**BASS METALS LTD**

ABN 31 109 933 995

28 June 2007

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

Dear Sir

**QUE RIVER MINERAL RESOURCE UPGRADE**

Bass Metals Ltd (ASX:BSM) is pleased to provide the following update on the ongoing Mineral Resource delineation work at the 100%-owned Que River base metals project.

**EXECUTIVE SUMMARY**

- **An additional Mineral Resource of 188,000 tonnes grading 5.5% zinc, 3.3% lead, 79 g/t silver and 1.1 g/t gold estimated at QR32 Lens.**
- **34% increase of the Que River Mineral Resource inventory tonnage plus small increases in overall zinc, lead silver and gold grades.**
- **Total combined Mineral Resource inventory at Que River now comprises 735,000 tonnes grading 5.7% zinc, 2.9% lead, 84 g/t silver & 0.9 g/t gold.**

**1. QR32 LENS MINERAL RESOURCE ESTIMATE.**

The QR32 Lens Mineral Resource estimate is reported in accordance with the 2004 JORC Code and is presented in Table 1 below.

**Table 1: Summary of Classified QR32 Lens Mineral Resource**

| Ore type/area                 | JORC Code<br>Category | Tonnes<br>(000's) | Zn<br>%    | Pb<br>%    | Cu<br>%    | Ag<br>g/t | Au<br>g/t  | SG<br>T/m <sup>3</sup> |
|-------------------------------|-----------------------|-------------------|------------|------------|------------|-----------|------------|------------------------|
| QR32 Lens                     | Indicated             | 134               | 5.9        | 3.5        | 0.2        | 83        | 1.1        | 3.3                    |
| QR32 Lens                     | Inferred              | 54                | 4.6        | 2.7        | 0.1        | 72        | 1.0        | 3.3                    |
| <b>TOTAL MINERAL RESOURCE</b> |                       | <b>188</b>        | <b>5.5</b> | <b>3.3</b> | <b>0.2</b> | <b>79</b> | <b>1.1</b> | <b>3.3</b>             |

*N.B. Small rounding errors may occur.*

Mr. Steven Richardson BSc(Hons) MAusIMM, a fulltime employee of McArthur Ore Deposit Assessments (MODA) has 27 years experience, including 10 years at Que River-Hellyer. He completed the bulk of the estimation work for QR32, Nico and S-Lens under the direction and supervision of Dr Gary McArthur PhD FAusIMM MICA MSEG, principal of MODA. Dr McArthur has over 35 years experience as a professional in the mining industry (including 10 years at Hellyer), with considerable involvement in the estimation of resources over a wide variety of commodities and mineralisation styles. As such, Dr McArthur meets the formal requirements as defined in the JORC Code (Joint Ore Reserves Committee, 2004) to be a Competent Person for the estimation of the Que River Mineral Resources. Dr McArthur has consented to the inclusion in the report of the matters based on his information in the form and context in which it appears



QR32 Lens is a zone of massive, stringer and disseminated polymetallic sulphides occurring to the north of PQ Lens at Que River (*Refer Figure 1 – location Plan*). The lens extends vertically from approximately 240 metres beneath surface, where it was partially mined from underground, to near surface, as shown in the attached long projection (Figure 2) Drilling by BSM, following up on the potential for open-pit exploitation, has extended the resource to include a zone from about 150 metres depth to near surface.

A 3D ordinary kriging geostatistical estimation technique was used to undertake the QR32 estimate, which is summarised with more technical detail in Attachment 1. The grade interpolation method involved constraining assay data from 77 diamond drill holes within a series of wire frames defined by a A\$70 per tonne value cut-off for the ore (*refer Attachment 1 for metal price details*). Highest grades were further constrained by wire frames generated from outlines of the mineralised massive sulphide lenses. This method differs to that used for the other Que River resources and was employed to better reflect current ore values and potential value of mineralisation occurring outside of the main massive sulphide mineralised lenses. It differs from previous 2D estimates where mineralised domains were more tightly constrained to higher cut-offs of combined lead and zinc grades greater than 5%, which generally define only the higher grade portions of the lenses.

The deeper portion of the Mineral Resource occurs around mined voids for which survey data is not available. To account for mined out material, stope wire frames were modelled on "estimates" of where the stopes would likely have extended to based on survey data of the underground mine development and historical records.

