

Bass Metals Ltd

ABN 31 109 933 995

Annual Report

for the year ended 30 June 2007

Table of Contents

1) Corporate Directory	2
2) Review of Operations	3
3) Corporate Governance	16
4) Directors' Report and Financial Statements	
– Directors' Report	19
– Income Statement	28
– Balance Sheet	29
– Statement of Changes in Equity	30
– Cash Flow Statement	31
– Notes to the Financial Statements	32
– Directors' Declaration	52
5) Independent Audit Report	53
6) Auditor's Independence Declaration	55
7) Additional Information	56

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30 JUNE 2007

1. CORPORATE DIRECTORY

DIRECTORS

Don Boyer (Non Executive Chairman)
Mike Rosenstreich (Managing Director)
Craig McGown (Non Executive Director)
Kieran Rodgers (Non Executive Director)

COMPANY SECRETARY

Susan Hunter

REGISTERED OFFICE

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STOCK EXCHANGE LISTINGS

Australian Stock Exchange Limited (Code: BSM & BSMOA)

BASS METALS LTD

REVIEW OF OPERATIONS 30 JUNE 2007

2. REVIEW OF OPERATIONS

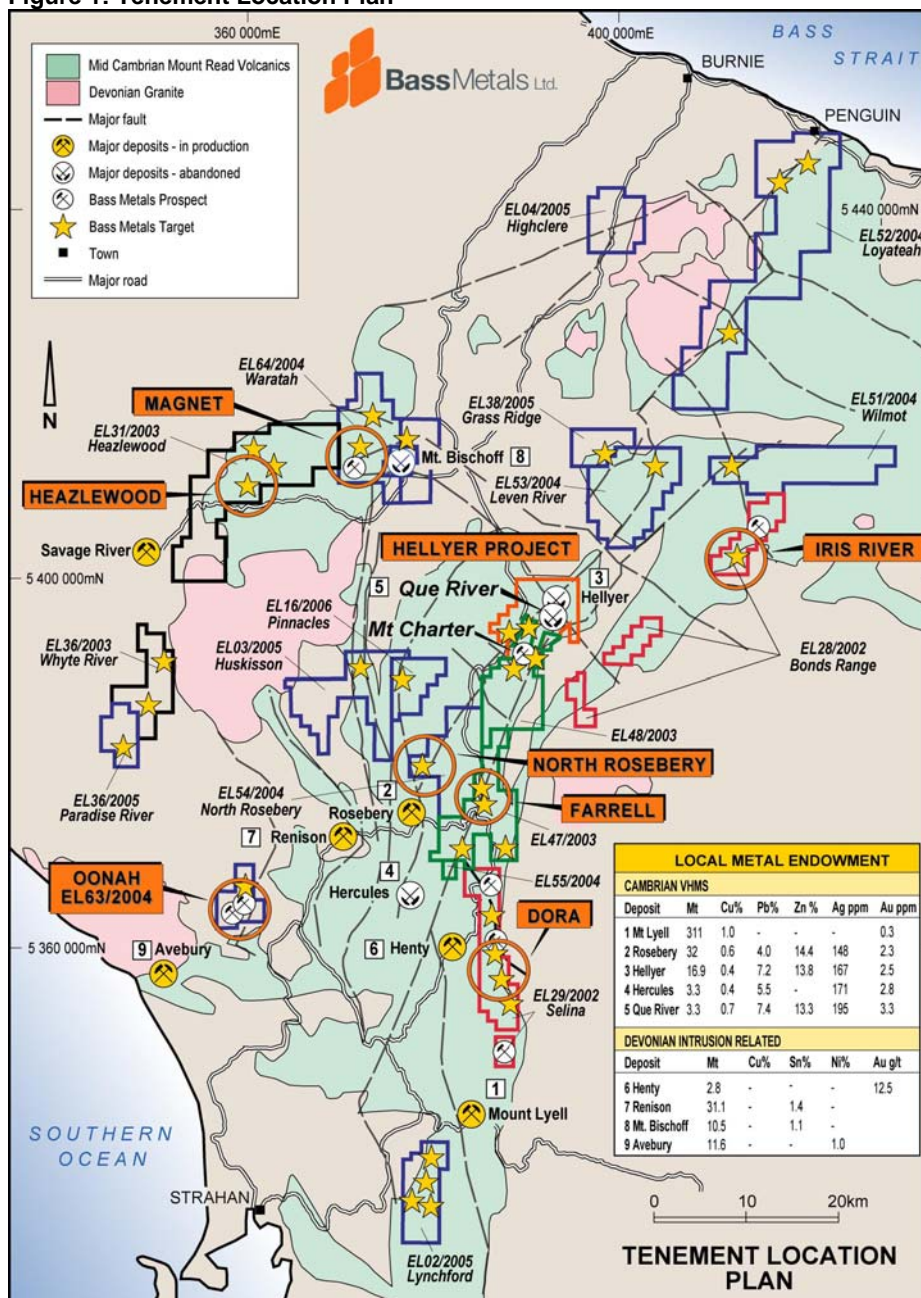
2.0 Overview

During the year Bass Metals Ltd has focused on completing the mine plan and statutory approvals required for stage 1 of the Que River Mine development. This included the execution of a Heads of Agreement with Zinifex covering terms for an ore sales agreement and subsequent to year end the Board approved the stage 1 development of Que River, following finalisation of the Zinifex Ores Sales Agreement.

In addition Bass Metals Ltd spent \$3.7 million on a twin exploration strategy to advance the production and resource base of its advanced projects and to systematically test new prospects with the view to discover a new Que River or Hellyer style high grade polymetallic deposit.

An updated tenement map is shown in Figure 1, which includes the 3 exploration licences acquired from Saracen Mineral Holdings Limited in November 2006.

Figure 1: Tenement Location Plan



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REVIEW OF OPERATIONS 30 JUNE 2007

2.1 Mine Development – Que River

2.1.1 Drilling and Mineral Resource Estimation

During the year the Company completed 3,712 metres of diamond core drilling, comprising 54 drill holes on the Que River project to delineate and upgrade Mineral Resources at S-Lens, PQ, QR32 and Nico lenses.

Highlight results included:

PQ Lens

- 19.4 metres at 24.7% Zn, 9.0 % Pb, 356 g/t Ag and 11 g/t Au from 50.6 metres downhole (QRD1269)
- 17.8 metres at 19.7% Zn, 10.4% Pb, 411 g/t Ag and 7.4 g/t Au from 45.5 metres downhole (QRD 1274).

S-Lens

- 11.6 metres at 1.2% Cu, 5% Zn, 1.6% Pb, 38 g/t Ag and 0.4 g/t Au from 22.6 metres downhole (QRD1243)
- 3.6 metres at 3.6% Cu, 4.4% Zn, 3.6% Pb and 66 g/t Ag from 18.5 metres downhole (QRD1245)

QR32 Lens

- 7.45 metres at 11.5% Zn, 6.7 % Pb, 190 g/t Ag and 2.6 g/t Au from 50.55 metres downhole (QRD1276)
- 5.85 metres at 12.1% Zn, 6.9 % Pb, 116 g/t Ag and 2.1 g/t Au from 50.25 metres downhole (QRD1278)
- 8.4 metres at 7.5% Zn, 3.9 % Pb, 76 g/t Ag and 1.1 g/t Au from 39.6 metres downhole (QRD1279)

Nico Lens

- 5.4 metres at 10.8% Zn, 3.2 % Pb, 109 g/t Ag and 1.5 g/t Au from 57.5 metres downhole (QRD1263)
- 8.45 metres at 6.4% Zn, 1.5 % Pb, 38 g/t Ag and 0.6 g/t Au from 59.7 metres downhole (QRD1268)
- 2.5 metres at 9.8% zinc, 6.1% lead, 8 oz./t silver & 3.8 g/t gold from 42 metres downhole (QRD1285)

A summary review of the current Que River Mineral Resource inventory as at 30 June 2007 is presented in Table 1 with locations illustrated in Figure 2.

Table 1: 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 ³
QR32 Lens	Measured	-	-	-	-	-	-	-
S-Lens	Measured	56	2.1	0.7	1.7	69	0.34	3.88
PQ Lens	Measured	-	-	-	-	-	-	-
Nico	Measured	-	-	-	-	-	-	-
TOTAL MEASURED		56	2.1	0.7	1.7	69	0.3	3.9
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
TOTAL INDICATED		486	6.2	3.1	1.1	87	1.0	3.7
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	4.6	0.4	102	0.91	3.63
TOTAL INFERRED		194	5.3	2.9	0.9	79	0.93	3.62
TOTAL MINERAL RESOURCE		736	5.7	2.9	1.1	84	0.93	3.68

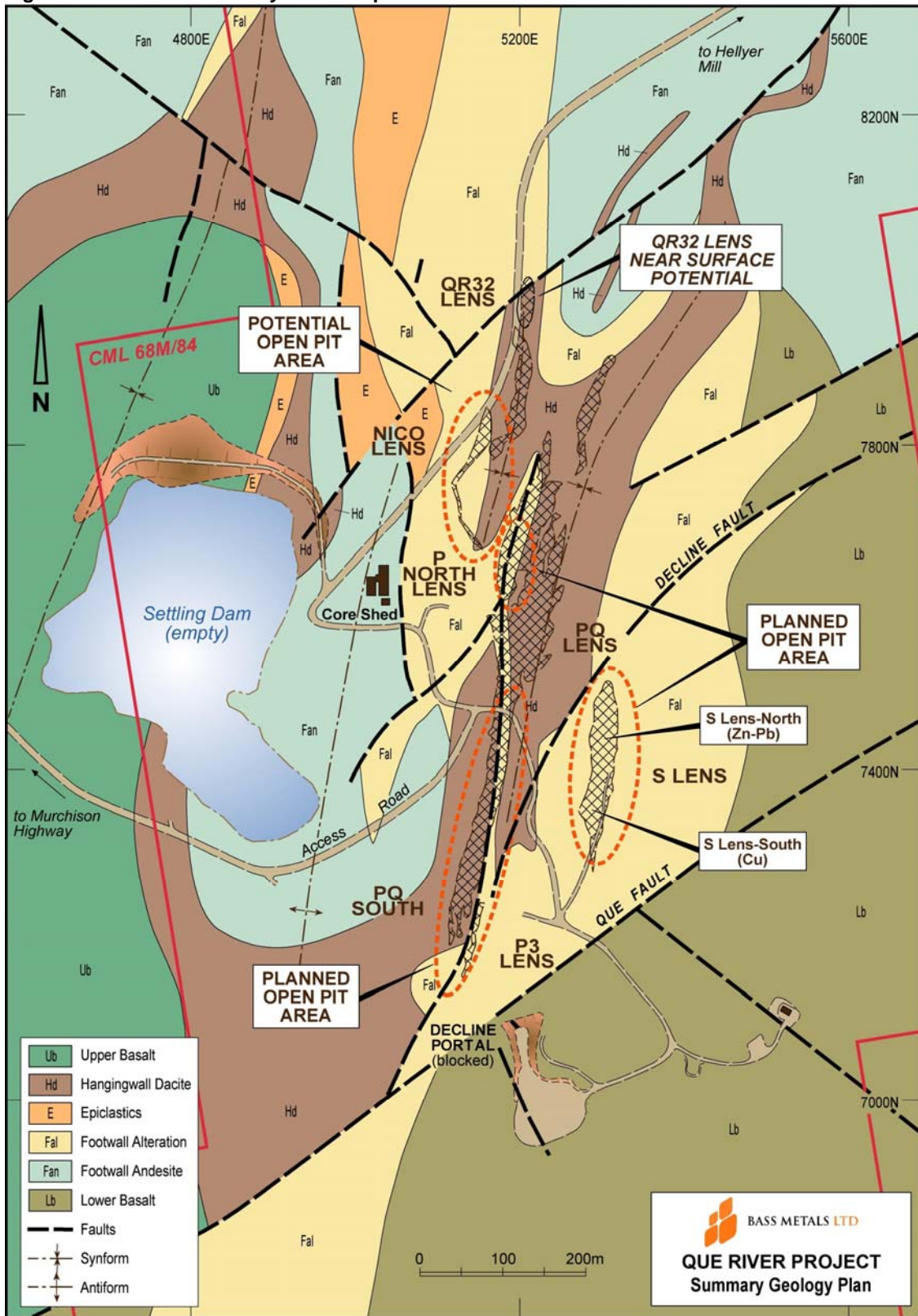
N.B. Small rounding errors may occur.

The addition of the QR32 Mineral Resource to the Que River resource inventory in June 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 continues its work to expand its Mineral Resource base to underpin the planned development of the Que River Stage 1 mine and beyond.

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REVIEW OF OPERATIONS
30 JUNE 2007

Figure 2: Que River Summary Location plan



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REVIEW OF OPERATIONS 30 JUNE 2007

2.1.2 Mine Development

Mine Plan

During the year Bass Metals Ltd confirmed details of its Stage 1 Mine plan comprising an in pit resource of approximately 120,000 tonnes which comprised mainly mining parts of the PQ and S Lenses. In order to determine the feasibility of the Stage 1 Mine Plan, Bass Metals Ltd undertook an excavation of a small, 15 metre deep trial pit with a total of approximately 1,700 tonnes at 15.5% Zinc, 8.9% lead, 109 g/t silver and 3.0 g/t gold mined being excavated.

A parcel of approximately 1,300 tonnes was delivered to the Hellyer plant owned by Intec Ltd and blended intermittently with the Hellyer tailings feedstock over a period of nearly 2 weeks. During the course of the trial it became apparent that the Hellyer plant was operating on different zinc recovery and concentrate grade parameters than those expected late in December 2006 when the Ore Sales Letter of Intent (LOI) with Intec Ltd was signed. Whilst a follow-up ore sales proposal was received from Intec, the changed operating circumstances had an adverse impact on the potential revenues available to the Company and necessitated a review of alternative off-take opportunities.

On the 26 June 2007 the Company announced that it had signed a binding, conditional Heads of Agreement with Zinifex Australia Limited covering the terms of an ore sales agreement for the Que River Stage 1 ore to Zinifex's Rosebery plant.

