



BASS METALS LTD

ABN 31 109 933 995

16 June 2006

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

Dear Sir

RE: QUE RIVER MINING STUDY PRELIIMINARY RESULTS

Bass Metals Ltd is pleased to provide a progress report on positive preliminary results of its Que River mining study and the signing of a Letter of Intent to form mining alliance with well known specialist mining group, Mancala Pty Ltd.

Highlights

- **Scoping level study indicates positive cash surplus of up to \$9 million from preliminary open pit mining operations at Que River comprising:**
 - ✓ **\$5 million from stage 1,**
 - ✓ **a further \$4 million is possible developing stage 2.**
 - ✓ **Further potential exists to add to the proposed mine life.**
- **Bass Metals to form a mining alliance with Mancala Pty Ltd, a specialist mining group to support the fast-track development objective at Que River.**

Que River Mining Study

Bass Metals Ltd initiated a study to evaluate the early commencement of mining the shallow S-Lens and Nico Lens Mineral Resources. The study is on schedule for completion in July and subject to a positive outcome, the Company is aiming for mining to commence this year.

The scoping level mining study was carried out by Snowden Mining Industry Consultants with input from Bass Metals and Mancala staff. The Study is based on the Mineral Resources released previously to ASX for S-lens and Nico, which comprises Indicated and Inferred Mineral Resources, reported in compliance with the JORC Code. Snowden completed several open pit optimisation runs which formed the basis for preliminary pit plans, scheduling and waste dump designs.

Given these positive results the Company is now looking to complete the mining study to a feasibility standard. Que River project activities will focus on infill drilling the upper levels of these resources to upgrade the classification to Measured and Indicated. This drilling is planned to be completed in early August.

The Company is in discussions with both Intec Ltd and Zinifex Limited to utilise their processing facilities at Hellyer and Rosebery respectively to treat its ore. It plans to finalise an off-take agreement before the end of July.

Financial Modelling

Bass Metals completed preliminary financial modelling based on the Indicated and Inferred Mineral Resources which fell within the pit design proposed by Snowden. Some of the key findings and inputs include:

Item	Input / Result	Comment
Production Rate	100,000 to 200,000 tonnes of ore per year.	Limiting factors are vertical advance rate of a small pit. Required ore delivery schedule of off take party.
In pit resources	Indicated and Inferred Mineral Resources occurring within the stage 1 and stage 2 pit outlines total approximately 250,000t.	
Commodity prices	Copper US\$6,700/t Zinc US\$3,000/t Lead US\$970/t Silver US\$10/oz Gold US\$565/oz US\$:A\$ 0.74	The revenue calculation used these "current" commodity prices and assumed standard industry smelter & refining charges. These are currently the subject of negotiation with the potential off-take parties.
Estimated operating surpluses.	Stage 1 - \$5 million Stage 2 - \$4 million Total \$9 million	The average operating margin is approximately 40% after all costs.

Estimates were made for mining, haulage and processing costs based on local industry knowledge. Assumptions on revenue for "ore" sales were also based on standard industry returns and some local precedents. All of these input parameters need to be confirmed in the next phase of the study and at this stage all inputs and results should be considered to be within a +/- 30% estimate range.

While the Company has reasonable basis on which to express these estimates, any forward looking statement is subject to risk. Risks include, without limitation: metal prices, foreign exchange rate movements, project funding capacity, concentrate offtake contracts and estimates of future capital and operating costs.

Mancala Alliance

The mining alliance with Mancala facilitates Bass Metals' fast track to production and significantly reduces the operational risk associated with Bass Metals having to attract skilled labour to undertake and support a small scale mining operation.

Two of the principals of Mancala were involved in senior technical roles at both the former Hellyer and Que River mining operations before establishing Mancala, a specialist underground contract mining business. Mancala has been involved in 4 similar style mining operations (both open cut and underground) in western Tasmania. Mancala has a successful track record in high grade ore mining, safety and environmental management and getting the projects permitted and running.

The letter of Intent signed contemplates:

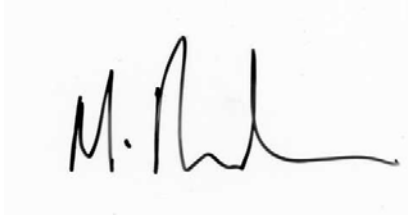
- Mancala acquiring a 20% equity stake in a sublease around the Mineral Resources and Que River mine infrastructure.
- Undertaking all mine geology, environmental, mining, haulage, off-take management and Occupational Health and Safety functions on the site.
- Mancala earning a fee which effectively covers its costs – with the incentive coming from its equity stake to maximise profit through high grade ore mining and adding to the existing mine life.

Bass Metals considers that the formation of this alliance with an expert technical group founded on a strong incentive component will add tremendous value in optimising the current mine plans and utilising their underground mining skills to evaluate the remainder of the Que River system. This alliance is consistent with Bass Metals' overall strategy of partnering with high calibre groups such as Geoinformatics Exploration Inc. and Zinifex Limited who contribute knowledge and technology and give the Company the exploration "horsepower" of a major. Mancala assists in fast tracking Bass Metals into production with no distraction from Bass Metals' exploration focus.

Commentary

Establishment of operations and positive cash flow from Que River is an important part of the Company's "stepping stones to growth" strategy as exemplified by its logo. An intense nine month process of data compilation, analysis and target generation in collaboration with Geoinformatics is nearing completion and transitioning into the drill testing stage. Surplus cash from Que River will assist in funding ongoing, vigorous exploration on the Company's large tenement holdings in the area.

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.