

31 January 2008

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

Dear Sir

## **DECEMBER 2007 QUARTERLY REPORT OF ACTIVITIES & CASHFLOW**

### **Base Metals**

#### **Mine Operations – Que River**

- Mining operations and ore sales to Zinifex's Rosebery operation successfully ramped up through the quarter with a total of 8,271 tonnes of ore mined and 6,720 tonnes of ore grading 10.5% Zn, 5.2% Pb, 102 g/t Ag and 1.1 g/t Au sold.
- Estimated revenues for the quarter of \$1.8 million at approximately \$265/t tonne sold.
- Total cash costs for the quarter are \$204/t ore and with production ramping up are forecast to come inline with plans at \$172/t in the next quarter. Capital costs for work completed are inline with the mine plan at \$0.4 million.
- The outlook for the mining operation is for consistent higher production rates in the March 2008 quarter at improved operating margins - subject to realised metal prices.

#### **Exploration Activities**

##### **Hellyer Mine project**

- An initial combined Mineral Resource (Indicated and Inferred) of 748,000 tonnes grading 7% Zn, 4% Pb, 0.3% Cu, 87 g/t silver and 1.3 g/t gold has been estimated for the Hellyer Mine Project.
- Diamond drilling resumed at the Southern Barite Lens following up on previous quarter intercept of 57 metres at 9.2% Zn, 4.7% Pb, 94g/t Ag & 2.9 g/t Au. HLD958, completed in December with assays received in January 2008 confirmed intercept with 19.0 metres at 8.4% Zn, 3.5% Pb, 82 g/t Ag and 3.3g/t Au. Two other strongly mineralised lenses were also intersected as follows:
  - 4.5 metres at 10.3% Zn, 6.8% Pb, 100 g/t Ag and 2.4 g/t Au from 137.8 metres downhole (in hanging wall sequence); and
  - 4.6 metres at 8.6% Zn, 5.8% Pb, 91 g/t Ag and 1.2 g/t Au from 256.4 metres downhole (in footwall sequence)
- HLD959 testing down-dip of HLD958 intersected 2 distinct zones of massive sulphide mineralisation; assays are pending.

##### **Zinifex Hellyer Exploration Alliance (HEA)**

- A further 2 diamond drill holes were completed as part of a \$2.0 million drill programme testing for new Hellyer-Que River style mineralised targets.

- Significant VHMS style alteration has again been intersected in the Switchback Target area. Recent Pb isotope analysis supports this target assessment as highly prospective.

### **Regional Exploration**

- Bonds Range - drilling resumed at the Iris River prospect with no mineralisation intersected in the 3 holes completed; assays are pending.
- High grade rock-chip samples from mullock dumps along the Farrell Line workings included a sample at 824 g/t Ag, 16.3% Zn and 11.3% Pb and another at 648g/t Ag, 26.3% Zn and 14.3 % Pb confirming the high tenor of mineralisation in this area.
- High grade rock chip samples also from the Oonah Project including:
  - Montana Mine – insitu rock chips of 846g/t Ag, 15.4% Zn & 15.3% Pb and 422g/t Ag, 7.5% Zn & 13.1 % Pb from the open pit highlighting the potential to extend shallow high grade mineralisation.
  - Oonah Mine – dump samples assaying; 4% Cu and another 3.0% Sn, 1.1% Cu & 252 g/t Ag and another at 6.4% Pb, 3.5% Zn, 346g/t Ag & .14% Sn.
- Site works complete for drilling programme to commence at Magnet in late January 2008.

### **Gold**

The Company has started to refocus on its gold projects which include the Mt Charter gold Mineral Resource and the Sterling Valley gold project. Further drilling and evaluation work is planned. Limited human resources and the success on the base metals side has made this difficult, however the gold price outlook gives this greater priority.

### **Nickel & Other Metals**

A nickel-in-soil anomaly at Heazlewood has been extended to 1.5km long at a 3,000ppm nickel contour over favourable geological units and remains open along strike. Geophysical survey to define drill targets is planned for first quarter of 2008.

### **Corporate Administration**

Cash at bank at the end of the Quarter comprises \$6.2 million.

Initial lead and zinc and currency hedging programme utilising purchased options was completed. This provides a floor price protective structure against further price falls whilst giving the Company full exposure to rising metal prices.

Negotiations for a \$5.0 million debt facility with Investec Bank are almost complete and the facilities should be available for the Company to utilise in the March 2008 quarter.

During the quarter, the Company completed a placement of approximately 12.8 million ordinary full paid shares at an issue price of \$0.42 per share as an excluded offer. The placement raised approximately \$5.4 million before brokerage and costs to fund mine development costs, boost exploration activities and for general working capital.

### **Commentary**

Bass Metals is in a strong position to withstand the volatile and challenging market conditions currently prevailing, which is not reflected in the current share price. This assessment is based on the following observations:

***.....an emerging base metals business with positive cash flow, underpinned with a sensible floor price hedging structure,***

Bass Metals expects profitable ore production during its start-up phase from Que River notwithstanding several adverse issues such as record rainfall, trucking problems and ore loss at S-Lens which have all now been resolved. The outlook for the next quarter and the remainder of the current mine life is positive – subject to realised metal prices. Metal prices have declined over the quarter however the Company has purchased options as a hedging strategy that currently have a positive value to the company of \$2.2 million and will continue to increase if metal prices continue to decline – although falling metal prices are not a desirable outcome.