Subsequent to year end, Bass Metals Ltd delivered approximately 300 tonnes to Zinifex's Rosebery plant for a processing trial which was one of the key conditions to the Heads of Agreement. Having satisfied this and the other Conditions Precedent in the Heads of Agreement the two Parties signed an Ore sales Agreement as announced on 28 August 2007. This represented the final hurdle to commencing mining activities which started in late August. Details of the mining inventory for the Stage 1 Mine plan are presented in Table 2. The Company is hopeful that Stage 1 will be the first of several open pit and underground mining stages to give a mine life of 3 to 5 years.

Table 2: Que River Stage 1 Mining Inventory

Ore Deposit	Tonnes	Zn %	Pb %	Cu %	Ag %	Au %	% by Tonnes	% by Value
PQ Probable Reserve	33,300	15.3	8.7	0.29	216	5.30	29	52
PQ Mining Inventory	11,700	11.90	6.10	0.26	155	3.50	10	14
PQ Total Inventory	45,000	14.4	8.02	0.29	200	4.83	39	66
S Lens Probable Reserve	68,600	4.6	1.5	0.92	45	0.43	59	33
S Lens Mining Inventory	2,300	0.60	0.18	2.20	29	0.20	2	1
S Lens Total Inventory	70,900	4.5	1.46	0.96	44	0.42	61	34
TOTAL MINING INVENTORY	115,900	8.3	4.0	0.70	105	2.13	100	100

2.2 Base Metal Exploration Activities

2.2.1 QUE RIVER EXPLORATION

In addition to drilling as noted above, significant exploration potential exists 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 lenses. Targets which require follow-up and which could rapidly increase the shallow Mineral Resource inventory include:

- S Lens position north of decline fault;;
- shallow northern extension to QR32 Lens;
- shallow northern extension to Nico Lens;
- deeper drilling in alteration zone south of Que Fault;
- gaps in PQ ore horizon at shallow depths to north; and,
- P-West – mineralisation between P-Nth and QR32 Lenses.

The Company plans to continue this phase of Que River exploration in the coming year.

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REVIEW OF OPERATIONS 30 JUNE 2007

2.2.2 HELLYER MINE PROJECT (HMP)

The HMP initiative started this year to follow-up several advanced resource targets in and around the decommissioned high grade polymetallic (Zn-Pb-Cu-Ag-Au) Hellyer Mine.

Consultants, Coffey Mining in Hobart were commissioned late in the year to undertake resource estimates of the remnant mineralised areas and the extensive base-metal sulphide vein stockwork identified beneath the massive sulphide zones. Subject to the outcomes of that work it is planned that Coffey will move onto a scoping study to evaluate early mining opportunities in relation to the HMP.

A drilling programme has been planned to follow-up on high grade historic intercepts at the Southern Barite Zone, immediately to the south of the historic Hellyer base metal mine. This area is sparsely drilled on 100 metre spaced lines but better intercepts from historic drill holes include:

- 4.7 metres at 9.3% Zn, 6.3% Pb, 420g/t Ag, 5.4 g/t Au & 0.4% Cu ;
- 6.2 metres at 24% Zn, 10.7% Pb, 156g/t Ag, 2.6 g/t Au & 1.1% Cu.

2.2.3 ZINIFEX HELLYER EXPLORATION ALLIANCE (HEA)

The HEA between Zinifex Limited and Bass Metals Ltd continues to test 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. In July 2006 diamond drilling to test a variety of new targets commenced. Table 3 summarises the drill status as at the end of the year. A geological plan showing the target and drill hole locations is presented in Figure 3.

This is an early stage exploration drilling programme systematically testing a series of prospective targets. The process is to drill into the target zone and then to use the drill hole as a platform from which to conduct down-hole-electromagnetic (DHEM) surveys that can "see" away from the drill hole into the surrounding rock and potentially detect Hellyer style, massive sulphide mineralisation up to 400 metres from the drill hole (depending on the size and orientation of the mineralised body). DHEM surveys are only conducted on those drill holes that intersect the prospective host stratigraphy and are considered to be in a favourable geological setting for mineralisation.

DHEM surveys were conducted on the first 5 HEA drill holes (HED 1 to HED5) during the year but no off hole conductors indicating proximal mineralisation were detected. Further DHEM surveying is scheduled to commence in September 2007.

Subsequent to the end of the reporting period the Company received assay results for HED12 confirming base metal mineralisation in a newly discovered zone of intensely altered footwall sequence to the host horizon referred to as the Switchback target. Switchback is considered the most prospective HEA target drilled to date.

Table 3: HEA Drilling Status Summary

BHID	NORTH	EAST	RL	AV. GRID AZIMUTH	AV. DECLINATION	DEPTH	STATUS
HED1	10400.00	6088.12	711.20	271	68	320.40	Assays received
HED2	9999.99	6058.01	732.61	268	70	462.00	Assays received
HED3	8999.99	6065.16	690.60	271	53	437.60	Assays received
HED4	8574.99	5809.79	690.06	274	50	399.00	Assays received
HED5	9900.02	5406.02	680.12	273	70	301.00	Assays received
HED6	9700.00	5602.00	720.00	275	58	250.20	Assays received
HED7	8750.00	5398.00	671.00	269	56	143.60	Hole abandoned
HED7a	8750.00	5397.00	671.00	273	53	347.40	Assays received
HED8	3900.00	4440.00	707.00	277	55	422.70	Core being processed
HED9	3600.00	4390.00	715.00	278	56	481.30	Core being processed
HED10	8300.00	7395.00	296.00	274	43	332.90	Drilling completed
HED11	10956.00	6599.00	667.00	272	77	143.00	Drilling in progress
HED12	8810.00	6577.00	495.00	125	86	47.00	Drilling in progress
4088.10							

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**REVIEW OF OPERATIONS
30 JUNE 2007**

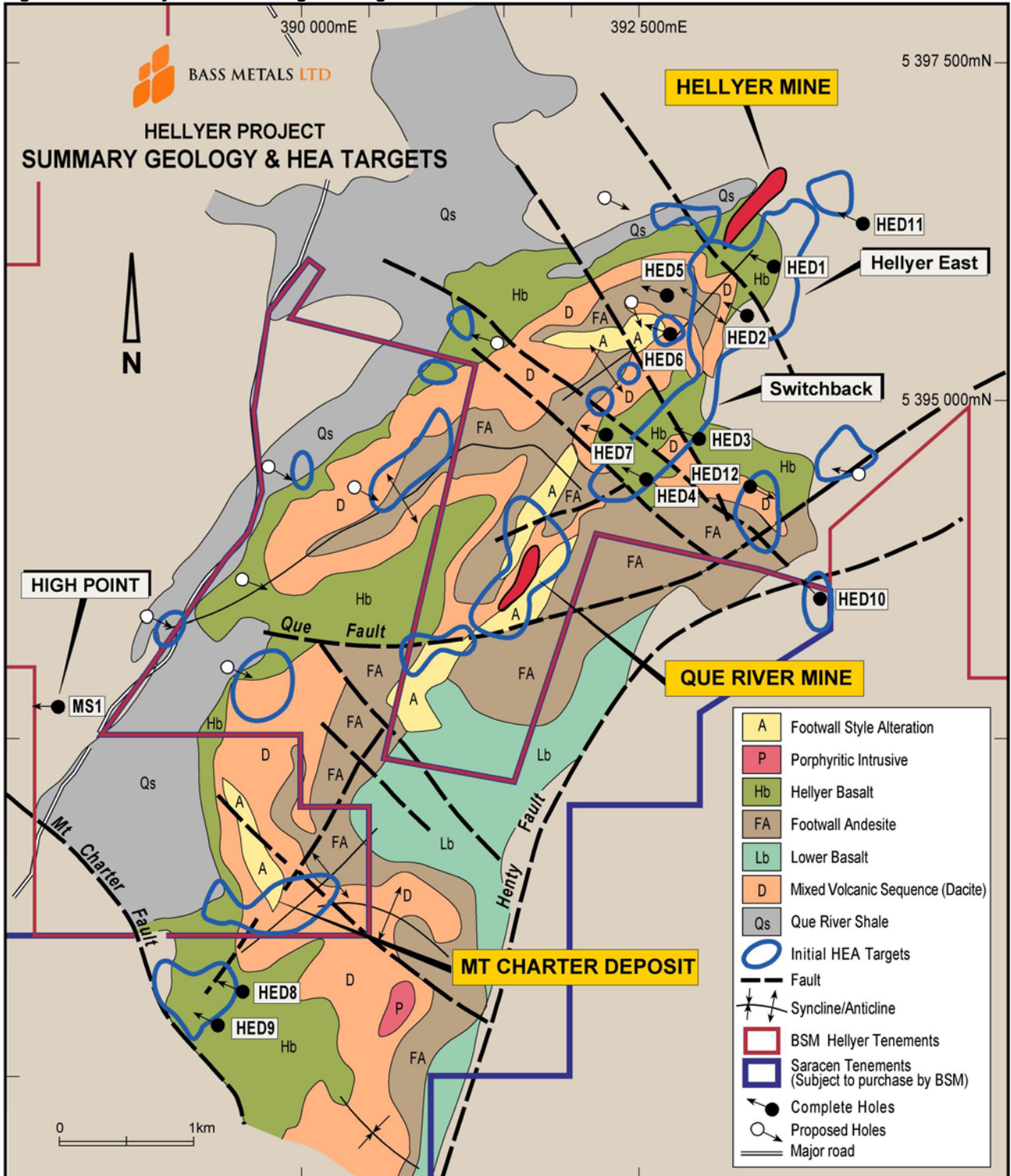
Table 4: Assays from HEA Drilling

Hole name	FROM (m)	TO (m)	INTERVAL (m)	Cu (%)	Pb (%)	Zn (%)	Ag (ppm)	Au (ppm)
HED6	no significant results but warrants DHEM survey							
HED7	no significant results but warrants DHEM survey							
HED8	no significant results but warrants DHEM survey							
HED9	no significant results but warrants DHEM survey							
HED10	no significant results, no DHEM survey warranted							
HED11	in progress (at 143m)							
HED12	283.75	288.6	4.85	0.20	1.15	1.60	17.5	0.9

BASS METALS LTD

REVIEW OF OPERATIONS
30 JUNE 2007

Figure 3: Summary of HEA drilling and targets



The HEA is due to end when either the \$2.0 million combined expenditure limit has been met or notionally on 2 August 2007. To the end of the reporting period each party has contributed approximately \$0.75 million with \$0.5 million expenditure remaining. On this basis the HEA is likely to be extended to complete the planned programme.

BASS METALS LTD

REVIEW OF OPERATIONS 30 JUNE 2007

In June 2007 Zinifex selected the High Point area as a Special Project Joint Venture Area (SPJVA). A 1,600 metre deep diamond drill hole was completed subsequent to the end of the reporting year which intersected the prospective host sequence, albeit deeper than anticipated but with no significant base metal mineralisation. A DHEM survey is planned for this drill hole.

2.2.4 REGIONAL BASE METALS EXPLORATION

The Company has a very active regional and grass roots base metals focused exploration programme. During the financial year the following activities were completed.

2.2.4.1 Bonds Range (Cu-Pb-Zn-Ag potential)

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

Drilling commenced during the March Quarter at the Iris River Prospect to test lead and zinc-in-soil anomalies generated by the Company. This is a new prospect with no historic drilling; Bass Metals Ltd completed three drill holes for a total of 387.4 metres. In the first drill hole, BRD001 the Company intersected significant lead, zinc and silver mineralisation in a wide zone of alteration. BRD001 intersected:

- 3.5 metres at 5.0% Pb, 1.1% Zn, 120g/t Ag, 1.1g/t Au & 0.1% Cu, from 88 metres down-hole,
- including 0.7 metres at 21.6% Pb, 3.0% Zn, 3.65g/t Au, 550ppm Ag & 0.44% Cu, from 90.8 metres down-hole.

Drill holes, BRD002 and BRD003 also intersected alteration but of a more diffuse nature and with lower order, anomalous assays. Anomalous results in BRD002 and BRD003 are strongly associated with galena and sphalerite mineralisation in quartz-chlorite veins. These lower order results may be due to access constraints which led to drill pads being sited on the margins of the anomalies defined by recent soil surveys.

The encouraging drill results lead to extensions to the existing soil grid to identify additional areas for follow-up drilling programmes. These assays are pending. A follow-up drilling programme has also been planned and approved by Mineral Resources Tasmania (MRT) which will commence as soon as practical later in 2007.

Bass Metals Ltd is targeting high grade Pb-Zn-Ag mineralisation that is likely related to Devonian granite intrusives.

2.2.4.2 Waratah (Pb-Zn-Ag potential)

(EL64-2004 75% Bass Metals Ltd 25% Clancy Exploration Limited)

The Company's initial focus is on the early mining potential of the historic Magnet Mine that according to MRT records produced 630,000 tonnes grading 5.7% Pb, 7.3% Zn and 394g/t Ag between 1895 and 1940. Compilation work of historic mining and exploration data was largely completed during the year. An exciting development has been the identification of a zone of distinctive zinc rich mineralisation in the hanging wall of the main lode from historical records and examination of the old workings. Zinc was considered a gangue mineral at the time Magnet was mined and hence was not extracted. A drilling programme is being planned for late in 2007 to test for extensions to the Magnet system as well as several possible new Magnet style targets along strike.

2.2.4.3 Mt Selina (Cu-Pb-Zn-Ag & Au potential)

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

Earlier in 2007 two drill holes at Selina tested the Dora lead-zinc (gold) soil anomaly generated by Bass Metals Ltd in 2006. A total of 554 metres was drilled and, whilst assays are still pending it appears that only minor mineralised intervals were intersected. DHEM surveying is planned for diamond drill hole DPD001 which intersected minor disseminated base metal sulphide mineralisation to test for proximal massive sulphide mineralisation

2.2.4.4 Farrell Line Project (Cu-Pb-Zn-Ag potential)

(EL47/2003 Bass Metals Ltd 100%)

The Farrell Line project covers a 4km extent of the Henry fault which hosts numerous base metal and gold occurrences on the Company's leases 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. In the period prior to the 1930's, zinc was a contaminant in the lead and so was avoided in the mine. The previous lease holder reported a Mineral Resource estimate to ASX of 180,000 tonnes at 11% Pb and 11oz./t Ag and 4% Zn. Bass Metals is however focussing its initial exploration efforts on testing the entire 4km strike extent of the Farrell-Murchison structure, which is demonstrably well mineralised but poorly drilled along its extent.

