

Bass Metals Ltd BSM (\$0.30)

SPECULATIVE BUY

Low risk base metals discovery play

Analyst: Levi Spry

OUR VIEW

BSM has a significant land holding in the highly mineralised base metal terrain of northwest Tasmania. The majority of tenements lie in the same belt as the Rosebery and Hellyer deposits and while the land holdings contain many old workings and incremental resources, the real prize remains a large VMS discovery. With a recent capital raising (\$4.6m) under its belt, BSM has the working capital required for continued exploration and 'Stage 1' mining at Que River. Stage 1 mining at Que River involves 2 small, high-grade open pits and sale of ore to the nearby Hellyer plant. Staged mining of other resources at Que River over the next 3-5 years will continue to provide the cash flow to fund BSM's "elephant hunt" for new VMS style deposits in this highly prospective region. Other remnant mining opportunities on its large land holding will continue to present themselves and mining options will be investigated. BSM provides low risk base metals discovery leverage through its active exploration programme in this highly mineralised belt, which is underpinned by small-scale, low-risk remnant mining at Que River and medium term mining prospects at Mt Charter and Hellyer.

Investment Highlights

- ▲ **BSM is an Australian minerals explorer with advanced base metal and gold projects within a large strategic ground holding in the Mt Read Volcanic belt in northwest Tasmania. As a lower risk discovery play we are positive on BSM's prospects.**
- ▲ **Que River Mine Development:** Having received the necessary approvals for Que River, 'Stage 1' trial mining of 2,200t of 15% Zn material is complete and ore processing is underway. The 'Stage 1' mine plan will see 118,000t @ 8% Zn, 4% Pb, 3oz/t Ag and 2.1g/t Au mined from PQ South and the northern end of S-Lens by open pit mining methods over an 18 month period. Ore will be sold to the Intec-Polymetals JV operating the Hellyer Zinc Concentrate Project 4km away. With a LOI for the processing of this material having been signed in the Dec Q, a binding ore sales agreement is about to be "locked down". Stage 1 is considered the first of a 4-stage potential mining development which could generate a 3-5 year mine life at Que River with further untested geophysical targets and exploration upside.
- ▲ **Mt Charter Gold Project:** The total resource estimate for the Mt Charter deposit is 6.1Mt @ 1.22g/t Au, 35.5g/t Ag, 9.7% Ba and 0.5% Zn for 239koz Au and 6.9moz Ag. Increases to the resource base and processing options for the ore are being investigated.
- ▲ **Hellyer Mine Project:** The Hellyer Mine represents a medium term production proposition for BSM with significant infrastructure already in place and potential remaining resources of circa 700kt at 8% Zn and numerous exploration targets.
- ▲ **Regional targets:** BSM retains a large landholding in this highly mineralised district and an active exploration programme in 1H CY07 will see news flow from across projects. Having released positive drill results from Bonds Range (3.5 metres at 5% Pb, 1.1% Zn, 4 oz./t Ag and 1.1 g/t Au from 88 metres); Mt Selina, Magnet Mine, Heazlewood and North Rosebery will all undergo detailed exploration, including drilling, during 1H CY07.
- ▲ **Funding:** Following the recently completed \$4.6m rights issue, BSM will have \$5.6m in cash and with cash flow from 'Stage 1' mining at Que River imminent, BSM is well placed to fund its continued exploration push.

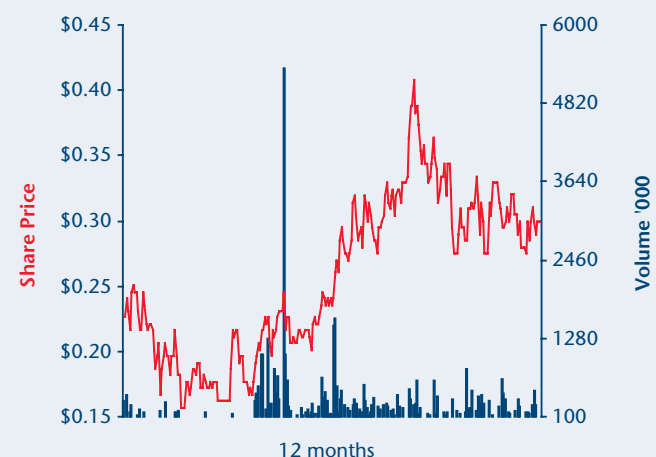
Disclaimer: Patersons acted as Lead manager and Underwriter to a Rights Offer by Bass Metals Ltd in April 2007 that raised circa \$4.6 million at an issue price of \$0.28 per share with a free 1:4 attached option. It received a fee for this service.