***..... significant resource assets with growth potential at Hellyer and Que River.***

The delineation of the Hellyer Mineral Resource represents a doubling of the Company's base metal resources at Hellyer-Que River to 1.5 million tonnes at 6.3% Zn, 3.5% Pb, 0.7% Cu, 85 g/t Ag and 1.1 g/t Au. This does not include the unmined, shallower Southern Barite Lens where wide high grade base metal mineralisation is being intersected in the current, ongoing drilling programme.

The 12 to 18 month Stage 1 mine currently underway at Que River represents only 15% of the 736,000t total combined Mineral Resource estimated there. The focus will now shift from start-up issues to increasing the mine life into Stage 2 and beyond.

***.....an active exploration programme in highly prospective “elephant country”.***


With forecast positive cash flow, despite weak equity markets, Bass Metals can confidently continue exploration for new large deposits – which is probably the most exciting aspect of the Company's activities for both its staff and investors.

***.....strong financial position.***

Bass Metals has \$6.2 million in cash and a strong likelihood of completing a financing arrangement with a major international resources banking group, Investec which will further boost liquidity. This provides not only a buffer to withstand unexpected “shocks” but also the capacity or “fuel” to generate further growth. In difficult market conditions increasing opportunities will become available.

The challenge now is to ensure that the Market understands Bass Metals' unique strengths in this challenging economic environment to regain market share and value. I look forward to providing further updates on our progress in these activities.

Yours sincerely



Mike Rosenstreich  
*Managing Director*

## DECEMBER 2007 QUARTERLY ACTIVITIES REPORT

### **A. BASE METALS**

#### ***A1.0 Mine Operations – Que River***

**Figure 1: Que River Summary Location plan**



#### **A1.1 MINING ACTIVITIES**

After an exceptionally wet October causing delays in several aspects of the mine establishment works the Que River mine capital works are now largely completed and the mine has ramped up production during the quarter and is on track to achieve regular monthly ore sales of approximately 5,000 to 8,000 tonnes per month in the March quarter. Overall, ore sold has been above planned grades and costs are at planned levels. An updated view of the site layout is presented in Figure 1.

Ore production statistics for the December quarter are presented in Table 1. A total of 8,271 tonnes of ore was mined from the PQ Lens and the S-Lens pits. Reconciliation trends for PQ have been positive with more tonnes at high grades being delineated. At S-Lens the upper

bench, excavated in December generated less ore than planned due to a deeper than expected erosional interface truncating the ore lens. In late December the high grade deeper ore lenses were emerging in the PQ South pit floor as expected, and additional high grade ore was found in the northern part of the PQ pit. At S-Lens, after the shortfall in the top bench, wide fresh exposures of ore were exposed in the pit floor and at the time of writing this report the next S-lens bench has yielded approximately 10,000 tonnes of ore as per the mine plan.

**Table 1: Mining Summary**

	<b>Tonnes**</b>	<b>Zn (%)</b>	<b>Pb (%)</b>	<b>Ag (g/t)</b>	<b>Au (g/t)</b>	<b>Cu (%)</b>
Opening Stocks at QR	1,000	9.0	6.0	130	1.5	0.5
Ore mined*	8,271	10.2	5.4	60	1.1	0.4
Ore Delivered to ZFX	6,720	10.5	6.6	102	2.0	0.5
Remaining Stocks at QR	2,551	9.8	5.2	72	1.1	.41

\* "Remaining Stocks" and "Mined" are estimates from grade control

\*\* All "tonnes" are wet metric tonnes(wmt) containing approximately 4% moisture

## **A1.2 ORE SALES**

A total of 6,609 (dry metric tonnes-dmt) of ore was sold to Zinifex Rosebery operations during the quarter, bring the project to date total to 7,044 dmt. Sales volumes were adversely affected by constraints on trucking capacity resulting in a greater than planned closing ore stockpile for the quarter. Subsequent to the end of the quarter these constraints have been alleviated and at the time of writing this report the January trucked tonnes is on target at approximately 4,800 tonnes.

## **A1.3 COSTS & REVENUE**

Operating costs (excluding mine development, depreciation and amortisation) for the quarter is marginally lower than forecast at \$123.09/wmt and on a project to date basis stands at \$129.74/wmt. The mine development cost for the quarter is currently \$81.06/wmt compared to \$92.60/wmt for project to date. Total operating costs excluding depreciation and amortisation are forecast in the March 2008 quarter to be lower at \$172.45/wmt as production volumes continue to increase.

Capital costs to date excluding prefeasibility and mine development totals \$398,308 and are inline with the mine plan.

Revenues for the quarter are estimated to be approximately \$1.8 million or at \$265/dmt sold. This is however contingent on commodity price movements in the coming months. Under the terms of the Ore Sales agreement with Zinifex the Quotational Period during which the final metal price received is fixed varies from 1 month to 6 months after the month of delivery depending on the metal. In accordance with the relevant accounting standards, the most recent monthly average metal price has been used prior to reaching the Quotational Period for these revenue estimates.

Operating margins are expected to improve further, however any revenue forecasts are subject to future metal prices and smelter charges which may affect the Company's ore sales terms with Zinifex which are due for revision in early 2008.

## A2.0 Base Metal Exploration Activities

### A2.1 QUE RIVER EXPLORATION

There is significant exploration potential at Que River in the vicinity of the current shallow resources and also to the south and at depth within the wide alteration zone which hosts the defined Que River mineralised lenses.

No further drilling was undertaken during the quarter but additional modelling of a geophysical conductor was undertaken further confirming the prospectivity to the south of S-Lens. This is an area of poor outcrop, previously recorded as unaltered footwall basalts with little drilling coverage.