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.

BASS METALS LTD

REVIEW OF OPERATIONS 30 JUNE 2007

A geological orientation traverse was made over the 4km north-south extent of the historic workings and samples were collected from waste dumps at Murchison, South Farrell and North Mt Farrell Mine workings. Results are pending.

Compilation of extensive historic exploration data is ongoing including three dimensional modelling of the historic workings. The aim is to develop this prospect into an advanced stage drilling project as quickly as possible. The project area is well located with respect to roads and processing infrastructure and has excellent potential to generate additional mineral resources particularly at the largely untested southern end.

2.2.4.5 Oonah Project (Cu-Pb-Zn-Ag-Au & Sn potential) (EL63/2004 75% Bass Metals Ltd 25% Clancy Exploration Limited.)

The Oonah project contains several historic mining operations including Oonah, Montana and Zeehan Western with the following historic production records noted in the MRT database:

Oonah:	863,000 tonnes at 1.1% Cu, 1.2% Pb, 1.0% tin (Sn) and 153 g/t Ag
Montana:	40,000 tonnes at 5.3% Pb, 143 g/t Ag and 0.5 g/t Au
Zeehan Western:	300,000 tonnes at 8.7% Pb, 480 g/t Ag and 0.5 g/t Au

Bass Metals Ltd has two exploration objectives at Oonah:

- Discovery of a large-scale new high grade Pb-Zn-Ag or Cu-Sn-(Au) deposits.
- Delineation of high grade mineralised zones which may be amenable to small scale mining and trucking.

During the year Bass Metals Ltd conducted a reconnaissance field inspection during which samples were collected from historic workings and mine mullock dumps. Sample results support the high grade nature of mineralisation in the area. The high zinc result in sample ON001 is particularly interesting as zinc was a contaminant mineral; that is, the miners avoided it in historic times and the historic production figures may not reflect the zinc potential of the area.

Sample results were as follows:

- ON001 6.8% Pb, 25.9% Zn, 351g/t Ag
- ON002 0.4% Pb, 1.5% Zn, 0.54% Sn, 455g/t Ag, 0.18g/t Au
- ON003 3.2% Cu, 286g/t Ag, 1.06g/t Au
- ON004 13% Pb, 418g/t Ag
- ON006 4.5% Pb, 2.4% Zn, 339g/t Ag

The follow-up work planned comprises soils sampling, geological mapping and (if warranted) drilling.

2.2.4.6 North Rosebery (Cu-Pb-Zn-Ag potential) (EL54/2004 - 75% Bass Metals Ltd 25% Clancy Exploration Limited.)

The North Rosebery prospect is located 4km north along strike from the Rosebery Mine and appears to take in the northern extensions of the Rosebery Mine sequence. Geological modelling and field inspections indicate that a Rosebery style target occurs within the same suite of rocks as the Rosebery deposit and with associated felsic tuff units which are also found at Rosebery. In addition to the very favourable geological setting several other features such as soil geochemistry and geophysical anomalism highlight the potential of this area to host a significant new base metal deposit.

A rock chip traverse on 5 metre composited intervals transecting the northern target area was completed to delineate drill targets. The composite sample results were disappointing overall as they failed to replicate earlier high grade rock chip sample results from the same area with a best result of including 0.35 g/t Au and 670ppm Zn. A follow-up soil geochemistry program on five east-west lines over the same area of the interpreted target also did not outline a clear drill target and further geological mapping and modelling is planned. However in the southern portion of this licence area detailed modelling work supported by historic anomalous soil data indicates that the Rosebery ore system may extend into this southern area which is only 600 metres north of the published northern extent of the Rosebery orebody.

2.2.5 GOLD EXPLORATION

The Company has a "full-profile" of gold projects from the advanced Mt Charter and Sterling Valley gold projects to early stage gold targets. There is also potential to delineate distinct gold rich zones around the Hellyer and Que River base metals deposits.

BASS METALS LTD

REVIEW OF OPERATIONS 30 JUNE 2007

The Company's strategy is to increase its gold resources through further exploration and acquisitions and have an ongoing programme of metallurgical test work with the aim of understanding the potential resource base that could support various gold processing options as they emerge.

2.2.5.1 Mt Charter (Au & Ag potential) (RL11/1997 - 100% Bass Metals Ltd)

During the year Bass Metals Ltd completed a Mineral Resource estimate for the Mt Charter Au, Ag, Ba and Zn deposit as part of the Company's ongoing project evaluation.

The total combined Mineral Resource estimated for the Mt Charter deposit is 6.1 million tonnes at 1.22 g/t Au, 35.5 g/t Ag, 9.7 % Ba and 0.5% Zn. The resource is reported above a 0.7 g/t Au cut-off within the mineralised envelope boundary and is classified as Indicated and Inferred Resources according to the JORC code (December 2004), as listed in Table 5 below.

Table 5: Summary of Classified Mt Charter Mineral Resource (0.7g/t Au cut-off)

JORC Code Category	Tonnes Mt	Au g/t	Ag g/t	Ba %	Zn %	Au koz	Ag koz	Au (eq)* koz
Indicated	1.9	1.21	36.3	9.1	0.7	74	2,218	118
Inferred	4.2	1.22	35.2	10.0	0.4	165	4,754	260
Total	6.1	1.22	35.5	9.7	0.5	239	6,971	378
* Au (Eq) is based on Au & Ag price only; US\$590/oz and US\$11.80/oz respectively to give an Ag to Au ratio of 50:1.								

The tonnage and grade estimation is based on a 'change of support' geostatistical technique that is targeted at modelling the deposit behaviour using anticipated open pit mining on five metre high benches and a mining selectivity of 5 metres by 10 metres by 5 metres. The change of support process is based on multi-element conditional simulation. Full details on the estimation process are provided in a report to the ASX dated 30 October 2006.

The Mt Charter mineralisation interpretation for this estimate was compiled by Dr Travis Murphy; Bass Metal's Exploration Manager – Eastern Australia, with assistance from Snowden Mining Industry Consultants. Paul Blackney of Snowden reviewed data collection procedures undertook database checks and inspected core on site. Shaun Hackett (Snowden) reviewed the geological interpretation and was responsible for compiling the grade estimates. Both P Blackney and S Hackett are Competent Persons being Members of the AusIMM with more than five years experience relevant to gold and multi-element mineral resource estimation.

Metallurgical Testwork

Metallurgical testwork has been undertaken to gain a preliminary understanding of the metallurgical characteristics of the Mt Charter mineralisation and its response to possible processing routes. Testwork included head assay, mineralogy, direct cyanidation and sulphide flotation followed by cyanidation then barite recovery by gravity and barite flotation.

A composite sample representing variable depths, gold, silver, zinc and copper contents was submitted for testwork. The Bond ball mill work index was determined to be 14.7kW/tonne. Summary results for cyanidation and flotation testwork are presented in Table 6 below.

Table 6: Summary of Metallurgical Testwork Results

Testwork	Elements				
	Au	Ag	Cu	Zn	Ba
Head Assay	1.6 ppm	34.2 ppm	594 ppm	1.50%	17.60%
	Recovery (%)				
Direct Cyanidation	48	10	12	0.2	-
Flotation	86	92	93	98	2
Cyanidation of Float Tails	60	34	13	4	-
Overall recovery for float followed by cyanidation	95	95	-	-	-
Barium Recovery by Flotation (%)					84

BASS METALS LTD

REVIEW OF OPERATIONS 30 JUNE 2007

The objective of the flotation testwork was to assess the flotation behaviour of Au, Cu, Ag Pb and Zn mineral species and to float a bulk sulphide concentrate. These preliminary, bench scale test results show encouraging recoveries using a flotation stage followed by a cyanidation process route. The low recovery of precious metals by direct cyanidation is consistent with historic results reported previously and appears to be attributable to approximately 50% of the gold being present within the sulphide mineral grains. Direct cyanide recovery was relatively insensitive to grind size over a 45 to 75 micron size range.

Metals recovery to a bulk flotation concentrate is summarised in Table 7. Overall the recoveries obtained were good considering the simplicity of the flotation circuit. The objective of the next phase of testwork is to determine the upgrade potential of these concentrate grades to commercial levels. A separate test was undertaken for barite to assess flotation as a possible process for upgrading barite into a potentially saleable product. The barite concentrate produced had a barium grade of 50.2 % which is equivalent to 85.3% barite which, at first pass, exceeds the 65% barite standard generally adopted in the drilling and chemical industries.

Table 7: Flotation recovery and grade

	Au g/t	Ag g/t	As %	Cu %	Fe %	Pb %	S %	Zn %
Rougher Conc. Grade	8	183	0.4	0.30	20.9	3.8	30.1	8.6
% Recovery to Conc.	86	92	70	93	80	87	54	98

2.2.5.2 Sterling Valley (Ag potential) *(EL47/2003 - 100% Bass Metals Ltd)*

During the year Bass Metals Ltd acquired the Sterling Valley gold prospects from Saracen Mineral Holdings Limited. The plus 1 million ounce Henty gold deposit lies approximately 5km south along the same Henty Fault trend. The objective at Sterling Valley is to delineate a high grade Henty style gold deposit in structures associated with the Henty Fault zone.

The Sterling Valley Trend extends for approximately 4km along the Henty Fault. It includes the historic Sterling Gold mine (no production records) and several drill-indicated zones of gold-arsenic-copper mineralisation. Better historic drill intercepts which included:

- 7.7 metres at 3.8 g/t Au
- 3.7 metres at 5.9 g/t Au
- 17 metres at 1.5 g/t Au

This is regarded as an advanced exploration project and further work including drilling is planned for the next financial year.

2.2.5 NICKEL & PLATINUM EXPLORATION

2.2.5.1 Heazlewood (Ni-Cu-PGM potential) *(EL31/2003 Bass Metals Ltd earning 70% from 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.

During the year Bass Metals Ltd conducted Soil sampling at Heazlewood. Statistical analysis of the results together with geological considerations have identified three main nickel prospects (refer Figure 4);

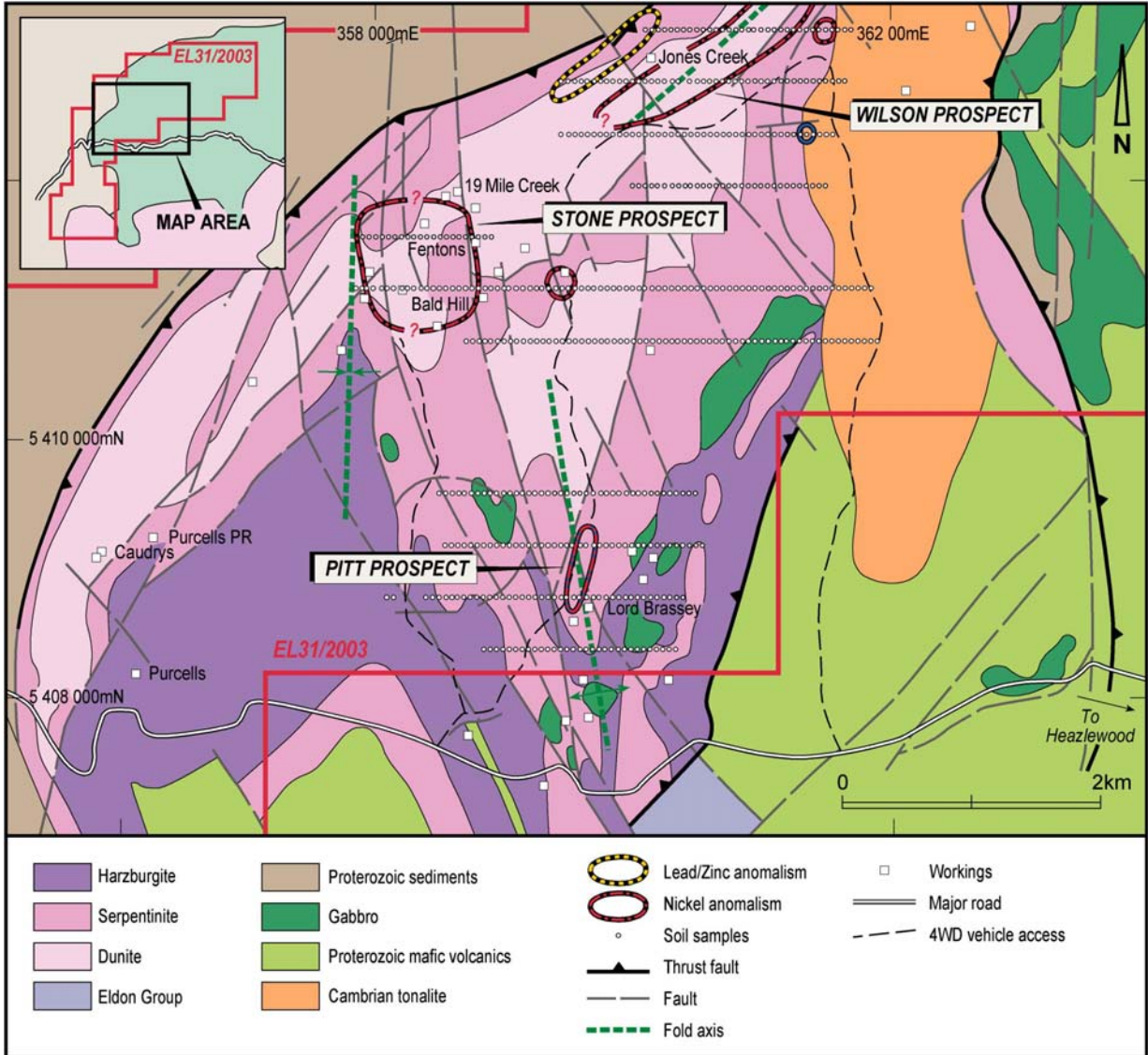
1. *Wilson* – Anomaly has an areal extent of 450 metres by 800 metres at a 3000ppm Ni contour (peak 5135ppm Ni) within an interpreted fold closure. The anomaly is considered open to the north-east.
2. *Stone* – Anomaly covers an area 350 metres by 400 metres (peak 4736ppm Ni) between historic workings (Fentons and 19 Mile Ck) over interpreted synclinal fold closure and adjacent to regional faults. The anomaly is considered open along strike both north and south.
3. *Pitt* – Anomaly has a narrow 50 metres by 400 metres extent (peak 3642ppm Ni) similar to local shear-hosted mineralisation. It is situated in a favourable structural position within an anticlinal fold closure in the area of historic Lord Brassy Mine (Ni).

