



5 July 2006

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

Dear Sir

RE: MAJOR GROUND ACQUISITION INCREASES RESOURCE INVENTORY AND DELIVERS MANY NEW TARGETS

Bass Metals Ltd today signed an agreement with ASX listed Saracen Mineral Holdings Limited (SAR) to acquire its Tasmanian exploration portfolio comprising 138km² over the highly mineralised Mt Read volcanic belt (MRV) through the issue of 6.4 million shares and the payment of \$300,000.

Highlights

- **Strategic consolidation - the Saracen tenements adjoin Bass Metals' Hellyer project, contain extensions of mineralised units, and lie adjacent to the Henty and Rosebery mining centres.**
- **The acquisition includes:**
 - **2 advanced targets prospective for high grade base metal and gold mineralisation, including a lead-zinc-silver Mineral Resource.**
 - **Several defined drill targets prospective for Hellyer style, high grade zinc-lead-copper-silver-gold mineralisation to be drilled in the current Zinifex alliance drilling programme.**
 - **Significant emerging mineralisation targets resulting from regional geological modelling and target generation.**
- **Increase in Mineral Resource inventory by the addition of high grade lead-zinc-silver resources delineated by SAR at the Farrell Mine complex.**

A. EXPLORATION OPPORTUNITIES

Bass Metals' tenement acquisition strategy is focused on the MRV, a richly mineralised sequence of predominantly volcanic rocks that hosts many large scale and high grade deposits, including:

- **Mt Lyell** - 1.4 million tonnes (Mt) of contained copper (Cu) and 1.6 million ounces (Moz) of contained gold (Au);
- **Rosebery** - 4.6 Mt of contained zinc (Zn), 1.3 Mt of contained lead (Pb), 152 Moz of contained silver (Ag) and 2.4 Moz of contained Au;
- **Que River** - 0.4 Mt of contained Zn, 0.2 Mt of contained Pb, 0.4 Moz of contained Au and 21 Moz of contained Ag;
- **Hellyer** - 2.3 Mt of contained Zn, 1.2 Mt of contained Pb, 1.4 Moz of contained Au and 91 Moz of contained Ag; and,
- **Henty** - 1.1 Moz Au.

(refer Table 1 below for endowment details)

Table 1: Local Metal Endowment* - notable deposits

	Volcanic hosted massive sulphide type deposits					
	Mt	Cu%	Pb%	Zn%	Ag g/t	Au g/t
Rosebery	32	0.6	4.0	14.4	148	2.3
Hellyer**	16.9	0.4	7.2	13.8	167	2.5
Hercules	3.3	0.4	5.5	17	171	2.8
Que River**	3.3	0.7	7.4	13.3	195	3.3
Mt Lyell	311	1.0	-	-	-	0.3
	Intrusive related type deposits					
	Mt	Sn%	Ni%	Au g/t		
Henty	2.8			12.5		
Renison	31.1	1.4				
Mt Bischoff	10.5	1.1				
Avebury	7.5		1.3			

*data from the Mineral Resources Tasmania online database

** deposits occur on Bass Metals' tenements

The tenements being acquired are considered highly prospective for further discoveries of these types of deposits. The SAR and Bass Metal's ground positions are actually "interconnected" in the north and cover the same mineralised geological units.

Bass Metals has identified 3 tiers of exploration opportunities through its due diligence work as follows:

1. Advanced drill targets comprising:

Mt Farrell-Murchison line which has had significant historic Pb-Ag production of approximately 700,000 tonnes at 13% Pb and 14oz./t Ag. SAR has reported (June 2005 Quarterly Report) a Mineral Resource estimate to ASX of 180,000 tonnes at 11% Pb and 11oz./t Ag and 4% Zn (refer Table 2 for details). Bass Metals will focus its initial exploration efforts on testing the entire 2km strike extent of the Farrell-Murchison structure, which is demonstrably well mineralised but poorly drilled along its extent (refer Figure 2).

The Mt Farrell target has potential to generate new ore shoots of similar style to those mined previously which could support a small scale, high grade underground mine.

Sterling Valley prospects: the Sterling Valley Trend extends for approximately 4km along the Henty Fault. It includes the historic Sterling Gold mine (no production records) and several drill indicated zones of gold-arsenic-copper mineralisation. Better historic drill intercepts include:

- 7.7m at 3.8 g/t Au
- 3.7m at 5.9 g/t Au
- 17m at 1.5 g/t Au

The 1 million ounce Henty gold deposit lies approximately 5km south along the same Henty Fault trend.

