



**BASS METALS LTD**

**ACN 109 933 995**

**NOTICE OF ANNUAL GENERAL MEETING  
AND  
EXPLANATORY STATEMENT  
TO SHAREHOLDERS**

**NOTICE IS INCLUDED FOR  
THE ANNUAL GENERAL MEETING OF SHAREHOLDERS  
TO BE HELD ON  
TUESDAY, 28 NOVEMBER 2006  
AT 1.30PM  
AT THE CELTIC CLUB, 48 ORD STREET, WEST PERTH**

**IMPORTANT INFORMATION**

This is an important document that should be read in its entirety.  
If you do not understand it, or any part of it,  
you should consult with your professional advisers without delay.

**You are encouraged to attend the meeting, but if you cannot, you are requested to  
complete and return the enclosed Proxy Form without delay to  
Bass Metals Ltd at  
Suite 5, 2 Richardson Street, West Perth WA 6005  
or by facsimile on facsimile number (+61 8) 9481 2846**



**BASS METALS LTD**

**ACN 109 933 995**

## **NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY STATEMENT TO SHAREHOLDERS**

**TIME:** 1.30pm  
**DATE:** Tuesday, 28 November 2006  
**LOCATION:** The Celtic Club  
48 Ord Street, West Perth

**This is an important document that should be read in its entirety.  
If you do not understand it, or any part of it,  
you should consult with your professional advisers without delay.**

**If you wish to discuss any aspects of this document with the Company, please contact Mr. Michael Rosenstreich, Managing Director of Bass Metals Ltd on +61 8 9322 8044.**

Notice is hereby given that the Annual General Meeting of the Shareholders of Bass Metals Ltd ("Bass Metals" or "the Company") will be held at 1.30pm on Tuesday, 28 November 2006 at The Celtic Club, 48 Ord Street, West Perth.

Words and phrases used in the Resolutions are defined in the accompanying Explanatory Statement and these words and phrases have the same meaning in this Notice of Annual General Meeting as defined in the Explanatory Statement.

### **ORDINARY BUSINESS**

#### **Financial Reports**

**To receive and consider the financial report and the directors' and auditors' reports for the year ended 30 June 2006.**

#### **RESOLUTION 1: Re-election of Director**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

**"That Mr. Don Boyer being a Director of the Company who retires by rotation pursuant to rule 11.3 of the Company's Constitution, and being eligible, is re-elected as a Director of the Company."**

#### **RESOLUTION 2: Remuneration Report**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

**"That the Remuneration Report for the year ended 30 June 2006 be adopted."**

*Note – the vote on this resolution is advisory only and does not bind the Directors or the Company.*



**SPECIAL BUSINESS**

**RESOLUTION 3: Issue of Options to Mr. Michael Rosenstreich**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

**“That pursuant to ASX Listing Rule 10.11 and section 208 of the Corporations Act and for all other purposes, that approval be and is hereby given, to issue to Mr. Michael Rosenstreich or his nominees 850,000 Options expiring 5 years from the date of issue exercisable at 27.5 cents each at any time up to and including the expiry date on the terms set out in the Explanatory Statement accompanying this Notice of Annual General Meeting. This issue of Options will occur no later than 1 month, or such later date to the extent permitted by an ASX waiver of the Listing Rules, from the date of the Annual General Meeting.”**

**RESOLUTION 4: Issue of Options to Mr. Don Boyer**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

**“That subject to Resolution 1 included in this Notice of Annual General Meeting being passed and pursuant to ASX Listing Rule 10.11 and section 208 of the Corporations Act and for all other purposes, that approval be and is hereby given, to issue to Mr. Don Boyer or his nominees 300,000 Options expiring 5 years from the date of issue exercisable at 27.5 cents each at any time up to and including the expiry date on the terms set out in the Explanatory Statement accompanying this Notice of Annual General Meeting. This issue of Options will occur no later than 1 month, or such later date to the extent permitted by an ASX waiver of the Listing Rules, from the date of the Annual General Meeting.”**

**RESOLUTION 5: Issue of Options to Mr. Craig McGown**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

**“That pursuant to ASX Listing Rule 10.11 and section 208 of the Corporations Act and for all other purposes, that approval be and is hereby given, to issue to Mr. Craig McGown or his nominees 225,000 Options expiring 5 years from the date of issue exercisable at 27.5 cents each at any time up to and including the expiry date on the terms set out in the Explanatory Statement accompanying this Notice of Annual General Meeting. This issue of Options will occur no later than 1 month, or such later date to the extent permitted by an ASX waiver of the Listing Rules, from the date of the Annual General Meeting.”**

**RESOLUTION 6: Issue of Options to Mr. Kieran Rodgers**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

**“That pursuant to ASX Listing Rule 10.11 and section 208 of the Corporations Act and for all other purposes, that approval be and is hereby given, to issue to Mr. Kieran Rodgers or his nominees 225,000 Options expiring 5 years from the date of issue exercisable at 27.5 cents each at any time up to and including the expiry date on the terms set out in the Explanatory Statement accompanying this Notice of Annual General Meeting. This issue of Options will occur no later than 1 month, or such later date to the extent permitted by an ASX waiver of the Listing Rules, from the date of the Annual General Meeting.”**

**VOTING EXCLUSION STATEMENT**

The following voting exclusion statement applies to the Resolutions under the ASX Listing Rules or where applicable, the provisions of the Corporations Act, to the following persons (“Excluded Persons”). The Company will disregard any votes on these Resolutions cast by or on behalf of the following Excluded Persons:

<b>Resolution</b>	<b>Title</b>	<b>Excluded Persons</b>
<b>Resolution 3</b>	Issue of Options to M. Rosenstreich	Mr. Michael Rosenstreich and any Associate of Mr. Michael Rosenstreich and any person or entity who might obtain a benefit, except a benefit solely in the capacity of a security holder, if the Resolution is passed and any Associate of any of those entities or persons.