The next phase of exploration will involve using infill soil sampling and geophysical methods to identify and possibly delineate shallow conductors indicating zones of nickel mineralisation.

BASS METALS LTD

**REVIEW OF OPERATIONS
30 JUNE 2007**

Figure 4: Heazlewood regional geological summary and anomaly positions



2.2.5.2 Whyte River (Ni potential)

(EL36/2003 - Bass Metals Ltd earning 70% from Pioneer Nickel Limited)

The Company has designed a soil geochemistry program over the interpreted position of ultramafic units on the Whyte River licence which are considered prospective for nickel. The details of the soil sampling programme are currently with MRT for approval. No work has previously been carried out to evaluate the nickel potential with the previous focus on the known gold and magnetite iron occurrences.

BASS METALS LTD
REVIEW OF OPERATIONS
30 JUNE 2007

2.3 Corporate

During the year Bass Metals Ltd acquired 3 exploration licences covering 148km² of prospective host rock units and fault structures from Saracen Mineral Holdings Limited. This transaction was finalised in November 2006 with the Company issuing Saracen with 6.4 million shares and a cash payment of \$275,000.

A placement of 20 million shares was also approved by Shareholders at the General Meeting held on 10 August 2006 and was completed raising working capital of \$3.2 million before costs.

300,000 Ordinary shares and 100,000 Options were issued to Clancy Exploration Limited (formerly Geoinformatics Exploration) pursuant to the Tasmania Alliance Agreement.

In December 2006, 1.6 million options were issued to the Board which were approved by Shareholders at the 2006 Annual General Meeting held on 28 November 2006 and 500,000 options were issued to Employees under the Company's Employee Share Option Plan.

On 15 March 2007, the Company announced a one for four renounceable rights issue to raise approximately \$4.4 million underwritten to the extent of \$4.0 million by Paterson's Securities Limited. The rights issue offered one New Share at a price of 28 cents for every four existing shares as at the entitlement date and one New Option for every four New Shares. The New Options have an exercise price of 40 cents and expire on 30 April 2010. The offer closed on the 18th April 2007 oversubscribed having raised approximately \$4.7 million before costs.

On 6 August 2007, the Company announced that approximately 98% of the BSMO options exercisable at 31 July 2007 had been taken up.

On 28 August 2007, the Company announced the Ore sales agreement with Zinifex and that Board approval for commencement of the Que River Development had been given.

BASS METALS LTD

CORPORATE GOVERNANCE 30 JUNE 2007

3. CORPORATE GOVERNANCE

3.1 Introduction

The Board and management are committed to the principles of corporate governance and, to the extent they are applicable to the Company (given its size and scale of operations), have adopted the Ten Essential Corporate Governance Principles and each of the Best Practice Recommendations as published by ASX Corporate Governance Council ("**ASX Principles and Recommendations**").

While the Board has demonstrated, and continues to demonstrate, its commitment to best practice in corporate governance, it emphasises that good corporate governance is only one factor contributing to the success of the Company's operations. The Company operates in the high risk mineral exploration and development industry, and its future success is highly dependent on successful development and exploitation of its exploration properties and projects.

The following additional information about the Company's corporate governance policy is set out on the Company's website at www.bassmetals.com.au:

- Board charter detailing functions and responsibilities of the Board and management, criteria for selection and appointment of new directors, processes for performance evaluation of the Board, Board committees and key executives.
- Corporate code of conduct for Directors, senior executives and dealings with stakeholders.
- Occupational health and safety policy.
- Environmental policy.
- Risk Management policy.
- Board performance evaluation.
- Continuous disclosure policy.
- Shareholders communications policy.
- Share trading policy.

BASS METALS LTD

CORPORATE GOVERNANCE 30 JUNE 2007

3.2 Corporate Governance Disclosures

During the Company's 2006/2007 financial year ("Reporting Period") the Company complied with the ASX Principles and Recommendations other than in relation to the matters specified below:

Principle Reference	Recommendation Reference	Notification of Departure	Explanation for Departure
2	2.1; 2.2	No Director was considered an independent Director.	The Board considers that its structure has been, and continues to be, appropriate in the context of the Company's recent history. The Company considers that each of the non-independent Directors possess skills and experience suitable for building the Company. Furthermore, the Board considers that in the current phase of the Company's growth, the Company's shareholders are better served by Directors who have a vested interest in the Company. Nonetheless, the Board takes the responsibilities of best practice in corporate governance seriously and will consider the appointment of independent Directors if deemed appropriate depending on the scope and scale of its operations.
2	2.4	A separate Nomination Committee has not been formed.	The role of the Nomination Committee is carried out by the full Board. The Board considers that given its size, no efficiencies or other benefits would be gained by establishing a separate Nomination Committee.
4	4.2; 4.3	A separate Audit Committee has not been formed.	The role of the Audit Committee is carried out by the full Board. The Board considers that given its size and stage of development, no efficiencies or other benefits would be gained by establishing a separate Audit Committee. The Board will re-consider establishing a separate Audit Committee as the Company's operations grow.
9	9.2	A separate Remuneration Committee has not been formed.	The full Board carried out the functions of the Remuneration Committee. All matters of remuneration were determined by the Board in accordance with Corporations Act requirements, especially in respect of related party transactions. That is, no Directors participated in any deliberation regarding his own remuneration or related issues.

Skills, experience, expertise and term of office of each Director

A profile of each Director containing the applicable information is set out in the Directors' Report.

Identification of Independent Directors

There are currently no Directors considered to be independent. The Board will consider the appointment of independent Directors if deemed appropriate depending on the scope and scale of its operations.

Statement concerning availability of independent professional advice

Subject to the approval of the other Directors an individual Director may engage an outside adviser at the expense of Bass Metals Ltd for the purposes of seeking independent advice in appropriate circumstances.

BASS METALS LTD
CORPORATE GOVERNANCE
30 JUNE 2007

Names of nomination committee members and their attendance at committee meetings

The full Board carries out the functions of the Nomination Committee. The Board did not convene formally as the Nomination Committee during the Reporting Period, but rather, discussed relevant issues on an as-required basis.

Names and qualifications of audit committee members

The full Board performs the functions of the Audit Committee.

Number of audit committee meetings and names of attendees

During the reporting period Mr Rosenstreich met with the external auditors in respect of the half year and full year financial reports.

Confirmation whether performance evaluation of the Board and its members have taken place and how conducted

During the Reporting Period an evaluation of the Board was conducted as an informal review during regular meetings of the Board. A formal evaluation process is being implemented.

Company's remuneration policies

All of the non-executive Directors received a separate Directors' fee, which is inclusive of statutory superannuation. There is no direct link between remuneration paid to any of the Non-executive Directors and corporate performance such as bonus payments for achievements of key performance indicators.

Remuneration of Directors and key executives is competitively set with the assistance of externally prepared surveys and reports, taking into account the experience and qualifications of each individual.

Names of remuneration committee members and their attendance at committee meetings

The full Board carried out the function of the Remuneration Committee. During the Reporting Period, the Board did not convene formally as the Remuneration Committee, but rather, dealt with remuneration-related issues on an as-required basis during regular meetings of the Board.

Existence and terms of any schemes for retirement benefits for Non-executive Directors

There are currently no retirement benefits for Non-executive Directors.

BASS METALS LTD

DIRECTORS' REPORT 30 JUNE 2007

4. DIRECTORS' REPORT

The directors are pleased to present their report to shareholder of Bass Metals Ltd, together with the Financial Statements for the financial year ended 30 June 2007.

Bass Metals Ltd ("BSM" or the "Company") is a company limited by shares that is incorporated and domiciled in Australia.

Directors

The Company's Directors in office during the financial period and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Mr Don Boyer - Non-executive Chairman
BSc (Hons), CP Geo, FAIMM, MAIG, MAICD
Appointed - 2 August 2004

Mr Boyer is a geologist and resource company manager with over 34 years experience in gold and base metals exploration and management of resource projects in Australia and overseas. He has considerable experience in exploration management, project management and assessment, feasibility studies and development analysis. His experience includes responsibility for technical operations from project acquisition through discovery to production and has been instrumental in the listing of a number of successful junior exploration companies.

Mr Boyer was Managing Director of Gilt-Edged Mining NL, from its listing in 1996 until the successful take-over of that company by Goldfields Limited in 2000 and has held management positions in various companies including MIM Holdings Limited's exploration division, a subsidiary of the French group COGEMA, and a number of listed Australian resource companies, including most recently the Managing Director position with Australian Mines Ltd.

He is also currently the non-executive chairman of Midas Resources Ltd.

Mr Boyer was previously a non-executive Director of Western Areas NL until 28 August 2006.

Mr Mike Rosenstreich - Managing Director
BSc (Hons), MMEE, MAIMM
Appointed - 15 December 2004

Mr Rosenstreich has a strong combination of technical and commercial skills gained over the past 20 years in the banking and mining sectors. He is a geologist with 12 years of experience gained in both exploration and mining roles including senior management positions with companies including Homestake Mining, Dominion Mining and Consolidated Gold.

Since then he was a senior member of the Rothschild resource finance team where he was involved in domestic and offshore project and corporate financings covering a range of commodity types. He left Rothschild in late 2002 to become involved with several junior and start-up resources companies in management, corporate advisory and technical consulting roles. He was a founding Director of Redox Diamonds Limited but resigned in 2005 to focus on Bass Metals.

Graduating in 1984 from Otago University (NZ) with an Honours degree in Geology, he went on to complete a Masters of Mineral and Energy Economics at Macquarie University in 1996. He is a member of the Australian Institute of Mining and Metallurgy.

BASS METALS LTD
DIRECTORS' REPORT
30 JUNE 2007

Mr Craig McGown - Non-executive Director
B. Comm, FCA, ASIA
Appointed - 7 July 2004

Mr McGown has more than 30 years experience in corporate finance, covering mergers and acquisitions, capital raisings in both domestic and international financial markets, asset acquisitions and asset disposals, initial public offerings and corporate restructurings.

He holds a Bachelor of Commerce degree from the University of Western Australia, is a Fellow of the Institute of Chartered Accountants and an Affiliate of the Financial Services Institute of Australasia (FINSIA).

Mr McGown has significant experience with capital raisings in both domestic and foreign financial markets and has been involved in a number of successful capital raising transactions. Mr McGown has also served on the Boards of a number of listed and unlisted companies including Resource Finance Corporation Limited as an executive director and as the executive chairman of DJ Carmichael Pty Limited.

Mr Kieran Rodgers - Non-executive Director
B.E. (Hons.) Min. (UNSW), MBA (IMD)
Appointed - 21 March 2005

Mr Rodgers is the Finance Director and Chief Financial Officer of ASX-listed Intec Ltd.

He was appointed an Executive Director of Intec Ltd on 28 February 2007 and is Intec Ltd's nominated Director on the Board of Bass Metals Ltd.

He joined Intec Ltd in March 2001 after 13 years of experience in merchant banking and financial consulting, largely with Resource Finance Corporation Ltd, with a specific focus on the Australian and international resources industry.

Prior to entering the merchant banking sector, he gained three years of operational mining engineering experience in the gold and base metals industries, including at the Cobar copper mine.

Ms Susan Hunter - Company Secretary
BCom, ACA, FFSIA (Dip), MAICD (Dip), ACIS (Dip)
Appointed – 28 September 2006

Ms Hunter has over 13 years experience in the corporate finance industry.

She holds a Bachelor of Commerce degree from the University of Western Australia majoring in accounting and finance, is a Member of the Australian Institute of Chartered Accountants, a Fellow of the Financial Services Institute of Australasia, a Member of the Australian Institute of Company Directors and is an Associate Director of consulting firm Norvest Corporate Pty Ltd.

Ms Hunter is also a Member of the Institute of Chartered Secretaries and Administrators and Chartered Secretaries Australia and she is currently Company Secretary for three Australian Stock Exchange listed companies, an AIM listed company and several unlisted companies.

Principal Activities

During the period the principal activities of the Company consisted of mineral exploration and evaluation of properties in Australia. There has been no significant change in these activities during the financial period.

Dividends

No dividends have been paid during the period and no dividends have been recommended by the Directors.

Result for the Financial Period

Loss from ordinary activities after income tax expense was \$1,312,002 (2006: \$696,331)

Review of Operations

A review of the operations during the financial year is set out in Section 2 of this report.

BASS METALS LTD

DIRECTORS' REPORT 30 JUNE 2007

Remuneration Report (Audited)

This report details the amount and nature of remuneration of each Director of the Company and the executives receiving the highest remuneration.

Remuneration Policy

The principles used to determine the nature and amount of remuneration are applied through a remuneration policy which ensures the remuneration package properly reflects the person's duties and responsibilities and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The remuneration policy, setting the terms and conditions for the Directors and other executives has been developed by the Board after seeking professional advice and taking into account market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

The remuneration policy is to provide a fixed remuneration component and a specific equity related component. The Board believes that this remuneration policy is appropriate given the stage of development of the Company and the activities which it undertakes and is appropriate in aligning Director and executive objectives with shareholder and businesses objectives.

The remuneration framework has regard to shareholders' interests in the following ways:

- Focuses on sustained growth as well as focusing the executive on key non-financial drivers of value, and
- Attracts and retains high calibre executives.

The remuneration framework has regard to executives' interests in the following ways:

- Rewards capability and experience,
- Reflects competitive reward for contributions to shareholder growth,
- Provides a clear structure for earning rewards, and
- Provides recognition for contribution.

Non-executive Directors

The Board policy is to remunerate Non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the Non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-executive Directors is subject to approval by shareholders at a General Meeting. Fees for Non-executive Directors are not linked to the performance of the economic entity. However, to align Non-executive Directors' interests with shareholder interests, the Non-executive Directors are encouraged to hold shares in the Company and may receive options.