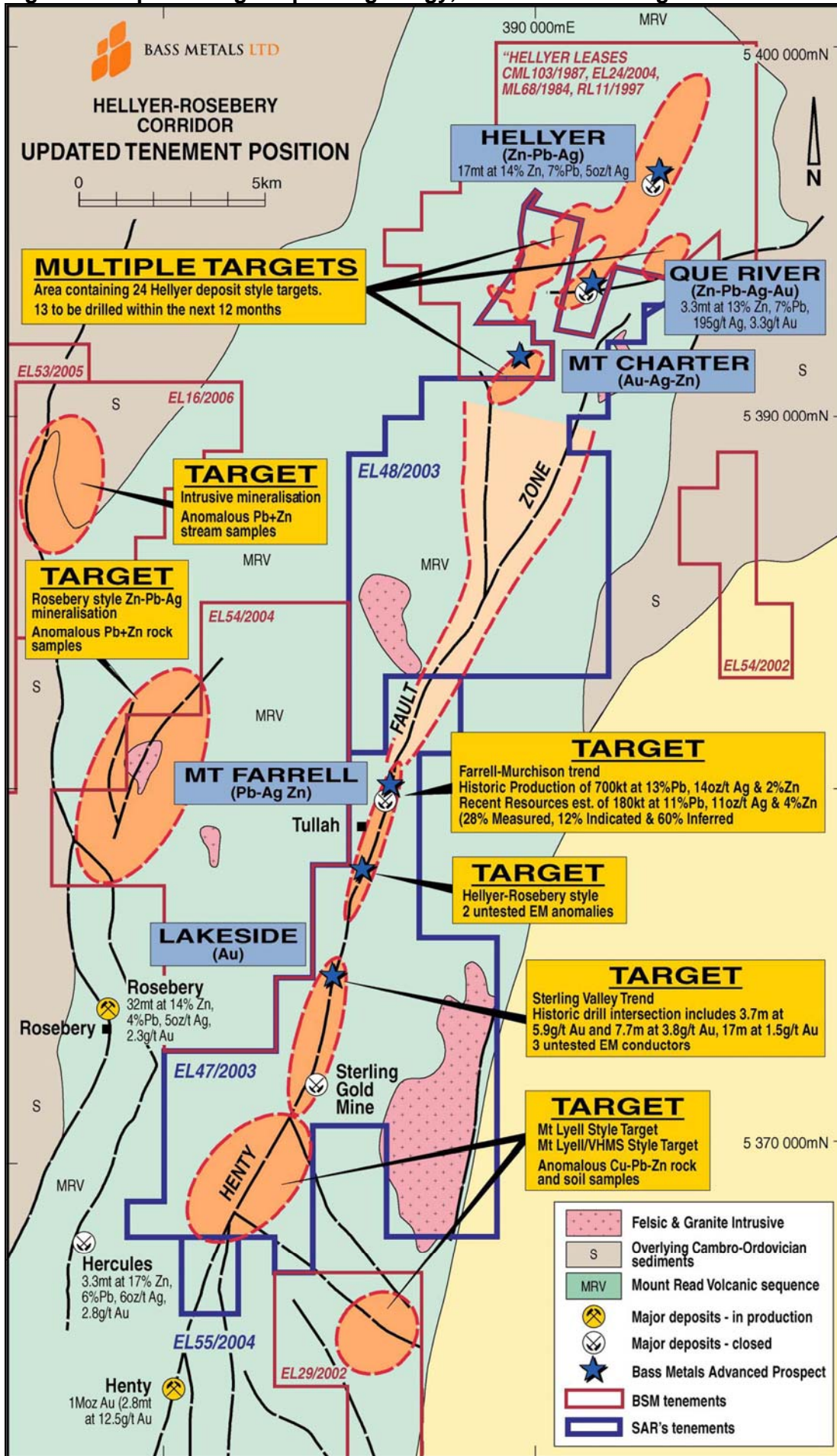
The objective at Sterling Valley is to delineate a high grade Henty style gold deposit in structures associated with the Henty Fault zone.

2. Defined Drill targets generated by the geological modeling work completed in collaboration with Geoinformatics Exploration Inc. and Zinifex Limited on the Company's Hellyer Project. The modeling resulted in a new interpreted trend of the "Mixed Sequence" rock unit, the primary control on the location of the Hellyer and Que River deposits. Bass Metals considers that a large component of the Mixed Sequence unit may occur on the northern part of the SAR lease, EL48/2003. This area remains largely untested by drilling and there are several geochemical and geophysical anomalies on this ground.

Bass Metals plans to drill test the 9 highly ranked lead-zinc-silver-copper Hellyer style targets in its current Hellyer Alliance drill programme with Zinifex.



Figure 1: Map showing simplified geology, tenements and targets.



2. **Emerging drill targets**, particularly associated with the Henty Fault zone, “host” to the 1Moz Henty gold deposit immediately south of the southern boundary of SAR’s EL55/2004.