Resolution	Title	Excluded Persons
<b>Resolution 4</b>	Issue of Options to D. Boyer	Mr. Don Boyer and any Associate of Mr. Don Boyer and any person or entity who might obtain a benefit, except a benefit solely in the capacity of a security holder, if the Resolution is passed and any Associate of any of those entities or persons.
<b>Resolution 5</b>	Issue of Options to C. McGown	Mr. Craig McGown and any Associate of Mr. Craig McGown and any person or entity who might obtain a benefit, except a benefit solely in the capacity of a security holder, if the Resolution is passed and any Associate of any of those entities or persons.
<b>Resolution 6</b>	Issue of Options to K. Rodgers	Mr. Kieran Rodgers and any Associate of Mr. Kieran Rodgers and any person or entity who might obtain a benefit, except a benefit solely in the capacity of a security holder, if the Resolution is passed and any Associate of any of those entities or persons.

However, the Company need not disregard a vote if cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**EXPLANATORY STATEMENT**

Shareholders are referred to the Explanatory Statement accompanying and forming part of this Notice of Annual General Meeting.

**PROXIES**

Members are encouraged to attend the meeting, but if you are unable to attend the meeting, we encourage you to complete and return the enclosed proxy form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has the right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

To vote by proxy, please complete and sign the Proxy Form enclosed with this Notice of the Annual General Meeting as soon as possible and either:

- send the Proxy Form by facsimile to the Company on +61 8 9481 2846;
- post the Proxy Form to the Company at PO Box 1330, West Perth WA 6872; or
- deliver the Proxy Form to the registered office of the Company at Suite 5, 2 Richardson Street, West Perth WA 6005.

Proxy Forms must be received by the Company not later than 48 hours before the time specified for the commencement of the Annual General Meeting.

**DATE FOR DETERMINING HOLDERS OF SHARES**

For the purposes of regulation 7.11.37 of the Corporations Act, the Directors have set 9.00am (WST) on 27 November 2006 as the time and date to determine who are the holders of the Shares in the Company for the purposes of the Annual General Meeting. Accordingly share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Annual General Meeting.

Dated this 11 October 2006  
By order of the Board

Susan Hunter  
Company Secretary



## EXPLANATORY STATEMENT TO SHAREHOLDERS

### BASS METALS LTD

ACN 109 933 995

**This Explanatory Statement has been prepared to assist shareholders of the Company in understanding the business to be put to shareholders for their consideration at the forthcoming 2006 Annual General Meeting of the Company.**

**The Directors recommend that you read this Explanatory Statement and attend the forthcoming 2006 Annual General Meeting.**

#### 1. ACTION TO BE TAKEN BY SHAREHOLDERS

This Explanatory Statement sets out information about the Resolutions to be considered by the Shareholders at the Annual General Meeting. Defined terms used in this Explanatory Statement are set out in Section 8.

Accompanying this Explanatory Statement is the Notice of Annual General Meeting convening the Annual General Meeting and a Proxy Form.

Shareholders are encouraged to attend and vote on each of the Resolutions to be put to the Annual General Meeting. If a Shareholder is not able to attend and vote at the Annual General Meeting, the Shareholder may complete the Proxy Form and return it to the registered office of the Company at the address which appears on the Notice of Meeting not later than 48 hours before the time specified for the commencement of the Annual General Meeting.

#### 2. PURPOSE OF THE ANNUAL GENERAL MEETING

The Annual General Meeting has been convened for the purpose of passing Resolutions 1 to 6 in compliance with the requirements of the ASX Listing Rules and the Corporations Act.

#### 3. ANNUAL FINANCIAL REPORTS

The Corporations Act requires the Company's financial statements and reports of the Directors and of the auditors for the year ended 30 June 2006 to be laid before the Annual General Meeting. The financial statements and the reports of the Directors and of the auditors are contained in the Company's 2006 Annual Report, a copy of which accompanies this Notice of Annual General Meeting.

While no resolution is required in relation to this item, Shareholders should consider the documents and raise any matters of interest with the Directors when this item is being considered.

The Company's auditor will also be present at the meeting and Shareholders will have an opportunity to ask the auditor questions in relation to the conduct of the audit, the auditor's report, the Company's accounting policies and the independence of the auditor.

#### 4. RESOLUTION 1: ELECTION OF DIRECTOR

It is a requirement under the Company's Constitution that one third of all directors, other than the Managing Director, retire at each annual general meeting. Accordingly, Mr. Don Boyer retires from office, and being eligible, offers himself for re-election as a Director of the Company.