The Directors have resolved that Non-executive Director's fees will be \$65,000 per annum for the Chairman and \$40,000 per annum for Non-executive Directors, inclusive of statutory superannuation contributions. Shareholders approved on 10 August 2006 the aggregate remuneration for all Non-executive Directors at an amount of \$250,000 per annum. This amount does not include the value of options provided to Non-executive Directors.

Non-executive Directors are eligible for participation in the Bass Metals Ltd Share Purchase Plan and the Bass Metals Ltd Employee Share Option Plan. Any issue of shares to Directors under the Bass Metals Ltd Employee Share Purchase Plan or options under the Bass Metals Ltd Employee Share Option Plan will be subject to shareholder approval pursuant to the provisions of the ASX Listing Rules and the Corporations Act 2001.

Executives

Executive Directors and executives receive either a salary plus superannuation guarantee contributions as required by law, currently set at 9%, or provide their services via a consultancy arrangement. Directors and executives do not receive any retirement benefits. Individuals may, however, choose to sacrifice part of their salary to increase payments towards superannuation. In addition long term incentives are received through participation in the Bass Metals Ltd Share Purchase Plan and the Bass Metals Ltd Employee Share Option Plan.

BASS METALS LTD
DIRECTORS' REPORT
30 JUNE 2007

All remuneration paid to Directors and executives is valued at cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

Base salary

Structured as a total employment cost package comprising cash, leave benefits and superannuation. Executives' remuneration is reviewed annually with regard to competitiveness and performance. There are no guaranteed salary increases fixed in any senior executives' contracts.

Benefits

Executives may receive reimbursements of out-of-pocket expenses incurred in the undertaking of their duties, including reasonable travel, accommodation and entertainment expenses.

Bass Metals Ltd Share Purchase Plan

Information on the Bass Metals Ltd Share Purchase Plan is set out in Note 17 (i).

Bass Metals Ltd Employee Share Option Plan

Information on the Bass Metals Ltd Employee Share Option Plan is set out in Note 17 (ii).

Compensation of Key Management Personnel for the year ended 30 June 2007.

The following table discloses the remuneration of the Key Management Personnel (Directors and executive officers) of the Company. The information in this table is audited.

Details of Directors and Company Executives (including Key Management Personnel)

Other than the Executive Directors, no other person is concerned in, or takes part in, the management of the Company or has authority and responsibility for planning, directing and controlling the activities of the entity. As such, during the financial year, the Company did not have any person, other than Directors, that would meet the definition of "Key Management Personnel" for the purposes of AASB124 or "Company Executive or Relevant Group Executive" for the purposes of section 300A of the Corporations Act 2001 ("Act"). Remuneration details of the Company Secretary are disclosed as section 300A(1B)(a) of the Act defines a "Company Executive" to specifically include a secretary of the entity.

BASS METALS LTD
DIRECTORS' REPORT
30 JUNE 2007

		Short-term benefits	Post-employment benefits	Share-based payments	
Directors				Value of options	Total
Specified Directors Executive					
Mr M Rosenstreich	2007	201,190	15,476	242,900	459,566
	2006	154,396	10,656	-	165,052
Specified Directors Non-Executive					
Mr D Boyer	2007	59,150	5,850	66,900	131,900
	2006	34,404	3,096	-	37,500
Mr C McGown	2007	40,000	-	50,175	90,175
	2006	17,391	-	-	17,391
Mr K Rodgers	2007	40,000	-	50,175	90,175
	2006	17,391	-	-	17,391
Total Specified Directors	2007	340,340	21,326	410,150⁽¹⁾	771,816
	2006	223,582	13,752	-	237,334
Specified Executives					
Dr T Murphy	2007	114,000	18,060	8,625	140,685
	2006	34,696	3,123	-	37,819
Mr L Henley	2007	32,767	3,900	-	36,667
	2006	-	-	-	-
Total Specified Executives	2007	146,767	21,960	8,625	177,352
	2006	34,696	3,123	-	37,819

The fair value of the options is calculated at the date of grant using the Black-Scholes model and allocated to each reporting period equally over the period from grant date to vesting date. The value disclosed above is a portion of the fair value of the options allocated to this reporting period. The term 'director' and 'executive officer' have been treated as mutually exclusive for the purposes of this disclosure.

Note1: The value of options differs to note 17 in the financial statements due to options granted to Mr M Rosenstreich in 2006 which vested in 2007 related to an appreciating share price. Detail in relation to these options has been included below in the disclosure of options issued as part of remuneration.

Shareholders approved on 10 August 2006 the aggregate remuneration for all Non-executive Directors at an amount of \$250,000 per annum. This amount does not include the value of options provided to Non-executive Directors. Superannuation contributions of 9% are paid on these fees as required by law and are included in the aggregate remuneration amount.

Employment contracts

The Managing Director, Mr Mike Rosenstreich, is retained via an employment contract dated 28 July 2005 and is valid for three years. This agreement provides for a total package amount inclusive of prescribed superannuation and for participation in the Company's Share Purchase Plan and Employee Share Option Plan. The cash remuneration inclusive of superannuation paid under the agreement to 30 April 2007 was \$210,000. This amount was increased from 1 May 2007 to \$231,000.

BASS METALS LTD

DIRECTORS' REPORT 30 JUNE 2007

Options granted to Directors and Senior Executives

Details of options over ordinary shares provided as remuneration to each Director and specified executives of the Company are set out below. When exercised each option is convertible to one ordinary share in Bass Metals Ltd.

	Balance at start of the period	Issued during the period	Exercised during the period	Expired during the period	Balance at the end of the period	Vested and exercisable at the end of the period
Directors						
Mr D Boyer	500,000	300,000	500,000	-	300,000	300,000
Mr M Rosenstreich	1,400,000	850,000	310,000	-	1,940,000	1,940,000
Mr C McGown ¹	400,000	225,000	-	-	625,000	625,000
Mr K Rodgers ²	250,000	225,000	250,000	-	225,000	225,000
	<u>2,550,000</u>	<u>1,600,000</u>	<u>1,060,000</u>	<u>-</u>	<u>3,090,000</u>	<u>3,090,000</u>
Specified Executives						
Mr T Murphy	-	75,000	-	-	75,000	75,000
	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>75,000</u>

Note 1 – 200,000 of these options which were issued in the prior financial period have been issued to Carmichael Capital Markets Pty Ltd for which Mr C McGown is a Director but does not have a legal relevant interest in the options.

The exercise price of all options shown above is 25 cents except for 1,600,000 options issued during the period which are exercisable at 27.5 cents and 700,000 options held by Mr M Rosenstreich, of which 350,000 are exercisable at 30 cents and 350,000 are exercisable at 35 cents with an expiry date 31 December 2007.

Options issued as part of remuneration for the year ended 30 June 2007

Options are issued to Directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of Directors and executives of Bass Metals Ltd to increase goal congruence between executives, Directors and shareholders.

	Granted No.	Options Granted as Part of Remuneration	Total Remuneration Represented by Options	Options Exercised	Options Lapsed	Total
		\$	%	\$	\$	\$
Director						
Mr D Boyer	300,000	66,900	51	-	-	66,900
Mr M Rosenstreich ³	1,050,000	53,900	53	18,600	-	53,900
Mr M Rosenstreich	850,000	189,000	53	-	-	189,000
Mr C McGown	225,000	50,175	55	-	-	50,175
Mr K Rodgers ²	<u>225,000</u>	<u>50,175</u>	<u>55</u>	<u>-</u>	<u>-</u>	<u>50,175</u>

Note 1 – 200,000 of these options which were issued in the prior financial period have been issued to Carmichael Capital Markets Pty Ltd for which Mr C McGown is a Director but does not have a legal relevant interest in the options.

Note 2 – These options have been issued to Intec Hellyer Metals Pty Ltd for which Mr K Rodgers is a Director but does not have a legal relevant interest in the options.

Note 3 – Although these options were granted during 2006, all the options vested during the year ended 2007 and therefore a dollar value has been attributed to them. These options were issued in three tranches of 350,000 options and vested when the share price of the Company traded at 35 cents, 40 cents and 45 cents respectively over five consecutive days.

BASS METALS LTD

DIRECTORS' REPORT 30 JUNE 2007

Share Options

6,453,814 options over unissued ordinary shares with exercise prices of between \$0.25 and \$0.40 were granted during or since the end of the financial year.

At the date of this report unissued ordinary shares of the Company under option are:

Grant Date	Date of Expiry	Exercise Price	Number under Option
21 March 2005	31 December 2007	25 cents	750,000
18 October 2005	31 December 2007	25 cents	40,000
18 October 2005	31 December 2007	30 cents	350,000
18 October 2005	31 December 2007	35 cents	350,000
30 November 2005	31 December 2007	25 cents	50,000
15 May 2006	31 December 2007	25 cents	100,000
30 June 2006	31 December 2007	25 cents	250,000
23 October 2006	31 December 2007	25 cents	100,000
22 December 2006	22 December 2011	27.5 cents	1,600,000
31 December 2006	31 December 2011	37.5 cents	450,000
28 March 2007	31 December 2007	25 cents	75,000
23 April 2007	30 April 2010	40 cents	4,178,189
			<u>8,293,189</u>

Directors' Interest

The relevant interest of each Director in the shares and options over shares issued by the Company at the date of this report is as follows:

Director	Ordinary Shares		Options	
	Direct	Indirect	Direct	Indirect
Mr D Boyer	1,275,000	12,500	363,626	625
Mr M Rosenstreich	856,251	-	1,982,813	-
Mr C McGown ¹	15,002	1,136,913	625	479,971
Mr K Rodgers ²	60,135	32,433	3,007	1,622

Note 1 - These amounts do not include 200,000 options held by Carmichael Capital Markets Pty Ltd for which Mr C McGown is a Director but does not have a legal relevant interest in the options.

Note 2 - These amounts do not include 20,996,932 ordinary shares and 1,452,477 options held by Intec Hellyer Metals Pty Ltd for which Mr K Rodgers is a Director but does not have a legal relevant interest in these securities.

Company Performance

Comments on performance are set out in the review of operations.

Significant Changes in the State of Affairs

There were no other significant changes in the state of affairs of the Company other than those noted in the review of operations.

Likely Developments and Expected Results

The likely developments in the operation of the Company and the expected results of those operations in future financial years are as follows:

- The Company will continue to secure a strategic land position incorporating a full spectrum of targets from advanced drill ready prospects to conceptual large scale anomalies.
- The Company started development on the Que River mine following Board approval in September 2007.

BASS METALS LTD
DIRECTORS' REPORT
30 JUNE 2007

Environmental Regulation

The Company is subject to environmental regulation in respect of its exploration activities. The Company makes every effort to comply with the relevant regulations.

Meetings of Directors

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2007 and the number of meetings attended by each Director.

Director	Directors' Meetings	
	A	B
Mr Don Boyer	11	12
Mr Michael Rosenstreich	12	12
Mr Craig McGown	12	12
Mr Kieran Rodgers	12	12

A – meetings attended

B – meetings held whilst a Director

As at the date of this report, the Company has not formed any committees other than a hedge committee as the Directors consider that at present the size of the Company does not warrant such. Audit, corporate governance, Director nomination and remuneration matters are all handled by the full Board.

Proceedings on Behalf of the Company

No person has applied to the Court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of the proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under Section 237 of the Corporations Act 2001.

Indemnification and Insurance of Directors and Officers

Indemnification

The Company has agreed to indemnify current Directors and officers and past Directors and officers against all liabilities to another person (other than the Company or a related body corporate), including legal expenses that may arise from their position as directors and officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance

The Directors have not included details of the amount of the premium paid in respect of the directors' and officers' liability insurance contract, as such disclosure is prohibited under the terms of the contract.

Events subsequent to reporting date

The following significant event has taken place since the end of the financial period:

- (a) On 6 August 2007, the Company announced that approximately 98% of the BSMO options exercisable at 31 July 2007 had been taken up.
- (b) On 28 August 2007, the Company announced the Ore sales agreement with Zinifex and that Board approval for commencement of the Que River Development had been given.

Other than the above, no matters or circumstances have arisen, since the end of the financial year, which significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

BASS METALS LTD

DIRECTORS' REPORT 30 JUNE 2007

Non-audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The fees for non-audit services paid/payable to the external auditors during the year ended 30 June 2007 is set out in Note 22 in the financial statements.

Auditors Independence Declaration

Section 307C of the Corporations Act 2001 requires the Company's auditors, Bentleys MRI Perth Partnership, to provide the Directors with a written Independence Declaration in relation to their audit of the financial report for the year ended 30 June 2007. This written Auditor's Independence Declaration is attached to the Auditor's Independent Audit Report to the members and forms part of this Director's Report.

Signed in accordance with a resolution of Directors.



M Rosenstreich
Managing Director

West Perth, Western Australia
28 September 2007

BASS METALS LTD
INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
Revenue from continuing operations	2	365,709	137,685
Employee benefits expense		(228,281)	(79,504)
Depreciation expense		(66,478)	(12,521)
Office and administration costs		(889,497)	(506,633)
Finance costs		(7,317)	(1,869)
Impairment of capitalised exploration expenditure		-	(238,389)
Write-off project evaluation expenditure	10	(41,492)	-
Exploration expenditure expensed		(37,525)	-
Share option expense		(407,121)	4,900
Loss before income tax	3	(1,312,002)	(696,331)
Income tax expense	4	-	-
Loss attributable to members of Bass Metals Ltd	3	(1,312,002)	(696,331)
Basic and diluted loss per share (cents per share)	5	(2.1)	(2.3)

The above Income Statement should be read in conjunction with the accompanying notes.