## 2. REVIEW – CURRENT QUE RIVER MINERAL RESOURCE INVENTORY

The following section provides a summary review of the current Que River Mineral Resource inventory as presented in Table 2. More detailed information is outlined in the following sections and reference should be made to previous reports to ASX as follows; S-Lens and PQ Lens 4<sup>th</sup> November 2006 and Nico Lens 6<sup>th</sup> April 2006.

**Table 2: Que River Project Classified Mineral Resource Summary**

| Ore type/area                 | JORC Code Category | Tonnes (000's) | Zn %       | Pb %       | Cu %       | Ag g/t    | Au g/t      | SG T/m <sup>3</sup> |
|-------------------------------|--------------------|----------------|------------|------------|------------|-----------|-------------|---------------------|
| QR32 Lens                     | Measured           | -              | -          | -          | -          | -         | -           | -                   |
| S-Lens                        | Measured           | 56             | 2.1        | 0.7        | 1.7        | 69        | 0.34        | 3.88                |
| PQ Lens                       | Measured           | -              | -          | -          | -          | -         | -           | -                   |
| Nico                          | Measured           | -              | -          | -          | -          | -         | -           | -                   |
| <b>TOTAL MEASURED</b>         |                    | <b>56</b>      | <b>2.1</b> | <b>0.7</b> | <b>1.7</b> | <b>69</b> | <b>0.3</b>  | <b>3.9</b>          |
| QR32 Lens                     | Indicated          | 134            | 5.9        | 3.5        | 0.2        | 83        | 1.10        | 3.32                |
| S-Lens                        | Indicated          | 286            | 4.6        | 1.8        | 1.8        | 66        | 0.35        | 3.83                |
| PQ Lens                       | Indicated          | 33             | 18.7       | 10.3       | 0.4        | 249       | 6.27        | 4.01                |
| Nico                          | Indicated          | 33             | 9.0        | 5.4        | 0.3        | 130       | 1.00        | 3.67                |
| <b>TOTAL INDICATED</b>        |                    | <b>486</b>     | <b>6.2</b> | <b>3.1</b> | <b>1.1</b> | <b>87</b> | <b>1.0</b>  | <b>3.7</b>          |
| QR32 Lens                     | Inferred           | 54             | 4.6        | 2.7        | 0.1        | 72        | 1           | 3.26                |
| S-Lens                        | Inferred           | 58             | 0.6        | 0.2        | 2.5        | 33        | 0.15        | 3.94                |
| PQ Lens                       | Inferred           | 13             | 13.0       | 7.2        | 0.3        | 185       | 4.25        | 3.63                |
| Nico                          | Inferred           | 69             | 8.3        | 4.8        | 0.4        | 102       | 0.91        | 3.63                |
| <b>TOTAL INFERRED</b>         |                    | <b>194</b>     | <b>5.3</b> | <b>2.9</b> | <b>0.9</b> | <b>79</b> | <b>0.93</b> | <b>3.62</b>         |
| <b>TOTAL MINERAL RESOURCE</b> |                    | <b>736</b>     | <b>5.7</b> | <b>2.9</b> | <b>1.1</b> | <b>84</b> | <b>0.93</b> | <b>3.68</b>         |

N.B. Small rounding errors may occur.

### Commentary

The addition of the QR32 Mineral Resource to the Que River resource inventory represents a 34% increase in tonnage and with minor increases to the average combined Zn, Pb, Ag and Au grades a resultant similar increase to these contained metals.



The Company has now delineated a significant Mineral Resource base to underpin its planned development of the Que River Stage 1 mine and beyond.

The immediate priorities at Que River in terms of the mine development are to:

- Complete the conditions precedent in the Heads of Agreement with Zinifex for an Ore Sales agreement and commence mine operations;
- Build up ore reserves from the current resource base;
- Increase shallow resources at 5 other targets identified in the immediate vicinity of the planned mine areas.

Que River is a fertile area for the discovery of more small to modest sized high grade lenses which could add to the overall resource base. This is in addition to the earlier stage exploration currently being undertaken at deeper levels or more peripheral to the currently defined Que River lenses. A drill hole is currently testing for a possible new mineralised lens position related to a strong EM conductor at a depth of approximately 450 metres from surface beneath the S-lens.