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 he 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 Chairman of Western Areas NL and prior to that Managing Director of Australian Mines Ltd.

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

## **5. RESOLUTION 2: ADOPTION OF REMUNERATION REPORT**

The Remuneration Report is required to be considered for adoption in accordance with section 250R of the Corporations Act. The Remuneration Report which details the Company's policy on the remuneration of non-executive directors, executive directors and senior executives is set out on pages 22 to 25 of the Company's 2006 Annual Report distributed to Shareholders with this Notice of Annual General Meeting.

The vote on the resolution is advisory only and does not bind the Directors or the Company.

## **6. RESOLUTIONS 3, 4, 5 AND 6 – ISSUE OF OPTIONS TO DIRECTORS**

### **6.1 Regulatory Requirements**

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. Section 208 of the Corporations Act prohibits a public company giving a financial benefit to a related party unless one of a number of exceptions applies. A "financial benefit" is defined in the Corporations Act in broad terms and includes a company issuing securities. As Directors of the Company, Messrs. Rosenstreich, Boyer, McGown and Rodgers are deemed to be Related Parties of the Company for the purpose of Chapter 2E of the Corporations Act pursuant to section 228(2) of the Corporations Act.

Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a Related Party of that company, the public company must:

- (a) obtain approval of members in the way set out in sections 217 to 227; and
- (b) give the benefit within 15 months after the approval.

ASX Listing Rule 10.11 provides that a company must not issue equity securities to a Related Party without the approval of shareholders.

It is noted that pursuant to ASX Listing Rule 7.2 exception 14, where an issue of securities is made with the approval of holders of ordinary securities under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1. Under Chapter 7 of the ASX Listing Rules there are limitations on the capacity of a company to enlarge its capital by the issue of equity securities, without shareholder approval. ASX Listing Rule 7.1 provides that a company must not without shareholder approval issue during any 12 month period any equity securities, including securities with rights of conversion to equity (such as options), if the number of securities issued in the 12 month period exceeds 15% of the number of securities on issue at the commencement of that 12 month period subject to certain exceptions.

The Company is seeking shareholder approval for the purposes of fulfilling the requirements of ASX Listing Rule 10.11 and section 208 of the Corporations Act in respect of the Options proposed to be issued to Messrs. Rosenstreich, Boyer, McGown and Rodgers or their respective nominees pursuant to Resolutions 3, 4, 5 and 6 respectively.

### **6.2 Purpose of the Issue of Options to the Directors**

The success of the Company and its Shareholders depends greatly on the people employed by the Company. To maintain and improve performance, the Company has an ongoing need both to motivate and retain an excellent and dedicated management team.

The purpose of the proposed issue of Options pursuant to Resolutions 3, 4, 5 and 6 is to recognise and reward the Directors' reputations and experience as well as provide them with an additional incentive to utilise their experience and expertise to the benefit of the Company and its Shareholders.

The Options will form part of the Directors' remuneration packages and are not being issued under the Bass Metals Ltd Employee Option Plan.

### **6.3 Resolution 3 – Issue of Options to Mr. Rosenstreich**

Resolution 3 seeks Shareholder approval pursuant to ASX Listing Rule 10.11 and section 208 of the Corporations Act and for all other purposes, for the issue of 850,000 Options to Mr. Michael Rosenstreich or his nominees.

The Options proposed to be issued to Mr. Rosenstreich or his nominees pursuant to Resolution 3 expire five years from the date of issue and are exercisable at 27.5 cents each at any time up to and including the expiry date. The full terms and conditions of the Options are attached as Annexure A to this Explanatory Statement.

Under the current circumstances, the Directors (other than Mr. Rosenstreich who has abstained because of his personal interests in the Resolution) consider that the incentive represented by the Options would be a cost-effective and efficient incentive for the Company to provide, as opposed to alternative forms of incentive such as cash bonuses or increased remuneration.

The Board (other than Mr. Rosenstreich who has abstained because of his personal interests in Resolution 3) believe that:

- the overall remuneration of Mr. Rosenstreich, which will include the Options, is reasonable having regard to the Company's circumstances; and
- the issue of the Options to Mr. Rosenstreich as part of his remuneration package is reasonable having regard to the responsibilities involved in the role of Managing Director of the Company.

In accordance with the requirements of Chapter 2E of the Corporations Act and in particular section 219 and the requirements of ASX Listing Rule 10.13, the following information is provided to allow Shareholders to assess the proposed issue of Options to Mr. Rosenstreich or his nominees under Resolution 3:

- The Options will be issued to Mr. Rosenstreich (or his nominees) as part of his remuneration package as Managing Director of the Company.
- The maximum number of Options to be issued to Mr. Rosenstreich (or his nominees) is 850,000 Options.
- The issue of Options to Mr. Rosenstreich or his nominees under Resolution 3 will occur no later than 1 month, or such later date to the extent permitted by an ASX waiver of the Listing Rules, from the date of the Annual General Meeting. The allotment date of the Options proposed to be issued pursuant to Resolution 3 will be the same date as the issue date of the Options.
- Mr. Rosenstreich is a Director of the Company and is a Related Party of the Company pursuant to section 228(2) of the Corporations Act.
- The Options will be issued on the terms and conditions set out in Annexure A to this Explanatory Statement.
- The Options are being issued for no consideration and consequently no funds will be raised by the issue. Funds will be raised by the Company upon the exercise of the Options.
- An appropriate voting exclusion statement is included in the attached Notice of Annual General Meeting.
- The estimated value of an Option using the theoretical Black & Scholes pricing model is approximately 12.5 cents per Option using an implied Bass Metals share price of 22.5 cents. This equates to a total of approximately \$106,250 for the 850,000 Options proposed to be issued to Mr. Rosenstreich under Resolution 3. Refer to Section 6.8 below for more information.
- Mr. Rosenstreich's employment contract with the Company expires in July 2008 and provides for a total remuneration package amount inclusive of prescribed superannuation and Director's fees of \$210,000 per annum. During the 30 June 2006 financial year, the first year of ASX listing for the Company, Mr. Rosenstreich was paid total remuneration of \$165,052 inclusive of prescribed superannuation and Director's fees.



- Based on the current issued Shares of the Company of 56,600,013 Shares, if the 850,000 Options to be issued to Mr. Rosenstreich were to be exercised, existing Shareholders interests in the Company would be diluted by approximately 1.5% (assuming no other Shares are issued prior to the exercise of those Options).
- Mr. Rosenstreich holds 350,000 Shares, 25,000 listed options exercisable at 25 cents each expiring on 31 July 2007, 350,000 unlisted options exercisable at 30 cents each expiring on 31 December 2007 and 350,000 unlisted options exercisable at 35 cents each expiring on 31 December 2007.
- Share price information for the Company's Shares is included at section 6.7 below.
- The Directors (other than Mr. Rosenstreich who has abstained because of his personal interests in the Resolution) believe that Resolution 3 is in the best interests of the Company and the Directors (other than Mr. Rosenstreich who has abstained because of his personal interests in the Resolution) unanimously recommend Shareholders vote in favour of Resolution 3.
- Other than the material set out in this Explanatory Statement, the Directors are not aware of any other information which members of the Company would reasonably require in order to decide whether or not it is in the Company's interest to pass Resolution 3.

#### **6.4 Resolution 4 – Issue of Options to Mr. Boyer**

Resolution 4 seeks Shareholder approval pursuant to ASX Listing Rule 10.11 and section 208 of the Corporations Act and for all other purposes for the issue of 300,000 Options to Mr. Don Boyer or his nominees subject to Resolution 1 included in the Notice of Annual General Meeting being passed.

The Options proposed to be issued to Mr. Boyer or his nominees pursuant to Resolution 4 expire five years from the date of issue and are exercisable at 27.5 cents each at any time up to and including the expiry date. The full terms and conditions of the Options are attached as Annexure A to this Explanatory Statement.

Under the current circumstances, the Directors (other than Mr. Boyer who has abstained because of his personal interests in the Resolution) consider that the incentive represented by the Options would be a cost-effective and efficient incentive for the Company to provide, as opposed to alternative forms of incentive such as cash bonuses or increased remuneration.

The Board (other than Mr. Boyer who has abstained because of his personal interests in Resolution 4) believe that:

- the overall remuneration of Mr. Boyer, which will include the Options, is reasonable having regard to the Company's circumstances; and
- the issue of the Options to Mr. Boyer as part of his remuneration package is reasonable having regard to the responsibilities involved in the role of non-executive Chairman of the Company.

In accordance with the requirements of Chapter 2E of the Corporations Act and in particular section 219 and the requirements of ASX Listing Rule 10.13, the following information is provided to allow Shareholders to assess the proposed issue of Options to Mr. Boyer or his nominees under Resolution 4:

- The Options will be issued to Mr. Boyer (or his nominees) as part of his remuneration package as non-executive Chairman of the Company.
- The maximum number of Options to be issued to Mr. Boyer (or his nominees) is 300,000 Options.
- The issue of Options to Mr. Boyer or his nominees under Resolution 4 will occur no later than 1 month, or such later date to the extent permitted by an ASX waiver of the Listing Rules, from the date of the Annual General Meeting. The allotment date of the Options proposed to be issued pursuant to Resolution 4 will be the same date as the issue date of the Options.
- Mr. Boyer is a Director of the Company and is a Related Party of the Company pursuant to section 228(2) of the Corporations Act.
- The Options will be issued on the terms and conditions set out in Annexure A to this Explanatory Statement.
- The Options are being issued for no consideration and consequently no funds will be raised by the issue. Funds will be raised by the Company upon the exercise of the Options.
- An appropriate voting exclusion statement is included in the attached Notice of Annual General Meeting.



