



26 June 2007

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

Dear Sir

QUE RIVER ORE OFF-TAKE AGREEMENT WITH ZINIFEX

Bass Metals Ltd (ASX:BSM) is pleased to advise that it has today signed a Heads of Agreement (HOA) covering the terms and conditions of an Ore Sales & Purchase Agreement with Zinifex Australia Limited. The HOA relates to ore produced from the Que River Stage 1 Mining Project, which would be trucked to Zinifex's Rosebery plant. The agreement is conditional on several items including:

- completion of a 1,000t trial to verify metallurgical assumptions and logistical issues;
- satisfactory management of community concerns by Zinifex regarding road haulage of the ore to Rosebery; and,
- a \$100,000 pre-payment from Zinifex to BSM.

This departure from the planned off-take agreement with the Hellyer Zinc Concentrate Joint Venture (HZCJV) has arisen due to changes in the operating parameters of the Hellyer plant from what was anticipated in December 2006. The Hellyer plant is currently being fully utilised in treating the Hellyer tailings to produce a bulk zinc/lead/silver concentrate, but its circuit is not configured to recover gold and copper values also available from the Que River ore. Thus, the HZCJV is not in a position to make payment based on the full value of the contained metals in the Que River ore, relative to the Hellyer tailings that are already freely available to it.

The Zinifex agreement generates improved margins, with payments received for all 5 contained metals (zinc, lead, copper, silver and gold). The risk profile has also been improved as the Que River ore has a closer affinity to Rosebery ore than the finely ground tailings feedstock into the Hellyer plant. Between 1978 and 1991 the Rosebery plant treated approximately 2.4 million tonnes of Que River ore.

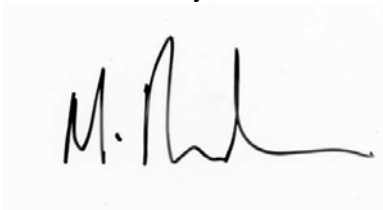
Zinifex approached BSM earlier this year exploring ore purchase opportunities to utilise spare capacity at the Rosebery mill facilities. This resulted in an ore off-take proposal with favourable terms to BSM, which is consistent with its previous revenue targets.

The focus for BSM now is to complete the ore trial through the Rosebery plant, which is expected to start within the next week and to finalise haulage and mining related contracts prior to making a final decision to mine. Both Parties are keen and motivated to commence operations as soon as practicable.

The Rosebery processing option, although a significant divergence to recent plans, has always been in serious contention. The Board of BSM is pleased that an opportunity has emerged to further develop the existing relationship with Zinifex for the shallow resources at Que River and other resources closer to Rosebery. Zinifex and BML already have close ties through the Hellyer Exploration Alliance where the Parties are co-funding a \$2.0M drilling programme targeting the discovery of new Hellyer-style deposits.

Aside from the shallow ore sources at Que River and targets in the vicinity of the historic Farrell mine earmarked for treatment at Rosebery, BSM is evaluating a number of its other gold and base metal resource targets with the potential for mine development. These include the Mt Charter gold-silver deposit, remnant base metal mineralisation and resource targets at the decommissioned Hellyer Mine, and targets at the Magnet lead-zinc-silver mine near Mt Bischoff. These targets all lie close to the Hellyer treatment facility owned by Intec Ltd, BSM's largest shareholder, and BSM will continue to pursue longer term business opportunities with the operators of this facility.

Yours Sincerely



Mike Rosenstreich
Managing Director