On behalf of the Board I look forward to providing further updates as the information becomes available.

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 is a Member of The Australasian Institute of Mining and Metallurgy. He has sufficient experience relevant to the styles of mineralisation and types of deposits under consideration and to the activities 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 Location Plan

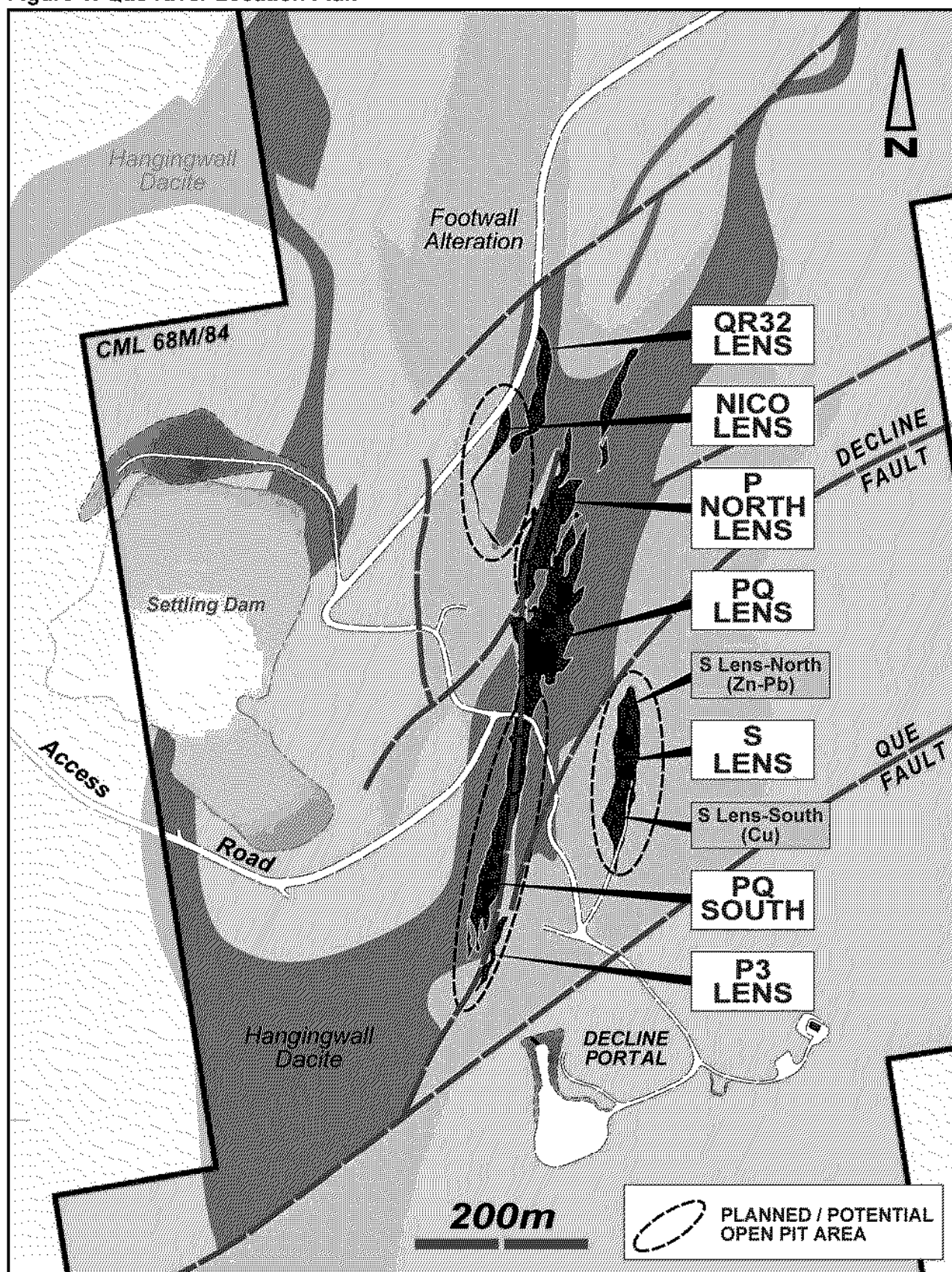
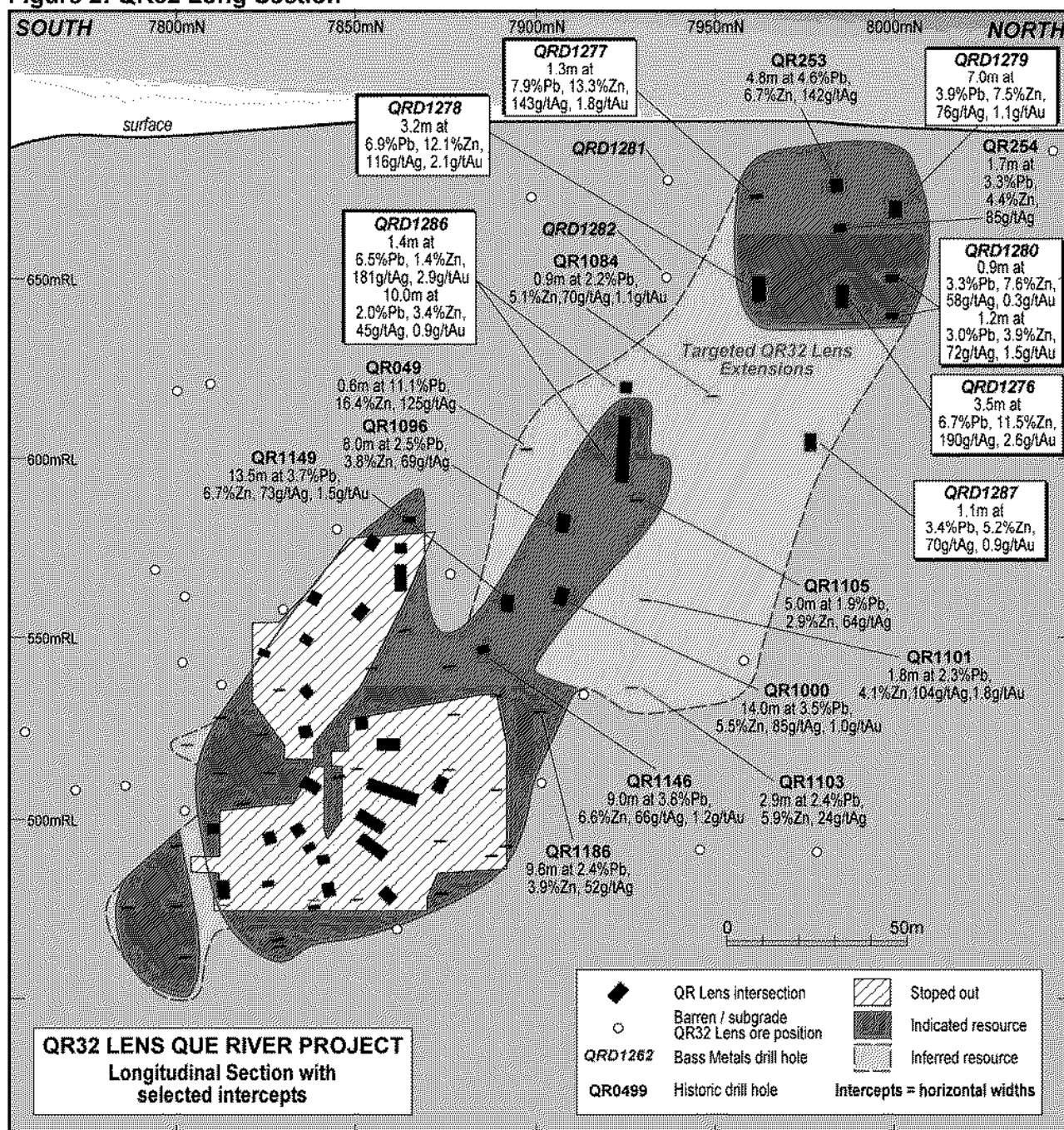




Figure 2: QR32 Long Section





## **Attachment 1: Summary of QR32 Resource Estimate Technical Parameters**

The estimation of Mineral Resources for QR32 Lens at Que River Mine has been undertaken using industry standard geostatistical techniques. In brief, the following procedure was adopted:

- Data validation of assays was undertaken.
- Assays were converted to a A\$ dollar value, based on long term average metal prices supplied by Bass Metals in June 2006. Metal prices used are:
  - Cu -US\$6700 /t
  - Pb- US\$970 /t
  - Zn – US\$3,000 /t
  - Ag – US\$10 / oz
  - Au – US\$565 / oz
  - US\$ -A\$ 0.74C
  - No allowance was made for metallurgical recoveries.
- Log probability plots of dollar-value at Que River suggest a natural boundary at A\$70, separating background mineralisation from the ore systems and could be used to define the shape of the Que River mineralized zones.
- 3D wire frames of the QR32 mineralised domain, using this **A\$** value, were interpreted in Datamine by snapping to drillhole sample boundaries. Geologically logged high grade Base Metal Sulphide (BMS) lenses were also wire framed.
- The resulting wire frames were filled with blocks having dimensions of 5m along strike (N-S), 5m vertically (RL) and 2m across dip (E-W). No sub-cells were used.
- Using the available density data, a multiple linear regression was developed to estimate density from Cu, Pb and Zn grades. Missing densities were replaced with regressed values.
- 2m composites were computed for all available assay data using length-density weighting and honouring the interpreted ore zone boundaries.
- Continuity axes were inferred from the orientation of the lens and BMS pods. Single structure spherical variograms were prepared and modelled
- 3D ordinary kriging was undertaken, constrained by the interpreted ore zone wire frames. Each kriged estimate used at least three and up to 20 of the closest, most-influential composites. In areas of sparse data second and third passes were needed with an expanded search area until grade was assigned to every cell.
- No stope surveys exist for Que River mine, so a wire frame of theoretical stopes, based on an end-of-mine long projection and a nominal historical average 1.7m of dilution were used. Surveyed level development wire frames were also used. To account for material already mined cells were flagged if they fell within the stope or development wire frames.
- Resources were grouped into Indicated and Inferred categories by reference to the estimation kriging variance (EKV) calculated by the kriging software for each Zn estimate and comparison of this value with the sample density. The area of greatest drilling density is in the area of the historic stopes but the lack of survey data on the stopes is considered to preclude a Measured category.
- Resources were tallied according to resource category, using a block cutoff grade of 5%(Pb+Zn)

**Attachment 2: Summary of S-lens, PQ and Nico Lens Mineral Resource Estimates****S-Lens**

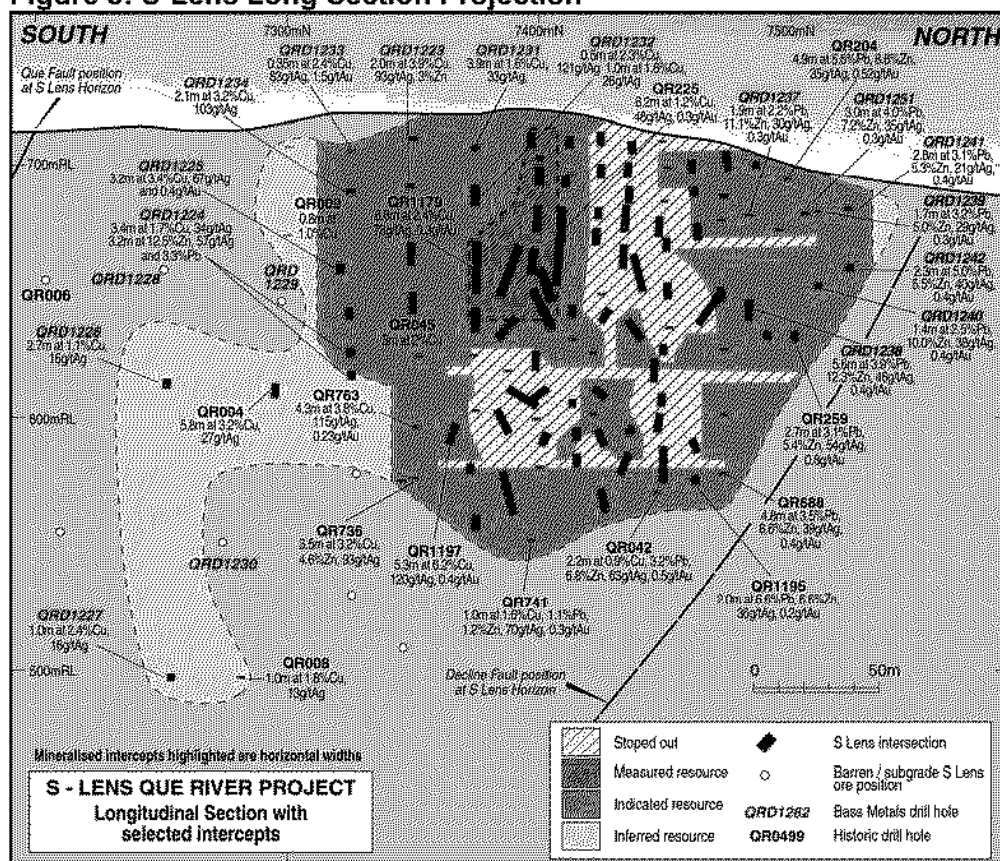
The resource estimate presented in Table 3 is based on a geological model compiled by consulting geologist, Mr. Steven Richardson. Tonnage and grade estimation has been undertaken by Mr. Richardson using anisotropic 2D inverse distance interpolation, a method considered appropriate for the purposes of this estimate.