- The estimated value of an Option using the theoretical Black & Scholes pricing model is approximately 12.5 cents per Option using an implied Bass Metals share price of 22.5 cents. This equates to a total of approximately \$37,500 for the 300,000 Options proposed to be issued to Mr. Boyer under Resolution 4. Refer to Section 6.8 below for more information.
- Mr. Boyer is paid Director's fees of \$65,000 per annum as Chairman of the Company, inclusive of statutory superannuation contributions. During the 30 June 2006 financial year, the first year of ASX listing for the Company, Mr. Boyer was paid total remuneration of \$37,500 inclusive of prescribed superannuation and Director's fees.
- Based on the current issued Shares of the Company of 56,600,013 Shares, if the 300,000 Options to be issued to Mr. Boyer were to be exercised, existing Shareholders interests in the Company would be diluted by approximately 0.5% (assuming no other Shares are issued prior to the exercise of those Options).
- Mr. Boyer holds 493,000 Shares directly and 10,000 shares indirectly, 27,500 listed options exercisable at 25 cents each expiring on 31 July 2007 directly, 2,500 listed options exercisable at 25 cents each expiring on 31 July 2007 indirectly and 500,000 unlisted options exercisable at 25 cents each expiring on 31 December 2007 directly.
- Share price information for the Company's Shares is included at section 6.7 below.
- The Directors (other than Mr. Boyer who has abstained because of his personal interests in the Resolution) believe that Resolution 4 is in the best interests of the Company and the Directors (other than Mr. Boyer who has abstained because of his personal interests in the Resolution) unanimously recommend Shareholders vote in favour of Resolution 4.
- Other than the material set out in this Explanatory Statement, the Directors are not aware of any other information which members of the Company would reasonably require in order to decide whether or not it is in the Company's interest to pass Resolution 4.

## 6.5 Resolution 5 – Issue of Options to Mr. McGown

Resolution 5 seeks Shareholder approval pursuant to ASX Listing Rule 10.11 and section 208 of the Corporations Act and for all other purposes for the issue of 225,000 Options to Mr. Craig McGown or his nominees.

The Options proposed to be issued to Mr. McGown or his nominees pursuant to Resolution 5 expire five years from the date of issue and are exercisable at 27.5 cents each at any time up to and including the expiry date. The full terms and conditions of the Options are attached as Annexure A to this Explanatory Statement.

Under the current circumstances, the Directors (other than Mr. McGown who has abstained because of his personal interests in the Resolution) consider that the incentive represented by the Options would be a cost-effective and efficient incentive for the Company to provide, as opposed to alternative forms of incentive such as cash bonuses or increased remuneration.

The Board (other than Mr. McGown who has abstained because of his personal interests in Resolution 5) believe that:

- the overall remuneration of Mr. McGown, which will include the Options, is reasonable having regard to the Company's circumstances; and
- the issue of the Options to Mr. McGown as part of his remuneration package is reasonable having regard to the responsibilities involved in his role as a non-executive Director of the Company.

In accordance with the requirements of Chapter 2E of the Corporations Act and in particular section 219 and the requirements of ASX Listing Rule 10.13, the following information is provided to allow Shareholders to assess the proposed issue of Options to Mr. McGown or his nominees under Resolution 5:

- The Options will be issued to Mr. McGown (or his nominees) as part of his remuneration package as a non-executive Director of the Company.
- The maximum number of Options to be issued to Mr. McGown (or his nominees) is 225,000 Options.
- The issue of Options to Mr. McGown or his nominees under Resolution 5 will occur no later than 1 month, or such later date to the extent permitted by an ASX waiver of the Listing Rules, from the date of the Annual General Meeting. The allotment date of the Options proposed to be issued pursuant to Resolution 5 will be the same date as the issue date of the Options.
- Mr. McGown is a Director of the Company and is a Related Party of the Company pursuant to section 228(2) of the Corporations Act.



- The Options will be issued on the terms and conditions set out in Annexure A to this Explanatory Statement.
- The Options are being issued for no consideration and consequently no funds will be raised by the issue. Funds will be raised by the Company upon the exercise of the Options.
- An appropriate voting exclusion statement is included in the attached Notice of Annual General Meeting.
- The estimated value of an Option using the theoretical Black & Scholes pricing model is approximately 12.5 cents per Option using an implied Bass Metals share price of 22.5 cents. This equates to a total of approximately \$28,125 for the 225,000 Options proposed to be issued to Mr. McGown under Resolution 5. Refer to Section 6.8 below for more information.
- Mr. McGown is paid Director's fees of \$40,000 per annum as a non-executive Director of the Company, inclusive of statutory superannuation contributions. During the 30 June 2006 financial year, the first year of ASX listing for the Company, Mr. McGown was paid total remuneration of \$17,391 inclusive of prescribed superannuation and Director's fees.
- Based on the current issued Shares of the Company of 56,600,013 Shares, if the 225,000 Options to be issued to Mr. McGown were to be exercised, existing Shareholders interests in the Company would be diluted by approximately 0.4% (assuming no other Shares are issued prior to the exercise of those Options).
- Mr. McGown holds 10,001 Shares directly and 879,530 Shares indirectly, 2,500 listed options exercisable at 25 cents each expiring on 31 July 2007 directly, 37,500 listed options exercisable at 25 cents each expiring on 31 July 2007 indirectly and 400,000 unlisted options exercisable at 25 cents each expiring on 31 December 2007 indirectly.
- Share price information for the Company's Shares is included at section 6.7 below.
- The Directors (other than Mr. McGown who has abstained because of his personal interests in the Resolution) believe that Resolution 5 is in the best interests of the Company and the Directors (other than Mr. McGown who has abstained because of his personal interests in the Resolution) unanimously recommend Shareholders vote in favour of Resolution 5.
- Other than the material set out in this Explanatory Statement, the Directors are not aware of any other information which members of the Company would reasonably require in order to decide whether or not it is in the Company's interest to pass Resolution 5.