### A2.2 HELLYER MINE PROJECT (HMP)

#### A2.2.1 Hellyer

An initial combined Mineral Resource (Indicated and Inferred) of 748,000 tonnes grading 7% Zn, 4% Pb, 0.3% Cu, 87 g/t Ag and 1.3 g/t Au has been estimated for the HMP.

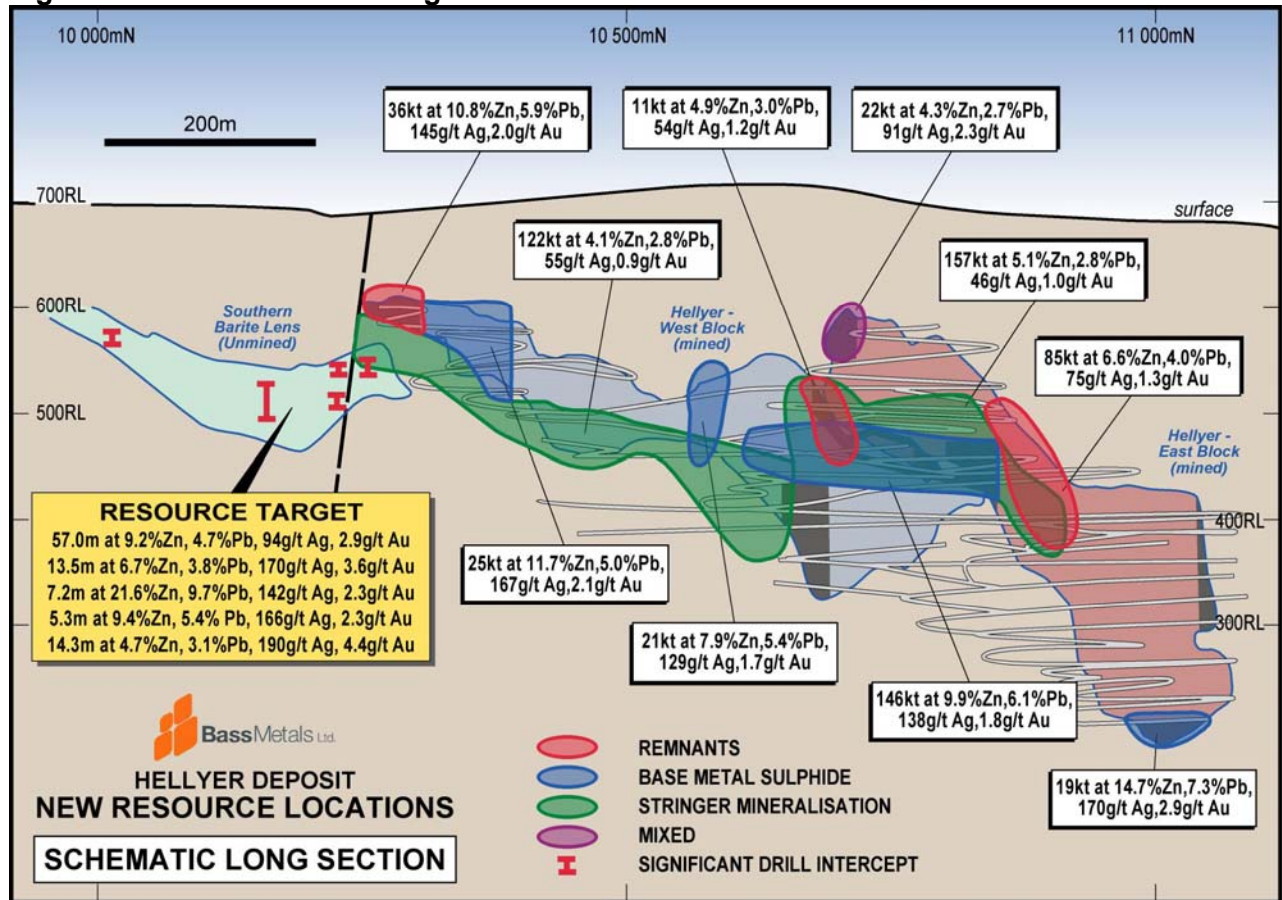
The initial Mineral Resource estimate for the HMP represents a significant milestone for the Company towards expanding its base metal resources and potentially its production profile. A summary of the estimate, prepared by Coffey Mining and reported in accordance with the JORC Code, is presented in Table 2 and the location of key components illustrated schematically in Figure 2. This does not include the unmined Southern Barite Lens where the Company has recently reported significant wide high grade base metal intercepts described in the following section.

**Table 2: Hellyer Mine Project Mineral Resource**

<b>Summary of Classified Hellyer Mineral Resources as at October 2007</b>							
<b>&gt;5% Combined Pb + Zn Lower Cut Off</b>							
<b>Mineralisation Type</b>	<b>JORC Code Category</b>	<b>Tonnes (000's)</b>	<b>Zn %</b>	<b>Pb %</b>	<b>Cu %</b>	<b>Ag g/t</b>	<b>Au g/t</b>
Stringer Zones	Indicated	255	4.4	2.7	0.4	48	0.9
Base Metals Sulphide	Indicated	190	10.6	6.0	0.4	145	2.0
Remnant Pillar & Surrounds	Indicated	195	6.4	3.8	0.3	70	1.2
<b>TOTAL INDICATED</b>		<b>641</b>	<b>6.8</b>	<b>4.0</b>	<b>0.4</b>	<b>83</b>	<b>1.3</b>
Stringer Zones	Inferred	24	7.3	3.6	0.1	69	0.9
Base Metals Sulphide	Inferred	27	8.9	5.7	0.2	138	1.7
Remnant Pillar & Surrounds	Inferred	56	8.0	5.1	0.3	109	1.6
<b>TOTAL INFERRED</b>		<b>107</b>	<b>8.1</b>	<b>4.9</b>	<b>0.2</b>	<b>107</b>	<b>1.5</b>
<b>TOTAL MINERAL RESOURCE</b>		<b>748</b>	<b>7.0</b>	<b>4.1</b>	<b>0.3</b>	<b>87</b>	<b>1.3</b>

