

23 June 2008

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

Dear Sir

Que River Mine Operations Update

Figure 1: Overview of PQ Pit looking north – mid May 2008



1. Lost Time Injuries & Environmental Incidents – remains at nil since project inception

2. Ore production:

A strong trend toward higher grade mine production and ore deliveries has continued into April and May; note the mined and closing stocks grades below.

	Tonnes*	Zn (%)	Pb (%)	Ag (g/t)	Au (g/t)	Cu (%)
Ore Mined	11,198	15.7	8.9	283	4.6	0.3
Ore Delivered	11,706	12.7	6.9	179	3.6	0.3
Closing stocks (31 May 2008)	5,168	15.5	8.9	308	3.4	0.4

*wet metric tonnes (WMT)

3. Financial Performance:

The financial performance estimated for the operation for April and May demonstrates the mine is cash flow positive as summarised below. Total cash costs i.e. all costs incurred during the period, with no accounting adjustments plus the expected costs to realise value from the stockpile inventory-namely haulage, treatment charges and royalties are:

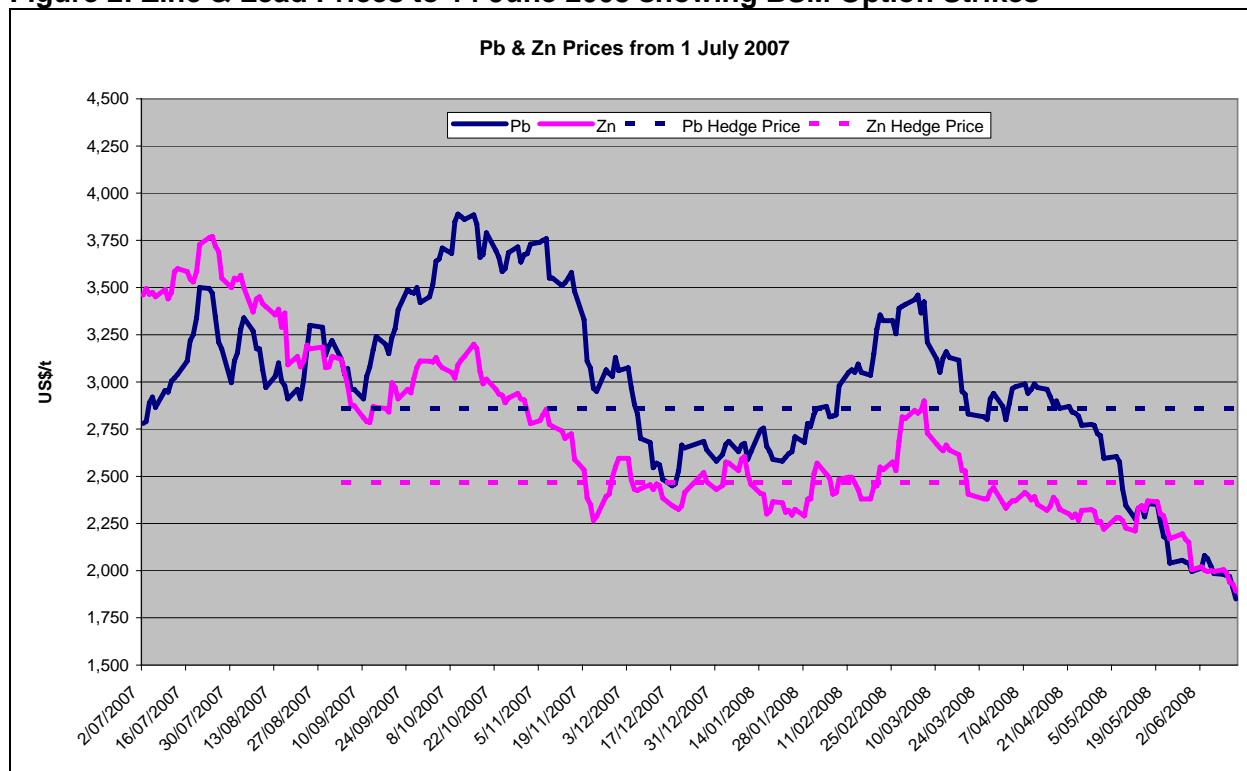
Unit Cost basis	Unit	April & May 08
Value of ore mined	\$/wmt	327
Total Cost of ore mined	\$/wmt	219
Operating Margin	\$/wmt	108
Margin as a % of Cost	%	49

The figures above indicate that despite a significant decline in global zinc and lead prices over recent months the operation continues to be cash flow positive. The project is insulated to some extent by a diversity of revenue; whilst ore revenues from lead and zinc generally comprise approximately 65% of total revenue, gold, silver and copper also make an important contribution. The high ore grades and positive ore reconciliations also provide an important buffer to the Que River mine cash flows at this time of lower prices as indicated above, as at the end of May. The Company continues to carefully monitor the financial performance in term of both metal prices and operating costs.

4. Hedging Position:

The Company has hedged zinc and lead prices for approximately 80% of its planned payable zinc and lead production to November 2009 with Put options at average exercise prices of US\$2,860/t for lead and US\$2,467/t for zinc considerably higher than current price levels (*Refer Figure 2: Zn & Pb prices with Hedge prices shown*). Bass Metals also has a currency option position to cap the AUD:USD exchange rate at US\$0.96.

Figure 2: Zinc & Lead Prices to 14 June 2008 showing BSM Option Strikes



Unfortunately current spot lead and zinc prices are US\$1,935/t of zinc and US\$1,810/t of lead. In these circumstances the Company's hedge book contributes additional revenue on a monthly basis to supplement the current positive Que River cash flows. As at the end of May, the marked to market value of the hedge book was A\$2.6 million.

5. Ore Reconciliation Trends:

The positive ore reconciliation trend is continuing for the PQ and S Lens ore bodies for both tonnage and grade. For example in May in the PQ pit, some 2,500 tonnes was planned to be mined at 18.0% combined Pb+Zn, whilst ultimately 4,600 tonnes was actually mined at 31.3% combined Pb+Zn.

On a project to date basis PQ pit has a positive reconciliation trend of 158% in terms of tonnage and 180% and 200% positive reconciliation for contained Zn and Pb metal respectively. Ore exposures evident in the pit indicate that these trends are likely to continue in the near term.

In terms of the project to date combined PQ and S Lens reconciliation tonnage and grade is positive with 37,955 tonnes mined at 17.9% combined Pb+Zn grade compared to the predicted 33,519 tonnes grading 14.0% combined Pb+Zn.


Commentary

The Company's Que River mining operation is performing well technically, ahead of expectations and appears to be withstanding the squeeze between declining lead and zinc metal prices and rising costs. The Company prudently implemented a zinc, lead and AUD hedging structure – which is supplementing the positive Que River mine operating cash flows to give “realised metal prices” well in excess of current spot prices. Also buffering the impact of lead and zinc price movements is the diversity offered by this polymetallic ore type which also contains payable gold, silver and copper contributing approximately 40% of Que River revenue. The mining operations are well advanced and the Directors look forward to the financial impact of accessing the deeper high grade PQ ore, particularly if the current positive ore reconciliation trends persist as expected.

On other fronts – Bass Metals currently has 2 drill rigs at its Fossey prospect to enable an initial resource estimate planned in the September Quarter. Minor drilling problems, now overcome and a backlog of samples for assay has however slowed down the current data flow. Metallurgical testwork, mine planning and environmental studies have commenced.

I look forward to providing further updates on the Company's mining, development and exploration activities.

Yours Sincerely



Mike Rosenstreich
Managing Director