BASS METALS LTD

**BALANCE SHEET
AS AT 30 JUNE 2007**

	Note	2007 \$	2006 \$
CURRENT ASSETS			
Cash and cash equivalents	6	4,610,627	1,279,180
Trade and other receivables	7	669,665	85,333
Total Current Assets		5,280,292	1,364,513
NON-CURRENT ASSETS			
Trade and other receivables	7	259,100	148,600
Investment	8	2	-
Plant and equipment	9	151,231	143,974
Exploration and evaluation expenditure	10	8,809,022	3,451,110
Total Non-Current Assets		9,219,355	3,743,684
TOTAL ASSETS		14,499,647	5,108,197
CURRENT LIABILITIES			
Trade and other payables	12	686,238	289,786
Short-term borrowings	13	19,072	18,127
Provisions	14	16,166	3,291
Total Current Liabilities		721,476	311,204
NON-CURRENT LIABILITIES			
Long-term borrowings	13	74,561	85,688
Total Non-Current Liabilities		74,561	85,688
TOTAL LIABILITIES		796,037	396,892
NET ASSETS		13,703,610	4,711,305
EQUITY			
Issued capital	15	15,406,200	5,516,114
Reserves	16	574,160	159,940
Accumulated losses		(2,276,750)	(964,749)
TOTAL EQUITY		13,703,610	4,711,305

*The above Balance Sheet should be read in conjunction
with the accompanying notes.*

BASS METALS LTD

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

	Share Capital Ordinary \$	Accumulated Losses \$	Other Reserves \$	Total \$
Balance at 1 July 2005	2,230,256	(268,418)	150,200	2,112,038
Shares issued during the year	3,630,159	-	-	3,630,159
Transaction costs	(344,301)	-	-	(344,301)
Share based payments	-	-	9,740	9,740
Loss attributable to members of Bass Metals Ltd	-	(696,331)	-	(696,331)
Balance at 30 June 2006	5,516,114	(964,749)	159,940	4,711,305
Balance at 1 July 2006	5,516,114	(964,749)	159,940	4,711,305
Shares issued during the year	10,313,631	-	-	10,313,631
Transaction costs	(423,545)	-	-	(423,545)
Share based payments	-	-	414,221	414,221
Loss attributable to members of Bass Metals Ltd	-	(1,312,002)	-	(1,312,002)
Balance at 30 June 2007	15,406,200	(2,276,751)	574,161	13,703,610

*The above Statement of Changes in Equity should be read in conjunction
with the accompanying notes.*

BASS METALS LTD
CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
Cash Flows from Operating Activities			
Payments to suppliers and employees		(1,095,426)	(629,632)
Interest received		153,688	107,207
Interest paid		(7,317)	(1,869)
Other security deposits		(105,000)	(26,100)
Net cash outflow from operating activities	23(i)	(1,054,055)	(550,394)
Cash Flows from Investing Activities			
Payment for property, plant and equipment		(73,734)	(35,011)
Payment for exploration properties		(365,393)	-
Expenditure on exploration		(3,709,775)	(1,808,590)
Net cash outflow from investing activities		(4,148,902)	(1,843,601)
Cash Flows from Financing Activities			
Proceeds from issue of equity		8,968,130	3,500,000
Payments for share issue costs		(423,545)	(344,301)
Repayment of borrowings		(10,181)	-
Net cash inflow from financing activities		8,534,404	3,155,699
Net increase in cash held		3,331,447	761,704
Cash at beginning of the financial year		1,279,180	517,476
Cash at the end of the financial year	6	4,610,627	1,279,180

*The above Cash Flow Statement should be read in conjunction
with the accompanying notes.*

BASS METALS LTD

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

1. Summary of Significant Accounting Policies

The financial report covers Bass Metals Ltd. Bass Metals Ltd is a listed public company, incorporated and domiciled in Australia.

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of Preparation and Measurement

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The financial report has been prepared on the historical cost basis except as modified where applicable for the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit and loss, certain classes of property, plant & equipment and investments property.

(b) Plant & Equipment

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant & equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. Recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation is calculated on the prime cost method and is brought to account over the estimated useful lives of all plant and equipment from the time the asset is held ready for use. The depreciation rates used are:

Office furniture	20.00%
Office computer equipment	33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement when revalued assets are sold, amounts included in the revaluation reserve relating to the assets are then transferred to accumulated losses.

(c) Income Tax

The Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from operations adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

BASS METALS LTD

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(d) Cash & Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

(e) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of the acquisition plus costs incidental to the acquisition.

Transaction costs arising on the issue of equity instruments are recognised directly in equity.

(f) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(g) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

BASS METALS LTD

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

Held-to-maturity investments

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Any held-to-maturity investments held by the Company are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available for sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(h) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

BASS METALS LTD

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

(i) Employee Benefits

(i) *Salaries, wages and annual leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within twelve months of the reporting date are recognised in other creditors in respect to employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) *Equity based compensation benefits are provided to employees via the Bass Metals Ltd Share Purchase Plan and the Bass Metals Ltd Employee Share Option Plan.*

Issues of employee options are brought to account through the Income Statement. At the time of exercise, the amounts receivable from employees are recognised in the Balance Sheet as share capital.

(j) Trade Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment is raised where some doubt as to collection exists.

(k) Trade Creditors

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Leased Non-current Assets

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits

Operating lease payments are charged to the Income Statement in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(m) Revenue Recognition

Amounts disclosed as revenue are net of duties and taxes paid. Revenue is recognised as follows:

(i) *Interest*

Interest earned is recognised as and when it is receivable, including interest which is accrued and is readily convertible to cash within two working days. Accrued interest is recorded as part of other debtors.

(ii) *Sundry income*

Sundry income is recognised as and when it is receivable. Income receivable, but not received at balance date, is recorded as part of other debtors.

BASS METALS LTD

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Balance Sheet are shown inclusive of GST.

(o) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

(p) Application of Accounting Standards

Australian Accounting Standards that have been adopted for the first time during the annual reporting period ended 30 June 2007 are as follows:

AASB Amendment	Affected Standard(s)	Nature of Change to Accounting Policy	Application Date of Standard*	Application Date for Group
2004 – 3	AASB 1 First-time Adoption of AIFRS, AASB 101 Presentation of Financial Statements, AASB 124 Related Party Disclosures	No change to accounting policy required. Therefore no impact.	1 Jan 06	1 Jul 06
2005 – 1	AASB 139 “Financial Instruments: Recognition and Measurement”	No change to accounting policy required. Therefore no impact.	1 Jan 06	1 Jul 06
2005 – 4	AASB 1 “First Time Adoption of AIFRS” AASB 139 “Financial Instruments: Recognition and Measurement”	No change to accounting policy required. Therefore no impact.	1 Jan 06	1 Jul 06
2005 – 5	AASB 1 “First Time Adoption of AIFRS” AASB 139 “Financial Instruments: Recognition and Measurement”	No change to accounting policy required. Therefore no impact.	1 Jan 06	1 Jul 06
2005 – 6	AASB 3 “Business Combinations”	No change to accounting policy required. Therefore no impact.	1 Jan 06	1 Jul 06

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2007:

AASB Amendment	Affected Standard(s)	Nature of Change to Accounting Policy	Application Date of Standard*	Application Date for Group
2005 – 10	AASB 132 “Financial Instruments: Disclosure and Presentation” AASB 101 “Presentation of Financial Statements” AASB 114 “Segment Reporting” AASB 117 “Leases” AASB 133 “Earnings Per Share” AASB 139 “Financial Instruments: Recognition and Measurement” AASB 1 “First Time Adoption of AIFRS” AASB 4 “Insurance Contracts” AASB 1023 “General Insurance Contracts” AASB 1038 “Life Insurance Contracts”	No change to accounting policy required. Therefore no impact.	1 Jan 07	1 Jul 07
2007 - 1	AASB 1 “First Time Adoption of AIFRS” AASB 2 “Share Based Payments”	No change to accounting policy required. Therefore no impact.	1 Mar 07	1 Jul 07
2007 – 2	AASB 1 “First Time Adoption of AIFRS”	No change to accounting	1 Jan 08	1 Jul 08

BASS METALS LTD

**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2007**

AASB Amendment	Affected Standard(s)	Nature of Change to Accounting Policy	Application Date of Standard*	Application Date for Group
	AASB 117 "Leases" AASB 118 "Revenue" AASB 120 "Accounting for Government Grants and Disclosure of Government Assistance" AASB 121 "The Effects of Changes in Foreign Exchange Rates" AASB 127 "Consolidated and Separate Financial Statement" AASB 131 "Interest in Joint Ventures" AASB 139 "Financial Instruments: Recognition and measurement"	policy required. Therefore no impact.		
2007 – 3	AASB 5 "Non-current assets held for sale and discontinued operations" AASB 6 "Exploration for and Evaluation of Mineral Resources" AASB 119 "Employee Benefits" AASB 127 "Consolidated and Separate Financial Statements" AASB 134 "Interim Financial Reporting" AASB 136 "Impairment Assets" AASB 1023 "General Insurance Contracts" AASB 1038 "Life Insurance Contracts"	No change to accounting policy required. Therefore no impact.	1 Jan 09	1 Jul 09
New standards	AASB 7 "Financial Instruments: Disclosures"	No change to accounting policy required. Therefore no impact.	1 Jan 07	1 Jul 07
	AASB 8 "Operating Segments. Disclosures"	No change to accounting policy required. Therefore no impact.	1 Jan 09	1 Jul 09

* Application date is for the annual reporting periods beginning on or after the date shown in the above table.

2. Revenue

	2007	2006
	\$	\$
From continuing operations		
Interest	153,688	107,207
Trail mining commitment fee	100,000	-
Joint venture management fee	110,542	14,671
Other revenue	1,479	15,807
Total Revenue	365,709	137,685

BASS METALS LTD

**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2007**

3. Expenses

	2007	2006
	\$	\$
From continuing operations		
Finance costs:		
- external	7,317	1,869
Contribution plan superannuation expense	96,667	31,892
Depreciation and amortisation expense		
- plant and equipment	66,476	12,521
Rental expense on operating lease:		
- minimum lease payments	19,602	14,701
Impairment of capitalised exploration expenditure	-	238,389
Write off of project evaluation expenditure	41,492	-
Share option expense	407,121	(4,900)

4. Income tax

The prima facie tax on loss before income tax is reconciled as follows:

Prima facie tax benefit on loss before income tax at 30% (2006:30%)	(393,601)	(208,899)
Add:		
Tax effect of:		
- non deductible expenditure	5,909	4,860
- equity based payments	-	2,922
Less:		
Tax effect of:		
- share issue expenses	(49,207)	(23,794)
Add:	(436,899)	(224,911)
Tax effect of:		
- exploration expenditure and evaluation	(1,606,077)	(574,198)
Deferred tax asset not brought to account	2,042,976	799,109
Income tax benefit attributable to loss from ordinary activities before tax	-	-

The potential deferred tax asset relating to tax losses amounting to \$3,248,628 (2006: \$1,318,436) and temporary differences amounting to \$121,366 (2006: \$94,876) which have been offset by the potential deferred tax liability of temporary differences amounting to \$2,642,707 (2006: \$1,035,333) has not been brought to account in these financial statements the benefits of which will only be realised if the conditions for deductibility set out in Note 1(c) occur.

BASS METALS LTD

**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2007**

5. Loss per share

	2007 Cents	2006 Cents
Basic and diluted loss per share (cents per share)	(2.1)	(2.3)
Loss used in the calculation of basic EPS	(1,312,002)	(696,311)
Weighted average number of shares outstanding during the year used in calculations of basic loss per share	62,406,676	30,880,414

Diluted loss per share has not been disclosed as it is not materially different from basic loss per share.

The basic loss per share in the 2006 financial period restated for this year's rights issue is 2.2 cents.

6. Cash and cash equivalents

	2007 \$	2006 \$
Cash at bank and in hand	50,254	83,859
Short term bank deposit	4,560,373	1,195,321
	4,610,627	1,279,180

7. Receivables

Current

Trade receivables	488,319	-
Other receivables	138,468	57,311
Prepayments	42,878	28,022
	669,665	85,333

Non-Current

Tenement security deposits ¹	216,100	111,100
Loan to key management personnel ²	43,000	37,500
	259,100	148,600

Note 1: Tenement security deposits are held in fixed term deposits of three months duration. These amounts are not available for use and thus do not constitute cash assets.

Note 2: Further information relating to the loan to key management personnel is set out in Note 20(iv).

BASS METALS LTD**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2007****10. Exploration and evaluation expenditure**

	2007 \$	2006 \$
The Company has mineral exploration costs carried forward in respect of areas of interest currently in the phase of exploration and evaluation:		
Balance at the beginning of the period	3,451,110	1,537,116
Exploration properties acquired	1,652,493	107,300
Expenditure incurred for the period	3,746,911	2,045,083
Impairment losses during the period	-	(238,389)
Write-off of project evaluation expenditure	(41,492)	-
Balance at the end of the period	<u>8,809,022</u>	<u>3,451,110</u>

Ultimate recoupment of costs carried forward in respect of areas of interest in the exploration and evaluation phase is dependent on successful development and commercial exploitation, or alternatively, sale of respective areas at an amount at least equivalent to the carrying value.

11. Interests in Joint Ventures

Joint venture agreements have been entered into with third parties, whereby Bass Metals Ltd can earn an interest in exploration areas by expending specified amounts in the exploration areas. The Company's percentage interests in the future output of the joint ventures, having fulfilled its obligations are as follows:

<u>Partner</u>	<u>Licence</u>	<u>Interest</u>
Adamus Resources Ltd	EL28/2002 Bonds Range	60%
Adamus Resources Ltd	EL29/2002 Selina	60%
Clancy Exploration Limited.	EL51/2004 Wilmot	75%
Clancy Exploration Limited.	EL52/2004 Loyetea	75%
Clancy Exploration Limited.	EL53/2004 Leven River	75%
Clancy Exploration Limited.	EL54/2004 North Rosebery	75%
Clancy Exploration Limited.	EL63/2004 Oonah	75%
Clancy Exploration Limited.	EL64/2004 Waratah	75%
Clancy Exploration Limited	EL2/2005 Lynchford	75%
Clancy Exploration Limited.	EL3/2005 Huskisson	75%
Clancy Exploration Limited.	EL4/2005 Highclere	75%
Clancy Exploration Limited.	EL38/2005 Grass Ridge	75%
Clancy Exploration Limited.	ELA36/2005 Paradise River	75%
Clancy Exploration Limited	ELA16/2006 Pinnacles	75%
Pioneer Nickel Limited	EL31/2003 Heazlewood	70%
Pioneer Nickel Limited	EL36/2003 Whyte River	70%

BASS METALS LTD

**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2007**

12. Trade and other payables

	2007	2006
	\$	\$
Current		
Unsecured liabilities:-		
Trade payables	606,455	280,640
Sundry payables and accrued expenses	79,783	9,146
	686,238	289,786

13. Borrowings

	Note		
Current			
Lease liability		19,072	18,127
Non-Current			
Lease liability		74,561	85,688
	19(i)	93,633	103,815

14. Provisions

Current		
Employee benefits		3,291
		16,166

A provision has been recognised for employee benefits relating to annual and long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

BASS METALS LTD

**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2007**

15. Issued capital

	2007	2006
	\$	\$
84,358,843 (June 2006: 36,600,003) fully paid ordinary shares	15,406,200	5,516,114

Ordinary shares

The Company has 84,358,843 fully paid ordinary shares of no par value.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares.