**Table 3: S-lens Classified Mineral Resource Summary**

| Ore type/area                 | JORC Code Category | Tonnes (000's) | Zn %       | Pb %       | Cu %       | Ag g/t    | Au g/t     | SG T/m <sup>3</sup> |
|-------------------------------|--------------------|----------------|------------|------------|------------|-----------|------------|---------------------|
| South: Cu Zone                | Measured           | 51             | 1.9        | 0.6        | 1.7        | 69        | 0.34       | 3.88                |
| Central: Cu-Zn Zone           | Measured           | 5              | 4.0        | 1.7        | 1.8        | 73        | 0.33       | 3.83                |
| North: Zn Zone                | Measured           | 0              | -          | -          | -          | -         | -          | -                   |
| <b>TOTAL MEASURED</b>         |                    | <b>56</b>      | <b>2.1</b> | <b>0.7</b> | <b>1.7</b> | <b>69</b> | <b>0.3</b> | <b>3.9</b>          |
| South: Cu Zone                | Indicated          | 126            | 1.5        | 0.5        | 2.4        | 67        | 0.32       | 3.86                |
| Central: Cu-Zn Zone           | Indicated          | 67             | 5.7        | 2.9        | 2.2        | 90        | 0.31       | 3.9                 |
| North: Zn Zone                | Indicated          | 93             | 8.1        | 2.7        | 0.6        | 46        | 0.42       | 3.73                |
| <b>TOTAL INDICATED</b>        |                    | <b>286</b>     | <b>4.6</b> | <b>1.8</b> | <b>1.8</b> | <b>66</b> | <b>0.4</b> | <b>3.8</b>          |
| South: Cu Zone                | Inferred           | 56             | 0.3        | 0.1        | 2.6        | 33        | 0.15       | 3.95                |
| Central: Cu-Zn Zone           | Inferred           | 0              | -          | -          | -          | -         | -          | -                   |
| North: Zn Zone                | Inferred           | 2              | 9.8        | 3.5        | 0.5        | 46        | 0.28       | 3.58                |
| <b>TOTAL INFERRED</b>         |                    | <b>58</b>      | <b>0.6</b> | <b>0.2</b> | <b>2.5</b> | <b>33</b> | <b>0.2</b> | <b>3.9</b>          |
| <b>TOTAL MINERAL RESOURCE</b> |                    | <b>400</b>     | <b>3.7</b> | <b>1.4</b> | <b>1.9</b> | <b>61</b> | <b>0.3</b> | <b>3.8</b>          |

N.B. Small rounding errors may occur.

A schematic long-section of the S-Lens resource is shown in Figure 3. The drill hole database used for this estimate comprises 25 diamond core drill holes completed by Bass Metals as well as 100 historical diamond drill holes. In addition, original 1:500 scale mine geology cross-sections, long projections and underground development surveys were available. Mined out areas were not surveyed but details were sourced from an end of mine life report and discussions with ex-Que River Mine mining personnel involved in the mining of S Lens in the late 1980's.