## **6.6 Resolution 6 – Issue of Options to Mr. Rodgers**

Resolution 6 seeks Shareholder approval pursuant to ASX Listing Rule 10.11 and section 208 of the Corporations Act and for all other purposes for the issue of 225,000 Options to Mr. Kieran Rodgers or his nominees.

The Options proposed to be issued to Mr. Rodgers or his nominees pursuant to Resolution 6 expire five years from the date of issue and are exercisable at 27.5 cents each at any time up to and including the expiry date. The full terms and conditions of the Options are attached as Annexure A to this Explanatory Statement.

Under the current circumstances, the Directors (other than Mr. Rodgers who has abstained because of his personal interests in the Resolution) consider that the incentive represented by the Options would be a cost-effective and efficient incentive for the Company to provide, as opposed to alternative forms of incentive such as cash bonuses or increased remuneration.

The Board (other than Mr. Rodgers who has abstained because of his personal interests in Resolution 6) believe that:

- the overall remuneration of Mr. Rodgers, which will include the Options, is reasonable having regard to the Company's circumstances; and
- the issue of the Options to Mr. Rodgers as part of his remuneration package is reasonable having regard to the responsibilities involved in the role as a non-executive Director of the Company.

In accordance with the requirements of Chapter 2E of the Corporations Act and in particular section 219 and the requirements of ASX Listing Rule 10.13, the following information is provided to allow Shareholders to assess the proposed issue of Options to Mr. Rodgers or his nominees under Resolution 6:

- The Options will be issued to Mr. Rodgers (or his nominees) as part of his remuneration package as a non-executive Director of the Company.



- The maximum number of Options to be issued to Mr. Rodgers (or his nominees) is 225,000 Options.
- The issue of Options to Mr. Rodgers or his nominees under Resolution 6 will occur no later than 1 month, or such later date to the extent permitted by an ASX waiver of the Listing Rules, from the date of the Annual General Meeting. The allotment date of the Options proposed to be issued pursuant to Resolution 6 will be the same date as the issue date of the Options.
- Mr. Rodgers is a Director of the Company and is a Related Party of the Company pursuant to section 228(2) of the Corporations Act.
- The Options will be issued on the terms and conditions set out in Annexure A to this Explanatory Statement.
- The Options are being issued for no consideration and consequently no funds will be raised by the issue. Funds will be raised by the Company upon the exercise of the Options.
- An appropriate voting exclusion statement is included in the attached Notice of Annual General Meeting.
- The estimated value of an Option using the theoretical Black & Scholes pricing model is approximately 12.5 cents per Option using an implied Bass Metals share price of 22.5 cents. This equates to a total of approximately \$28,125 for the 225,000 Options proposed to be issued to Mr. Rodgers under Resolution 6. Refer to Section 6.8 below for more information.
- Mr. Rodgers is paid Director's fees of \$40,000 per annum as a non-executive Director of the Company, inclusive of statutory superannuation contributions. During the 30 June 2006 financial year, the first year of ASX listing for the Company, Mr. Rodgers was paid total remuneration of \$17,391 inclusive of prescribed superannuation and Director's fees.
- Based on the current issued Shares of the company of 56,600,013 Shares, if the 225,000 Options to be issued to Mr. Rodgers were to be exercised, existing Shareholders interests in the Company would be diluted by approximately 0.4% (assuming no other Shares are issued prior to the exercise of those Options).
- Mr. Rodgers holds 48,108 Shares directly and 11,725,946 shares indirectly, 2,000,000 listed options exercisable at 25 cents each expiring on 31 July 2007 indirectly and 250,000 unlisted options exercisable at 25 cents each expiring on 31 December 2007 indirectly.
- Share price information for the Company's Shares is included at section 6.7 below.
- The Directors (other than Mr. Rodgers who has abstained because of his personal interests in the Resolution) believe that Resolution 6 is in the best interests of the Company and the Directors (other than Mr. Rodgers who has abstained because of his personal interests in the Resolution) unanimously recommend Shareholders vote in favour of Resolution 6.
- Other than the material set out in this Explanatory Statement, the Directors are not aware of any other information which members of the Company would reasonably require in order to decide whether or not it is in the Company's interest to pass Resolution 6.

## 6.7 Share Price Information

The Company's Shares are quoted on ASX. The highest and lowest market sales prices of Bass Metals' Shares on ASX since quotation on 20 October 2005 and the respective dates of those sales were:

Highest: 29.5 cents on 11 September 2006

Lowest: 14 cents on 30 and 31 March 2006

The latest available closing price of Bass Metals' Shares on ASX prior to the date of this Notice of Annual General Meeting was 22.5 cents per Share on 10 October 2006.

## 6.8 Valuation of Options

### *Value of Options*

Based on the share price of the Company's Shares on the ASX on 10 October 2006 of 22.5 cents per Share and the exercise price of the Options of 27.5 cents each, the value of the Options based on their intrinsic value has been assessed at nil.

However, it can be argued that Options have a value which can be assessed using various theoretical valuation methodologies. These theoretical models are designed to allow for the intrinsic value, the time value of money and the volatility of the share price movement. The most common valuation method is the Black & Scholes valuation model.