On a show of hands every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote and upon a poll each share is entitled to one vote.

The Company has no authorised share capital and the shares have no par value.

	2007	2006
	No.	No.
(a) Ordinary shares - number		
At the beginning of the financial period	36,600,003	18,250,003
Issue of shares pursuant to a prospectus – 18 October 2005	-	17,500,000
Issue of shares to Clancy Exploration Limited – consideration for option – 18 October 2005	-	150,000
Issue of shares to Managing Director for cash – loan by company under SPP – 18 October 2005	-	250,000
Issue of shares to Clancy Exploration Limited – consideration for option (price at weighted average) – 30 November 2005	-	150,000
Issue of shares to Clancy Exploration Limited – consideration deemed at 15 cents – 15 May 2006	-	300,000
Issue of shares 25 August 2006	10	-
Issued pursuant to placement - issued 15 August 2006	20,000,000	-
Issue of shares to Clancy Exploration Limited Exploration Tasmania Pty Ltd - consideration pursuant to Tasmanian Alliance Agreement - issued 23 October 2006	300,000	-
Issue of shares to Saracen Mineral Holdings Limited - consideration for purchase of tenements - issued 3 November 2006	6,400,000	-
Issue of shares pursuant to employee share plan - issued 28 March 2007	25,000	-
Issue of shares pursuant to rights issue prospectus - issued 23 April 2007	16,715,054	-
Issue of shares on exercise of 25 cent options (expiring 31 December 2007)	750,000	-
Issue of shares on exercise of 25 cent options (expiring 31 July 2007)	3,568,151	-
Issue of shares on exercise of 40 cent options (expiring 30 April 2010)	625	-
Balance at the end of the financial period	84,358,843	36,600,003

BASS METALS LTD

**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2007**

15. Issued capital (continued)

	2007	2006
	\$	\$
(b) Ordinary shares – value		
At the beginning of the financial period	5,516,114	2,230,256
Issue of shares pursuant to a prospectus – 18 October 2005	-	3,500,000
Issue of shares to Clancy Exploration Limited – consideration for option – 18 October 2005	-	22,500
Issue of shares to Managing Director for cash – loan by company under SPP – 18 October 2005	-	37,500
Issue of shares to Clancy Exploration Limited – consideration for option (price at weighted average) – 30 November 2005	-	25,159
Issue of shares to Clancy Exploration Limited – consideration deemed at 15 cents – 15 May 2006	-	45,000
Issue of shares 25 August 2006	2	-
Issued pursuant to placement - issued 15 August 2006	3,200,000	-
Issue of shares to Clancy Exploration Limited Exploration Tasmania Pty Ltd - consideration pursuant to Tasmanian Alliance Agreement - issued 23 October 2006	60,000	-
Issue of shares to Saracen Mineral Holdings Limited - consideration for purchase of tenements - issued 3 November 2006	1,280,000	-
Issue of shares pursuant to employee share plan - issued 28 March 2007	5,500	-
Issue of shares pursuant to rights issue prospectus - issued 23 April 2007	4,680,215	-
Issue of shares on exercise of 25 cent options (expiring 31 December 2007)	187,500	-
Issue of shares on exercise of 25 cent options (expiring 31 July 2007)	900,164	-
Issue of shares on exercise of 40 cent options (expiring 30 April 2010)	250	-
Less share issue costs	(423,545)	(344,301)
Balance at the end of the financial period	15,406,200	5,516,114

16. Reserves

The option reserve records items recognised as expenses on valuation of employee share options and as consideration for acquiring tenements or rights to participate in joint ventures. An analysis of movements in this reserve is provided in the Statement of Changes in Equity.

BASS METALS LTD

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

17. Share based payments

The following share-based payment arrangements existed at 30 June 2007:

(i) Bass Metals Ltd Share Purchase Plan

The establishment of the Bass Metals Ltd Share Purchase Plan was approved by shareholders at a general meeting held 21 March 2005. The Directors of the Company may in their absolute discretion make offers of shares and, on behalf of the Company, make corresponding loans to an eligible employee of the Company to which the Board has resolved that the Share Purchase Plan shall for the time being apply. The Board may, subject to any approvals of shareholders of the Company required by law, and at intervals determined by the Board, invite any eligible employee to participate in the Share Purchase Plan.

Participation is optional and subject to the Rules of the Plan. Offers made under the Share Purchase Plan are not renounceable. Shares offered under the Plan are offered at market value or, if the Board determines, for an amount equal to: $(\text{market value} \times N - \$1.00)/N$ where N is the number of shares offered to the participant. The market value of a share subscribed for or acquired under the Plan is determined by the weighted average price at which the shares are traded on the ASX in the one week period up to and including the date of entitlement to that Share, or if there were no transactions on the Exchange in relation to the Shares during the relevant one week period (i) the last price at which an offer was made on the ASX in that period or (ii) if (i) does not apply, the arms length value assessed by an independent registered company auditor or otherwise calculated in a manner approved by the Commissioner of Taxation.

There are currently 275,000 shares issued under this Plan.

(ii) Bass Metals Ltd Employee Share Option Plan

The establishment of the Bass Metals Ltd Employee Share Option Plan was approved by shareholders at a general meeting held 21 March 2005. The Directors of the Company will administer the Employee Share Option Plan and in their absolute discretion determine to whom the securities will be offered, the number to be offered and any performance criteria that may apply before options may be exercised.

Options may not be offered to a Director or associates except where approval is given by shareholders at a general meeting.

No consideration is payable by an eligible person for a grant of an Option, unless the Board decides otherwise. Subject to the Rules of the Plan and to the ASX Listing Rules, the Company (acting through the Board) may offer Options to any eligible person at such times and on such terms as the Board considers appropriate. Options may be exercised at any time during the period commencing on the issue date and ending no later than five years from the date of issue. Options issued under the Plan will automatically lapse in 30 days or such longer period as the Board determines in the event that the eligible person either resigned voluntarily from employment with the Company or is dismissed in certain circumstances.

Options issued under this Plan carry no dividend or voting rights.

On exercise, each option is convertible to one ordinary share within 10 business days of the receipt of the exercise notice and payment of the exercise price in Australian dollars. Amounts received on the exercise of options are recognised as share capital.

BASS METALS LTD

**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2007**

17. Share based payments (continued)

Set out below is a summary of options granted under the Employee Share Option Plan.

	2007 Number of Options	2006 Number of Options
Outstanding at the beginning of the year (exercise price 25 cents, expiry 31 December 2007)	375,000	500,000
Forfeited	-	(125,000)
Exercised	(125,000)	-
Expired	-	-
Outstanding at year-end	<u>250,000</u>	<u>375,000</u>
Granted (exercise price 37.5 cents, expiry 31 December 2011)	500,000	-
Forfeited	(50,000)	-
Exercised	-	-
Expired	-	-
Outstanding year-end	<u>450,000</u>	<u>-</u>

(iii) Other Options

	2007		2006	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	5,225,000	0.26	4,000,000	0.25
Granted	2,275,000	0.30	1,350,000	0.29
Forfeited	(50,000)	0.375	(125,000)	0.25
Exercised	(3,185,000)	0.25	-	-
Expired	-	-	-	-
Outstanding at year-end	<u>4,265,000</u>	<u>0.28</u>	<u>5,225,000</u>	<u>0.26</u>
Exercisable at year-end	<u>3,815,000</u>	<u>0.27</u>	<u>4,175,000</u>	<u>0.25</u>

The above table includes options detailed in note 17 (ii),

Options outstanding at 30 June 2007 had a weighted average exercise price of \$0.28 (2006 \$0.26) and a weighted average remained contractual life of 0.9 years (2006: 1.1 years). Exercise prices range from \$0.25 to \$0.375 in respect of options outstanding.

The weighted average fair value price for options granted during the year was \$0.21 (2006 \$0.05). This price was calculated by using a Black-Scholes option pricing model applying the following inputs at grant date:

Options issued	100,000	1,600,000	75,000
Grant date	23/10/06	22/12/06	28/03/2007
Expiry date	31/12/07	22/12/07	31/12/2007
Weighted average exercise price	\$0.25	\$0.275	\$0.25
Weighted average life of the option	1.1 years	1 year	0.66 year
Underlying share price	\$0.24	\$0.335	\$0.32
Expected share price volatility	66.6%	69.8%	70%
Risk free interest rate	6.06%	5.78%	6.40%

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the expiry date, which may not eventuate in the future. Included under share option expense in the income statement is \$407,121 (2006: \$14,640) and relates, in full, to equity-settled share-based payment transactions.

BASS METALS LTD

**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2007**

18. Financial instruments

(i) Credit risk exposure

The credit risk exposure to the Company to financial assets which have been recognised on the balance sheet is not materially different from the carrying amount net of any provision for impairment.

(ii) Interest rate risk exposure

The Company's exposure to interest rate risk and the effective weighted average interest rate for each class of financial asset and financial liability is set out below:

	Weighted Average Effective Interest Rate	Fixed Interest Rate Maturing					Total
		Floating Interest Rate	Within Year	1 to 5 Years	Over 5 Years	Non- interest bearing	
		\$	\$	\$	\$	\$	\$
30 June 2007							
Financial Assets:							
Cash & cash equivalents	6.0%	4,610,627	-	-	-	-	4,610,627
Trade and other receivables	4.8%	-	-	216,100	-	712,687	928,787
Total Financial Assets		4,610,627	-	216,100	-	712,687	5,539,414
Financial Liabilities:							
Trade and other payables	-	-	-	-	-	686,238	686,238
Short-term borrowings	7.3%	-	19,072	74,561	-	-	93,633
Total Financial Liabilities		-	19,072	74,561	-	686,238	779,871

	Weighted Average Effective Interest Rate	Fixed Interest Rate Maturing					Total
		Floating Interest Rate	Within Year	1 to 5 Years	Over 5 Years	Non- interest bearing	
		\$	\$	\$	\$	\$	\$
30 June 2006							
Financial Assets:							
Cash & cash equivalents	5.5%	1,279,180	-	-	-	-	1,279,180
Trade and other receivables	4.8%	-	111,100	-	-	122,833	233,933
Total Financial Assets		1,279,180	111,100	-	-	122,833	1,513,113
Financial Liabilities:							
Trade and other payables	-	-	-	-	-	289,786	289,786
Short-term borrowings	7.3%	-	18,127	85,688	-	-	103,815
Total Financial Liabilities		-	18,127	85,688	-	289,786	393,601

(iii) Liquidity and Cash Flow Interest Rate Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Cash flow interest rate risk is the risk that future cash flows on a financial instrument will fluctuate because of changes in market interest rates.

To control liquidity and cash flow interest rate risk, the Company invests in financial instruments, which under normal market conditions are readily convertible to cash.

(iv) Net fair value of assets and liabilities

The net fair values of financial assets and financial liabilities of the Company approximate their carrying values.

BASS METALS LTD

**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2007**

19. Capital and Leasing Commitments

	2007	2006
	\$	\$
(i) Finance Lease Commitments		
Payable – minimum lease payments		
- not later than 12 months	25,062	25,062
- between 12 months and five years	78,196	95,695
Minimum lease payments	103,258	120,757
Less future finance charges	(9,625)	(16,942)
Present value of minimum lease payments	93,633	103,815

The Company entered into two motor vehicle finance leases in April/May 2006. There are monthly repayments and both lease terms are three years expiring in April/May 2009. Both motor vehicles have a residual amount that will be payable at the end of the lease term.

(ii) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable – minimum lease payments		
- not later than 12 months	19,602	19,440
- between 12 months and five years	4,900	24,300
	24,502	43,740

The Company entered into an operating lease on 30 September 2005 for office space it occupies in West Perth. The term of the lease is three (3) years and expires on 29 September 2008.

(iii) Capital Expenditure Commitments

Exploration Tenements

In order to maintain current rights of tenure to exploration tenements, the Company is required to outlay rentals and to meet the minimum expenditure requirements of Mineral Resources Tasmania. These obligations are not provided for in the financial statements and are payable:

- not later than 12 months	1,216,089	1,167,230
- between 12 months and five years	1,865,513	2,002,375
- greater than five years	-	-
	3,081,602	3,169,605

BASS METALS LTD

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

20. Key Management Personnel

(i) Details of Key Management Personnel

Chairman – non-executive

Mr D Boyer (from 2 August 2004)

Executive Director

Mr M Rosenstreich (from 15 December 2004)

Non-executive Directors

Mr C McGown (from 7 July 2004)

Mr K Rodgers (from 21 March 2005)

Other Key Management Personnel

Ms S Hunter – Company Secretary (from 28 September 2006)

Dr T Murphy – Exploration Manager (Eastern Australia) (from 13 March 2006)

Mr L Henley – Financial Controller (from 10 April 2007)

(ii) Compensation of Key Management Personnel

The Company has applied the exemption under Corporations Amendments Regulation 2005 which exempts listed entities from providing remuneration disclosures in relation to their specified directors in their annual financial reports by Accounting Standard AASB 124 "Related Party Disclosures". These remuneration disclosures are provided in the Directors' Report under Remuneration Report and designated as audited.

(iii) Shareholdings of Key Management Personnel

Shares held directly and indirectly in the Company:

	Balance at the start of the period	Acquired under rights issue	On exercise of options	Net change other	Balance at the end of the period
Mr D Boyer	503,000	257,000	525,000	-	1,285,000
Mr M Rosenstreich	350,000	171,251	335,000	-	856,251
Mr C McGown	889,531	222,384	-	-	1,111,915
Mr K Rodgers ¹	74,054	18,514	-	-	92,568
Mr T Murphy	-	-	-	25,000	25,000
	<u>1,816,585</u>	<u>669,149</u>	<u>860,000</u>	<u>25,000</u>	<u>3,370,734</u>

Note 1 - These shares do not include 19,645,157 ordinary shares held by Intec Hellyer Metals Pty Ltd for which Mr K Rodgers is a Director but does not have a legal relevant interest in the shares.