**Figure 3: S-Lens Long Section Projection**



### PQ South & Central

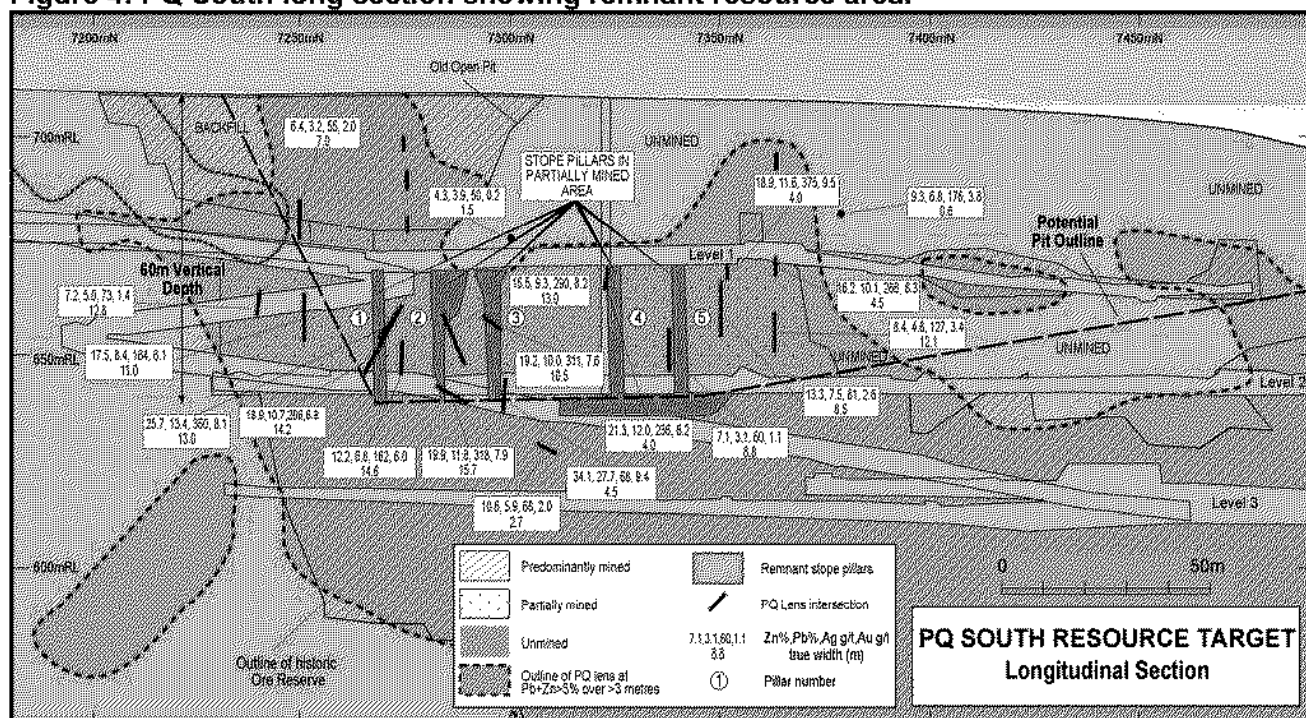
The PQ South Mineral Resource, as presented in Table 4 comprises both remnant mineralisation within pillars of the former (1980-1991) mine workings and isolated shallow pods of massive sulphide mineralisation too remote from the previous mine infrastructure to be accessed in the earlier mining phase. Both types occur within 60 metres from the surface.