*Note the above results have been rounded*

Coffey Mining was commissioned by Bass Metals to undertake a Mineral Resource estimate for the mineralisation occurring adjacent to the mined areas of the Hellyer deposit, referred to as the HMP. This mineralisation comprises both massive base metal sulphide zones and distinct areas of strong base metal veins referred to as stringer zones, generally occurring in the footwall position to the main mined portion of the Hellyer deposit. As well, Coffey Mining was requested to assess and classify areas of potentially recoverable remnant mineralisation associated with the former mine workings. Full details on the Mineral Resource estimate are available in the Company's report to ASX on the 26 October 2007.

**Figure 2: HMP Schematic Long Section**


### A2.2.2 Southern Barite Lens (SBL)

Drilling at Hellyer continued to focus on testing for high grade massive sulphide at the SBL. During the quarter one drill hole was completed (HLD958) and another was in progress (HLD959), for a total of 385.9 metres. A summary of drill hole details is shown in Table 3.

**Table 3: SBL Drill hole details**

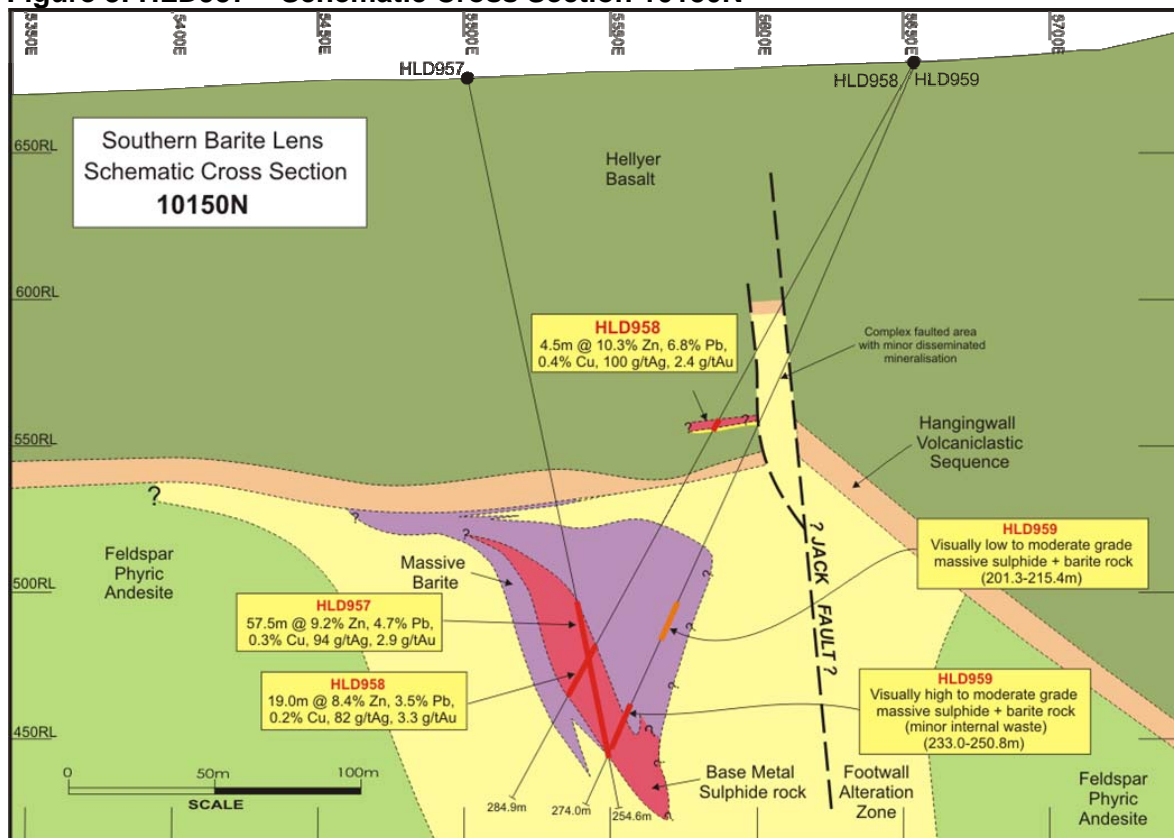
HOLE	TARGET	COLLAR NORTH	COLLAR EAST	COLLAR RL	AZ (grid)	DIP	EOH
HLD954	Sth Barite Lens	10049.16	5569.449	684.488	270	-68	95.7m
HLD954A	Sth Barite Lens	10049.16	5569.449	684.488	270	-68	185.7m
HLD955	Sth Barite Lens	10049.23	5569.966	684.468	270	-84	191.6m
HLD956	Sth Barite Lens	10049.51	5570.585	684.538	090	-80	209.6m
HLD957	Sth Barite Lens	10149.24	5501.258	675.679	090	-79	254.6m
HLD958	Sth Barite Lens	10149.3	5653.1	679.7	270	-61	284.9m
HLD959	Sth Barite Lens	10149.3	5653.3	679.7	270	-67	101m(In prog)
<b>TOTAL</b>							<b>1323.1m</b>

In September 2007, Bass Metals intersected 57 metres downhole grading 9.2% Zn, 4.7% Pb, 94 g/t Ag and 2.89 g/t Au in HLD957 within a broader altered and mineralised envelope. Whilst the drill hole had probably been drilled obliquely down the mineralised structure, the greater than expected vertical extent of the high grade mineralisation highlighted the potential for several thick steeply dipping lens positions. This interpretation increases the tonnage

potential from that originally anticipated by Bass Metals, which was based on several historic intercepts thought to represent a single flat lying lens.