All equity transactions with key management personnel, which relate to the Company's listed ordinary shares, have been entered into on an arms length basis.

(iv) Loan to Key Management Personnel

The loan outstanding to key management personnel at the end of the year of \$43,000 (2006: \$37,500) was granted for the acquisition of shares in the Company pursuant to the Company's Share Purchase Plan (see Note 17 (i)). All loans granted under this plan are unsecured and are made for either a period of 10 years, until the employee repays the loan, the Company forgives the loan or until the employee ceases his employment with the Company, which ever occurs first. Interest is not payable on this loan.

BASS METALS LTD

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

21. Related Parties

Key Management Personnel

Disclosures relating to the remuneration and shareholdings of key management personnel are set out in the Directors' Report and Note 20 respectively.

Other transactions with key management personnel are as follows:

(i) D J Carmichael Pty Ltd, an entity related to Mr C McGown, was paid \$78,353 (2006: \$251,392) for company placement fees, management fees, consulting fees in relation to capital raisings and was reimbursed at cost for expenditure made on behalf of the company.

(ii) Boyer Exploration Pty Ltd, an entity related to Mr D Boyer, was paid \$25,980 (2006: \$22,163) for exploration and management consulting, and was reimbursed at cost for expenditure made on behalf of the Company.

(iii) Intec Hellyer Metals Pty Ltd, an entity related to Mr Kieran Rodgers, was paid \$64,016 (2006 \$5,952) for reimbursement at cost for expenditure made on behalf of the Company and for site costs for use of utilities.

(iv) The spouse of Mr Rosenstreich received \$5,710 (2006: \$10,784) for the provision of part time administration and bookkeeping services

22. Remuneration of auditors

	2007 \$	2006 \$
Amounts received or due and receivable by the auditors for:		
Audit or review of the financial reports of the Company	37,757	12,600
Taxation services provided by a related practice of the auditor	14,877	5,125
	<u>52,634</u>	<u>17,725</u>

23. Cash Flow Information

(i) Reconciliation of cash flows from operations with loss after income tax

Operating loss after income tax	(1,312,002)	(696,331)
Depreciation	66,478	12,521
Provision for employee benefits	12,875	3,291
Impairment of capitalised exploration expenditure	-	238,389
Share option expense	407,121	(4,900)
	<u>(825,528)</u>	<u>(447,030)</u>
Change in operating assets and liabilities:		
(Increase) in trade and other receivables	(35,523)	(59,897)
(Increase)/Decrease in trade and other payables	(88,004)	(17,367)
Other security deposits	(105,000)	(26,100)
	<u>(1,054,055)</u>	<u>(550,394)</u>

(ii) Non cash financing and investment transactions

- Issue of 300,000 ordinary shares and 100,000 options to Clancy Exploration Limited at \$67,100 as consideration pursuant to the Tasmanian Alliance Agreement.
- Issue of 25,000 shares to Travis Murphy at \$5,500 through the granting of a loan by the Company under Share Purchase Plan.

BASS METALS LTD

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

23. Cash Flow Information (Continued)

- Issue of 6,400,000 ordinary shares to Saracen Mineral Holdings Limited at \$1,280,000 as consideration for acquisition of tenements.

(iii) Credit Standby Arrangements with Banks

The Company has an unused Asset Finance Leasing facility with National Australia Bank for \$100,000.

24. Events after the Balance Sheet Date

The financial report was authorised for issue on 28 September 2007 by the Board of Directors.

Since 30 June 2007 there has not been any matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the Company.

25. Segment Reporting

The Company operates predominately in one business and geographical segment being the mineral exploration and evaluation of properties in Australia.

BASS METALS LTD

DIRECTORS' DECLARATION 30 JUNE 2007

1. In the opinion of the directors of Bass Metals Ltd (the "Company"):
 - a. The financial statements and notes and the remuneration disclosures that are contained in sections of the Remuneration Report in the Directors' report, set out on pages 21 to 24 are in accordance with the Corporations Act 2001, including:
 - i. Giving a true and fair view of the Company's and the Group's financial position as at 30 June 2007 and of their performance, for the financial year ended on that date; and
 - ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - b. The remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*; and
 - c. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2007.

Signed in accordance with a resolution of the directors the Company.



M Rosenstreich
Managing Director

West Perth, Western Australia
28 September 2007

BASS METALS LTD

INDEPENDENT AUDIT REPORT 30 JUNE 2007

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORES ROWLAND
INTERNATIONAL



Bentleys MRI Perth Partnership
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5. INDEPENDENT AUDIT REPORT TO THE MEMBERS OF THE BASS METALS LTD

Report on the Financial Report and AASB 124 Remuneration Disclosures Contained in the Directors' Report

We have audited the accompanying financial report of Bass Metals Limited (the "Company"), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of changes in equity, and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration set out on pages 28 to 52.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration Report" in the Directors' report set out on pages 21 to 24 and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the Directors' report.

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors of the Company are also responsible for the remuneration disclosures contained in the Directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration disclosures contained in Directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the Directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the Directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the Directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the Directors' report.

BASS METALS LTD

**INDEPENDENT AUDIT REPORT
30 JUNE 2007**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
BASS METALS LIMITED**



**Report on the Financial Report and AASB 124 Remuneration Disclosures
Contained in the Directors' Report (continued)**

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's financial position and of its performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Auditor's opinion on the financial report

In our opinion, the financial report of Bass Metals Limited is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2007 and of its performance for the financial year ended on that date, and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in the Remuneration report in the Directors' report set out on pages 21 to 24 comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

Bentleys MRI Perth Partnership

BENTLEYS MRI PERTH PARTNERSHIP

A handwritten signature in black ink, appearing to read "J W Vibert". The signature is written in a cursive, slightly slanted style.

**J W VIBERT
PARTNER**

**DATED THIS 28TH DAY OF SEPTEMBER 2007
PERTH, WA**

BASS METALS LTD

**AUDITOR'S INDEPENDENCE DECLARATION
30 JUNE 2007**

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORES ROWLAND
INTERNATIONAL



Bentleys MRI Perth Partnership
ABN 17 735 344 518

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6. AUDITOR'S INDEPENDENCE DECLARATION

Under Section 307C Of The Corporations Act 2001

TO THE DIRECTORS OF BASS METALS LIMITED

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2007 there have been:

- No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.

Bentleys MRI Perth Partnership

BENTLEYS MRI PERTH PARTNERSHIP

**JEFF VIBERT
PARTNER**

**DATED THIS 28TH DAY OF SEPTEMBER 2007
PERTH, WA**

BASS METALS LTD
ADDITIONAL INFORMATION
30 JUNE 2007

7. ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 17 September 2007.

(a) Distribution of shares

The numbers of shareholders, by size of holding are:

Category (size of holding)	Number Ordinary Shares	Number of Holders
1 – 1,000	5,745	16
1,001 – 5,000	704,846	231
5,001 – 10,000	1,700,435	202
10,001 – 100,000	19,855,395	580
100,001 – and over	67,137,973	116
	89,404,394	1,145

The number of shareholdings held in less than marketable parcels is 57.

(b) Twenty largest shareholders

The names of the twenty largest holders of fully paid ordinary shares are:

SHAREHOLDERS	Number of Shares Held	% Holding
1. Intec Hellyer Metals Pty Ltd	20,996,932	23.49
2. Saracen Mineral Holdings Limited	6,400,000	7.16
3. Merrill Lynch (Australia) Nominees Pty Limited <Berndale A/C>	4,265,625	4.77
4. Fortis Clearing Nominees Pty Ltd <Settlement A/C >	2,137,246	2.39
5. Damplin Investments Pty Ltd	1,402,003	1.57
6. Mr Robert Lord	1,250,000	1.40
7. Mr David Donald Boyer <DB Family A/C >	1,135,000	1.27
8. Ionikos Pty Ltd <McGown Super Fund A/C >	1,076,913	1.20
9. Shell Cove Capital Management Pty Ltd <Black Marlin A/C >	1,050,108	1.17
10. Mrs Sandra Anne Coombes	1,022,500	1.14
11. Nefco Nominees Pty Ltd	971,992	1.09
12. Grimwood Nominees Pty Ltd	870,000	0.97
13. PM-TEC Pty Ltd	844,000	0.94
14. Mr Michael Rosenstreich & Mrs Wendy Rosenstreich <Odyssey A/C >	817,188	0.91
15. Mr Guy Lance Jones & Mrs Ann Lyndal Bayly & Mrs Fiona Winten <Est Late Rex Jones A/C >	781,250	0.87
16. Bruton Super Pty Ltd <Brunton Super Pty Ltd A/C >	725,000	0.81
17. Mr David Dawson	700,000	0.78
18. Mr Stephen Scanlan	629,500	0.70
19. Clancy Exploration Limited	611,250	0.68
20. Property Mate Pty Ltd	600,000	0.67
	48,286,507	54.01

Like shareholders have been merged in the table above.

Stock Exchange Listing – Listing has been granted for all ordinary fully paid shares of the Company on ASX Limited except for 12,058,679 ordinary fully paid shares which are not quoted by virtue of restriction agreements.

BASS METALS LTD
ADDITIONAL INFORMATION
30 JUNE 2007

(c) Distribution of options

The numbers of optionholders, by size of holding are:

Category (size of holding)	Number Options	Number of Holders
1 – 1,000	59,582	105
1,001 – 5,000	335,859	134
5,001 – 10,000	357,774	49
10,001 – 100,000	1,407,107	48
100,001 – and over	2,017,867	6
	4,178,189	342

(d) Twenty largest option holders

The names of the twenty largest holders of quoted options are:

OPTION HOLDERS	Number of options held	% Holding
1. Intec Hellyer Metals Pty Ltd	1,227,477	29.38
2. Citicorp Nominees Pty Ltd	379,000	9.07
3. Merrill Lynch (Australia) Nominees Pty Limited <Berndale A/C>	191,406	4.58
4. Shell Cove Capital Management Pty Ltd <Black Marlin A/C >	137,517	3.29
5. Fortis Clearing Nominees Pty Ltd <Settlement A/C >	119,281	2.85
6. Property Mate Pty Ltd <Property Mate Super Fund A/C >	78,125	1.87
7. Sonderkind Pty Ltd <Baldwin Super Fund A/C >	75,626	1.81
8. Grimwood Nominees Pty Ltd	73,750	1.77
9. Damplin Investments Pty Ltd	62,500	1.50
10. Oregon Nominees Pty Ltd <Oregon Nominees Super A/C >	62,500	1.50
11. Hysin Pty Limited	57,433	1.37
12. Mr David Donald Boyer <DB Family A/C>	56,751	1.36
13. Clancy Exploration Limited	56,250	1.35
14. Ionikos Pty Ltd <McGown Super Fund A/C >	52,471	1.26
15. Laurence James Askey	50,000	1.20
16. M Bruton Pty Ltd	43,750	1.05
17. PM-TEC Pty Ltd	42,200	1.01
18. Mr Michael Rosenstreich & Mrs Wendy Rosenstreich <Odyssey A/C >	40,860	0.98
19. Mr Guy Lance Jones & Mrs Ann Lyndal Bayly & Mrs Fiona Winten <Est Late Rex Jones A/C>	39,063	0.93
20. Stadjoy Pty Ltd	37,500	0.90
	2,883,460	69.01

Like option holders have been merged in the table above.

Stock Exchange Listing – Listing has been granted for 4,178,189 options over ordinary shares of the Company on ASX Limited.

BASS METALS LTD

ADDITIONAL INFORMATION 30 JUNE 2007

(e) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

SUBSTANTIAL SHAREHOLDERS	Number of Shares Held	% Holding
Intec Hellyer Metals Pty Ltd	20,996,932	23.49
Saracen Mineral Holdings Limited	6,400,000	7.16

(f) Voting rights

All ordinary fully paid shares carry one vote per unit without restriction.

(g) Company Secretary

The Company Secretary is Ms Susan Hunter.

(h) Registered Office

The Company's Registered Office is Suite 5, Level 2, 2 Richardson Street, West Perth, Western Australia, 6005. Telephone +61 8 9322 8044.

(i) Share Registry

The Company's Share Registry is Computershare Investor Services Pty Ltd of Level 2, 45 St Georges Terrace, Perth WA 6000. Telephone +61 8 9323 2000.

(j) Restricted Securities

The following securities are under escrow as at 17 September 2007:

Number	Class of security	Date escrow period ends
12,058,679	Ordinary shares	18 October 2007
6,400,000	Ordinary shares	3 November 2007
300,000	Ordinary shares	23 October 2007
1,490,000	Unlisted options	18 October 2007

(k) Unquoted Equity Securities and On Market Buy-backs

The Company has 4,115,000 unlisted options on issue as at 17 September 2007 and is not currently performing an on market buy-back.

BASS METALS LTD
ADDITIONAL INFORMATION
30 JUNE 2007

(I) Interests in Mining Tenements

The Companies interests in mining tenement are as follows:

Tenement	Interest
EL28/2002 Bonds Range	60%
EL29/2002 Selina	60%
EL51/2004 Wilmot	75%
EL52/2004 Loyetea	75%
EL53/2004 Leven River	75%
EL54/2004 North Rosebery	75%
EL63/2004 Oonah	75%
EL64/2004 Waratah	75%
EL2/2005 Lynchford	75%
EL3/2005 Huskisson	75%
EL4/2005 Highclere	75%
EL38/2005 Grass Ridge	75%
EL36/2005 Paradise River	75%
EL16/2006 The Pinnacles	75%
EL31/2003 Heazlewood	70%
EL36/2003 Whyte River	70%
EL47/2003 Tullah	100%
EL48/2003 Mt Block	100%
EL55/2004 Moxon Saddle	100%
EL24/2004 Bulgobac River	100%
CML 103M/1987 Hellyer Mine Lease	100%
ML 68M/1984 Que River Mine Lease	100%
Hellyer 10W/1980 Access Easement to QRML	100%
RL11/1997 Mt Charter Retention	100%