and copper contents was submitted for testwork.

The Bond ball mill work index was determined to be 14.7kW/tonne. Summary results for cyanidation and flotation testwork are presented in Table 2 below.

Table 2: Summary of testwork results

Testwork	Elements				
	Au	Ag	Cu	Zn	Ba
Head Assay	1.6 ppm	34.2 ppm	594 ppm	1.50%	17.60%
	Recovery (%)				
Direct Cyanidation	48	10	12	0.2	-
Flotation	86	92	93	98	2
Cyanidation of float tails	60	34	13	4	-
Overall recovery for float followed by cyanidation	95	95	-	-	-
Barium recovery by flotation					84

The objective of the flotation testwork was to assess the flotation behaviour of Au, Cu, Ag, Pb and Zn mineral species and to float a bulk sulphide concentrate. These preliminary, bench scale test results show encouraging recoveries using a flotation stage followed by a cyanidation process route. The low recovery of precious metals by direct cyanidation was consistent with historic results reported previously and appears attributable to approximately 50% of the gold being present within the sulphide mineral grains. Direct cyanide recovery was relatively insensitive to grind size over a 45 to 75 micron size range.

Metals recovery to a bulk flotation concentrate is summarised in Table 3. Overall the recoveries obtained were good considering the simplicity of the flotation circuit, and an overall gold recovery of 95% through flotation followed by cyanidation was a positive result. The objective of the next phase of testwork is to determine the upgrade potential of these concentrate grades to commercial levels. A separate test was undertaken for barite to assess flotation as a possible process for upgrading barite into a potentially saleable product. The barite concentrate produced had a barium grade of 50.2 % which is equivalent to 85.3% barite which at first pass exceeds the 65% barite standard generally adopted in the drilling and chemical industries.

Table 3: Flotation recovery and grade

	Au g/t	Ag g/t	As %	Cu %	Fe %	Pb %	S %	Zn %
Rougher Conc. Grade	8	183	0.4	0.30	20.9	3.8	30.1	8.6
% Recovery to Conc.	86	92	70	93	80	87	54	98

COMMENTARY

The Company has met its initial objectives of delineating a resource at Mt Charter of 250koz with this estimate of 378k oz gold (Eq), of which 240koz is gold and the remainder silver. This resource base has the critical mass to warrant further work to build the Company's gold inventory both at Mt Charter but also regionally.

The metallurgical testwork has confirmed previous cyanidation results highlighting the challenging metallurgy generally presented by polymetallic deposits. However the other attribute of polymetallic deposits is possible revenue streams from a range of commodities and at Mt Charter the Directors consider there is potential value in gold, silver and barite and possibly certain higher grade zones of zinc mineralisation. The flotation results have been very encouraging in this regard and the next metallurgical issues to be addressed are – what metal separation can be achieved into different concentrate streams and at what grades.

As the metallurgical testwork continues the exploration team will evaluate other known occurrences of gold mineralisation such as around the Hellyer and Que River deposits and on the newly acquired Farrell tenements along the Henty fault, south of Que River. The aim is to understand the potential resource base which could support the various gold processing options as they emerge from the next phase metallurgical testwork.

In summary the Directors consider that this is a positive outcome for the start of the Company's gold inventory and that the metallurgical testwork, whilst very preliminary in its nature shows encouraging potential to provide an opportunity to extract value from this polymetallic deposit as well as others in the district.

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.

The information within this report that relates to Mineral Resources is based on information compiled by Mr Paul Blackney and Mr Shaun Hackett who are both full time employees of Snowden Mining Industry Consultants and Members of The Australasian Institute of Mining and Metallurgy. Mr Blackney and Mr Hackett have 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 consent to the inclusion of this information in the form and context in which it appears in this report.