There are several target positions prospective for Hellyer, Mt Lyell and Henty style mineralisation within the tenements identified on the basis of:

- prospective “host” units such as the Mixed Sequence in the north;
- major fault corridors - for example the Henty and Rosebery fault zones;
- close proximity to intrusive centres – some not previously recognised;
- nine untested electromagnetic (EM) targets coincident with many of the features listed here, generated by SAR’s Geophysical Consultant who was also associated with the Hellyer deposit discovery which is largely credited as being due to EM work; and,
- untested metal anomalism in streams, soil and rock chip samples.

4. **Mineral Resource Inventory**; following settlement of the SAR acquisition Bass Metals’ Mineral Resource inventory will increase as reflected in Table 2 below. This represents a significant increase and is important in the light of Bass Metals’ recent positive Scoping Study results reported to ASX (16 June 2006) for Que River and the mining alliance with Mancala. The Que River scoping study indicated a net cash surplus of up to \$9.0 million for an initial open pit development based on evaluation of only the Nico and S-lens Mineral Resources.

The mining alliance with Mancala demonstrates an operating capacity to achieve this outcome subject to completing the feasibility work.

Similar scenarios may be possible for the Farrell-Murchison workings and will be evaluated.

Table 2 – Updated Bass Metals’ Mineral Resource Inventory following SAR Acquisition

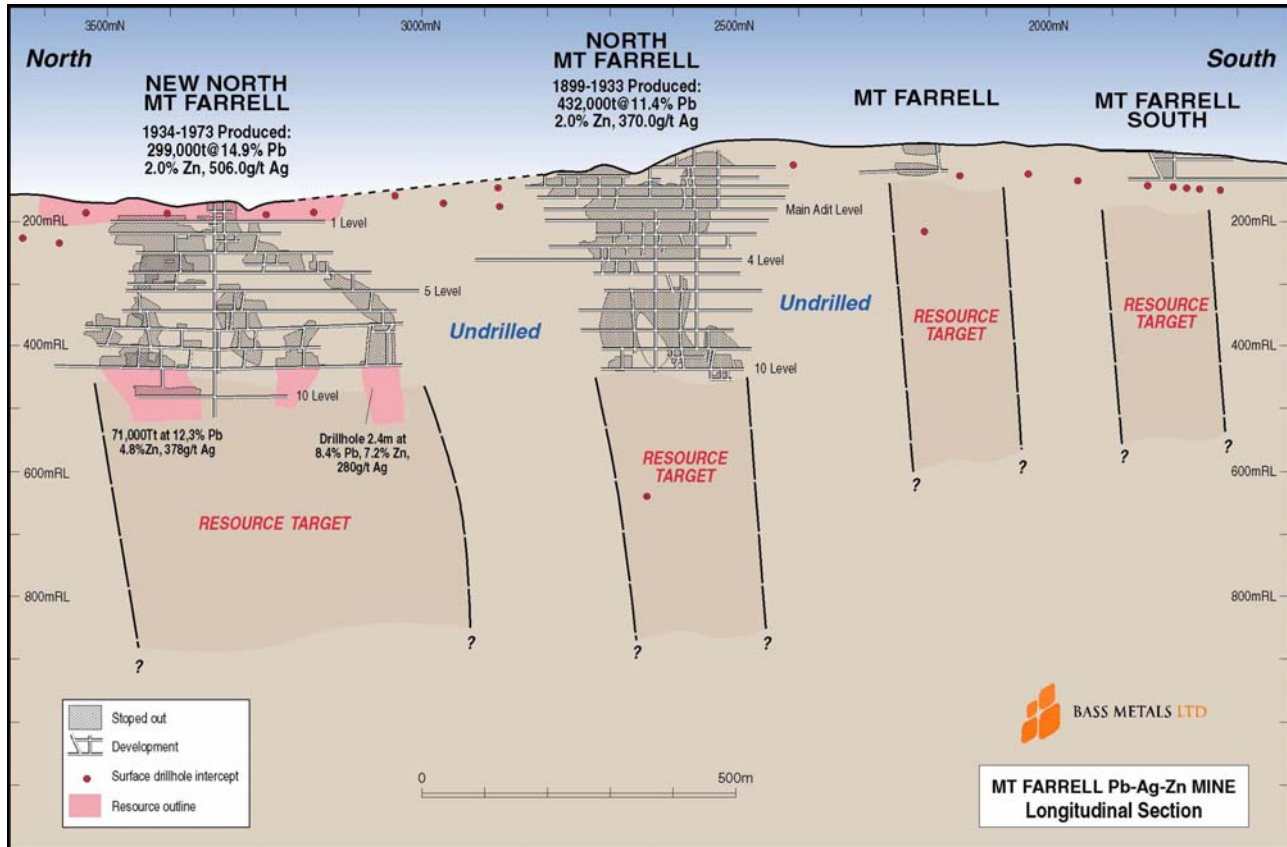
Resource Category	tonnes	Mean Grades				
		Zn (%)	Pb (%)	Cu (%)	Ag (g/t)	Au (g/t)
Nico Mineral Resource*						
Indicated	33,000	9.0	5.4	0.3	130	1.0
Inferred	69,000	8.3	4.6	0.4	102	0.9
Total	102,000	8.5	4.9	0.4	110	0.9
S-Lens Mineral Resource**						
Indicated	164,000	5.3	1.7	1.5	70	0.3
Inferred	206,000	3.3	1.2	1.9	59	0.3
Total	370,000	4.2	1.4	1.7	64	0.3
North Farrell Mineral Resource***						
Measured	51,000	4.2	11.9	0.2	358	0
Indicated	22,000	4.1	11.7	0.2	351	0
Inferred	107,000	3.7	10.7	0.2	314	0
Total	180,000	3.9	11.2	0.2	331	0
Combined BSM Mineral Resource Inventory						
Measured	51,000	4.2	11.9	0.2	358	0
Indicated	219,000	5.7	3.3	1.20	107	0.4
Inferred	382,000	4.3	4.5	1.1	138	0.30
Total	652,000	4.8	4.6	1.1	145	0.3