#### *The Black & Scholes Method*

In accordance with a policy requirement of ASIC, the Company notes that it attributes a value of 12.5 cents per Option to be issued pursuant to Resolutions 3, 4, 5 and 6. This value, which was provided to the Company by an independent firm of corporate advisors on 10 October 2006, was arrived at using the Black & Scholes valuation method.

The calculation is based on the following inputs and assumptions:

- (a) The price of the underlying Share is 22.5 cents (being the share price of the Company's Shares on the ASX on 10 October 2006).
- (b) Exercise price of 27.5 cents.
- (c) A volatility factor of 65% (based on average monthly volatility of Bass Metals' Shares since listing on 20 October 2005).
- (d) A risk free interest rate of 5.8% (being the market yield on 5 year Australian Government Bonds as at 10 October 2006).
- (e) An expiry date of 10 October 2011.

In deriving the valuation the Black & Scholes model relies upon the following assumptions:

- (a) That the options are European call options (in that they can only be exercised on the expiry date; unlike an American option, which can be exercised at any time during the period).
- (b) There are no transaction costs, options and shares are infinitely divisible, and information is available to all without cost.
- (c) Short selling is allowed without restriction or penalty.
- (d) The risk free rate of interest is known and constant throughout the duration of the option contract.
- (e) The underlying shares do not pay a dividend.
- (f) Share prices behave in a manner consistent with a random walk in continuous time.

The valuation using the Black & Scholes Model does not take into account the following terms of the Options proposed to be issued to Messrs. Rosenstreich, Boyer, McGown and Rodgers:

- (a) The Options are American options (i.e. not European), and are exercisable at any time until their expiry date five years from the date of issue.
- (b) The Options are not transferable.
- (c) The Options are not listed.
- (d) If the Optionholder ceases to be an officer or employee of the Company for any reason including resignation, redundancy, termination of office or termination of agreement, the Options will lapse upon the expiration of 30 days from the date the Optionholder ceases to be an officer or employee of the Company.

The restrictive nature of these factors is likely to have a negative impact on the value calculated for the Options under the Black-Scholes Model. Because of issues of subjectivity, the valuation has not been adjusted for the matters noted above.

Any change in the variables applied in the Black & Scholes model prior to the date the Options are granted would have an impact on their value.

The Options proposed to be issued will only have value if on the date that the Options are exercised, the market price of the Company's shares exceeds the exercise price of the Options. In these circumstances, recipients of the Options will obtain a financial benefit equivalent to the difference between the market value and exercise price.

## **7. ROLE OF ASX and ASIC**

The fact that the Notice of Annual General Meeting and Explanatory Statement have been reviewed by ASX and ASIC is not to be taken as an indication of the merits of the Resolutions. ASX, ASIC and their respective officers take no responsibility for any decision a Shareholder may make in reliance on any information included in the Notice of Annual General Meeting and Explanatory Statement.

## 8. DEFINITIONS

In this Explanatory Memorandum:

**Annual General Meeting** means the meeting of the Shareholders convened for the purposes (including others) of considering the Resolutions contained in the Notice of Annual General Meeting.

**ASX** means Australian Stock Exchange Limited, ACN 008 624 691.

**Bass Metals** means Bass Metals Ltd, ACN 109 933 995.

**Board** means the Board of Directors of the Company.

**Company** means Bass Metals Ltd, ACN 109 933 995.

**Constitution** means the constitution of Bass Metals Ltd, ACN 109 933 995.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Director** means a director of the Company.

**Explanatory Statement** means the explanatory statement accompanying the Notice of Annual General Meeting.

**Listing Rules** means the Listing Rules of the ASX.

**Notice of Annual General Meeting** means the notice convening the Annual General Meeting accompanying this Explanatory Statement.

**Option** means an option issued pursuant to the terms and conditions included in the attached Annexure A to this Notice of Annual General Meeting and Explanatory Statement.

**Optionholder** means a person entered in the Company's register as a holder of an Option.

**Proxy Form** means the form of proxy accompanying this Notice of Annual General Meeting.

**Related Party** means a party so defined by section 228 of the Corporations Act.

**Resolution** means a resolution proposed to be passed at the Annual General Meeting and contained in the Notice of Annual General Meeting.