**Table 4: PQ South Classified Mineral Resource Summary**

| Ore type/area                 | JORC Code Category | Tonnes (000's) | Zn %        | Pb %        | Cu %       | Ag g/t     | Au g/t     | SG T/m <sup>3</sup> |
|-------------------------------|--------------------|----------------|-------------|-------------|------------|------------|------------|---------------------|
| PQ South remnants             | Indicated          | 31             | 18.3        | 10.3        | 0.3        | 260        | 6.46       | 3.99                |
| PQ Central-Surface            | Indicated          | 2              | 24.9        | 10.3        | 1.1        | 81         | 3.30       | 4.22                |
| <b>Total Indicated</b>        |                    | <b>33</b>      | <b>18.7</b> | <b>10.3</b> | <b>0.4</b> | <b>249</b> | <b>6.3</b> | <b>4.0</b>          |
| PQ South remnants             | Inferred           | 10             | 13.6        | 7.2         | 0.3        | 194        | 4.52       | 3.59                |
| PQ Central-Surface            | Inferred           | 3              | 10.7        | 7.0         | 0.3        | 151        | 3.18       | 3.80                |
| <b>Total Inferred</b>         |                    | <b>13</b>      | <b>13.0</b> | <b>7.2</b>  | <b>0.3</b> | <b>185</b> | <b>4.2</b> | <b>3.6</b>          |
| <b>TOTAL MINERAL RESOURCE</b> |                    | <b>46</b>      | <b>17.1</b> | <b>9.4</b>  | <b>0.4</b> | <b>231</b> | <b>5.7</b> | <b>3.9</b>          |

N.B. Small rounding errors may occur.

The drilling information on which the estimate is based comprises Bass Metals' and historic diamond drilling on a 12.5m by 12.5m spaced pattern and mine data from the immediate area. The JORC Category classification used is considered appropriately conservative. It recognises the uncertainty associated with remnant mineralised blocks, such as the spatial extent of mining surrounding the remnant and as a consequence its final dimensions. The bulk of the remnant mineralisation comprises a series of pillars within the high-grade, southern and upper part of PQ Lens - the "Decline Stope" pillars. The Company has undertaken an exhaustive review of the historic mine records and has held discussions with several former mine employees to support the view that this remnant mineralisation is still in-situ. To provide further confidence a drilling programme testing each Decline Stope pillar was undertaken. All five pillars were intersected to some degree by Bass Metal's holes. The area of the resource estimate is presented in Figure 4

**Figure 4: PQ South long section showing remnant resource area.**

The resource estimate is based on a geological model compiled by the Que River Mining Alliance project Manager, Mr. Tim Akerman. Tonnage and grade estimation has been undertaken by Mr. Akerman using a simple polygonal model using length weighted averages to estimate grades.



Mr. Akerman BSc (Hons) MAusIMM has 20 years industry experience including 4 years as a production geologist at Que River from 1986. Since then he has had direct involvement in the planning and development of 5 other similar deposits in the Que River region as well as extensive resource delineation and mine planning work on many deposits in Australia and overseas. Mr. Akerman meets the formal requirements as defined in the JORC Code to be a Competent Person for the estimation of the Que River PQ Lens Mineral Resources and has consented to the inclusion of his name in this report.

### Nico Lens

The Mineral Resource summary for Nico Lens estimated and reported in April 2006 is presented in Table 5. Further drilling as shown in Figure 5 has been completed at Nico since this estimate was undertaken but the resource has yet to be updated. The estimate is reported in accordance with the 2004 JORC Code.

**Table 5: Nico Lens Classified Mineral Resource Summary**

| Ore type/area                 | JORC Code Category | Tonnes (000's) | Zn %       | Pb %       | Cu %       | Ag g/t     | Au g/t     | SG T/m <sup>3</sup> |
|-------------------------------|--------------------|----------------|------------|------------|------------|------------|------------|---------------------|
| Main Nico Lens                | Indicated          | 33             | 9.0        | 5.4        | 0.3        | 130        | 1.0        | 3.7                 |
| Main Nico + Nico West Lens    | Inferred           | 69             | 8.3        | 4.6        | 0.4        | 102        | 0.9        | 3.6                 |
| <b>TOTAL MINERAL RESOURCE</b> |                    | <b>102</b>     | <b>8.6</b> | <b>4.9</b> | <b>0.3</b> | <b>111</b> | <b>0.9</b> | <b>3.6</b>          |

N.B. Small rounding errors may occur.

Nico lens mineralisation is diverse, ranging from massive sulphide to disseminated and stringer vein. Geometry is also complex, with structural repetitions sometimes resulting in multiple lens intercepts. However the results are encouraging, yielding potentially mineable widths of attractive zinc-lead-silver and sometimes gold mineralisation.

**Figure 5: Nico lens long section projection**