HLD958, completed in December 2007 was the fifth diamond core drill hole of the program. It was drilled back toward and beneath HLD957 to “scissor” or cross the original intercept to get an intersection representing the true width of the mineralisation (refer Figure 3). The target barite-rich zone was intersected at 178.9 metres and continued for 77.5 metres including several high grade massive base metal sulphide zones. An unexpected high grade massive base metal sulphide lens was also intersected higher in the drill hole, within the hanging wall sequence, and moderate grade mineralisation also occurs in a stringer vein zone in the footwall, beneath the main mineralised interval.

**Figure 3: HLD957 – Schematic Cross Section 10150N**



During the Quarter the company received assay results from the first three holes of the SBL drilling program, completed during the September quarter. These holes (HLD954A, HLD955 and HLD956) were drilled 100m south of the current high grade intercepts in HLD957, HLD958 and HLD959. Although the Hellyer Ore Position was tested in all holes, no significant mineralisation was intersected and all assay results are at best only geochemically anomalous. Assays for HLD958 were received and reported to ASX in January 2008 and are reproduced in Table 4 below.

The HLD958 results confirm that the mineralisation intersected in HLD957 represents a wide zone of high grade massive base metal mineralisation containing excellent gold and silver credits, which remains open down-dip and to the north and south of HLD957 and HLD958 for at least 75 metres. Subject to confirmatory assays, the visual estimates of sulphide content from HLD959 (started in December and completed in January) also indicate that the mineralised zone extends over a vertical extent of at least 60 metres and is ‘open’ below a vertical depth of 230 metres (450RL).

**Table 4: HLD958 assay results (at a 5% Pb+Zn cutoff)**

From (m)	To (m)	Drilled Interval (m)	True Width (m)	Zn (%)	Pb (%)	Cu (%)	Ag (g/t)	Au (g/t)
137.8	142.3	4.5	3.5	10.3	6.8	0.4	100	2.41
226.0	245.0	19.0	15.0	8.4	3.5	0.2	82	3.26
256.4	261.0	4.6	?	8.6	5.8	0.3	91	1.2
<b>Including</b>								
226.0	231.9	5.9	5.0	16.2	7.3	0.4	165	3.16
243.15	245.0	1.85	1.0	9.8	5.0	0.3	76	2.65
<b>Within a zone defined at a 0.5 g/t Au cutoff</b>								
177.7	261.0	83.3	?	3.0	1.3	0.1	47	1.79

It is intended that the rig will remain on the SBL target until sufficient information has been collected to enable an initial Mineral Resource estimate to be completed. The SBL mineralisation lies very close to, and “up-plunge” from, the recently completed Hellyer Mineral Resource and the Company considers that there is excellent potential for this zone to be included in its Hellyer Mine project scoping studies.

### A2.3 ZINIFEX HELLYER EXPLORATION ALLIANCE (HEA)

The initial drilling component of the HEA between Zinifex Limited and BSM is now complete having tested a series of targets in and around the Hellyer Mine lease prospective for new large scale high-grade zinc-lead-silver-copper-gold deposits such as the world class Hellyer deposit.

A further 2 diamond drill holes were completed for a total of 681.6 metres as summarised in Table 5. Assays for drill holes HED11, 13, and 14 with no significant assays returned as expected following observations of the drill-core.

HED14 was drilled to the west of the Que River mine targeting mineralisation within prospective stratigraphy (the Amoeba Zone) to the west of the Que River mine. The stratigraphic horizon which marks the ore-position was intersected where predicted however, in this location, it was not mineralised. No significant footwall alteration was encountered and the hole ended in footwall andesite.

HED15 was drilled at the promising Switchback target area approximately 175m south of the HED12 intersection which comprised significant 'hangingwall'- Fuchsite-Carbonate and 'footwall'-Silica-Pyrite-Sphalerite-Galena alteration often associated with volcanic hosted massive sulphide (VHMS) mineralisation. This target area is situated approx. 2km from both the Hellyer and Que River deposit locations. HED15 intersected discrete stratigraphic horizons containing base-metal sulphide clasts as well as significant alteration.

Three lead isotope analyses from HED12 footwall alteration support the possibility of a genetic link between the mineralised clasts and the intersected bedrock footwall alteration. Importantly, this infers that the new alteration system discovered by HED12, did produce stratiform massive sulphide of unknown size/shape and that any in-situ mineralisation is yet to be discovered. The style of the alteration intersected confirms the Switchback area as a prospective target for Hellyer-Que River style mineralisation.

The initial drilling component of the Hellyer Exploration Alliance is now complete given that the milestone \$2.0 million combined expenditure limit has been met. The project now enters

a phase of intensive data review while final assay results are awaited and DHEM surveys are completed in January. Zinifex will finalise joint venture ground selection by mid-February 2008.