Attachment 1: Checklist of Assessment and Reporting Criteria from Snowden

MT CHARTER PROJECT

Criteria	Comments	Snowden's assessment of project risk
Drilling techniques	All Bass Metals Ltd holes have been diamond-drilled and NTW-sized core recovered (diameter of 56mm). Historic drilling was also diamond-drilled and of NQ core size (47.6mm diameter).	LOW
Logging	All drill holes were geologically logged using the same nomenclature as pre-Bass Metals Ltd drilling (Aberfoyle log codes). Lithology, alteration, structure, and veining data are captured for all core. Ongoing review and auditing by senior Bass Metals Ltd personnel (Dr Travis Murphy and Mike Rosenstreich) occurred through out the program. Ex-Aberfoyle geologist (Steven Richardson) is employed by Bass Metals Ltd and was involved with the initial work by Bass Metals Ltd at Mt Charter and was also available to review ongoing progress of the project. Orientation of the core was initially performed by the spear method and then by the digital Ace Core Orientation tool. Veining, foliation, and faults were measured for alpha and beta angles and converted to dip and dip-direction using an algorithm. Wet and dry digital photographs of all core were systematically taken by Bass Metals Ltd field technicians. RQD measurements were recorded by Bass Metals Ltd field technicians at per drill-run intervals (average of 3.0m).	LOW
Drill sample recovery	Bass Metals Ltd report core recovery as averaging at 92%. Intervals of core loss are noted in logs. The core is generally highly competent and the effects of oxidation are negligible with holes often collared into fresh rock. Minor core loss is associated with discrete fault zones.	LOW
Sampling methods	Half-core samples were collected from 56mm diameter core via a purpose built core saw with a diamond blade. The sample interval used was 1.0m unless there were major lithological boundaries which warranted more detailed sampling. A cut-line was provided on the core to ensure representative sampling of the core. The majority of historic data was obtained from core-grind analyses which are not felt to be as reliable. The majority of the historic holes have been resampled.	LOW-MODERATE
Sub-sampling techniques and sample preparation	Half core samples were submitted to Ammtec-Burnie Research Laboratories located in Wivenhoe, Tasmania. The samples were routinely analysed for Au (fire assay); Ag, Pb, Zn, Cu, As, Fe (triple acid digest and AAS); Ba (pressed-powder XRF). SG determination was conducted by the laboratory on the 1m composite samples.	LOW
Quality of assay data and laboratory tests	Samples were analysed by Ammtec-Burnie Research Laboratories using industry standard methods. A selection of samples were analysed by Genalysis (Perth) using industry standard methods as a comparison of laboratory accuracy beyond the standard QAQC processes of insertion of standards (every 25 samples) and blanks (every 25 samples) in the sample sequence employed by Bass Metals Ltd. Duplicates were also taken at the same frequency and this consisted of submitting 2 quarter-core samples for the sample interval.	LOW-MODERATE

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Verification of sampling and assaying	None of the Aberfoyle or Bass Metals Ltd drill holes have been twinned, although systematic drilling of the Mt Charter resource by Bass Metals Ltd has resulted in 'cross-overs' with historic drill-holes drilled on variable orientations. Assay results correlate well where this has occurred. The majority of historic data was obtained from core-grind analyses which are not felt to be as reliable. Appropriate intervals of historic Aberfoyle drill-core have been half-cored and submitted for assay with recent Bass Metals Ltd drill-core samples.	LOW-MODERATE
Location of data points	The drill-hole collar locations have been measured by a contract surveyor using a theodolite. Survey control was established at Mt Charter by using a differential GPS. Down hole surveys and deviations routinely measured (every 30m) using a single-shot camera. A digital elevation model was built using radar altimeter data and all survey control points in the Mt Charter area.	LOW
Data density and distribution	The Mt Charter resource has been drilled on 50m spaced sections oriented WNW/ESE. Drill-hole spacing is approximately 50m along these section-lines. The strike length covered by this drill density is currently 250m and 150m across-strike. Snowden believes that the data density and distribution is appropriate to determine the broad deposit scale geological and grade continuity but is not yet sufficient to determine the local scale geological and grade continuity for the Mt Charter project.	MODERATE
Database integrity	The responsible project geologist reviews and checks new results and plots standard and blank results to ensure these are within acceptable limits. This is required before the laboratory job is accepted. The drill-hole data is stored in an excel spreadsheet.	LOW
Geological interpretation	The Mt Charter mineralisation comprises a barite-rich vein package which has a NNE trending enveloping surface and sub-vertical/steep westerly dip. The mineralized veins have a NNW strike and are sub-vertical. An interpreted district-scale fault is situated immediately east of the Mt Charter area and is thought to be a key control on the location and orientation of the resource. The intersection of this structure with cross-cutting faults may influence the width of the mineralised zone at the southern end of the resource. The host-rock is a pyrite-sericite-silica altered dacite of Cambrian age. The pyritic alteration is interpreted as a pre-existing VHMS-style alteration which has had barite+sphalerite+gold veining superimposed. This interpretation is supported by observations from the drill-core. Snowden believes that the geological interpretation used for the resource estimation represents the broad deposit scale geological and mineralisation controls. There are recognised local scale geological and mineralisation controls which are not incorporated into the geological interpretation yet due to insufficient data density.	MODERATE
Estimation techniques	Multiple elements were estimated using ordinary kriging. Ordinary kriging restricted to mineralisation and homogeneous domain boundaries. The change of support process is based on multi-element conditional simulation. Variography of all elements studied and grade trends modelled.	LOW
Classification	Snowden and Bass Metals have completed classification by taking into account data integrity, grade continuity, geological confidence and drill hole spacing.	
Tonnage factors (in situ bulk densities)	Average bulk density values for stratigraphic domains calculated and applied to estimated blocks.	LOW
Audits or reviews	Snowden has reviewed Bass Metals drilling and logging processes while on site. Snowden has subsequently reviewed Bass Metals QA-QC results and considers them to meet normal industry standards.	