**Share** means a fully paid ordinary share in the Company.

**Shareholder** means a person entered in the Company's register as a holder of a Share.



## ANNEXURE A

### Terms of the Options proposed to be issued pursuant to Resolutions 3, 4, 5 and 6

- (a) The Options will be issued for nil consideration.
- (b) The exercise price of each Option is 27.5 cents ("the Exercise Price").
- (c) Each Option shall entitle the holder to subscribe for and to be allotted one Share in the capital of the Company upon exercise of the Option and payment to the Company of the Exercise Price.
- (d) The Options may be exercised on or before five years from the date of issue ("the Expiry Date").
- (e) An Option may be exercised by the Optionholder at any time prior to the Expiry Date by sending a completed and signed notice of exercise, together with the payment of the Exercise Price and the certificate for the Option, to the Company's registered office. If the Optionholder holds more than one Option, the Options may be exercised in whole or in part.
- (f) A notice of exercise is only effective when the Company has received the full amount of the Exercise Price in cash or cleared funds.
- (g) Within 14 days of receipt of a properly executed notice of exercise and the required application moneys and subject to compliance with any restrictions in the ASX Listing Rules and the Corporations Act 2001, the number of Shares specified in the notice will be allotted.
- (h) Each certificate will bear a suitable form of notice of exercise of the Options for completion by the Optionholder (if required). If the Options comprised in any such certificate are exercised in part only, before the Expiry Date, the Company will issue the Optionholder with a fresh certificate for the balance of the Options held and not yet exercised.
- (i) The period during which the Options may be exercised will not be extended.
- (j) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of securities offered to Shareholders during the currency of the Options. The Optionholder can participate in new issues of securities offered to Shareholders if the Option is exercised before the relevant record date for that new issue. The Company will ensure for the purposes of determining entitlements to any such issue, the record date announced will give Optionholders sufficient opportunity to exercise their Options before the date for determining entitlements to participate in any issue, subject to compliance with the ASX Listing Rules.
- (k) If, from time to time, before the expiry of the Options the Company makes a bonus issue of Shares to Shareholders for no consideration, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the Optionholder would have received if the Option had been exercised before the date for calculating entitlements to the bonus issue.
- (l) In the event of any reconstruction (including consolidation, subdivision, reduction, cancellation or return) of the issued capital of the Company before the expiry of any Options, all rights of the Optionholder, will be reconstructed (as appropriate) in accordance with the ASX Listing Rules applying to a re-organisation of capital at the time of the re-organisation.
- (m) Shares allotted pursuant to the exercise of the Options will rank equally with the then issued Shares of the Company.
- (n) The Company undertakes to apply for quotation by ASX of all Shares allotted pursuant to the exercise of any Options, within 10 business days of the date of allotment of those new Shares.
- (o) The Option does not confer the right to a change in Exercise Price, or a change to the number of underlying securities over which it can be exercised, subject to paragraphs (k) and (l).
- (p) The Options are not transferable.
- (q) There will be no transfer restrictions on Shares allotted pursuant to the exercise of any of the Options unless the sale by the Optionholder of those Shares would require the preparation of a disclosure document (as that term is defined in the Corporations Act 2001). If a disclosure document is, or would be, required the Optionholder must enter into such arrangements with the Company as the Company considers appropriate to prevent the Optionholder from dealing with those Shares for the period during which the disclosure document would be required.
- (r) If the Optionholder ceases to be an officer or employee of the Company for any reason including resignation, redundancy, termination of office or termination of agreement, the Options will lapse upon the expiration of 30 days from the date the Optionholder ceases to be an officer or employee of the Company.
- (s) The Options will not be quoted on ASX.

## INSTRUCTIONS FOR COMPLETING THE PROXY FORM

1. To vote by proxy, please complete and sign the Proxy Form enclosed with this Notice of General Meeting as soon as possible and either:
  - send the Proxy Form by facsimile to the Company on +61 8 9481 2846;
  - post the Proxy Form to the Company at PO Box 1330, West Perth WA 6872; or
  - deliver the Proxy Form to the registered office of the Company at Suite 5, 2 Richardson Street, West Perth WA 6005.
2. Proxy Forms must be received by the Company not later than 48 hours before the time specified for the commencement of the General Meeting.
3. A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights.
4. \*If two proxies are appointed you may delete "all" and insert the relevant number or proportion of shares in respect of which each such appointment is made. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
5. Should you desire to direct your proxy how to vote, place a cross in the appropriate box for each item, otherwise your proxy may vote as your proxy thinks fit or abstain from voting.
6. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
7. Corporate Shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provision of section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
  - 2 directors of the company;
  - a director and a company secretary of the company; or
  - for a proprietary company that has a sole director who is also the sole company secretary – that director.
8. Completion of a Proxy Form will not prevent individual Shareholders from attending the meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the meeting in person, the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the meeting.
9. Where a Proxy Form or form of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged with this proxy.



**BASS METALS LTD**

**ACN 109 933 995**

**FORM OF PROXY**

I/We (print name) .....  
of

.....  
a member/members of Bass Metals Ltd (ACN 109 933 995) hereby appoint

.....  
of

.....  
or failing him/her

.....  
of .....  
or failing him/her, the Chairman of the meeting, as my/our proxy at the Annual General Meeting of the Company to be held commencing at **1.30pm on Tuesday, 28 November 2006**, and at any adjournment thereof and to vote for me/us on my/our behalf in respect of all/the following\*

.....  
of my/our shares in the manner as set out below.

**In relation to any undirected proxies the Chairman intends to vote in favour of all Resolutions.**

**If you do not wish to instruct your proxy how to vote, please place a cross in the box.**

By marking this box you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
<b>Resolution 1</b> Re-election of Director – Mr. Boyer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 2</b> Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 3</b> Issue of Options to Mr. Rosenstreich	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 4</b> Issue of Options to Mr. Boyer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 5</b> Issue of Options to Mr. McGown	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 6</b> Issue of Options to Mr. Rodgers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Dated this ..... day of ..... 2006.

**Signature of Member/s**

**Individuals and joint holders**

**Companies (affix common seal if appropriate)**

Signature		Director/Sole Director
Signature		Director/Company Secretary
Signature		Sole Director and Sole Company Secretary