**Table 5: HEA Drilling Status Summary**

BHID	NORTH	EAST	RL	AV. GRID AZIMUTH	AV. DECLINATION	DEPTH	STATUS
HED14	7698.50	3820.00	689.00	95	64	299.70	Assays received
HED15	8667.80	6553.50	532.00	92	62	608.90	Part assays received
						<b>6425.80</b>	

## A2.4 REGIONAL BASE METALS EXPLORATION

The Company has a very active regional and grass roots base metals focussed exploration programme. During the December Quarter of 2007 the following activities were completed.

### A2.4.1 Bonds Range (Cu-Pb-Zn-Ag potential)

*(EL28/2002 - 60% Bass Metals Ltd 40% Adamus Resources Limited)*

The Iris River discovery at Bonds Range comprised an intercept of 3.5m at 5% Pb, 1.1% Zn, 120 g/t Ag and 1.1 g/t Au, (including 0.7 metres at 22% Pb, 3% Zn, 550g/t Ag and 3.6 g/t Au) following up on the margins of a Pb in soil anomaly delineated by BSM earlier in the year.

Two diamond rill holes (BRD004 and BRD005) were completed during the quarter for a total of 226.2m. Both holes encountered highly fractured quartz-feldspar porphyry (Bonds Range Porphyry) with discreet zones of alteration, 30-100cm wide associated with two stages of veining, with low levels of lead-sulphide mineralisation. Whilst assays are pending, no significant mineralisation was encountered and it appears that together with drill hole BRD003 completed in mid 2007 that the main lead in soil anomaly has been sufficiently drill tested. In this context a reappraisal of the original Iris River discovery intercept will be completed prior to any further drilling on the soil anomalies being undertaken.

A further drill hole on the Bonds Range licence is planned into a circular magnetic anomaly adjacent to the area of soil anomalism. Also further soil sampling in the north of the licence is also planned for the March 2008 quarter.

### A2.4.2 Waratah (Pb-Zn-Ag potential)

*(75% Bass Metals Ltd 25% Clancy Exploration Limited)*

The Company's initial focus is on the early mining potential of extensions to mineralisation associated with lodes in the historic Magnet Mine, which according to Mineral Resource Tasmania (MRT) records produced 630,000t grading 5.7% Pb, 7.3% Zn and 394g/t Ag between 1895 and 1940. Approvals and site preparations are complete for an initial drilling program of 12 shallow diamond drillholes to commence in late January 2008.

Additional targets being assessed include analogous structural targets in the Magnet area, and regional VHMS targets generated in collaboration with Clancy Exploration.

### A2.4.3 Mt Selina

*(EL29/2002 Mt Selina - 60% Bass Metals Ltd 40% Adamus Resources Limited)*

The Selina project is currently under review for relinquishment.

#### **A2.4.4 Farrell Line Project (Cu-Pb-Zn-Ag potential)** (EL47/2003 BSM 100%)

The Farrell Line project covers a 4km extent of the Henty fault which hosts numerous base metal and gold occurrences on the Company's lease including the historic Mt Farrell mining centre. The Mt Farrell-Murchison Mines had significant historic Pb-Ag production of approximately 700,000 tonnes at 13% Pb and 14oz./t Ag.

A first pass drilling program is pending approval by Mineral Resources Tasmania targeted at shallow extensions of historic exploration work, depth extensions of the main New North Mount Farrell and North Mount Farrell Mines, and shallow depth extensions of Mount Farrell, South Farrell and Dutton's Workings.

Rock-chip samples collected on an orientation traverse over the 4km north-south extent of the historic workings have returned several high-grade silver-lead-zinc assay results which confirm the high tenor of ore mined from the field. Samples detailed in Table 6 were collected from waste dumps at Murchison, Macintosh, South Farrell Farrell and North Mt Farrell Mine workings. Mapping for the identification of potential parallel lode structures is in progress.

**Table 6 Farrell ore and mullock samples**

<b>Sample</b>	<b>Locality</b>	<b>Cu</b>	<b>Pb</b>	<b>Zn</b>	<b>Ag</b>	<b>Au</b>
		%	%	%	ppm	ppm
MF97001	Murchison river dump - ore	<b>0.84</b>	<b>11.3</b>	<b>16.3</b>	<b>824</b>	<b>1.99</b>
MF97002	Murchison River Mine ore	2.4	2.3	4.2	569	0.53
MF97003	Nth Mt Farrell open cut	0.09	8.7	0.94	289	0.11
MF97004	Nth Mt Farrell open cut	0.07	4.4	7.3	96	0.08
MF97005	Nth Mt Farrell open cut	<b>0.11</b>	<b>7.1</b>	<b>10.7</b>	<b>350</b>	<b>0.10</b>
MF97006	Sth Mt Farrell mullock dump	0.01	3.9	0.15	116	0.02
MF97007	Mt Farrell (Finnies)	0.01	12.8	0.78	382	0.02
MF97008	New Nth Mt Farrell	0.21	19.1	3.2	1047	0.10
MF97009	North Macintosh Mine	<b>0.29</b>	<b>14.3</b>	<b>26.3</b>	<b>648</b>	<b>0.07</b>
MF97010	South Farrell upper (little) adit	74	1.1	0.35	88	0.02
MF97011	South Farrell - Jekyll's adit	0.06	11	1.2	408	<0.01

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. The project area is well located with respect to roads and processing infrastructure and has excellent potential to generate additional high grade mineral resources.

#### **2.4.5 North Rosebery (Cu-Pb-Zn-Ag-Au potential)** (EL54/2004 - 75% Bass Metals Ltd 25% Clancy Exploration Ltd)

An 8.5 line km partial digest soil geochemistry program has been proposed to cover prospective stratigraphy along strike from the world class Rosebery deposit owned and operated by Zinifex. Line cutting and sampling is proposed for early 2008.