* As reported by Bass Metals in report to ASX 6 April 2006

** As reported in Bass Metals (formerly RFI Limited) Prospectus 16 August 2005

***as reported by Saracen in ASX Quarterly Report June 2006.

Figure 2: Farrell Long section (northern portion) with historic mine development and SAR Mineral Resource outlines.



B. KEY TERMS OF THE ACQUISITION

The Company has signed a Sale and Purchase Agreement with SAR, a company listed on the ASX, and its wholly owned subsidiary Saracen Metals Pty Ltd, whereby Bass Metals will acquire a 100% interest in SAR's three, 100% owned Tasmanian Exploration Licences through the issue of 6.4 million ordinary shares and the payment to SAR of \$300,000. The key terms of the deal are:

Parties: Bass Metals Ltd (Purchaser), Saracen Metals Pty Ltd (Vendor) and Saracen Mineral Holdings Limited (Guarantor).
As the Vendor has no assets other than the Tenements, a Guarantor is required to stand behind the undertakings and obligations of the Vendor.

Assets being acquired: Exploration licences, EL47/2003, EL48/2003 and EL55/2005 located in NW Tasmania (The Tenements), all mining information including drill core, plans and digital data.

Conditions Precedent to settlement The consent of the Tasmanian Minister of Mines to the transaction. The Conditions Precedent are to be met by 30th September 2006.

Consideration:

- Cash payment of \$300,000 comprising a non-refundable deposit of \$25,000 on signing and \$275,000 payable on settlement.
- 5.4 million BSM shares
- 1.0 million BSM shares subject to BSM shareholder approval or \$200,000 if that approval is not received.

The Purchaser has agreed to a voluntary escrow of 12 months from date of issue.

Purchasers Undertakings: Standard for this type of agreement and include lodgment of security bonds to enable the Vendor to receive its security bonds back on Settlement.

Vendor's Undertakings: Standard for an agreement of this type and includes transfer of all mining information including maps, plans digital data and drill core.

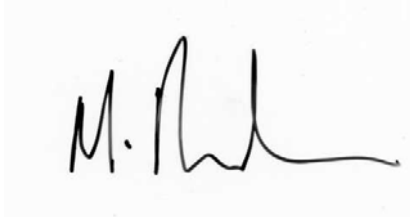
Due to the overlapping nature of the tenement boundaries and key geological elements in the very northern margin of SAR lease, EL48/2003 the Company has agreed to extend Zinifex's right to select up to 3 Special Project Areas (SPA) to include discrete localised areas in this very northern portion of the tenement. There is no increase in the number of SPA's Zinifex can select, which remains capped at 3 over the Company's Hellyer Project tenements and this minor extension onto EL48/2003.

C. COMMENTARY

This is a major strategic acquisition for Bass Metals involving a large ground position which covers existing resources, advanced drill targets and highly rated regional prospectivity. The region boasts several very large, high grade base metal and gold mines and numerous smaller scale occurrences and the Directors consider that the acquisition of the SAR tenements enhances the chances of Bass Metals making new discoveries. Bass Metals is uniquely poised to achieve exploration success through its dominant regional ground position, access to recently acquired public domain geophysical data and its exploration collaboration with Geoinformatics and Zinifex giving it access to proven exploration technology and expertise to compliment its own locally based and highly experienced exploration team.

Bass Metals intends to seek shareholder approval for the issue of the second tranche of shares to SAR and other matters in August 2006.

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.

FORWARD LOOKING STATEMENT: This release contains certain forward-looking statements. These forward-looking statements are subject to a variety of risks and uncertainties beyond the Company's ability to control or predict which could cause actual events or results to differ materially from those anticipated in such forward-looking statements.