Investment Summary

Directors		Non-Exec Chairman		
Don Boyer		Mike Rosenstreich	Managing Director	
Mike Rosenstreich		Keiran Rodgers	Non-Executive Director	
Keiran Rodgers		Craig McGown	Non-Executive Director	
Craig McGown				
Substantial Shareholders		Shares (m)	%	
Intec Hellyer Metals		19.6	23.5	
Saracen Mineral Holdings Ltd		6.4	7.65	
Resources				
Nico Lens	102	kt		
Cu %	Pb %	Zn %	Ag (g/t)	Au (g/t)
0.0%	5.0%	9.0%	150.0	0.9
S -Lens	400	kt		
Cu %	Pb %	Zn %	Ag (g/t)	Au (g/t)
1.9%	1.4%	3.7%	62.0	0.3
PQ-South	46	kt		
Cu %	Pb %	Zn %	Ag (g/t)	Au (g/t)
0.0%	9.0%	17.0%	231.0	5.7
TOTAL	548	kt		
Cu %	Pb %	Zn %	Ag (g/t)	Au (g/t)
1.4%	2.7%	5.8%	92.6	0.9

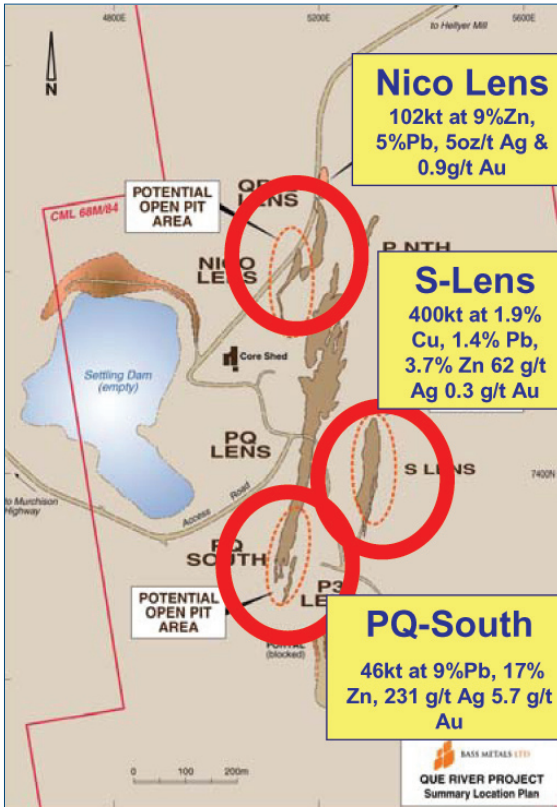
Company Statistics & Performance

Shares on Issue	71.6m	Daily Vol.	210,000
Options	26.6m	Debt	0
Market Cap.	\$29.5m	Cash	\$5.6m
52 Week Range	\$0.16 - \$0.41	Ent. Value	\$22.2m



Que River Project

- ▲ Que River was mined from 1978 to 1991. The area has numerous remnant resources and exploration targets. Existing resources are defined at Nico, S and PQ lenses. BSM's initial focus is on defining shallow high grade zones for open pit mining.



Source: Bass Metals Ltd

- ▲ **Stage 1** trial mining is complete with the material being process tested. Based on BSM's financial parameters Stage 1 could see between \$7.9M and \$12.0m in net revenue for BSM.
- ▲ **Stages 2-3** are under evaluation and would see the Nico lens, S Lens South, P North and QR32 as possible open pits.
- ▲ **Stage 4** will investigate underground access to S-Lens resources, remnant and new ore lenses in near vicinity to main PQ lens.