#### **2.4.6 Oonah (Cu-Pb-Zn-Ag-Sn potential)** (EL63/2004 - 75% Bass Metals Ltd 25% Clancy Exploration Ltd)

A major soil geochemistry program has been completed comprising 10km of gridding and 365 soil samples to test a historic high tenor tin in soil anomaly as well as several early stage targets prospective for high grade Pb-Zn-Ag mineralisation generated through the collaborative targeting work with Clancy Exploration. Assay results are pending and not expected before February 2008.

Assay results from a number of bulk mullock samples collected at the Oonah Mine have been received and found to represent some of the different ore types recorded in the area. Better assay results are listed in Table 7 and will help to prioritise historic workings for further follow-up work.

**Table 7: Summary of best assay results from Oonah Mine mullock samples**

Sample	Rock Type	Results	Provenance
141401	Mullock	0.1% Cu, 6.4% Pb, 3.5% Zn, 346g/t Ag & 0.14% Sn	Galena Lode
141402	Mullock	1.0% Sn	Cassiterite Lode
141403	Mullock	0.1% Cu, 1.2% Pb & 101g/t Ag	Carbonate Lode
141404	Mullock	4.0% Cu	Carbonate Lode
141409	Mullock	1.1% Cu, 1.1% As, 252g/t Ag, 3.0% Sn	Stannite Lode
141421	Mullock	1.3% Pb, 108g/t Ag, 3.7% Sn	Stannite Lode
141422	Mullock	1.5% Cu & 148g/t Ag	Carbonate Lode
141423	Mullock	1.0% Pb	Galena Lode
141424	Mullock	39.8% Fe	Bradshaw's Lode

A field reconnaissance trip to the Montana Silver Lead mine identified the location of the historic box-cut pit and partially filled inclined shaft accessed via the pit. The ore horizon was observed to contain stockwork and breccia-fill quartz-carbonate veins with associated galena and sphalerite mineralisation. Bulk and rock chip samples from the pit floor and pit walls have returned high-grade results up 15.3% Pb, 15.4%Zn, 0.4%Cu and 846 g/t Ag. A complete list of significant assay results is presented in Table 8. Assessment of the resource potential is planned for the next quarter given the shallow nature of this high-grade mineralisation.

**Table 8: Summary of assay results from Montana Silver Lead mine rock chip samples**

Sample	Rock Type	Pb	Zn	Cu	Ag
MSL002	Bulk ore in pit	<b>12.1%</b>	<b>4.41%</b>	504 ppm	<b>392 g/t</b>
MSL010	Stockwork ore in pit wall	<b>13.1%</b>	<b>7.50%</b>	482 ppm	<b>422 g/t</b>
MSL014	Breccia ore in pit wall	<b>15.3%</b>	<b>15.4%</b>	0.4%	<b>846 g/t</b>
MSL011 MSL012 MSL015	Footwall sediments; Mudstone/siltstone	Average 1,442 ppm	Average 418 ppm	Average 41 ppm	Average 16 g/t
MSL001 MSL006 MSL008	Hangingwall sediment; Black shale	Average 1,581 ppm	Average 264 ppm	Average 7 ppm	Average 8 g/t

#### **2.4.7 Wilmot (Cu-Pb-Zn-Ag potential)**

*(EL51/2004 - 75% Bass Metals Ltd 25% Clancy Exploration Ltd)*

The proposed Black Bluff soil geochemistry program plans to test several early stage targets including a Mt Lyell-style target generated through the Clancy Exploration alliance and a structural/ASTER anomaly identified by BSM. This is an environmentally sensitive area and extra time is required for BSM and Mineral Resources Tasmania to formulate a work programme aimed at creating minimal environmental disturbance at this very early stage in the exploration process.

#### **2.4.8 Loyetea (Cu-Pb-Zn-Ag potential)**

*(EL51/2004 - 75% Bass Metals Ltd 25% Clancy Exploration Ltd)*

A 12.5km soil geochemistry grid to test a high-ranking regional target prospective for Hellyer-Rosebery-style mineralisation has been approved by Mineral Resource Tasmania. The grid also covers an area of phyllic alteration considered prospective for stockwork tin and tungsten mineralisation. The program is scheduled to commence in March 2008.

## **B. GOLD**

Planning of follow up drilling at Mt Charter and data compilation for the Sterling Valley old project has commenced. Further drilling and metallurgical testwork is planned; however it has been difficult to allocate scarce human resources when the priorities have been in the base metals business unit.

## **C. NICKEL & OTHER METALS**

### **C.1 Heazlewood (Ni-Cu-PGM potential)**

*(EL31/2003 70% Bass Metals 30% Pioneer Nickel Limited)*

This licence is considered prospective for nickel and platinum group metal deposits, based on intrusive-related and carbonate-replacement base metal, and ultramafic/granite contact aureole (Avebury nickel style) deposit styles.

Encouraging nickel assay results for the Wilson prospect infill soil geochemistry program were received during the quarter. The results increase the Wilson prospect nickel in soil anomaly, defined at 3,000ppm nickel, to 1.5km strike length with an average width of 400m in a northeasterly orientation. The anomaly continues to remain open to the northeast and appears to possibly continue to the southwest under Tertiary basalt cover. An airborne geophysical survey is being planned over the entire ultramafic complex for late February-March 2008. The objective of the survey is to identify discrete targets within the prospective sequence and soil anomalies to generate drill targets.

*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.*

## **D. CORPORATE ACTIVITIES**

### **D.1 Cash Flow**

The Company's closing cash position at the end of the December quarter was \$6.2 million.

The main cash flow components comprised:

Ore sales (provisional payments)	\$0.67 million
Share & Options (net of costs)	\$5.47 million
Exploration	(\$0.65) million
Que River Mine development & operating costs	(\$0.89) million
Corporate administration costs	(\$0.41) million
Purchase commodity and currency options	(\$1.6) million

## D.2 Hedging

The Company completed its initial hedge programme during the quarter which now comprises a mixture of US\$ and A\$ denominated lead and zinc Put options covering 2,558 tonnes of zinc and 1,368 tonnes of lead. The options extend to November 2009 and provide protection against further declining lead and zinc prices. The floor prices for the zinc options are A\$3,700/t and US\$2,250/t and the floor prices for the lead options are A\$3,000/t and US\$2,875/t. There is also an option structure which limits the Company's exposure to a rising A\$ against the US\$, capping the exchange rate at US\$0.91 for US\$22 million of revenue.

Due to declining metal prices during the quarter and since the options were purchased the hedge structure has a total marked to market value of approximately \$2.2 million. Because the Company has purchased these options Bass Metals will continue to benefit from commodity prices increases as and if they occur.

## D.3 Debt Facilities

On 12 November 2007, the Company reported that it is negotiating a financing facility with Investec Australia Limited comprising a \$2.0 million cash facility, \$2.5 million receivables facility and \$0.5 million performance bond facility (the Facility). The key purpose of the Facility is to advance revenues due from its ore sales to Zinifex which have a standard 3 to 6 month payment pipeline, as well as to provide general standby working capital support.

As at the end of the December quarter the Facility Agreement was close to completion and subject to satisfactory finalisation of the documentation the Company expects to drawdown on the facilities in February 2008.

## D.4 Capital Structure

During the quarter, the Company completed a placement of approximately 12.8 million ordinary fully paid shares at an issue price of \$0.42 per share as an excluded offer. The placement raised approximately \$5.4 million before brokerage and costs to fund mine development costs, boost exploration activities and for general working capital.

During the quarter the following changes to the Company's capital structure also occurred:

- 1.39 million 25 cent 31 December 2007 unlisted options and 1,250 40 cent 30 April 2010 listed options were exercised raising \$348,000;
- 830,000 51 cent 31 December 2012 unlisted options were issued under the Bass Metals Ltd Employee Share Option Plan;
- 350,000 30 cent 31 December 2007 unlisted options, 350,000 35 cent 31 December 2007 unlisted options and 50,000 25 cent 31 December 2007 unlisted options lapsed during the quarter; and,
- 12,058,679 ordinary fully paid shares came out of escrow.

On the 17 December 2007 Bass Metals shareholders approved the issue of up to 4,230,159 options to Investec comprising two Tranches; Tranche A - 3,300,000 options exercisable at \$0.58 and Tranche B - 930,159 options exercisable at \$0.63. Under the terms approved the Options will expire on 30 November 2010. The Options comprise an Establishment Fee for the Facilities and will be issued subject to finalisation of the Facility documents and the satisfaction of the Conditions Precedents expected to occur in early 2008.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

<b>Bass Metals Ltd</b>
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ABN

<b>31 109 933 995</b>
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Quarter ended ("current quarter")

<b>31 December 2007</b>
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### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	668	1,373
1.2 Payments for (a) exploration and evaluation	(651)	(1,532)
(b) development	(664)	(1,241)
(c) production	(227)	(367)
(d) administration	(405)	(756)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	84	158
1.5 Interest and other costs of finance paid	(2)	(4)
1.6 Income taxes paid	-	-
1.7 Other – Payments for trial mining / evaluation	-	(276)
<b>Net Operating Cash Flows</b>	<b>(1,197)</b>	<b>(2,645)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(258)	(377)
1.9 Proceeds from sale of:		
(a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other – Options purchased	(1,602)	(2,133)
<b>Net investing cash flows</b>	<b>(1,860)</b>	<b>(2,510)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(3,057)</b>	<b>(5,155)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(3,057)	(5,155)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	5,704	6,942
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(6)	(11)
1.18	Dividends paid	-	-
1.19	Costs of share issues	(225)	(225)
	<b>Net financing cash flows</b>	<b>5,473</b>	<b>6,706</b>
	<b>Net increase (decrease) in cash held</b>	<b>2,416</b>	<b>1,551</b>
1.20	Cash at beginning of quarter/year to date	3,745	4,610
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>6,161</b>	<b>6,161</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	42
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

All transactions with directors and their related parties are on normal commercial terms

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	800
4.2 Development	2,500
<b>Total</b>	<b>3,300</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	43	96
5.2 Deposits at call	6,118	3,649
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	<b>6,161</b>	<b>3,745</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	103,548,803	103,548,803		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs (c) Other – End of escrow period	1,250 1,390,000 12,753,159  -	1,250 1,390,000 12,753,159  12,058,679	40 cents 25 cents 42 cents	40 cents 25 cents 42 cents
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7 <b>Options</b> <i>(description and conversion factor)</i>	4,176,939 1,600,000 450,000 830,000	4,176,939 - - -	<i>Exercise price</i> 40 cents 27.5 cents 37.5 cents 51 cents	<i>Expiry date</i> 30.04.10 22.12.11 31.12.11 31.12.12
7.8 Issued during quarter	830,000	-	51 cents	31.12.12
7.9 Exercised during quarter	1,390,000 1,250	1,390,000 1,250	25 cents 40 cents	31.12.07 30.04.10

+ See chapter 19 for defined terms.