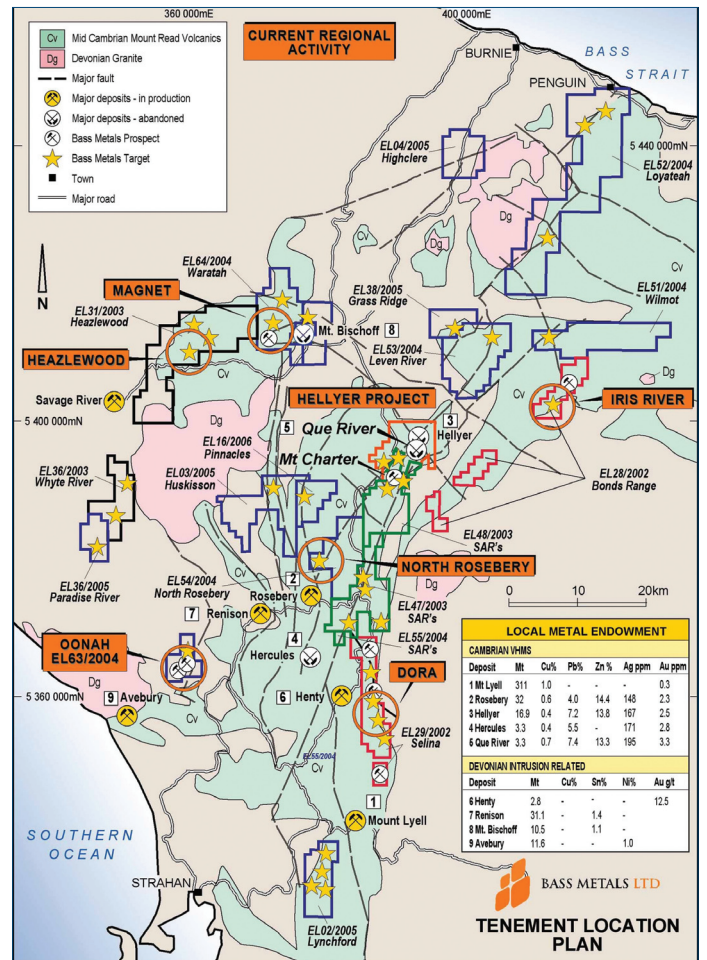
Hellyer Mine (Zinifex Alliance)

- ▲ With BSM's aim to build up its base metal resource inventory, Hellyer presents medium term production potential. In this new price environment and with a smaller scale operation in mind, Hellyer presents significant exploration targets for BSM. Hellyer had a pre-mining mineral resource of 17Mt at 14% Zn, 7% Pb, 0.4% Cu, 5oz/t Ag and 2.5g/t Au and was mined at rates of up to 1.5mtpa from 1986 to 2000. BSM has outlined a resource target of approximately of 700kt at 8% Zn based on remnant mineralisation indicated in the historic resource model.
- ▲ The Hellyer mine comes under the Zinifex Alliance where both parties contribute \$1.0M to an agreed exploration programme targeting new Hellyer/Que River style deposits and BSM is the manager. ZFX has the "option" of selecting up to 4 areas from BSM's projects to become joint ventures. The potential JV areas exclude the Que River mine area and

the Mt Charter deposit and each can only be up to 2km² in area. ZFX then has normal earn-in obligations up to 70% and must free carry BSM to a decision to mine stage.

Regional exploration:

- ▲ **Bonds Range JV (60% BSM 40% Adamus Resources Ltd):** The deposit is a Pb-Zn-Cu target and is currently being drilled. Latest drilling included 3.5 metres at 5% Pb, 1.1% Zn, 4 oz./t Ag and 1.1 g/t Au from 88 metres.
- ▲ **Mt Sellina JV (60% BSM 40% Adamus Resources Ltd):** Drilling in 1H CY07 of the Pb-Zn and Au targets will follow surface sampling and mapping.
- ▲ **Magnet Mine JV (75% BSM 25% Geoinformatics Exploration Inc):** The Magnet Mine is a Pb-Zn-Ag target and surface works will be followed by 1H CY07 drilling.
- ▲ **Heazlewood JV (70% BSM 30% Pioneer Nickel Ltd):** Heazlewood shows Ni and PGE potential and will undergo surface sampling and geological mapping.
- ▲ **North Rosebery JV (75% BSM 25% Geoinformatics Exploration Inc):** Located along strike from Zinifex's world class Rosebery mine, the tenement has defined geophysical and soil targets to be followed up with drilling.
- ▲ **Oonah and Waratah JV Projects (75% BSM 25% Geoinformatics Exploration Inc):** Oonah and Waratah represent historic mining centres from a time when zinc was considered a contaminant (pre-WWII).



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